Analysis of Wichita’s Convention Center and Performing Arts Facilities
Research Information

Timeline of studies:

- Market and Economic Assessment of Wichita’s Convention Center Product November 2013
  Conventions, Sports & Leisure (CSL)
  - Visit Wichita Commissioned

- Century II Performing Arts & Convention Center Assessment May 2014 AMS & Fisher Dachs Associates (FDA)
  - Arts Council, Music Theater of Wichita, Wichita Symphony Orchestra, Wichita Grand Opera Commissioned
Timeline for studies:

• Century II Complex Renovation and Expansion Concept Design September 2014 Populous and GMLV

• Century II Complex Facility Assessment May 2016 Populous and GMLV and FDA

• Cost/Benefit Analysis of Wichita’s Performing Arts and Convention Center Product July 2016 AMS and CSL

• Funding and Delivery Options Analysis for the Century II Facility Expansion September 2017 ARUP
The History

1871
WILLIAM GREIFFENSTEIN BUILDS HIS FIRST HOME

1911
THE FORUM IS DEDICATED

1969
CENTURY II IS BUILT

1986
BOB BROWN EXPO HALL IS CONSTRUCTED

1997
THE HYATT REGENCY CONVENTION HEADQUARTERS HOTEL IS BUILT

FUTURE
WICHITA GAINS THE ABILITY TO HOST WORLD-CLASS ENTERTAINMENT AND CONVENTIONS
CONVENTION CENTER
“THE CURRENT CONVENTION FACILITIES IN WICHITA PUT THE COMMUNITY AT A COMPETITIVE DISADVANTAGE”

BILL KRUEGER  CS&L 2013 STUDY (ALSO FROM 2013 BILL KRUEGER PRESS RELEASE)
Current Challenges
Convention Center

Number of critical deficiencies pertaining to functionality, event logistics, space levels and apportionment, aesthetics and marketability to exhibitors/attendees.

• Critical exhibit space issues not being able to sub-divide the large hall

• Critical issue with functionality and aesthetics

• Challenges associated with CII that serve to significantly weaken its competitiveness in the national convention and event marketplace

• The “pie slice” layout, apportionment and configuration of event spaces in the original “round building” are atypical—if not completely unique—in the overall event industry

_Market and Economic assessment of Wichita’s convention center product November 6th 2013 CSL_
City Benefits

Specifically, using the 2,500 conventions and tradeshows targeted through the MINT database, the survey positive response percentage, and the weak link analysis, a hypothetical extrapolation would suggest that, should new facilities be developed in Wichita, a market opportunity exists relating to nearly 430 national events.

428 = extrapolated number of events that represent Wichita’s key national convention market opportunity

*Market and Economic assessment of Wichita’s convention center product November 6th 2013*

*CSL*
Current Challenges

- Peer cities have developed new centers in the past 15 years to keep up with advancements
- Wichita ranks the lowest in prime square feet
- The city’s ability to compete on a national scale is becoming more and more difficult

*Market and Economic assessment of Wichita’s convention center product November 6th 2013 CSL*
The total ballroom and exhibition space in Wichita is not enough to make the city a competitive convention center destination on a national level.

*Market and Economic assessment of Wichita’s convention center product*

*November 6th 2013 CSL*
Modern Characteristics

The ability to divide the larger space via movable air walls, with public access and for each space, allowing simultaneous events and enhancing the marketability to events needing a smaller space.
State-of-the-industry Convention Center Characteristics:

- Column-free, contiguous, concrete floor space.
- Ceiling heights in excess of 30 ft.
- A rectangular hall shape with a length to-width ratio that approximates 2:1.
- Sub divisibility of the space into several individual spaces via modern movable air walls, with public access and service access possible for each subdivided space. This importantly allows for the accommodation of concurrent events and enhances marketability to events with exhibitions of a size smaller than the entire available hall.

*Market and Economic assessment of Wichita’s convention center product*

*November 6th 2013 CSL*
Convention Center

State-of-the-industry Convention Center Characteristics:

- Floor utility boxes on a 30-by-30-foot matrix.
- Significant pre-function space leading into the exhibit halls.
- Back of house service into the exhibit hall to allow for event set up without working through public spaces.
- Covered loading docks for exhibit halls separate from docks for other facility operating needs.
- State-of-the-industry capabilities with respect to wireless internet, audiovisual, telecommunications, electrical, etc.

*Market and Economic assessment of Wichita’s convention center product*

*November 6th 2013 CSL*
Building Program:

Exhibit Space:
- 150,000 square feet of contiguous exhibit space in a single hall.
- Planning consideration for an adjacent parcel to accommodate up to 100,000 square feet in additional exhibit space under a potential future expansion.

Ballroom Space:
- Approximately 30,000-square-foot, sub-dividable, column-free space
- Breakout Meeting Space:
- Approximately 30,000 sq ft of apportioned space

Hotel Support:
- 400 full-service hotel rooms attached/adjacent. This is an amount approximately 100 more than presently provided by the Hyatt Regency Wichita. A separate hotel feasibility study would be necessary to evaluate the overall market, financial and cost implications of new hotel product development.
- 500 committable hotel rooms within close walking distance.
- 1,000 total hotel rooms within one-half mile.

Market and Economic assessment of Wichita’s convention center product
November 6th 2013 CSL
PERFORMING ARTS
Performing Arts Center

A survey was taken by potential and current users of CII.

• Over 85% of respondents believe there is a need for new or renovated performing arts facilities in Wichita.
• The majority of respondents stated their utilization of Century II would increase if it met their needs.
• Wing space, stage size, sound bleed, and loading are some of the most needed areas of improvement in the current Century II facilities.
• Unmet needs include smaller flexible use performance and rehearsal spaces.

• 63% of current users would use CII more if it was upgraded to met their needs.
• 57% of potential users would use CII if it was upgraded to met their needs.
• Classical music, youth and family programming, and musical theatre are the most popular programs among current and potential users. There may be a need for space for festivals, film, and non-musical stage plays.

Century II Performing Arts & Convention Center Assessment March 6th 2014 AMS & FDA
Current Challenges
Performing Arts

Wichita’s arts organizations have learned how to adapt and adjust to some of the unique attributes of CII. The facility does not provide some functionality that is essential for long-term success.

- Wing space
- Stage size
- Sound bleed
- Loading docks
- Number and condition of dressing rooms
- New shell is needed
- Too few fly lines
- Number of rehearsal rooms
- A/V Equipment
- Union labor costs
- Accessibility in theaters and other spaces

Century II Performing Arts & Convention Center Assessment
March 6th 2014 AMS & FDA
Current Challenges
Performing Arts

Additional spaces that are desired but not currently available at CII:

- Small, flexible use, Black box style theatre
- Bar or restaurant attached
- Parking structure (indoor) connected to the building
- Banquet facilities
- Thrust stage
- Outdoor exhibit space
- Low or free rent spaces for performances and rehearsals
- Space for artists to experiment
- Venue for Film

Century II Performing Arts & Convention Center Assessment
March 6th 2014 AMS & FDA
Performing Arts Center

Building Program:

• 2,200-seat Multipurpose Hall (lowest count acceptable for touring Broadway and MTW)
• Stage and backstage areas are sized for Broadway touring and MTW
• Trap room; included for MTW and/or Opera.
• Orchestra Pit: two sizes (Broadway, up to 35 musicians, and Opera, up to 45 musicians).
• Larger lobby – 15nsf per person
• Patron Lounge -- 100 standing; 60 sit down
• Multipurpose / Events room
  – Sized for large music ensemble
  – Receptions, dinners, small performance, rental opportunities
  – Seats 200-240
  – Located adjacent to public lobby and FOH support
  – Not for black box theatre
• Catering warming rooms; not a full kitchen
• Rehearsal spaces
• Multi-tenant use; appropriate for both MTW & Symphony
• One large, two medium, one small rehearsal room
• Storage, including dedicated musical instrument
• Could be rented to outside groups
• Production spaces
• Scene shop, paint shop, costumes, props, tools, storage, offices
• Shops would be adjacent to stage and loading; not adjacent to public spaces
• Administration
• Offices for the PAC and current major tenants

Century II Performing Arts & Convention Center Assessment March 6th 2014 AMS & FDA
SCHEME 1
SCHEME 1

$271.8 M
PROS

- Meets ADA requirements
- Keeps the current building in Wichita’s skyline
- Brings spaces to base operation and safety standards through 2030
- Keeps all operations in one space

CONS

- Does not add space or create ideal structure for convention center
- Does not add parking
- Reduces the amount of space for the convention center
- Would not bring performing arts and convention center spaces to national standards
## BENEFIT SUMMARY

<table>
<thead>
<tr>
<th>ONGOING BENEFITS</th>
<th>10-year Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Spending</td>
<td>214,369,733.00</td>
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<tr>
<td>Indirect/Induced Spending</td>
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<td>Personal Income (earnings)</td>
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## COST/BENEFIT SUMMARY

| Benefit to Cost Ratio (Overall)   | 2.04              |
SCHEME 2
SCHEME 2
$349.5M

<table>
<thead>
<tr>
<th>Project</th>
<th>Cost</th>
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<tbody>
<tr>
<td>Performing Arts Center</td>
<td>$117.4M</td>
</tr>
<tr>
<td>Convention Center</td>
<td>$206.1M</td>
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<tr>
<td>Parking</td>
<td>$19.5M</td>
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<tr>
<td>Site Development</td>
<td>$6.5M</td>
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</tbody>
</table>
**PROS**

- Keeps the current building in Wichita’s skyline
- Adds additional space to the convention center
- Adds additional parking
- Performing Arts building would be completely new and up to national standards to support high-profile shows

**CONS**

- Separates operations to support two buildings
- Provides limited parking for new Performing Arts building
- Does not allow for continuous convention center which limits marketability
- The convention center would not be up to industry standards
### BENEFIT SUMMARY

<table>
<thead>
<tr>
<th>Ongoing Benefits</th>
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</table>

### COST/BENEFIT SUMMARY

- Benefit to Cost Ratio (Overall): 2.30
SCHEME 3
SCHEME 3

$491.7M

|$124.3M| Performing Arts Center |
|$254.7M| Convention Center |
|$40.4M| Parking |
|$72.3M| Site Development |
PROS

- Completely redesigns both facilities to compete nationally
- Keeps operations in one space
- Adds integration with the Hyatt Hotel
- Adds parking
- Creates space for an urban park
- Pays respect to current architecture
- Furthers the plan outlined in Project Downtown: The Master Plan for Wichita

CONS

- Removes the current building from Wichita’s skyline
- Would have to be phased construction
# Benefit Summary

<table>
<thead>
<tr>
<th>Ongoing Benefits</th>
<th>10-Year Total</th>
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<tr>
<td>Direct Spending</td>
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# Cost/Benefit Summary

| Benefit to Cost Ratio (Overall)   | 3.02                |
SCHEME 4
SCHEME 4

$484.6M

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<td>Parking</td>
<td>$40.4M</td>
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<td>Site Development</td>
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</table>
PROS

- Completely redesigns both facilities to compete nationally
- Adds integration with the Hyatt Hotel
- Adds parking for Convention Center
- Creates space for an Urban Park
- Pays respect to current architecture
- Furthers the plan outlined in Project Downtown: The Master plan for Wichita

CONS

- Removes the current building from Wichita’s skyline
- Separates operations to support two buildings
- Provides limited parking for new Performance Arts building
- Would have to be phased construction
## BENEFIT SUMMARY

<table>
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<td>Personal Income (earnings)</td>
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<td><strong>Total Tax Revenue</strong></td>
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## COST/BENEFIT SUMMARY

| Benefit to Cost Ratio (Overall)       | 2.95                 |
Benefits of New Building

It is estimated that a New Building would generate $57 million in annual economic output (direct, indirect, and induced spending), annually supporting 781 full and part-time jobs that generate $19 million in personal income.

• This spending is estimated to generate approximately $1.2 million in annual City and County tax revenue.

• Over a 10-year period, it is estimated that it would generate $921 million in cumulative economic output (direct, indirect, and induced spending), supporting 3,434 full and part-time jobs (in a peak year) that generate $311 million in cumulative personal income.

• This spending is estimated to generate approximately $14 million in net new City and County tax revenue.

*Cost/benefit analysis of Wichita’s performing arts and convention center product April 20th 2016 AMS and CSL*
### Summary

Cost/benefit analysis of Wichita’s performing arts and convention center product April 20th 2016 AMS and CSL

<table>
<thead>
<tr>
<th>COST SUMMARY</th>
<th>SCENARIO 1: Stabilized Year</th>
<th>SCENARIO 2: Stabilized Year</th>
<th>SCENARIO 3: Stabilized Year</th>
<th>SCENARIO 4: Stabilized Year</th>
<th>10-year Total</th>
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<td>10-year Total</td>
<td>10-year Total</td>
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<td>Hard Construction Costs</td>
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### BENEFIT SUMMARY

<table>
<thead>
<tr>
<th>ONGOING BENEFITS</th>
<th>10-year Total</th>
</tr>
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<tbody>
<tr>
<td>Direct Spending</td>
<td>$34,098,431.00</td>
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<tr>
<td>Indirect/Induced Spending</td>
<td>$547,932,151.00</td>
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### COST/BENEFIT SUMMARY

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**Cost/benefit analysis of Wichita’s performing arts and convention center product April 20th 2016 AMS and CSL**
Current 5 Year Trend

Annual Conventions, Performing Arts & In-Town Events

- Conventions
- Performing Arts
- In-Town Events
Century II Performing Arts & Convention Center
Events & Attendance

Performing Arts

2015
Events: 57
Attendance: 179,105
Event Days: 148

2016
Events: 60
Attendance: 186,704
Event Days: 163

In-Town Events

2015
Events: 208
Attendance: 292,709
Event Days: 256

2016
Events: 154
Attendance: 289,716
Event Days: 191

Conventions

2015
Events: 176
Attendance: 62,565
Event Days: 207

2016
Events: 169
Attendance: 58,785
Event Days: 217

Total

2015
Events: 441
Attendance: 534,379
Event Days: 611

2016
Events: 383
Attendance: 535,205
Event Days: 571
Funding and Delivery Options Analysis for the Century II Facility Expansion

Presentation by Ignacio Barandiaran, Principal
September 12, 2017
Agenda

- Introduction to the Arup Team
- Background and Scope of the Study
- Summary of Key Findings
- Evaluation of City’s Net Cost to Procure the Project
- CII Operational Improvement Opportunities
- Options for Project’s Development Strategy
- Conclusions and Next Steps
Introduction to the Arup Team
Our founder, Ove Arup
Over 13,000 people in more than 80 offices around the world
Sydney Opera House, LA Convention Center, Kauffman Center for the Arts, Tempe PAC
Our Partners

• **Conventional Wisdom Corp** provides strategic planning, marketing, operational and management consulting services on all aspects of convention, conference, exhibition and event centers worldwide

• **Webb Management Services** is North America's leading provider of development, planning and consulting services for arts and creative entities

• **Newmark Grubb Zimmer** is a full-service commercial real estate company headquartered in Kansas City, providing a range of services including real estate consulting services
Background and Scope of the Study
Background

- Continued commitment to revitalize downtown Wichita
- Over $1 billion in public and private investments in downtown in the past 10 years
- Century II (CII) is a critical part of the City’s revitalization efforts
- CII’s stagnating attendance and role as economic engine need to be addressed
  - *Physical and operational challenges*

![Annual Visitors to CII, INTRUST Arena, & Orpheum (2012-2016)](chart.png)
Scope of this Study

1) Assess City’s net cost to procure two design Concepts under different delivery methods and considering alternative funding sources

2) Identify and evaluate opportunities to improve CII’s operational performance

3) Provide recommendations on Project development strategy
## 2016 Design Concepts Evaluated

<table>
<thead>
<tr>
<th>Design Concept 1</th>
<th>Design Concept 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image1.png" alt="Image of Design Concept 1" /></td>
<td><img src="image3.png" alt="Image of Design Concept 3" /></td>
</tr>
<tr>
<td><strong>Estimated Cost</strong></td>
<td><strong>Estimated Cost</strong></td>
</tr>
<tr>
<td>$272 million</td>
<td>$492 million</td>
</tr>
</tbody>
</table>

- **Design Concept 1**
  - Extensive renovation
  - Maintain existing layout and blue dome building
  - Remain at current site
  - Would improve operational and deferred maintenance issues, but still not on par with industry

- **Design Concept 3**
  - Completely new facility
  - Remain at current site
  - One integrated facility that meets industry standards
  - New meeting rooms, ballrooms, exhibition halls, etc

Source: AMS & CSL report dated July 2016
Summary of Key Findings
Summary of Key Findings

• Concept 1 procurement as P3 is not viable

• Delivery of the 2016 design Concepts 1 and 3 plans for CII would require a substantial new tax revenue commitment over 30 years:
  - Concept 1 – renovation, DBB delivery: $27m/year
  - Concept 3 – new build, P3 delivery: $42m/year

• Joint real estate development opportunities can generate up to $30m in up-front funding and can create beneficial synergies for CII
Summary of Key Findings

- Operational improvements to substantially reduce or eliminate current operating deficits are feasible and can generate up to an additional $55m in up-front funding.

- Without new tax revenues, a market-driven phased development strategy with up to $85m in up-front funding is feasible:
  - Relocate PAC
  - Repurpose or demolish the blue dome
  - Partnership with private developer to expand and operate Bob Brown Hall
1) Evaluation of City’s Net Cost to Deliver Concepts 1 and 3
Method for the Analysis

1. Assess suitability of different delivery methods

2. Estimate alternative funding sources

3. Estimate Net City Payment
Key comparison question:
Does transferring risk to the private sector yield greater cost benefits with a P3 delivery method than with a traditional Design-Bid-Build (DBB) procurement?
Why Consider Alternative Delivery Methods?

• History of cost overruns and delays in traditional DBB of large and complex projects
  - Arup study of DBB projects over $100m in the US indicates average construction cost overruns of 55% for “brownfield” projects and 39% for “greenfield” projects

• Projects delivered with P3 method achieve on-time, on-budget performance most of the time
  - Arizona State University study (2012) of 12 transportation P3 projects in the US indicate on average less than 1% cost overruns and on-time delivery
  - Conference Board of Canada study (2010) of 19 building P3 projects indicates cost savings relative to traditional procurement of 1% to 61% and most delivered on-time

• P3 financing drives better performance, but has a higher cost than traditional financing for DBB
Risk Sharing: DBB delivery method

**PUBLIC**
- Design
- Changes in Scope
- Property rights
- Enviro. & Historical Preservation
- Contractor Failure
- Long term O&M
- Financing

**PRIVATE**

**SHARED**
- Cost overrun
- Quality
- Timely Completion

**Site Construction**
Risk Sharing: P3 delivery method

PUBLIC

- Changes in Scope
- Property rights

PRIVATE

SHARED

- Enviro. & Historical Preservation

- Design
- Timely Completion
- Cost overrun
- Site Construction
- Contractor Failures
- Long term O&M
- Quality
- Financing
## Summary of Delivery Method Assessment

<table>
<thead>
<tr>
<th></th>
<th>Concept 1 (renovation)</th>
<th>Concept 3 (new build)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>DBB</td>
<td>P3</td>
</tr>
<tr>
<td><strong>Risk of Cost &amp; Schedule Overruns</strong></td>
<td>High</td>
<td>Medium-High</td>
</tr>
<tr>
<td><strong>Transfer of Cost &amp; Schedule Risk to Private Sector</strong></td>
<td>Very Low</td>
<td>Low (and costly)</td>
</tr>
<tr>
<td><strong>Transfer of Project Revenue Risks to Private Sector</strong></td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td><strong>Financing Source</strong></td>
<td>Municipal Debt</td>
<td>Private Capital</td>
</tr>
<tr>
<td><strong>Financing Cost</strong></td>
<td>Low</td>
<td>Very High</td>
</tr>
<tr>
<td><strong>Addresses Lifecycle Costs Upfront</strong></td>
<td>No</td>
<td>Yes (but with limitations)</td>
</tr>
<tr>
<td><strong>Market Appetite</strong></td>
<td>Medium</td>
<td>Low</td>
</tr>
<tr>
<td><strong>Suitable for Analysis?</strong></td>
<td>✔️ Viable</td>
<td>✗ Not Viable</td>
</tr>
</tbody>
</table>
## Alternative Funding Sources

<table>
<thead>
<tr>
<th>2017$ millions</th>
<th>Concept 1</th>
<th>Concept 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Naming Rights</td>
<td>$10</td>
<td>$10</td>
</tr>
<tr>
<td>Signage</td>
<td>$0.5</td>
<td>$0.5</td>
</tr>
<tr>
<td>Land Sale</td>
<td>$12</td>
<td>$20</td>
</tr>
<tr>
<td><strong>Total funding sources</strong></td>
<td><strong>$22.5 m</strong></td>
<td><strong>$30.5 m</strong></td>
</tr>
</tbody>
</table>

Concept 1 (renovation)  
Concept 3 (new build)
NCP’s over thirty years range from $27 m to $45 m depending on the Concept and delivery method.

Alternative revenues considered reduce the NCP’s, but the burden on the City’s general fund for large projects such as Concept 1 or 3 would be substantial.

P3 delivery for new-build project (Concept 3) generates cost savings of ~$3m per year.

<table>
<thead>
<tr>
<th>Construction Phase (2017$ millions)</th>
<th>Concept 1</th>
<th>Concept 3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>DBB</td>
<td>DBB</td>
</tr>
<tr>
<td>Net City Payment (NCP), per year</td>
<td>$27 m</td>
<td>$45 m</td>
</tr>
</tbody>
</table>
Example P3: Melbourne Convention Center

- Existing convention facility expanded and renovated
- Integrated real estate development:
  - Cross-subsidy to support the convention center investment
  - Creates a vibrant 24/7 district
- 25-year P3 contract (2006)
- Public investment capped at $285m
- Total investment in excess of $1.2b
  - Convention center + hotel + restaurants & bars + office & retail development + new pedestrian bridge
- Public owner defined the minimum program and performance specifications, allowing bidders flexibility to innovate
2) Operational improvement opportunities for CII
Operations Review

Key Challenges

- CII has physical limitations: inefficient layout, deficiencies in building systems
- Lack of human resources
- Key revenue sources are limited or not available

Resulting in

- Declining/stagnating attendance
- CII has been running an operational deficit since at least 1999

<table>
<thead>
<tr>
<th>Number of Visitors (annual)</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conventions</td>
<td>70,036</td>
<td>58,481</td>
<td>61,423</td>
<td>62,565</td>
<td>58,785</td>
</tr>
<tr>
<td>Performing Arts</td>
<td>229,997</td>
<td>193,847</td>
<td>203,714</td>
<td>179,105</td>
<td>186,704</td>
</tr>
<tr>
<td>Other</td>
<td>323,674</td>
<td>285,909</td>
<td>277,205</td>
<td>292,709</td>
<td>289,716</td>
</tr>
</tbody>
</table>

CII Visitors by event type (2012-2016)
Opportunities for Operational Improvement

Overall Project

• Separate the PAC and the CC operations: each would benefit from being operated separately with specialized expertise and tailored performance metrics

Convention Center

• Broaden Governance Entity: Creation of a larger city-wide or county-wide entity to manage and coordinate all public assembly, events, and entertainment venues. Successful examples include:
  • Metropolitan Pier & Exposition Authority (MEPA); Chicago, IL
  • Cuyahoga County Convention Facilities Development Corporation (CCCFDC); Cleveland, OH

• Managing Multiple Facilities: Operations of similar venues to gain economies of scale and achieve better and more coordinated marketing and programming

• Management structure: Simplified structure with dedicated departments aligned with the way that event planner and users interact with CII

• Renegotiate Food and Beverage Contract: with an expansion of Bob Brown Expo Hall there may be an opportunity to improve F&B revenues
Opportunities for Operational Improvement

Case Study: Five Sullivan Brother Convention Center, Waterloo, Iowa

- Example of how municipalities are seeking to attract private investment to turn public facilities from operating deficits to enhanced economic development assets
- City Council of Waterloo, Iowa approved in July 2017 the sale of the Five Sullivan Brothers Convention Center to Omaha, Nebraska-based Leslie Hospitality
- Waterloo’s goal was to address deferred maintenance, eliminate operational deficits, and to improve marketability to drive visitors and their associated spending
- Private investment totaling $20m in the convention center and adjacent hotel in exchange for a package of tax incentives

Source: Leslie Hospitality
Opportunities for Operational Improvement

Performing Arts Center

- **Bring in a third-party Operator:** contracting operations of the facility to a third party:
  - Allows the facility to more effectively compete for programming and rentals
  - Allows Arts and Cultural Services to better maximize cultural development
  - Could require operator to make capital improvements and increase programming
  - Could include contract clause to provide preferential access to accommodate local arts groups
- **Develop complementary revenue-generating uses:** as part of a broader renovation project, develop ancillary pre-function and retail/commercial spaces
Opportunities for Operational Improvement

Case Study: Durham Performing Arts Center (DPAC), Durham, North Carolina

- Owned by the City of Durham and operated by Nederlander and Professional Facilities Management (PFM)
- Built in 2008 by the City with a total cost of $48m (2008$), funded by a combination of City and operator financing plus philanthropic contributions
- Long-term contract includes a management fee plus a profit-sharing mechanism
- The City’s share is used for capital replacement, debt service, and maintenance
- Contract clauses provides booking priority to certain annual events (e.g., the American Dance Festival every summer) and local arts groups and users

Source: DPAC / Nederlander / PFM
Current deficit of ~$1.8m/year could be significantly reduced or even eliminated with a market-driven strategy focusing on:

- Separating PAC and CC management
- Broadening governance of the CC and improving management structure
- Private / third-party marketing and operations
- Enhancements from capital investments (renovation and expansion project)

City staff have indicated that eliminating this deficit could generate one-time, up-front CIP funding of up to ~$55m to support construction costs
3) Options for CII’s development strategy
Framework for Strategic Options

- These tasks should be informed by a structured market sounding with qualified operators, developers, and financial backers.
- Continued engagement with the relevant stakeholders.
Strategic Options

(1) Affordability with additional tax burden

- **Temporary increase in sales tax:**
  - INTRUST Bank Arena: 1% sales county tax for 30 months in 2005
  - Totaled $206m

- **Expanding existing TIF central district:**
  - The City has been successfully using TIF
  - Depending where the PA is located the TIF district could be amended

- **Other sources of investment:**
  - Alternative funding sources: $22m to $30m
  - Capitalization of operational savings: up to $55m
  - Other private investment
Strategic Options

(2) Affordability without additional tax burden

Given budget constraints, the goal should be to increase private investment to complement the investment identified in this study:

- **Potential investment:**
  - Funding identified in this study: up to $77m to $85m
  - Additional funding not yet identified: philanthropy for PAC, private for CC

- **Bob Brown Expo Hall:** long-term lease to a private operator responsible for upgrading, expanding, operating, and maintaining the facility

- **Performing Arts Facilities:** relocate to a new temporary, lower-cost facility or to permanent, larger-scale venue if philanthropic funding is raised to cover the gap

- **Repurpose the Blue Dome building:** adaptive reuse that is complementary with CC

<table>
<thead>
<tr>
<th>2017$</th>
<th>Repurposing of the blue dome building</th>
<th>Demolition of the blue dome building</th>
</tr>
</thead>
<tbody>
<tr>
<td>(A) Alternative funding sources</td>
<td>$22.5 m</td>
<td>$30.5 m</td>
</tr>
<tr>
<td>(B) Capitalization of operational deficit savings</td>
<td>$55 m</td>
<td>$55 m</td>
</tr>
<tr>
<td>(A) + (B) Total potential funding sources</td>
<td>up to $77.5 m</td>
<td>up to $85.5 m</td>
</tr>
</tbody>
</table>
(2) Scenarios for affordability without additional tax burden

**Repurposing of the blue dome scenario**
- Phased program for a new PAC
- Adaptive re-use of the blue dome building
- Bob Brown Hall improved and privately operated
- 9 acres of land for redevelopment
- Affordability without CII operational savings: $22 million
- Affordability with CII operational savings: $77 million

**Demolition of the blue dome scenario**
- Phased program for a new PAC
- Bob Brown Hall improved and privately operated
- 4 acres reserved for CC expansion
- 21 acres of land for redevelopment
- Consider appropriate forms of P3 delivery
- Affordability without CII operational savings: $30 million
- Affordability with CII operational savings: $85 million
Illustrative Scenarios: facilities less than $20M

The Container Globe
Illustrative Scenarios: facilities less than $20M

National Theatre Shed, London, UK
Illustrative Scenarios: Repurposing Blue Dome

Potential for adaptive re-use

- Market and food hall
- Mixed-use development with retail and office
- Mixed-use retail, hotel, and residential development
- Other concepts that creative developers could bring forward through a well-structured competitive selection process

Ferry Building
San Francisco, CA

- Registered historic structure
- Extensive renovation $100m (2003)
- Class A office, retail, food market, farmer’s market
- 66-year ground lease
Illustrative Scenarios: Repurposing Blue Dome

Potential for adaptive re-use

**Palace of Fine Arts**
San Francisco, CA

- Competitive procurement process resulting in 7 proposals
- Registered historic structure
- Preferred proposal extensive renovation $120m (2017)
- Preserves existing theater, creates a new “STEAM” museum, and a new 60,000 sq.ft. retail and food hall
- Self-sustaining financial plan, no subsidy or investment from the City required
- Uses mix of state historic preservation tax credits, philanthropic contributions, and private financing for the construction

Source: Skidmore Owings Merrill / SFMAP Consortium
Conclusions and Next Steps
Conclusions

- Alternative funding streams can generate up to $30m but are not sufficient to meaningfully reduce the new tax revenue commitment that would be needed to build either Concepts 1 or 3.

- Changes to governance, management, and operations can position the CC and the PAC to better serve Wichita and better support major capital improvements.

- Joint real estate development plus operational improvement opportunities can generate up to $77m to $85m in investment for much-needed upgrades to CII.

- This creates a once-in-a-generation opportunity to re-envision CII without the need for substantial new tax revenue commitments while also attracting additional private investment.
Recommendations for Next Steps

• Initiate a process to consider alternative governance and management models for both the CC and PAC with the goal of improving their operations and marketing

• Conduct a market sounding of qualified CC and PAC operators & developers gauge interest in:
  - Bob Brown Expo Hall: long-term leasing options including making investments in capital improvements and expansion
  - Performing Arts Center: management of the PAC to improve programming and lower costs, in the context of the capital improvement project
  - Blue Dome building: adaptive re-use concepts, including keeping PAC in it

• Engage with the key stakeholders to provide guidance to the City

• Based on the above develop a comprehensive business plan, including:
  - Prioritized Project definition, facility program, funding plan, and delivery method
Q&A
Preliminary Recommendations for Convention Center and Performing Arts Facility
Bob Brown Convention Center

• Expand the Bob Brown facility to better accommodate current and future needs for conventions and consumer shows.
  – Initial goal would be to supply 150,000 square feet of prime space, with additional meeting, banquet and support space.
  – To control construction costs, Construction Manager at Risk and Design/Build/Operate delivery methods will be compared to the traditional Design/Bid/Build method.
  – Explore long-term leasing option
Bob Brown Convention Center

• Identify a new model for the marketing and operations of the convention center.

• Options will include:
  1. Contract for private management
  2. Long-term lease
  3. City/County partnership for joint management of the convention center and Intrust Bank Arena
  4. Contract with Visit Wichita for marketing and management services
• **Determine if the existing Central Library building can be incorporated into the expansion project, perhaps meeting some of the auxiliary space requirements for the convention center.**
Bob Brown Convention Center

• *Develop a funding plan and construction schedule for the expansion project.*

  – Planning effort to include City Council adoption of long term CIP and debt goals and analysis of the Transient Guest Tax rate.
CII Performing Arts Facility

- Preserve the current CII facility as a home for the performing arts.
CII Performing Arts Facility

• Form an advisory committee to guide the restoration and remodeling process for the facility.
CII Performing Arts Facility

- Identify compatible uses for the non-theater spaces to optimize the value of the remodeled building.

- Possible reuses could include:
  1. Cultural arts spaces
  2. Associated retail and office spaces

- Reuse projects to study could include the Ferry Building and Palace of Fine Arts in San Francisco.
Palace of Fine Arts
San Francisco
Palace of Fine Arts
San Francisco

• Theatre renovation
• New museum
• Retail and food hall
• Historic preservation tax credits, philanthropic contributors, private financing
CII Performing Arts Facility

- **Address priority maintenance issues in advance of a larger remodeling project.**

Roof is beyond its expected life span.

HVAC equipment on roof of Expo Hall – rusted and over 20 years old.
CII Performing Arts Facility

• Develop a long term funding plan to implement the recommendations of the advisory committee.
  – The planning effort will include an analysis of alternative funding sources, including a temporary sales tax.
Associated Issues

• Negotiate naming rights for the convention center and CII buildings and interior spaces to partially offset the project construction costs.

• Competitively sell surplus City-owned property adjacent to the convention center and CII buildings after the reconstruction plans are finalized.
Community Engagement

• *Initiate a community engagement process to obtain feedback on preliminary recommendations for performing arts/renovation of CII.*
  
  – Process will be led by an independent third party to ensure neutral framing of the issue.
  – Begin in fourth quarter of 2017.
QUESTIONS?
Additional Supporting Information

Examples of performing arts venues with varying ranges of size, type & cost
Performing Arts Pavilions

Construction cost < $10M
The Chrysalis, Columbia MD
Low-cost & Temporary PA Venues

Construction cost ~$10m to $20m
The Container Globe: Michigan Station, NJ; Wellington, NZ;
(Temporary) RSC Courtyard Theatre, Stratford-upon-Avon, UK
Large-scale & Permanent PA Venues

*Construction cost ~$60m to $100m*
Fox Cities Performing Arts Center, Appleton, WI
Lurther F. Carson Center, Paducah, KY