Hotel Room Availability

Exhibit IV-14 details the range of available hotel rooms in each of the comparable markets.

Exhibit IV-14
Comparison of Available Hotel Rooms
Comparable Markets

<table>
<thead>
<tr>
<th>Market</th>
<th>Available Hotel Rooms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tucson, AZ</td>
<td>14,400</td>
</tr>
<tr>
<td>Covington, KY</td>
<td>10,500</td>
</tr>
<tr>
<td>Greenville, SC</td>
<td>7,900</td>
</tr>
<tr>
<td>Arlington, TX</td>
<td>6,500</td>
</tr>
<tr>
<td>Gatlinburg, TN</td>
<td>6,000</td>
</tr>
<tr>
<td>Pueblo, CO</td>
<td>6,000</td>
</tr>
<tr>
<td>Monterey, CA</td>
<td>4,500</td>
</tr>
<tr>
<td>Kenner, LA</td>
<td>4,000</td>
</tr>
<tr>
<td>Hot Springs, AR</td>
<td>4,000</td>
</tr>
<tr>
<td>Bellevue, WA</td>
<td>3,100</td>
</tr>
<tr>
<td>Boise, ID</td>
<td>2,400</td>
</tr>
<tr>
<td>Ogden, UT</td>
<td>1,600</td>
</tr>
<tr>
<td>Ocean City, MD</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Average = 5,900

N/A: not available
(1) Figure represents San Mateo County, CA (in which S. San Francisco lies)
Source: Convention & Visitor Bureau, 2002.

As shown, Tucson, Arizona offers the greatest number of hotel rooms within the selected comparable markets, with approximately 14,400. The approximate 4,500 total hotel rooms available in Monterey ranks at the median of the selected set of markets, although it is somewhat below the overall average of approximately 5,900.
IV. Market Survey Analysis

To form a basis for the market analysis, detailed surveys were completed with meeting planners representing various key event segments that could utilize conference facilities in Monterey. This data provides a basis for estimates of potential event activity associated with the use of the State Theater, and specific facility features that may be needed to successfully use the Theater as a meeting venue. Individual telephone interviews were completed with representatives of state, regional, national corporate and association event planners. In addition, surveys of past Conference Center users were also conducted to gauge overall satisfaction with the current product.

This chapter consists of the following sections:

- Research Methods
- Analysis of California and National Corporations
- Analysis of National and Regional Convention Event Potential
- Analysis of Past Conference Center Users

Research Methods

Telephone surveys of primary conference center markets were conducted to evaluate the potential market demand for space in the Monterey market in general, and specifically the State Theater. The size of the survey samples were as follows:

<table>
<thead>
<tr>
<th>Survey Group</th>
<th>Completed Interviews</th>
</tr>
</thead>
<tbody>
<tr>
<td>California Corporations</td>
<td>22</td>
</tr>
<tr>
<td>National Corporations</td>
<td>48</td>
</tr>
<tr>
<td>National/Regional Associations</td>
<td>175</td>
</tr>
<tr>
<td>State Associations</td>
<td>30</td>
</tr>
<tr>
<td>Past Center Users</td>
<td>16</td>
</tr>
</tbody>
</table>
Analysis of California and National Corporations

Non-local off-site corporate events can contribute a significant amount of usage at conference facilities. These events typically consist of corporate retreats, training, board meetings and incentive trips. The corporate event market is a growing and continually changing source of event activity for all facilities across the country. These events tend to be booked on short notice and can generate high room rates and large amounts of food and beverage spending.

Historically, the Monterey Conference Center has hosted non-local corporations primarily from the state of California. Approximately 70 corporate events have been held annually at the Center over the past several years. Corporations from within California and across the country were surveyed in order to determine interest in the Monterey Conference Center. Using a database provided by Meeting Professionals International, a sample was taken of major corporations that hold off-site/out-of-town meetings.

The types of potential corporate events that have and will continue to use the Monterey Conference Center include the following:

- Incentive Trips
- Sales Meetings
- High Level Client Events
- Annual Board Meetings
- Partner Retreats
- Team Meetings
- Marketing Advisory Panel
- Customer Appreciation
- Continuing Education
- Thought Leadership Programs

A primary focus of this analysis is on corporate events originating from within California. As noted above, these events have traditionally been a prime user of the Monterey Conference Center, and will likely continue to be into the future. However, Monterey has a truly international reputation as a resort destination. Corporate events focusing on incentive trips, high level board retreats, key customer events and related functions from a national perspective may represent an important target market for the Center, and the State Theater may play a role in attracting this market. This issue of national event potential is also explored within this section.

A total of 70 corporate surveys were conducted. A compilation of the results by respondent is presented in Appendix 2 to this report.

In total, 22 corporations from within California, and 48 from the rest of the country responded to the survey. The set of non-California corporations was generally distributed evenly throughout the country.
Exhibit V-1 presents a summary of past utilization of Monterey event facilities by non-local corporate meeting planners.

Exhibit V-1
Past Utilization of Monterey Event Facilities
All Respondents

California Corporations

No
14%

Yes
86%

Other States Corporations

Yes
24%

No
76%

Source: MPI Member Survey, 2002.

As presented, approximately 86 percent of California corporations surveyed have utilized Monterey event facilities in the past. Approximately 24 percent of non-local corporations outside of California have utilized facilities in Monterey. The 24 percent is very comparable to results of similar market research conducted by CSL for major visitor destinations in the United States. Examples of facilities used in the Monterey region include the Monterey Conference Center, Hyatt Regency, Monterey Marriott and the Lodge at Pebble Beach.
Exhibit V-2 below presents the likelihood of surveyed non-local corporations bringing an event to Monterey.

### Exhibit V-2
Likelihood of Non-Local Corporations Utilizing Monterey Conference Facilities

**California Corporations**
- Definitely Use: 12%
- Likely Use: 11%
- Possibly Use: 25%
- Not Likely: 41%

<table>
<thead>
<tr>
<th>Likelihood</th>
<th>Positive response</th>
<th>Negative response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Definitely Use</td>
<td>53%</td>
<td>47%</td>
</tr>
<tr>
<td>Likely Use</td>
<td>71%</td>
<td>28%</td>
</tr>
</tbody>
</table>

Source: MPI Member Survey, 2002.

**Other States Corporations**
- Definitely Use: 9%
- Likely Use: 19%
- Possibly Use: 47%
- Not Likely: 29%

<table>
<thead>
<tr>
<th>Likelihood</th>
<th>Positive response</th>
<th>Negative response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Definitely Use</td>
<td>53%</td>
<td>47%</td>
</tr>
<tr>
<td>Likely Use</td>
<td>71%</td>
<td>28%</td>
</tr>
</tbody>
</table>

Avg. number of potential events per organization = 1.8

As presented in the exhibit above, non-local corporate event planners from California and outside of California had a strong positive response to utilizing Monterey conference facilities. Approximately 53 percent of California non-local corporations and 72 percent of non-local corporations outside of California had a positive response to utilizing Monterey facilities. These response levels are very high relative to studies we have conducted in other markets around the country.

The strength of the response overall denotes the significant appeal the Monterey market has with the non-local corporate event market. Just as importantly, the positive response level from non-California corporations highlights the national appeal of the destination and suggests that the facility needs of this event segment should be considered when evaluating the future of the State Theater.
Exhibit V-3 presents a summary of the number of events that non-local corporations may consider hosting in Monterey if the facilities met the needs of their event. Overall, approximately 33 percent of California non-local corporations surveyed would consider bringing one event to Monterey, and 23 percent would consider bringing two or more events to Monterey. Additionally, approximately 53 percent of non-local corporations outside of California would consider bringing one event to Monterey, and 19 percent would consider bringing two or more events to Monterey.

Exhibit V-3
Number of Events Non-Local Corporations Might Consider Bringing to Monterey
All Respondents

California Corporations

<table>
<thead>
<tr>
<th>Events</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Five or More</td>
<td>6%</td>
</tr>
<tr>
<td>Four</td>
<td>0%</td>
</tr>
<tr>
<td>Three</td>
<td>6%</td>
</tr>
<tr>
<td>Two</td>
<td>11%</td>
</tr>
<tr>
<td>One</td>
<td>33%</td>
</tr>
<tr>
<td>Zero</td>
<td>44%</td>
</tr>
</tbody>
</table>

Other States Corporations

<table>
<thead>
<tr>
<th>Events</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Five or More</td>
<td>0%</td>
</tr>
<tr>
<td>Four</td>
<td>3%</td>
</tr>
<tr>
<td>Three</td>
<td>3%</td>
</tr>
<tr>
<td>Two</td>
<td>13%</td>
</tr>
<tr>
<td>One</td>
<td>51%</td>
</tr>
<tr>
<td>Zero</td>
<td>26%</td>
</tr>
</tbody>
</table>

Source: MPI Member Survey, 2002.

Cited examples of reasons given by non-local corporate event planners for their lack of interest in Monterey are presented below.

- "Our company only holds off-site events in major markets."
- "Monterey is too far away and too expensive to get to."
- "I only plan meetings where our branches are located."
- "The drive from Monterey to a major airport is too long."
- "We only hold our meetings near major financial markets."
Exhibit V-4 summarizes display space requirements of non-local corporate event planners with an interest in Monterey. With the exception of major events, typical corporate events are more meeting-intensive than exhibit focused. Approximately 44 percent of the non-local California corporations required exhibit space. Approximately 55 percent of non-local corporations from outside of California require exhibit space. The average amount of exhibit space required by non-local corporations from California is approximately 4,000 square feet while corporations outside of California required approximately 3,000 square feet, amounts the Monterey Conference Center can accommodate.

Exhibit V-4
Exhibit Space Requirements - Non-Local Corporations

<table>
<thead>
<tr>
<th>California Corporations</th>
<th>Other States Corporations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Require Exhibit Space</td>
<td>Require Exhibit Space</td>
</tr>
<tr>
<td>44%</td>
<td>55%</td>
</tr>
<tr>
<td>Do Not Require Exhibit</td>
<td>Don't Require Exhibit</td>
</tr>
<tr>
<td>56%</td>
<td>45%</td>
</tr>
</tbody>
</table>

Average Space Required for MPI Members Using Exhibit Space
4,000 sq. ft. 3,000 sq. ft.

Note: Reflects all potential MPI events for the Monterey Conference Center. Source: MPI Member Survey, 2002.
Exhibit V-5 presents an estimation of potential non-local event attendance for the Monterey corporate event market.

### Exhibit V-5
Estimated of Attendance of Events – Non-Local Corporations

#### California Corporations
- 51-100: 23%
- 101-150: 8%
- 151+: 23%

Average Attendance of Events = 140

#### Other States Corporations
- 101-150: 4%
- 51-100: 24%
- 151+: 32%
- 1-50: 40%

Average Attendance of Events = 130

Note: Refeats all potential MEP events for the Monterey Conference Center.
Source: MEP Member Survey, 2002.

Corporate event planners are often responsible for numerous events ranging in attendance levels from 10 to 20 people at a board-type meeting, to several thousand for training, product launch and shareholder events. The survey process for this study summarized above focuses on average attendance data as opposed to attendance at the largest event. As presented in the exhibit above, the attendance of non-local corporate events varies with 23 to 32 percent of the state and national market respectively generating attendance levels over 151. The average attendance level for corporate events ranges from 130 to 140. The average attendance level for corporate events held at the Monterey Conference Center in the past approximates 250.

As noted above, this data focuses on average attendance levels as opposed to attendance at the largest event. On a national basis, the 2002 Meetings and Conventions Market Report estimates that there are over 50,000 corporate events with attendance levels of between 500 and 1,000. For project planning purposes, it is the segment of the market with higher attendance levels that will need to be focused on. These events will impact the level of event activity that could be generated with the availability of the State Theater.
Exhibit V-6 provides an indication as to the total hotel rooms required on the peak night for non-local corporate event planners surveyed. The average number of hotel rooms required by non-local corporations from California and the rest of the country is 100 and 90, respectively. The majority of non-local corporate events' room block can be accommodated in one hotel property.

Exhibit V-6
Hotel Rooms Required on the Peak Night of an Event - Non-Local Corporations

California Corporations

<table>
<thead>
<tr>
<th>Range</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>51-100</td>
<td>23%</td>
</tr>
<tr>
<td>101-150</td>
<td>15%</td>
</tr>
<tr>
<td>1-50</td>
<td>25%</td>
</tr>
<tr>
<td>151+</td>
<td>15%</td>
</tr>
</tbody>
</table>

Average Hotel Rooms Required = 100

Other States Corporations

<table>
<thead>
<tr>
<th>Range</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>51-100</td>
<td>12%</td>
</tr>
<tr>
<td>101-150</td>
<td>17%</td>
</tr>
<tr>
<td>1-50</td>
<td>54%</td>
</tr>
<tr>
<td>151+</td>
<td>17%</td>
</tr>
</tbody>
</table>

Average Hotel Rooms Required = 90

Note: Reflects all potential HP events for the Monterey Conference Center.
Source: MPI Member Survey, 2002.
Exhibit V-7 outlines event seasonality for those non-local corporate groups expressing interest in the Monterey Conference Center.

Exhibit V-7
Event Seasonality –
Non-Local Corporations

<table>
<thead>
<tr>
<th>California Corporations</th>
<th>Other States Corporations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Spring</strong></td>
<td><strong>Spring</strong></td>
</tr>
<tr>
<td>March</td>
<td>March</td>
</tr>
<tr>
<td>April</td>
<td>April</td>
</tr>
<tr>
<td>May</td>
<td>May</td>
</tr>
<tr>
<td>24%</td>
<td>24%</td>
</tr>
<tr>
<td><strong>Summer</strong></td>
<td><strong>Summer</strong></td>
</tr>
<tr>
<td>June</td>
<td>June</td>
</tr>
<tr>
<td>July</td>
<td>July</td>
</tr>
<tr>
<td>August</td>
<td>August</td>
</tr>
<tr>
<td>29%</td>
<td>26%</td>
</tr>
<tr>
<td><strong>Fall</strong></td>
<td><strong>Fall</strong></td>
</tr>
<tr>
<td>September</td>
<td>September</td>
</tr>
<tr>
<td>October</td>
<td>October</td>
</tr>
<tr>
<td>35%</td>
<td>35%</td>
</tr>
<tr>
<td><strong>Winter</strong></td>
<td><strong>Winter</strong></td>
</tr>
<tr>
<td>November</td>
<td>November</td>
</tr>
<tr>
<td>December</td>
<td>December</td>
</tr>
<tr>
<td>February</td>
<td>February</td>
</tr>
<tr>
<td>12%</td>
<td>24%</td>
</tr>
</tbody>
</table>

Note: Reflects all potential MPI events for the Monterey Conference Center.
Source: MPI Member Survey, 2002.

As presented above, the seasonality of non-local corporations from California varies with a significant amount of activity taking place during the fall season. As is generally the case, seasonality for non-local corporations’ from outside of California remains very consistent throughout the year.

To assess potential use of the State Theater from corporate events, meeting planners were questioned as to their plenary session/fixed seating space requirements. As presented in Exhibit V-8 on the following page, there is a fairly strong interest in utilizing in tiered seating or auditorium space by corporations. Specifically, 64 percent of California events and 44 percent of nationally sponsored events would definitely, likely or possibly consider use of tiered seating space. Within this set of response, 28 percent of California events would definitely or likely use such space, while 22 percent of national events would definitely or likely use such space. This represents a significant base of event activity that could be positioned to use general session/meeting space associated with the State Theater, particularly when the Conference Center is booked for other activity.
Exhibit V-8
Interest in Utilizing an Auditorium or Tiered Seating - Non-Local Corporations

As previously noted, the large majority of corporate events draw less than 500 attendees. However, there are a significant number of events that draw between 500 and 1,000 attendees including product launches, training events and shareholder events. In pursuing these events, issues associated with the location and condition of the Theater will need to be addressed from a marketing and facility development standpoint. A marketing program highlighting the climate of the area, close proximity of the Theater and related features will be important in maximizing use of the Theater. From a physical standpoint, incorporating internet access, high-end production and lighting equipment, quality acoustics and related features will also be necessary to position the Theater to accommodate meeting and conference events.

Lastly, corporate events tend to book on short notice. It will be important to ensure that performance events that are using the Theater leave open the possibility of day-time meeting and conference activity.

Analysis of National and Regional Convention Event Potential

National and regional associations are membership-based organizations that typically have annual conventions that rotate among various cities throughout the U.S. In sum, more than 200 interviews were completed with associations, corporations, SMERF (Social, Military, Educational, Religious and Fraternal) and other events.
Convention representatives were questioned as to their interest in holding an event at the Monterey Conference Center. Some organizers responded negatively to holding events in Monterey due to the market's geographical location, lack of delegates in the area or region, rotational policies, preference of hotel facilities and other related issues as discussed later in this chapter.

Exhibit V-9 below presents a summary of past use of Monterey convention facilities by national conventions and tradeshows surveyed.

![Exhibit V-9](image)

As shown, approximately 89 percent of interested conventions and 90 percent of all events surveyed have not previously utilized Monterey convention facilities for their event(s). This represents a significant source of potential business for an expanded Monterey Conference Center. It is estimated that, with increased marketing of an expanded Center, it will be possible to capture a portion of this large event pool.

**Results Related to an Interest in an Expanded Center**

Following several introductory questions (the results of which will be subsequently discussed), national/regional convention respondents were asked to indicate the likelihood of their organization using an expanded Center assuming it met the needs of their event. Responses related to national groups surveyed are presented in Exhibit V-10 on the following page.
National convention and tradeshow event planners were given various options of indicating interest in holding an event at an expanded Center from “definitely” to “definitely not” hold an event. Interviews with national convention and tradeshow representatives preliminarily indicated a moderate to moderately strong interest in using an expanded Center, assuming it met their needs. A significant percentage of the noted positive interest (32 percent) can be viewed as “tentative” interest (i.e., those that indicated “possibly” hold an event at the Center, rather than “likely” or “definitely”). The cumulative positive response (“definitely”, “likely” and “possibly” use) totaled 42 percent, with 10 percent of national associations surveyed indicating that they would likely utilize the Center and two percent of respondents indicating that they would “definitely use” the facility. This level is consistent with surveys previously conducted by CSL for other markets, for example:

Boise, Idaho: 30 percent
Vail, Colorado: 34 percent
West Hollywood, California: 36 percent
Gulf Coast, Mississippi: 37 percent
Pasadena, California: 37 percent
South San Francisco, California: 38 percent
South Lake Tahoe: 45 percent

It should be noted that the above survey comparison information may reflect slightly different data sources and sample characteristics, however it does provide an indication as to the
comparative strength of the Monterey market in terms of national and regional association events.

**Reasons for Not Considering an Expanded Center**

Respondents indicating that they would either "not likely" utilize an expanded Center, assuming it met the needs of their group, were further questioned as to specific reasons for their overall lack of interest. Exhibit V-11 outlines the primary reasons stated for a lack of interest in the Center.

**Exhibit V-11**

Reasons for Not Considering an Expanded Monterey Conference Center – National and Regional Conventions

In general, Monterey’s location was the number one reason for not choosing the destination. Monterey is both a non-central location relative to the country as a whole, and within the West Coast, not immediately proximate to a major airport. Other reasons for not choosing Monterey include preference for a hotel, preference for resort markets, combining to account for 19 percent of the negative response. These issues appear to be more of a perception problem, and could be overcome with marketing efforts. Air access is also a stated issue, at 13 percent, with cost issues, event size issues and preference for first tier cities stated infrequently.
Event Space and Attendance Growth Trends

It is important to evaluate whether or not events in the future will require more or less space into the future. Exhibit V-12 summarizes expected future space growth among national/regional event planners.

Exhibit V-12
Expected Change in Exhibit Space Needs – National and Regional Conventions

As outlined in the exhibit, 46 percent of the respondents project significant or slight increases in space needs over the next five years. In surveys conducted prior to September 11th, 2001, 65 percent of event planners surveyed expected a significant or slight increase over the next five years. Current survey results indicate that six percent see significant or slight decreases in space needs. The corresponding percentage prior to September 11th was three. Surveys prior to September 11th, 2001 indicated that 32 percent of event planners expected a constant level of space use. Current survey results indicate that 42 percent do not anticipate changes to space needs. Taken together, this data indicates that from the meeting planners perspective, the space required to accommodate future event needs will increase, however the optimism for future increases has been tempered over the past several years. It is important to note that any such future increases would take place in an environment of recent significant reductions to space use in many event sectors. Future growth over the next several years will serve to move the industry to a pre-2001 level, after which continued growth may take place. Such growth is subject to events and circumstances that cannot be foreseen.
Attendance at national and regional events is also projected to increase over the next five years, as outlined in Exhibit V-13. This has a direct implication on the amount of general session space required.

Exhibit V-13
Expected Change in Attendance – National and Regional Conventions

- Significant Increase: 14%
- Slight Increase: 41%
- Constant: 32%
- Slight Decrease: 10%
- Significant Decrease: 0%
- Don’t Know: 3%

Note: Represents all potential events for Monterey
Source: CSL Association Survey, 2002

As indicated above, 14 percent of planners surveyed projected significant increase in attendance over the next five years, with 41 percent projecting a slight increase. This compares with 10 percent projecting a slight decrease in attendance. Thirty-two percent project a constant attendance level over the next five years. This data indicates future overall industry growth, and a continued increase in the need for general session space to house event attendees.
Event Seasonality

In some cases, seasonality of demand can assist in understanding demand potential for multiple simultaneous events. For example, heavy demand for a particular event type during historically busy periods at a center can indicate a “clustering” of demand, and highlight the need for a center to be able to accommodate multiple simultaneous events. In Monterey, there are very few slow periods during the course of a typical year. While a particular month may be down in occupancy one year, it tends to rebound the next year. As outlined in Exhibit V-14, the demand seasonality for national events is at its highest during the fall season (30 percent). Winter is the lowest season in terms of events taking place.

Exhibit V-14
Event Seasonality –
National and Regional Conventions

Note: Represents all potential events for Monterey
Source: CSL Association Survey, 2002
Exhibit V-15 presents the average number of utilization days (including move-in, event and move-out days) for those groups expressing a potential future interest in an expanded Center.

Exhibit V-15
Average Utilization Days -
National and Regional Conventions

![Pie chart showing the average utilization days for move-in, meeting, and move-out days. The chart indicates a total of 6.4 days: 3.5 days for move-in, 1.8 days for meeting, and 1.1 days for move-out.]

Note: Represents all potential events for Monterey
Source: CSL Association Survey, 2007

As presented, on average, national and regional convention groups tend to utilize a host facility for an average of 6.4 days, nearly half of which comprise event days. Approximately 1.8 days are utilized for move-in, on average, while the average move-out period lasts 1.1 days. Beyond the 3.5 days during which event attendees are located in the host city, it is likely that many of the delegates would extend their stay given the visitor amenities in the Monterey area, thereby increasing the overall economic impact of the event.
Exhibit V-16 summarizes the interest of national and regional conventions in using the State Theater as part of their event.

Exhibit V-16
Likelihood of Using the State Theater as Part of the Event—National and Regional Conventions

- Definitely Use: 7%
- Likely Use: 12%
- Possibly Use: 34%
- Not Likely: 35%
- Definitely Not: 12%

Positive response - 53%
Negative response - 47%

Note: Represents all potential events for Monterey
Source: CSL Association Survey, 2002

Overall, 53 percent of positive respondents are definitely, likely or possibly interested in using the State Theater during their event for general sessions or other large group events. Approximately 19 percent of those with an interest in hosting an event in Monterey would definitely or likely utilize the Theater. The average attendance per session is approximately 490, while 25 percent of the events require seating for over 500. It is this market segment in particular that cannot be accommodated at the Steinbeck Forum and would be targeted for the State Theater.
Requirement of a Ballroom

Information regarding other event characteristics and requirements was also obtained from those national and regional convention representative respondents indicating a positive interest in a potential expanded Center. This data includes the requirement of a dedicated ballroom to host upscale dinner, general sessions or other similar events. Exhibit V-17 below presents a summary of survey results.

Exhibit V-17
Requirement of a Ballroom - National and Regional Conventions

<table>
<thead>
<tr>
<th>Yes</th>
<th>83%</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>17%</td>
</tr>
</tbody>
</table>

Note: Of those respondents with a positive interest in Monterey
Source: CSL Association Survey, 2002

As detailed in the exhibit, approximately 83 percent of national and regional convention event planners surveyed require dedicated space for food functions or other events during the course of their event. There are several implications of this data on the potential use of the Monterey Conference Center and the State Theater. As previously noted, the space available at the Center is very limited. The fact that such a high percentage of national and regional association events require ballroom space for food functions limits the space available for either exhibits or general session. Currently, not all of the primary aspects of an event (food functions, exhibits, general sessions and breakout meetings) can be accommodated. This data indicates that the availability of the State Theater may significantly increase the ability to further penetrate the national and regional association event market. More detail as to space sizing is presented in the following chapter.
Hotel Requirements and Demand

The convention and tradeshow market share captured in any city cannot expand beyond what the area hotels can accommodate. National and regional convention representatives were surveyed regarding their hotel requirements. Exhibit V-18 presents a summary of the number of hotels that national conventions and tradeshows are willing to use to assemble their room block.

As shown, approximately 68 percent of the surveyed national convention market with an interest in Monterey would be willing to assemble a room block in one or two properties. Approximately 54 percent of those with an interest in an expanded Center would be willing to utilize three or fewer hotel properties to host their delegates, while nearly half would be willing to occupy five or more hotels. In general, the fewer the properties used to assemble a room block, the more marketable the block will be. Using over five properties satisfies approximately one-half of the market with the remainder of the market preferring fewer hotel properties. The inventory of large hotels near the Center and Theater represents a competitive advantage in catering to the association market.
Hotel Room Demand

The facility program is tied closely to the current and potential future hotel inventory in the area. As such, national and regional convention event planners were asked to estimate the average hotel room demand, in terms of total number of rooms occupied on the peak night of their event. Exhibit V-19 below presents a summary of these results.

Exhibit V-19
Summary of Hotel Room Demand — National and Regional Conventions

As illustrated above, the average national and regional convention event with a positive interest in Monterey facilities generates approximately 420 hotel rooms on its peak night. Fifty percent of the facility's potential national and regional convention market consists of events utilizing 175 hotel rooms or fewer. Likewise, 90 percent of the potential market consists of events occupying 1,100 or fewer total rooms. In the three largest hotels in the Monterey area, all near the Conference Center, there are a total of 826 rooms, with an approximate committability total of over 670. With the availability of the Plaza, the total committable room block increases to over 900. As a result, the existing inventory of hotel rooms is very sufficient to accommodate the large majority of convention and meeting demand associated with the national and regional association event market.
Average Delegate Attendance

National and regional convention event planners were asked to estimate the average delegate attendance levels for their events. It is important to note that these figures exclude spouses and guests of the event’s delegates. Exhibit V-20 presents a summary of delegate attendance for groups expressing future interest in an expanded Center.

Exhibit V-20
Summary of Delegate Attendance
National and Regional Conventions

Note: Represents all potential events for Monterey
Source: CSL Association Survey, 2002

As shown, the average national and regional event with a positive interest in an expanded Center generates a delegate attendance of approximately 970. This is slightly larger than historic Center average attendance levels. Fifty percent of the potential national event market generates attendance levels of 300 or less. Approximately 65 percent of the Center’s potential national and regional convention market draws 500 or less. As a result, the Steinbeck Forum can accommodate this 65 percent of the market in terms of general sessions. The remaining 25 to 35 percent of the market suitable for Monterey would require the larger general session space associated with the State Theater in order to be accommodated.
Exhibit Space Demand

To further gauge space requirements, national and regional convention event planners were asked to estimate the average exhibit space levels associated with their events. Responses are summarized in Exhibit V-21.

Exhibit V-21
Summary of Exhibit Space Demand - National and Regional Conventions

As shown in the exhibit, the average national and regional convention event with a positive interest in an expanded Center generates usage of approximately 7,800 square feet of exhibit space. Likewise, 90 percent of the potential market consists of events occupying up to 22,000 gross square feet of exhibit space. In general, the exhibit space requirements of the existing Center are adequate to accommodate a large percentage of the national and regional association event market. It is when the requirements of the events in terms of meeting and ballroom space (as summarized below) are considered that the space constraint becomes apparent, and the State Theater becomes a viable option to increase market capture.
National and regional convention event planners were also asked to estimate the average meeting space levels for their respective events. Responses are summarized in Exhibit V-22.

Exhibit V-22
Summary of Meeting Space Demand
National and Regional Conventions

As shown in the exhibit, the average national and regional convention event with a positive interest in Monterey facilities utilizes approximately 14,000 square feet of meeting space. Fifty percent of the Center’s potential national and regional convention market consists of events requiring 7,000 or fewer square feet of meeting space, while approximately 32,000 square feet, the large majority of the total overall Center space, is needed to host 90 percent of the potential event market. Within the dedicated meeting space (5,500 square feet and the Steinbeck Forum), the Center can accommodate the requirements of 50 to 60 percent of interested national and regional groups.
Interviewed event planners were also asked to estimate the average amount of ballroom space used for their events. Responses are summarized in Exhibit V-23.

Exhibit V-23
Summary of Ballroom Space Demand
National and Regional Conventions

As shown in the exhibit, the average national/regional event with a positive interest in Monterey facilities generates usage of approximately 3,900 square feet of ballroom space. Fifty percent of the facility’s potential national/regional convention market consists of events utilizing 2,250 or less square feet of ballroom space. Nearly 8,000 square feet of ballroom space is needed to accommodate 90 percent of the market. The availability of the De Anza ballroom in the adjacent hotel is useful in helping to accommodate the space needs of larger events.
Interviews with Current, Past and Lost Business

Interviewee Profile - Only events utilizing a majority of the Center’s space (Serra Ballroom, Colton, Ferrante, etc.) and the Steinbeck Forum were contacted for the survey. Events contacted include:

- Battelle Chlorinated Conference
- California Credit Union League
- Technology, Entertainment & Design Conference
- Monterey Wine Festival
- Industrial Designer Society

- Panetta Institute
- League of California Cities
- Northern California Council of Alcoholics Anonymous
- Produce Marketing Association
- National Corvette Restoration

Because of the space demands, approximately 90 percent of events contacted typically had an attendance of more than 400 and were non-local in nature.

Event History - Generally, events contacted had been to the Center multiple times. One of the organizations contacted, the League of Californian Cities, has been using the Center six to seven times annually since 1980. In addition to past utilization of the facility, interviewees were asked about the current growth of their events. The exhibit below presents the results.

Growth of Events Hosted at the Monterey Conference Center

- No Growth 20%
- Smaller Growth 7%
- Steady Growth 46%
- Small Growth 27%


As presented above, nearly half of the events interviewed have experienced steady growth. Despite an economic slowdown, only seven percent of events interviewed have experienced a decrease in the size of the event. However, the continued growth of a majority of events may
negatively impact the Center. There are some events that believe they will be outgrowing the Center within the next couple of years (i.e., Monterey Wine Festival). Despite some events stating that they felt “cramped” in the facility due to the lack of space, event planners interviewed were very satisfied with the staff and the level of service at the Center and cited it as one of the primary reasons for the continued use of the facility.

**Suggested Changes**

Despite a high level of satisfaction with the Center, there were several recommendations made by interviewees including:

- “A little more space for exhibits is necessary if we are to continue coming to the Center otherwise, we will outgrow the facility.”
- “The walkway between the Center and the Marriott needs to be enclosed. I have had many complaints from attendees when the weather is not agreeable.”
- “Because our delegates sometimes book online we do not get full credit for hotel rooms brought to the community. As such, we do not receive discounts on space at the Center, making the event very expensive to produce.”
- “Vendor loading and parking has been a problem. Police ticket our vendors who are double parked while loading and unloading.”
- “It is sometimes frustrating to have to constantly turn a room over from exhibits to meals because of the lack of space.”

Overall, the most frequent suggestion to improve the Center made by event planners was to increase the space offering. Approximately 44 percent of events would like to see an expansion in order to allow for more exhibits.

**Opinions of the Steinbeck Forum** - Interviewees were questioned about their experiences with the 500-seat Steinbeck Forum. Some of the comments include:

- “The Forum is beautiful and has been an excellent facility for our cooking demonstration.”
- “A wonderful venue, very upscale. Speakers love the set-up.”
- “The Center asked us to use it for a general session. Although it is a nice facility, we did not come close to filling it up, making it very awkward for us.”
- “Outstanding facility with top notch acoustics. Working with the audio-video people has been a pleasant experience.”
- “It is a very useful facility. However, with a lack of a center aisle, it makes it very difficult to conduct a question and answer session.”
**Likelihood of Utilizing a Renovated State Theater** - As the City is considering the potential use of the 1,200-seat State Theater as a meeting/general session venue, the likelihood of events utilizing such a facility was compiled. As presented in the exhibit below, approximately 43 percent of event planners interviewed would likely use the renovated State Theater. Events that would not use the facility cited the belief that their event was too small for the 1,200 seats and the distance of the theater from the Center as reasons for their negative response.

![Likelihood of Utilizing the State Theater](image)


As presented, these response rates are similar to those recorded for corporate and national/regional association events.
VI. Event, Financial and Economic Impact Analysis

Based on past Center operating data, comparable and competitive facility analysis, market survey research and industry trend data, we have developed estimates of the potential event capture, financial operating implications and economic impacts associated with the use of the State Theater as an occasional meeting venue. These estimates are summarized within this chapter, and are used to provide an evaluation of the various options available to the City in terms of operating, marketing and/or leasing the State Theater.

Event Analysis

Based on market analysis findings, a renovated State Theater positioned as an extension of the Monterey Conference Center would alleviate some facility space pressures at the Center. Overall, assuming date availability and a level of control over the booking calendar, a renovated State Theater as an extension of the Conference Center would provide several benefits (primarily from a convention, conference and meetings perspective):

- **Allow Monterey to capture the portion of its event market that requires up to 1,200 seats with other concurrent space needs.**

  From a national/regional event perspective, this market can be very important. As noted previously in this report, 53 percent of national and regional events would consider the use of the State Theater, and 25 percent have attendance levels over 500. Should this market segment continue to be actively pursued, with perhaps even greater emphasis in terms of marketing expenditures, seven to 10 added events could be generated. From a corporate event perspective, the large majority of the market can be accommodated in the existing facility, and smaller events tend to reject venues that are too large for their attendance base. The State Theater would likely only accommodate a limited number of larger corporate events such as product demonstrations. Added corporate event activity to the Monterey market may be limited to between two and four events annually.

- **Allow the Center to retain certain events that it was in risk of losing due to growing space needs by the events.**

  Based on survey results, several of the larger past users indicated that they may need to leave the venue due to size constraints. While not all of these would use the State Theater, the availability of the facility could allow for between three and four larger events to remain in the market for an extended period of time.

- **Provide meeting planners with a unique option (beyond traditional conference center space) in which to hold certain event functions.**

  Many meeting planners are interested in booking into unique space. The State Theater could provide the planner with an interesting alternative to the standard convention or
conference environment. While difficult to estimate, this could translate into one or two events annually.

In general, the State Theater would allow the Center to accommodate a greater number of concurrent events. When an event is using space in the existing Center, the ability to accommodate a simultaneous concurrent event is very limited. The availability of the State Theater will allow the community to better accommodate multiple events, and achieve the event estimates noted on the previous page. Finally, the meeting events would serve to increase the overall utilization of the State Theater itself (i.e., events other than traditional performing arts theater events), thereby increasing financial and operating viability.

Taken together, it is estimated that 13 to 20 Monterey Conference Center events per year could utilize a renovated State Theater for one or more functions (i.e., general sessions, seminars, keynote speaker lectures, etc.). These are events that Monterey would not otherwise be able to accommodate (due to seating capacity constraints, concurrent function space availability and overall facility date availability issues). This also assumes an aggressive marketing effort to package and sell the renovated State Theater space as an extension of the Center.

It is expected that the estimated 2,900 square feet of meeting space that could be incorporated into the upper floors of the State Theater would primarily serve as breakout and pre-function space for seated Theater functions (as opposed to stand-alone meeting functions not using the fixed seating). In order to market the State Theater as an extension of the Conference Center, it will be important to integrate technology and amenity features that are consistent with other conference/convention-industry auditoriums. This technology includes state-of-the-art audiovisual presentation equipment, Internet and data transfer wiring and capabilities and telecommunications technology.

Additionally, the possibility of integrating a certain level of “flexibility” in a renovated State Theater has also been considered (i.e., including technology that would allow all or some subset of the Theater’s seats to be retracted to create functional flat floor space). While it is suggested that this and similar concepts could be explored further with appropriate architectural and engineering consultants, it is preliminarily not considered to be viable due to: (1) the difficulty in maintaining appropriate performing arts acoustical and aesthetic integrity; (2) the flat floor space would likely provide limited square footage and would also require service, storage, access, etc.; (3) the space would be more difficult to sell as “stand-alone”, separated from the Center; and (4) there does not appear to be precedence in the industry for such a functional concept.

Evaluation of Economic Impacts

The annual operations of a conference center can provide important benefits to an area. The characteristics of these effects are generally discussed in terms of their direct, indirect and induced effects on the area economy. These terms are further defined as:

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• **Direct effects** consist principally of initial purchases made by delegates or attendees at an event who have arrived from out-of-town. This spending typically takes place in local hotels, restaurants, retail establishments and other such businesses. An example of direct spending is when an out-of-town event attendee pays a local hotel for overnight lodging accommodations.

• **Indirect effects** consist of the re-spending of the initial or direct expenditures. An example of indirect spending is when a hotel uses the direct spending dollars received from out-of-town event attendees to pay the hotel’s housekeeping staff. The hotel’s housekeeping staff then spends their personal income in local grocery stores, retail establishments and other local businesses for various products and services.

• **Induced effects** consist of the positive changes in employment, earnings and tax collections generated by changes in population associated with the direct and indirect expenditures.

The re-spending of dollars in an economy is estimated by utilizing economic multipliers and applying them to the amount of direct, or initial spending. The “multiplier” effect is estimated in this analysis using a regional economic forecasting model provided by the Minnesota IMPLAN Group, Inc., a private economic modeling company. The IMPLAN system utilizes an input-output matrix with specific data for multipliers based on regional business patterns from across the country. Financial information for the matrix of multipliers is collected from various sources that include, but are not limited to, the U.S. Department of Labor, as well as state sales and tax reports. The system utilizes this data to determine the economic independence of specific geographic regions as well as the interdependence which exists between industries in those regions. The systems provide total industry output, personal earnings and employment data for approximately 520 industry groups.

For purposes of this analysis, results of the economic impact analyses are measured in terms of the following categories:

• **Total output** represents the total direct, indirect and induced spending effects generated by the project. This calculation measures the total dollar change in output that occurs in the local economy for each dollar of output delivered to final demand.

• **Personal earnings** represents the wages and salaries earned by employees of businesses associated with or impacted by the project. In other words, the multiplier measures the total dollar change in earnings of households employed by the affected industries for each additional dollar of output delivered to final demand.

• **Employment** represents the number of full and part-time jobs. The employment multiplier measures the total change in the number of jobs in the local economy for each additional $1.0 million of output delivered to final demand.
The initial spending of new dollars into an economy begins a series in which the dollars are cycled through the economy. The re-spending of the dollars is estimated by utilizing the economic multipliers discussed above and applying them to the amount of direct, or initial, spending. The multiplier illustrates that spending in a defined economy will lead to additional spending until that dollar has completed its cycle through leakage. Leakage represents the portion of a dollar spent in areas outside the designated economy, such as the taxes paid on purchases of goods and services.

One of the primary sources of direct spending involves attracting event attendees from outside the local area to make purchases in area hotels, restaurants and retail establishments. Events attracting attendance largely from the Monterey area, including most public/consumer shows, local corporate meetings and other such local events generally represent a displacement of spending. Specifically, most of these local attendees would likely have made expenditures within the local area in some other manner had the event not been held.

Estimates of per-day spending by out-of-town delegates and exhibitors are based on the results of the International Association of Convention and Visitors Bureaus (IACVB) Convention Income Survey. The survey collected data concerning event related expenditures by delegates, exhibitors, associations, corporations and convention service contractors. The results of this survey have been adjusted to 2003 dollars and for cost of living levels in the Monterey area. Adjustments were applied to estimated attendance levels for existing and potential event activity to segregate out-of-town event attendance.

As the direct spending flows throughout the local and state economy, additional rounds of spending, employment and earnings are generated. The total impact generated is estimated by applying specific industry multipliers to the initial expenditure to account for the total economic impact of the re-spending activity. The application of the multipliers involves calculating the product of the estimated amount of direct spending and the multiplier. The total estimated direct expenditures generate effects on the economy that extend beyond the initial expenditures. The exhibit below summarizes the overall economic effects associated with estimated levels of existing event activity at the Monterey Conference Center and the incremental activity estimated for a renovated State Theater (as an extension of the Center). Based on a review of existing Center operations, the direct spending generated annually is estimated as presented in the exhibit on the following page.
As noted above, the total direct spending impact of the Center approximates $15.7 million annually, with the hotel and restaurant industries the primary beneficiaries. With the use of the State Theater, the added direct and retained spending within the community is estimated at between $3.3 million and $4.8 million annually. Retained spending is generated from events that may eventually leave the market due to lack of space that the State Theater may be able to provide. Retained spending accounts for approximately 23 percent of the impact attributed to the State Theater. These estimates do not include the impacts associated with performing and other events held at the Theater.

As the direct spending flows throughout the area economy, additional rounds of spending, employment and earnings are generated. The total impact generated is estimated by applying specific industry multipliers to the initial expenditure to account for the total economic impact of the re-spending activity. The application of the multipliers involves calculating the product of the estimated amount of direct spending and the multiplier. The multipliers used in this economic impact analysis as generated by the IMPLAN economic analysis system.

The overall economic effects associated with the existing Center and incremental impacts associated with meeting and convention events held at the Theater include the following:

- An increase in overall economic activity of between $4.6 and $6.7 million annually, primarily directed towards the hotel, restaurant and visitor industry.
- An increase in annual hotel room nights of between 7,800 and 11,600.
- An increase in annual City transient occupancy tax revenue of between $132,000 and $192,000.
Financial Operating and Economic Impacts

The purpose of this section is to provide an analysis of the potential financial operations and economic impacts that could be generated as a result of added convention and meeting activity associated with a renovated State Theater. These financial and economic impacts are critical elements in the evaluation of future development steps for the City.

This presentation is designed to assist project representatives in assessing the financial and economic impact effects of utilizing a renovated State Theater to complement the Monterey Conference Center, and cannot be considered to be a presentation of expected future results. Accordingly, the analysis of potential financial operating and economic impact characteristics may not be useful for other purposes. The assumptions disclosed herein are not all inclusive, but are those deemed to be significant. Because events and circumstances frequently do not occur as expected, there usually will be differences between estimated and actual results, and these differences may be material.

As in all studies of this type, the estimated results are based on continued competent and efficient facility management, assume that no significant changes in the various event markets will occur beyond those set forth in this report.

Evaluation of Financial Operating Impacts

Most publicly-owned conference and convention centers throughout the country operate at a financial deficit due to the competition for events from other cities and their willingness to offer favorable rental rates. The new economic activity generated in the local community by attendees of these events is often an important cited justification for investing in the development and ongoing subsidy associated with these facilities. In addition, facilities such as the Monterey Conference Center also provide an important community resource, serving as a venue to host local events and functions, as well as out-of-town events.

High utilization levels at the Monterey Conference Center and effective marketing and management have allowed the Center to minimize its annual operating loss. Exhibit VI-1 on the following page presents a summary of the financial operating results associated with the Monterey Conference Center in FY2001. Expenses associated with sales and marketing activities related to the Center and the CVB were not considered for comparison purposes.
Exhibit VI-I
Monterey Conference Center
2001 Financial Operating Statement

Operating Revenues:

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<tr>
<td>Food and Beverage (net)</td>
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<tr>
<td>Reimbursements</td>
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<tr>
<td>Other</td>
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<tr>
<td><strong>Total Operating Revenues</strong></td>
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Operating Expenses:

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<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries, Benefits &amp; Payroll Taxes</td>
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<td>Utilities</td>
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<td>Repair &amp; Maintenance</td>
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<td>Materials &amp; Supplies</td>
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<tr>
<td>Other</td>
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<tr>
<td><strong>Total Operating Expenses</strong></td>
<td><strong>$1,749,856</strong></td>
</tr>
</tbody>
</table>

**Net Operating Deficit** ($115,027)

As shown, when making adjustments to only consider revenues and expenses for traditional conference center operations, the Monterey Conference Center generated a net operating deficit of approximately $115,000 in FY2001. This level of operating deficit is considered favorable relative to other similar public facilities throughout the region and country.

As outlined in a previous section of this report, a renovated State Theater used as an extension of the Monterey Conference Center is estimated to accommodate between 13 and 20 conference and meeting-related events. These events are assumed to represent incremental events to the local market.

As previously presented, traditional performing arts theaters typically host a wide variety of events, including plays, Broadway shows, concerts, amateur theater, seminars, commencements, etc. These performing arts-focused events typically comprise the large majority of most theater's event calendars. For example, the Lensic Performing Arts Center in Santa Fe hosts over 300 events annually, of which four are of a meeting/lecture nature. As such, given the expected event profile for a renovated State Theater (with a majority of Theater events comprising traditional performing arts events), incremental Conference Center-related meeting events and activities are not expected to have a primary influence on the Theater’s financial operations. Rather, the financial operating characteristics of the Theater will be primarily driven by its ability to attract traditional performing arts related events and attendees.
Further, the specific management of the Theater and the booking/operating relationship between the Theater and the Conference Center have yet to be determined and defined. For instance, some performing arts theater owners promote and produce a number of their facility’s events, while other facilities only function as a facility manager/operator and “fill” their facility exclusively with outside events.

Based on a preliminary review of the operations of several performing arts theaters, some theaters operate a modest profit. For example, in a recent year, the Lobero Theater in Santa Barbara operated with a surplus of $132,000. The Lensic Performing Arts Center operated at an approximate break even level. This financial performance is typically a function of a wide variety of factors, including in-house promotion/production, event levels, local venue competition, size of facility and market, and other such factors.

Based on a daily rental rate assumption of $1,500, and additional equipment, telecommunications and related revenue equal to 20 percent of rental, the total revenue associated with the incremental meeting and convention events at the Theater approximates $54,000 to $82,000 annually, depending on the event levels. In many cases, the events using the Theater will also be using space in the Conference Center and area hotels. It is assumed that the large majority of food and beverage revenue generated from events at the Theater would therefore accrue to these facilities.

**Therefore, combined direct revenue and TOT revenue would range between $186,000 and $272,000 annually from Conference Center type use.**

Due to the difficulty in isolating operating expenses associated with a relatively small portion of estimated Theater events (i.e., 13 to 20 meeting and conference events) within a larger scope of overall theater expenses (including fixed costs such as utilities, salaries, insurance, etc.), we have not focused on incremental expenses. It would be expected that any cost allocation to the meeting and convention activity would be less than the estimated gross revenue.
VII. Summary of Options for State Theater Development and Operations

The purpose of this section of the report is to identify potential next steps that the City, in partnership with other organizations in the community, could undertake to restore and operate the State Theater. We have segmented this discussion into three areas. First, we present a summary of guiding principals that have to be considered as any discussion of the future of the State Theater is undertaken. Secondly, the strengths and weaknesses associated with options to develop/renovate the Theater are evaluated. Finally, the strengths and weaknesses associated with options to operate the Theater are evaluated.

Guiding Principals

There are several issues that should be kept in mind as the discussion of the State Theater progresses. These relate to fund raising, construction, marketing, booking and operating the Theater, and are summarized below.

- It may be difficult for a City-led Theater renovation project to solicit funds from institutions, endowments and other private entities. It would be more appropriate for a non-profit organization, or consortium of organizations, with assistance from the City, to lead the efforts to fund-raise for the renovation of the Theater.

- It will be difficult to raise funds for the project unless a very credible plan for operating the facility is laid out.

- The Theater will likely generate high levels of use from a wide spectrum of event types. The entity responsible for booking the Theater will have to develop contacts within the entertainment industry to ensure that the event potential of the Theater is met.

- Given the event activity at a renovated Theater, there may be competition for dates between event types. Without the appropriate booking policy, this may negatively impact the ability to book conventions and meetings.

- The pricing of the Theater will impact the ability to attract room-night generating events. In many cases, discounted rent may be needed to attract these events.

- The quality of the operations of the Theater in terms of maintenance and event coordinating will impact customer satisfaction and financial performance. The City’s Public Facilities department has demonstrated a very high level of quality service with respect to these areas.

Each of these issues should be considered as the discussion of the Theater project continues.
State Theater Development/Renovation Options

There are two primary options for the development/renovation of the State Theater. First, the City could take the lead, coordinating a combination of public funds with private donations. The City would then oversee the actual construction process. Secondly, the private sector, through various non-profit organizations, could lead the efforts, which includes participation from the City.

Originally, the Jazz Festival had entertained the concept of purchasing the State Theater and the Regency Theater to create a performance, museum and entertainment environment. The $20.0 million cost of the project was generally considered out of reach, and there were concerns as to the Jazz Festival actually operating a facility as opposed to its current function of producing a festival. Other non-profit entities that have considered a purchase of the State Theater include State Theater Preservation.

Given the potential for difficulties in fund raising for a City controlled process, it is recommended that a consortium of organizations, likely including the Jazz Festival and State Theater Preservation, lead the fund-raisingdevelopment efforts. They would serve as the public “face” for the project. The City’s role would involve assistance in funding the project, and in lending expertise during the construction process for a major public assembly facility.

From a public funding standpoint, consideration should be given to an increase in the TOT tax, dedicated to the renovation of the State Theater, and potentially to marketing the facility to event planners. Any increase to the TOT should not result in a competitive disadvantage for the Monterey area in terms of total tax on rooms. There are numerous subtleties within this concept that would have to be discussed including:

♦ Who coordinates the fund raising efforts?
♦ Is any added hotel tax revenue dedicated to the project, in which a two-thirds majority vote is needed, or to the general fund of the City, in which a simple majority of the vote is needed?
♦ If funds are dedicated to the general fund, what assurances can the City give to the visitor industry that the revenue will actually be spent on the desired projects/efforts?
♦ How would bonds be issued for the project?
♦ What role does each of the entities play in hiring an architect?
♦ Which entity should contract with construction firms to develop the project?

As a general concept, it would be useful to form an executive committee made up of all participating entities to address these issues. The City’s role would focus more on securing the public funding component of the project and potentially issuing any bonds for the project. The City would also take the lead in managing the construction process. The non-profit
organizations would focus on fund raising efforts. The executive committee would jointly hire
the architects for the project under a competitive bid process.

State Theater Operational Options

Developing a credible plan for operations of the Theater will be very important, even before
the fund raising efforts begin. Fund raising in an environment of uncertainty as to how the
project will be operated can be unnecessarily difficult.

There are two basic options for the operating of the Theater. First, one or more of the non-
profit entities interested in the project could take the lead in Theater management. A qualified
theater manager would be hired to operate facility, reporting to the board of the managing
entity. Potential controlling entities could include the Jazz Festival and State Theater
Preservation.

Secondly, the City could take responsibility for management of the Theater. Under this option,
the Public Facilities department would most likely operate the Theater in conjunction with the
Conference Center.

In evaluating these options, consideration has to be given to several issues:

♦ Who will set the booking policies of the Theater;
♦ Who will market the Theater and work to maintain event levels;
♦ How will the Theater be maintained and how will events be coordinated;
♦ What are the implications of the financial operations of the Theater; and
♦ How can the economic impact generating potential of the Theater be realized.

Booking Policies

Setting of booking policies is a critical issue. Booking policies can be geared exclusively towards
local entertainment and music event, or can be flexible in allowing for convention and meeting
events. Given the economic impact potential of conventions and meetings, it is recommended
that the booking policy be structured so that these events have significant opportunities to
book into the Theater. This will require that the contracts for performance, music and related
events stipulate that a convention or meeting event can be booked simultaneously to their
production. As such, the entertainment event must agree to keep sufficient stage area free and
clear during business hours, and agree that convention and meeting events may have access to
the Theater during their run. This is a critical element in achieving the greatest possible
community economic impact from the Theater.
Marketing

The existing Public Facilities department of the City works continually with public assembly booking policies, and understands the importance of allowing for convention and meeting events that draw delegates from outside the area. As a result, with respect to these criteria, the Public Facilities department would best be suited to operate the Theater.

The success of the theater in terms of generating significant entertainment event levels depends on the ability of the general manager to develop relationships with promoters and agencies representing the acts. The entertainment industry often revolves around these relationships. From this perspective, the expertise and contacts of the Jazz Festival and related entertainment organizations within the community can be invaluable. The overall marketing of the Theater should therefore integrally involve these organizations.

Maintenance and Event Coordination

A successful public assembly of any type, including a Theater, requires competent facility maintenance, and expert event coordination. The cleanliness, security, environmental control and related aspects of the facility must be of a high level. When an event is in the facility, the event coordinator must give the planner the impression that he or she is the most important customer in the facility. With respect to both of these areas, the existing staff of the Monterey Conference Center has developed a high level of performance. As noted in interviews with past customers, this service level is a recognized strength of the existing operation. It would not be difficult to transfer these capabilities to the Theater.

Financial Operations

The added events associated with a renovated State Theater are estimated to generate up to $82,000 in operating revenue. This represents a relatively small portion of the overall financial activity associated with the Theater. There are many examples of theater facilities around the country in which the combined performance and meeting event activity generates sufficient revenue to cover operating costs, and potentially generate a limited surplus. While this may be the case for the State Theater, no research has been conducted as to the facility’s overall financial performance. Given the existing operational expertise at the Monterey Conference Center, a combined Theater/Conference Center operation would provide the greatest opportunity to maximize any operating surplus or minimize any shortfall. In either case, the project costs, estimated at $7.0 to $12.0 million by Jazz Festival consultants would need to be financed through other revenue streams.
Economic Impacts

The benefits to the Jazz Festival, other entertainment organizations and the community in general of a State Theater restoration are significant. These benefits are “quality of life” in nature, and also of an economic or financial character. In terms of the economic benefit, the ability of the Theater to host meeting and convention activity is critical. It is these events that draw delegates from out of town generating spending in area hotels, restaurants, entertainment establishments and related operations. The convention and meeting activity associated with the renovated Theater is estimated to generate up to $6.7 million in total economic activity for the community. The Public Facilities department is in the business of generating non-local event activity, and understands the needs of these events. Their extensive involvement in the operations of the Theater is therefore important.

Summary

As noted previously in this report, there are two general options for Theater management; first, one or more of the non-profit entities interested in the project could take the lead in Theater management. Secondly, the City could take responsibility for management of the Theater.

Given the evaluation of key issues summarized above, the Public Facilities department offers significant advantages with respect to setting booking policies to benefit the community, experienced Theater maintenance and event coordination, potential to minimize financial operating costs, and to maximize overall community-wide economic impacts. Non-profit entertainment organizations such as the Jazz Festival offer the benefit of contacts within the entertainment industry to assist in marketing the Theater.

A suitable Theater management structure would involve the Public Facilities department taking the lead role in management issues, with a Theater executive committee or board formed to assist in marketing the facility. The committee would consist of City leadership and representatives of the Jazz Festival and other community entertainment organizations with both an interest in using the Theater and contacts within the entertainment industry. The committee could be relied on to ensure that the entertainment needs of the community are met in an environment of high quality facility management and event coordination provided by the City.