



February 3, 2011

Mr. Kevin Twohig, Executive Director
Spokane Public Facilities District
720 Mallon Avenue
Spokane, WA 99201

RE: Spokane Convention Center
Revenue and Expenditure Implications of Expansion

Dear Kevin:

The proposed enhancements to the Spokane Convention Center will increase the amount of dedicated exhibition and meeting space. Exhibition space will be expanded by over 17,000 square feet (SF) and the divisibility reconfigured for increased flexibility. Also being added are a 13,500 SF junior ballroom overlooking the Spokane River and almost 10,000 SF of meeting space. Listed below is a summary discussion of impacts to operating expenditures and revenues.

A significant planning effort went into finding the right combination and sizes for each of the function spaces once the site capacity and maximum exhibition footprint was determined. By balancing the amount of meeting and banquet space relative to the primary audience, overall utilization should increase. By addressing the market perception of remoteness between the exhibition and meeting areas, the facility will become more attractive to a broader audience, particularly in relation to highly-desired conventions and association meetings. The proposed modifications should significantly enhance the marketability of the facility and the resulting economic benefit to the community.

From a revenue perspective, the new spaces offer an incremental increase in total revenue based upon occupancy. Base rental rates should be adjusted to reflect the increase in size of the available space. Additionally, a significant and non-proportional increase in food service revenue should be garnered from the new, dedicated junior ballroom due to its prime location and improved pantry support.

From the expenditure perspective, labor costs represent the largest single category of expenditures in this facility type. The expanded space should not cause the need for a significant increase in set-up, tear-down and/or maintenance personnel. The larger spaces will require an incremental increase in time needed to prepare the respective rooms. This incremental need

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can be met by allotting additional time or, in a worst case scenario, adding supplemental part-time labor during peak times. Added labor time required for set-up and tear-down is somewhat off-set by the efficiencies generated by the proximate location of the new storage areas. Further, the additional dedicated-use support spaces should extend the life of equipment by reducing relocation, particularly through high-visibility "front-of-house" areas as now occurs.

In summary, Conventional Wisdom believes the expanded spaces will have a significant positive impact upon facility revenues and minimal impact upon fixed-cost and non-event staffing expenditures.

Sincerely,

A handwritten signature in black ink, appearing to read "D. O'Neal", written in a cursive style.

David P. O'Neal
Chairman