



Market and Economic Analysis Wicomico Youth and Civic Center



**Final Report
January 2012**



January 4, 2012

Mr. Gary McGuigan
Project Executive
Maryland Stadium Authority
333 W. Camden St., Suite 500
Baltimore, MD 21201

Dear Mr. McGuigan:

Crossroads Consulting Services LLC (Crossroads Consulting) is pleased to present this market and economic analysis to the Maryland Stadium Authority (MSA) regarding the Wicomico Youth and Civic Center (WYCC) in Wicomico County, Maryland (County). In accordance with our agreement dated February 3, 2011, this report summarizes our research and analyses which is intended to assist the MSA and the County with their decisions regarding the potential expansion/renovation of the WYCC or development of a new facility.

The information contained in the report is based on estimates, assumptions, and information developed from market research; knowledge of the convention, sports and entertainment industries; input from existing and potential demand generators; as well as other factors including data provided by the MSA, the County, WYCC management and other secondary sources. We have utilized sources that are deemed to be reliable but cannot guarantee their accuracy. All information provided to us by others was not audited or verified and was assumed to be correct. Because the procedures were limited, we express no opinion or assurances of any kind on the achievability of any projected information contained herein and this report should not be relied upon for that purpose. Furthermore, there will be differences between projected and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances that occur after the date of this report. The accompanying report is restricted to internal use by the MSA and the County and may not be relied upon by any third party for any purpose including financing. Notwithstanding these limitations, it is understood that this document may be subject to public information laws and as such can be made available to the public upon request.

Although you have authorized reports to be sent electronically for your convenience, only the final hard copy report should be viewed as our work product.

We have enjoyed serving you on this engagement and look forward to providing you with continued service in the future.

Sincerely,

Crossroads Consulting Services LLC

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Executive Summary

Located in Wicomico County, Maryland between the Atlantic Ocean and the Chesapeake Bay on the Delmarva Peninsula, the WYCC is a multi-purpose facility that is owned by Wicomico County and operated by the Wicomico Department of Recreation, Parks and Tourism. Over the years, WYCC has shown its versatility by hosting events ranging from world championship tennis to the International Poodle Club of America's National Specialty Show to Broadway productions to country concerts and local community events.

As part of the County's on-going efforts to maintain the building and plan for its future needs, the County approached the MSA to assist in managing various aspects of the analyses needed to assess the feasibility of increasing revenues at the existing WYCC.

MSA subsequently retained Crossroads Consulting to conduct a market and economic study that evaluates the merits of renovating/expanding the existing WYCC or constructing a new facility. More specifically, the purpose of the study is to assess:

- Is there incremental market demand that supports expansion/renovation of the existing WYCC or construction of a new facility?
- If so, what are the financial implications of pursuing either expansion/renovation or new construction?
- If new construction appears warranted from a market and economic perspective, what are potential opportunities for reuse of the existing WYCC?

The County has made significant investments in the WYCC over the years, from construction to on-going maintenance in order to accommodate local events and attract visitor spending. From an operational perspective, consolidation of the Recreation, Parks and Tourism departments offers a seamless sales and service approach which many event promoters/producers view as a competitive advantage. Overall, event producers are pleased with the WYCC's service and flexibility. The multi-purpose nature of the WYCC has allowed its management team to shift its business operating strategy to react to changes in market, economic and competitive conditions. This flexibility has allowed the County to attract more room-night generating events in recent years. However, WYCC event activity has generally been declining so it is imperative that the County continue to improve its aging asset in order to remain competitive. Remaining status quo will result in a continual decline in both event activity and competitive position over the long-term.

In order to meet the WYCC's mission, reconfiguring the existing space to maintain/grow market share, increase revenues, and increase economic/fiscal impacts appears to be the best option from a market perspective. This strategy provides potential upside to event activity with relatively less cost and future risk from uncontrollable external threats.

Although the majority of users are generally pleased with the facility and its high level of customer service, market research indicates that there are opportunities to enhance/modernize the

WYCC to increase its competitiveness for certain event activity including youth and amateur sports competitions, dog shows, touring entertainment acts, conventions, tradeshow, meetings and social events. There are also local/regional entities such as growing residential needs for certain sports and local collegiate uses that could potentially assist the facility in drawing broader regional/national sports, entertainment and meeting related business to the WYCC.

Opportunities exist for an enhanced WYCC to retain more of the community's residential and Eastern shore visitor discretionary spending in the community and the State. In addition, renovating the facility with more modern amenities capable of competing with the broader region could result in retaining visitor spending in the County that could otherwise leak outside Maryland should proposed entertainment venues be developed elsewhere.

Recommended programmatic and physical improvements include, but are not limited to, the following:

- Replace seats and improve seating bowl to offer closer, more intimate seating and better sightlines
- Add a mechanical curtaining system that allows the arena to be downsized for more intimately attended events
- Add a divisible, dedicated ballroom, meeting rooms and exhibit space outside of Normandy Arena
- Add additional dressing room areas
- Improve overall facility layout and configuration in order to host simultaneous events
- Improve front- and back-of-house support space as well as patron amenities
- Improve traffic flow and parking to accommodate a larger building

There appears to be relatively minimal incremental upside in terms of event activity at a new facility compared to renovation/expansion of the existing WYCC particularly relative to the anticipated cost of construction.

At this juncture, it is recommended that the County seek to improve its ability to operate as the best multi-purpose civic center possible, capitalizing on its brand identity, high levels of customer service, existing customer base, affordability, growing sports visitor market, proximity to the beach, etc. In addition to the programmatic changes recommended above, market research suggests that modifications to certain WYCC policies could also enhance its marketability, potential revenue and economic impact generation. Prior to proceeding with any decisions related to expansion/renovation, it is our recommendation that the County actively explore the following policy changes:

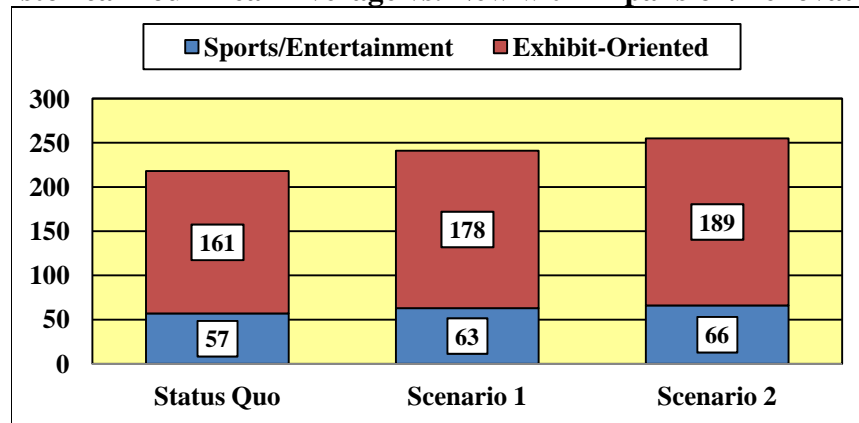
- Modify mission statement and booking policy to prioritize revenue and economic impact generating event activity to clearly articulate to all stakeholders that while the venue is multi-purpose in nature, event activity that generates facility revenues and economic/fiscal impacts should be given precedence in booking in order to effectively compete in the marketplace.

- Revisit potential to allow alcoholic beverage sales which will be important to fundamentally changing the existing WYCC's event base and financial performance.
- Continue to actively pursue corporate advertising/sponsorship opportunities with Delaware based businesses to enhance revenues and generate economic impact for the County and State.

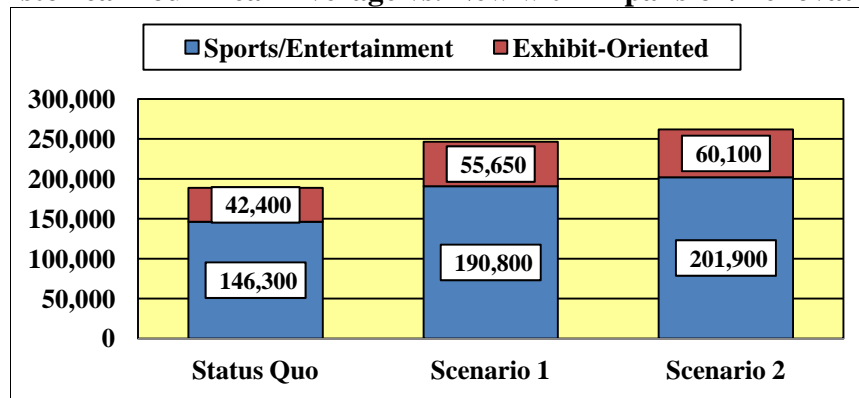
Based on market research, the financial and economic analysis focused on quantifying incremental new event activity, operating revenue and expenses as well as economic and fiscal impacts that could potentially be generated by an expanded/renovated WYCC. The following graphs compare the four-year average historical operation (FY 2008 through FY 2011) to two scenarios: Scenario 1 assumes the current alcoholic beverage policy and Scenario 2 assumes a less restrictive alcoholic beverage policy.

Both sports/entertainment and exhibit-oriented events are estimated to be positively impacted by expansion/renovation in terms of the number of events and attendance. Total events are estimated to increase from 218 to 241 in Scenario 1 and 255 in Scenario 2 and total attendance is estimated to increase from 188,700 to 246,450 in Scenario 1 and 262,000 in Scenario 2.

Annual Total Events
Historical Four-Year Average vs. New with Expansion/Renovation

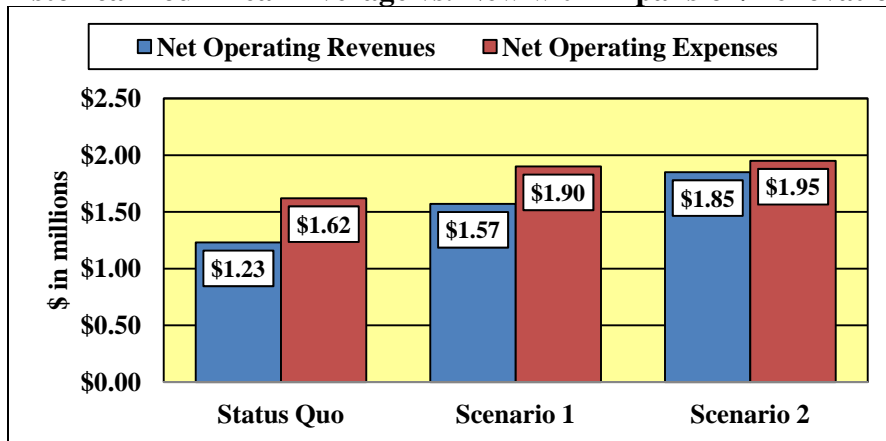


Annual Total Attendance
Historical Four-Year Average vs. New with Expansion/Renovation



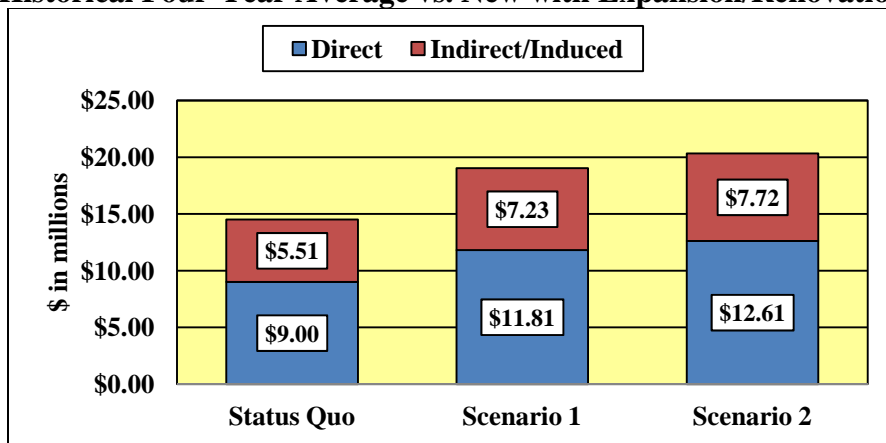
Net operating revenues are estimated to increase by 28% in Scenario 1 and 51% in Scenario 2 over the historical four-year average whereas operating expenses are estimated to increase between 18% and 21%.

**Annual Net Operating Revenues and Expenses
Historical Four-Year Average vs. New with Expansion/Renovation**



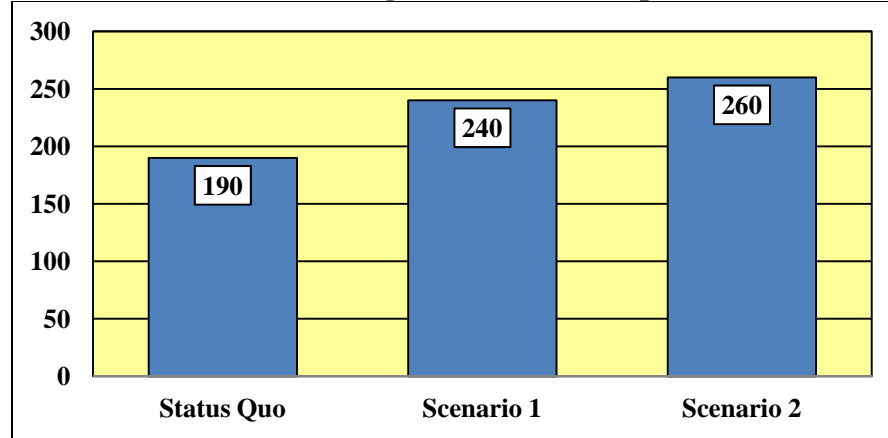
Total economic benefits with the proposed expansion/renovation are estimated to range from \$19.0 million in Scenario 1 to \$20.3 million in Scenario 2 which would be an increase of 31% and 40%, respectively, from the status quo estimate of \$14.5 million.

**Annual Economic Benefits – Direct, Indirect/Induced and Total Spending
Historical Four-Year Average vs. New with Expansion/Renovation**



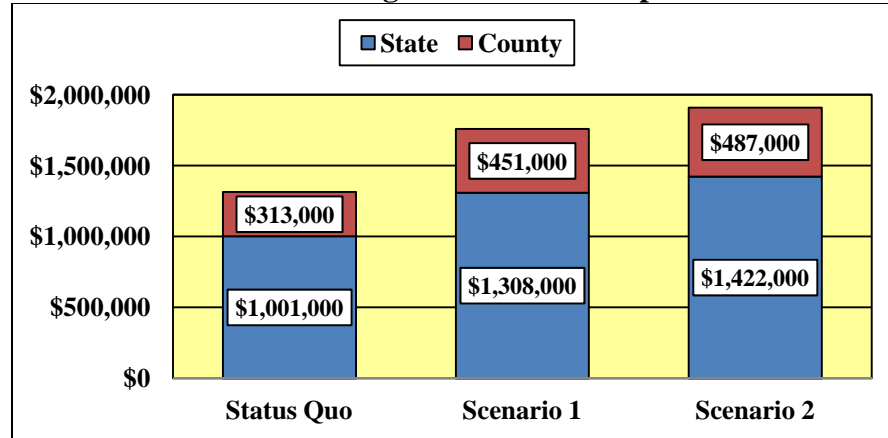
Direct spending is estimated to generate 50 to 70 incremental new jobs, respectively, under Scenario 1 and Scenario 2.

**Annual Economic Benefits – Total Jobs (Full and Part-Time)
Historical Four-Year Average vs. New with Expansion/Renovation**



Total fiscal benefits associated with the proposed expansion/renovation are estimated to range from \$1.8 million in Scenario 1 to \$1.9 million in Scenario 2 which would be an increase of \$138,000 to \$174,000 in incremental new County taxes and \$307,000 to \$421,000 in incremental new State taxes.

**Annual Fiscal Benefits
Historical Four-Year Average vs. New with Expansion/Renovation**



Given the WYCC's current condition and findings from the market analysis, not developing the recommended improvements could lead to greater erosion of event activity. This analysis estimates that the proposed improvements would positively impact WYCC's event activity, operating deficit and economic/fiscal impacts to the County and State.

The findings and recommendations presented in this report are based on the competitive universe as it is known today. As such, the report takes into consideration Ocean City's current expansion/renovation project which includes the planned development of a 1,200-seat auditorium to support its convention business, better meet the community's arts and entertainment needs, and extend its peak summer season. Given their geographic location, size and configuration, the WYCC and the Ocean City Convention Center do currently compete for certain events in overlapping market segments such as sporting events/tournaments.

The addition of the auditorium will place the Ocean City Convention Center in a stronger competitive position to host more cultural/entertainment acts desiring an intimate seating capacity. While some performing arts organizations and acts may choose to remain more local-based, others may play in both markets or alternate between markets to provide more exposure to their performers/product. However, these two facilities will still offer different building programs and destination characteristics to event promoters/producers. Ocean City is a beach destination with a smaller residential population base and a larger seasonal tourism base whereas Wicomico County offers a larger year-round residential population base to support event activity that is close to an airport and relatively proximate to the beach. As such, event producers/promoters have the opportunity to choose from different physical products and destination settings within the same regional market. Date availability, space availability, patron amenities, previous experience, relationship with facility management, and cost are other factors that influence event promoters/producers' decisions on where to host events.

In addition, there may be opportunities and synergies to jointly market both of these facilities to certain events such as larger sporting events. From a broader economic perspective, it appears that modernizing these two existing public assembly facilities will place them both in a stronger position to maintain, grow and diversify existing and future business within the State.

To the extent that other facilities are developed within the immediate market (e.g., arena or performing arts center at Salisbury University, casino in Delaware), particularly at the same capacity or larger than the existing WYCC, one would ask if the recommendations would change. If other larger or same size facilities were developed, the recommendations in this report would still appear valid since the WYCC would accommodate multiple market segments that differ from those likely to utilize a university-focused or casino-related venue. In addition, the possibility of the County partnering with external organizations such as Salisbury University should be explored as part of its due diligence with regard to financial considerations associated with any future development scenario.

Because the information presented in the executive summary is extracted from the more detailed analysis, it is important for the reader to review the report in its entirety in order to gain a better understanding of the research, methodology and assumptions used. The remainder of this report summarizes the key findings from our research and analysis.

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Introduction

Municipalities and states throughout the U.S. have recognized the economic benefits of operating various public assembly facilities. In recent years, several civic centers have been developed with the use of public funds due, in part, to the ability of these venues to generate economic activity at area businesses and tax revenues for the local and State entities. In order to broaden their economic base, communities are increasingly seeking projects that better respond to the anticipated long-term needs of area residents and attract out-of-town visitors. As such, some communities choose to pursue multi-purpose facilities in order to capitalize on existing assets and enhance market opportunities by targeting a diverse set of demand generators.

Located in Wicomico County, Maryland between the Atlantic Ocean and the Chesapeake Bay on the Delmarva Peninsula, the WYCC is a multi-purpose facility that is owned by Wicomico County and operated by the Wicomico Department of Recreation, Parks and Tourism. Originally erected in 1959 as a war memorial, the WYCC was rebuilt in 1980 after being ravaged by fire. In continued support of its original purpose, a war memorial which features bronze name plaques and flags representing each branch of the military stands in front of the building. Over the years, WYCC has shown its versatility by hosting events ranging from world championship tennis to the International Poodle Club of America's National Specialty Show to Broadway productions to country concerts to local community events. The WYCC currently includes the following building elements:

- *Normandy Arena* offers 30,000 square feet (SF) of column-free, multi-use space as well as a 5,400 SF lobby. The arena offers a portable stage, full theatrical sound and lighting capabilities, telescopic seating as well as flexible seating configurations that can accommodate approximately 2,500 people for banquets, a seating bowl for 5,400 people or up to 180- 10' x 10' booths. Given its flexibility, Normandy Arena hosts a variety of events including, but not limited to, concerts, recreational/athletic/sporting events, family shows, trade/consumer shows, symposiums, banquets, and other community events.
- The *Midway Room* offers 10,000 SF of column-free, multi-use space as well as an auditorium style stage with a hardwood floor. Located proximate to the Normandy Arena, this space is used for weddings, trade shows, class reunions, craft shows, theatrical performances, business meetings, and high school proms/dances, among other event activity. Equipped with full theatrical sound and lighting capabilities, the Midway Room can accommodate up to 600 people for banquets and 1,000 people for theater-style events.

- Located on the north side of the facility adjacent to the Normandy Arena, the *Flanders Rooms* offer 5,900 SF of column-free, multi-use space which can accommodate a maximum of 300 people banquet style and 430 in a theater configuration. These rooms can be subdivided into seven breakout rooms which can accommodate between 30 and 70 people depending on the layout. The Flanders Rooms are primarily used for pre- or post-event activities, meetings, seminars, banquets, receptions and other social events.
- The *Danang Rooms* total 4,000 SF of column-free, multi-use space that are divisible into three breakout rooms with varying capacities ranging from 60 to 90 people depending on the configuration. These rooms are used for similar functions as the Flanders Rooms.

As part of its strategic planning efforts, the County retained JTH Marketing & Communications to prepare its first Tourism Strategic Plan for its Department of Recreation, Parks and Tourism in 2004. Based on various research including input from key departmental staff and other stakeholders, this plan identified tourism's strengths, weaknesses, opportunities, and threats (SWOT) as well as goals and tactics to achieve the stated goals. Since the WYCC is the largest public assembly facility in the County, several of the County's broader tourism goals and related objectives, such as attracting more conferences, conventions, special events and sporting events that attract overnight visitors, directly involve future operations of the WYCC.

In 2005, WYCC management conducted an assessment of the structure and its equipment related to operation and event support and developed a 20-year outlook for the facility which included a list of more than 60 projects totaling approximately \$12 million. Subsequently, the County Council adopted a plan to restore the WYCC which included both short-term (anticipated completion within three years) and mid-term (anticipated completion within five years) capital improvements to the existing asset. The funding for the restoration plan consists of two sources:

- An interest bearing capital escrow account (or "sinking fund") was established in 2006 to pay for substantial repairs and equipment replacement such as escalators, HVAC systems, food preparation equipment and carpet replacement where the useful life could not be determined. The cost to fund these items is estimated to be \$4.5 million over a 20-year period.
- Local general obligation bonds were issued in the amount \$2.5 million which are funded by a user fee equal to 5% of gross ticket sales, a restoration fee of 10% on flat rental revenue and a 1% hotel room tax. The State also provided a \$1.5 million capital grant. Approximately \$1.0 million of the available \$4.0 million has been spent to date on projects such as upgrading the in-house video and public address system, providing new arena flooring as well as replacing the office HVAC system, parking lot lighting, a center-stage rigging system in Normandy Arena, scoreboards and video boards. As such, \$3.0 million from these two funding sources is currently available for future WYCC capital projects.

The revised Tourism Strategic Plan completed in 2007 updated the previous SWOT analysis and refined the County's tourism mission statement, objectives to accomplish the mission and specific tactics or action steps to accomplish the stated objectives. Some of the key objectives outlined in this plan included:

- Supporting and assisting initiatives making the WYCC and the Department of Recreation, Parks and Tourism less dependent on tax support.
- Recalibrating staff responsibilities to better fit the needs of tourism and sports marketing.
- Supporting execution of the plan making the WYCC competitive within the marketplace (i.e., cultural entertainment, conferences, conventions, special events and sporting events) while remaining responsive to local community needs.
- Developing and executing a plan to grow signature special events which are multi-day and the primary attendee is the overnight visitor from the 150-mile radius target market of Baltimore, Washington, Philadelphia and Virginia.
- Continuing to attract conventions and trade shows.
- Working with hoteliers and restaurateurs to attract and retain group business.
- Enhancing Wicomico County's brand "***Discover Delmarva's Hidden Treasures***" awareness in a 150-mile radius.

Specific action steps related to the WYCC included continuing to execute the facility's restoration plan; expanding parking to accommodate demand; revising the fee schedule to offer more package pricing; address the facility's inability to accommodate new tourism business during certain times of the year; supporting an initiative to dispense beer and wine; adding appropriate staff to increase sales and service levels; continuing to effectively utilize internal resources as well as relationships with external area stakeholders such as hoteliers, restaurateurs, Salisbury University, and Maryland Office of Tourism to maximize marketing opportunities; utilizing key indicator reports for analytical measures to determine and promote the economic benefits of tourism.

With a longer term vision in mind, the Wicomico County Executive appointed a 27-member Citizens' Task Force in 2009 to:

- Review the mission of the WYCC.
- Identify assets and opportunities by which the mission may be fulfilled.
- Identify liabilities that prevent fulfillment of the mission.
- Produce a summary of findings and recommendations on how best to fulfill the mission.

The Task Force committee's revised mission for the WYCC is *to enhance the quality of life for citizens by providing a venue for entertainment, cultural, civic, convention and recreational activities which is dedicated to all veterans of Wicomico County*. Recommended short-term goals to enhance the competitiveness of the WYCC included acquiring additional property; adopting additional revenue streams that are common in the convention, sports and entertainment

industry; pursuing the sale of alcoholic beverages at selected, appropriate events; establishing a hands-on citizens' advisory board; and holding a public hearing(s) to solicit broad-based citizen input before adopting the plan. Long-term goals included increasing the facility's seating capacity to at least 8,000, adding skyboxes and an ice floor; adding exhibit space separate from the arena seating bowl as well as supporting meeting and banquet space; providing adequate parking to support more space; as well as upgrading and modernizing the WYCC's décor and finishes in order to remain competitive.

Based on these goals, the Task Force committee identified five potential development scenarios, four of which involved the existing site and one option for a new facility at a different location. In addition, a preliminary analysis that compared the estimated operating costs, capital costs, debt service requirements and revenues was prepared for each potential development option. In order to enhance the WYCC's future competitiveness, the Task Force committee members concluded that there were merits to potentially modernizing the existing structure and developing a separate 8,000-seat arena on adjacent mall property or developing a new facility at an alternate location.

Established by the State General Assembly in 1986, the MSA's mission to plan, finance, build and manage sports and entertainment facilities in Maryland; provide enjoyment, enrichment, education, and business opportunities for citizens; and develop partnerships with local governments, universities, private enterprise, and the community. Its projects promote historic preservation, adaptive reuse, community redevelopment, cultural arts, and civic pride. Based on this mission, the County approached the MSA to assist in managing various aspects of the analyses needed to assess the feasibility of increasing revenues at the existing WYCC.

MSA subsequently retained Crossroads Consulting to conduct a market and economic study that evaluates the merits of renovating/expanding the existing WYCC or constructing a new facility. Specific research tasks conducted for this phase of work include, but were not limited to:

- Conducting interviews and/or work sessions with various stakeholders including, but not limited to, representatives from Wicomico County, Tourism Advisory Board, Parks and Recreation, the MSA and WYCC management.
- Analyzing select market characteristics including demographic/economic data, accessibility, accommodation statistics, area attractions and tourism statistics.
- Profiling existing and planned facilities in the region.
- Analyzing the WYCC's historical utilization.
- Surveying/interviewing both current and potential users of the facility to obtain input on:
 - Location of the current facility;
 - Necessary facility features;
 - Whether a new facility is required to maintain/attract/grow their business; and
 - Potential usage (e.g., event type, frequency) under different development scenarios.

- Interviewing representatives and analyzing data from comparable facilities such as ownership, management, physical characteristics and event activity.
- Identifying market related strengths, weaknesses, opportunities and threats associated with the potential development scenarios under consideration.
- Ranking the proposed development options in terms of their relative potential to maintain the competitiveness of the WYCC, continue to accommodate a variety of demand generators, and increase revenues based on market research.
- Gaining consensus on recommended development strategy.
- Developing a financial pro forma of operating revenues and expenses for two scenarios: with and without the sale of alcoholic beverages.
- Estimating economic and fiscal impacts.
- Summarizing findings into a written report.
- Conducting a work session with County representatives and others deemed appropriate to discuss the overall findings and conclusions.

The remainder of this report summarizes our key findings related to the market and economic analysis.

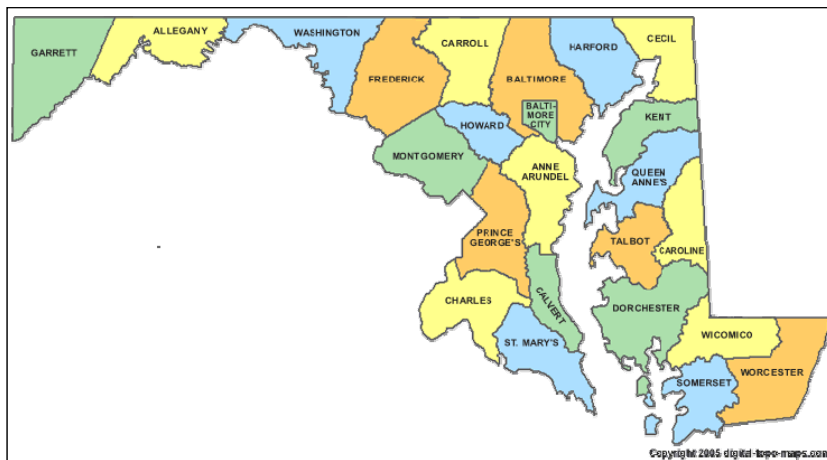
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Market Analysis

Located on Maryland's Eastern Shore about midway along the Delmarva Peninsula, Wicomico County was named one of "America's 100 Best Communities for Young People" and has a reputation as an ideal place to live, work, play and raise children. It is also a destination point for visitors as attested by the traffic at the Welcome Center which is one of the busiest in Maryland. The WYCC is located in Salisbury which serves as the County seat. The area is rich in colonial and post-revolutionary American history. While Salisbury is recognized as an urban area, much of the County includes farmland.

Counties in Maryland



Delmarva Peninsula



In order to assist the MSA and the County with assessing the merits of renovating/expanding the existing WYCC or constructing a new facility, the market analysis analyzes general market characteristics, regional facilities, historical WYCC event activity, and potential demand generators.

General Market Characteristics

It is useful to understand the market in which the WYCC operates. As such, this section of the report profiles select market attributes including demographic/economic data, area employment base, accessibility, hotel supply, area attractions and tourism statistics.

Demographic/Economic Data

Demographic and economic indicators are pertinent to estimating future market demand for several reasons. Event activity at the WYCC is diverse and includes sporting events/tournaments/competitions, concerts/entertainment acts, consumer/tradeshows, as well as various other civic/community events such as meetings/seminars, banquets/receptions, social functions and graduations. Depending on the scope and nature of the event, the facility draws from both area residents and out-of-town attendees.

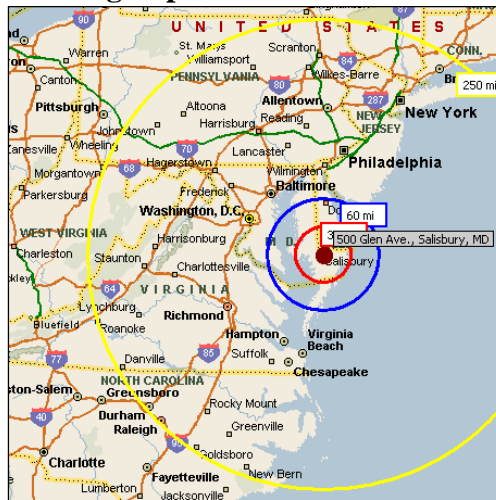
In addition, event promoters/producers for certain events such as concerts, Broadway shows, family shows, consumer shows and special events consider a variety of factors such as population, age distribution, and income characteristics when selecting markets to host their events. The demographic data presented in this report is based on the anticipated primary and secondary markets of the WYCC as defined below.

Population

Population serves as a base from which events at the WYCC draw attendance and other forms of support. Local, civic based events tend to attract attendees from a relatively close primary market area (e.g., 30 mile radius). Exhibit, flat floor events as well as sports and entertainment events typically draw from a broader area considered the primary and secondary market (e.g., 60 mile radius), particularly in rural communities where competitive facilities are not proximate. Depending on the scope of event (e.g., State, regional, national), conventions/tradeshows or competitions (e.g., dog shows) can draw participants and spectators from an even larger radius.

The rings shown in the map below represent the 30, 60, and 250-mile radii from Salisbury. As shown, Salisbury is proximate to some of the largest population centers in the Eastern United States including Washington, D.C., Baltimore, Philadelphia and New York.

Map Showing Population Radii From Salisbury



The table that follows illustrates the historical and projected trends in population for the three profiled radii. As shown, the population in each radius grew over the last 10 years and is projected to continue to increase through 2015 albeit at a relatively nominal annual rate.

Trends in Population			
Data	30 miles	60 miles	250 miles
2000 Census	284,683	773,661	46,499,689
2010 Census	326,569	891,766	49,514,490
2015 Projection	344,915	943,514	50,613,428
Growth 2000-2010	14.7%	15.3%	6.5%
Growth 2010-2015	5.6%	5.8%	2.2%

Source: Claritas.

Age Distribution

Analysis by age group is helpful since certain events at facilities are targeted toward consumers who fall within specific age categories. For instance, spectator-oriented events such as concerts, family shows, and sporting events typically target young families and working age adults. As shown in the table below, the age distribution and median age for the 2010 population figures are relatively consistent among the three radii. In addition, nearly 50% of the population in surrounding radii is between the ages of 18 and 54 years old, which is considered a target market for many sports and entertainment events.

2010 Population by Age						
Age Category	30 miles		60 miles		250 miles	
	Number	%	Number	%	Number	%
Under 18 Years Old	72,211	22.1%	203,636	22.8%	11,558,708	23.3%
18 - 34 Years Old	75,838	23.2%	199,149	22.3%	11,017,822	22.3%
35 - 54 Years Old	85,595	26.2%	241,179	27.0%	14,486,599	29.3%
55+ Years Old	92,924	28.5%	247,802	27.8%	12,451,361	25.1%
2010 Estimated Median Age	38.7		38.7		38.1	

Source: Claritas.

Income

Income offers a broad measurement of spending potential for a specific population because it indicates the general ability of individuals or households to purchase a variety of goods and services including admission to events. As shown in the table that follows, the 2010 median household income in the 30-mile radius (\$48,600) is lower than both the 60-mile (\$55,300) and 250-mile (\$62,000). In addition, approximately 48.5% of the households in the 30-mile radius have income levels of \$50,000 or more compared to 54.5% within 60 miles and 58.8% within 250 miles. As a point of reference, the median household income for the State of Maryland was \$64,200 in 2009, the latest year for which data was available from the U.S. Census Bureau. This data reflects that the WYCC's primary and secondary markets are more rural compared to other areas of the State that are located closer to larger metropolitan areas with relatively higher income jobs. As such, the WYCC's primary market is relatively price-conscious.

2010 Households by Household Income						
Income Category	30 miles		60 miles		250 miles	
	Number	%	Number	%	Number	%
Less than \$25,000	30,218	23.6%	71,345	20.4%	3,627,967	19.6%
\$25,000 to \$34,999	14,768	11.5%	35,909	10.3%	1,609,382	8.7%
\$35,000 to \$49,999	21,102	16.5%	52,441	15.0%	2,402,147	13.0%
\$50,000 to \$74,999	27,474	21.4%	72,700	20.8%	3,392,980	18.3%
\$75,000 to \$99,999	15,791	12.3%	47,340	13.5%	2,480,958	13.4%
\$100,000 to \$149,999	12,249	9.6%	44,306	12.7%	2,750,965	14.8%
\$150,000 or more	6,629	5.2%	26,118	7.5%	2,283,870	12.3%
2010 Estimated Median Household Income	\$48,598		\$55,290		\$62,044	
2010 Estimated Average Household Income	\$62,110		\$70,641		\$84,106	
2010 Estimated Per Capita Income	\$24,866		\$28,081		\$31,862	

Source: Claritas.

Area Employment Base

The area employment base also provides a potential target market for events and financial support for the WYCC. Area employers may utilize the facility for events such as meetings/seminars/training, product launches, banquets/receptions or other functions. Advertising/sponsorship opportunities, premium seating sales and ticket sales are typically dependent on the size and composition of the area employment base. In addition, a broad workforce distribution helps lessen a community's dependency on support from any one single industry segment. Industry diversification also helps a local economy withstand economic downturns; should one industry fail, there are others upon which the local economy can rely.

As of 2009, the latest date for which annual data is available, more than 44,600 workers were employed in the County. As shown in the adjacent table, the area's economy is comprised of a diverse set of industries including trade, transportation and utilities; education/health services; government; professional/business services; leisure/hospitality; and manufacturing.

Average Annual Employment by Industry for Wicomico County (2009)		
Industry	Total Jobs	% of Total
Government		
Local Government	4,886	10.9%
State Government	2,551	5.7%
Federal Government	340	0.8%
Private Sector		
Trade, Transportation and Utilities	9,233	20.7%
Education & Health Services	8,031	18.0%
Professional & Business Services	4,342	9.7%
Leisure & Hospitality	4,150	9.3%
Manufacturing	4,078	9.1%
Construction	2,261	5.1%
Financial Activities	1,817	4.1%
Other Services	1,779	4.0%
Information	823	1.8%
Natural Resources & Mining	355	0.8%
Unclassified	0	0.0%
Total	44,646	100%

Note: Sorted in descending order by total jobs.

Source: MD Dept. of Labor, Licensing, and Regulation, Dept. of Labor Market Analysis.

Based on information from the Maryland Department of Labor, Licensing, and Regulation and the Department of Market Analysis (DMA), Wicomico County's annual unemployment rate was 8.5% in 2009 which was higher than that reported for the State of Maryland (7.0%).

Based on information provided by the State's Department of Economic Development and as shown in the adjacent table, the five largest private employers in the County are Peninsula Regional Medical Center, Perdue Farms, Harvard Custom Manufacturing, Wal-Mart/Sam's Club and K&L Microwave.

Major Private Employers in Wicomico County	
Company	Number of Employees
Peninsula Regional Medical Center	3,300
Perdue Farms	1,600
Harvard Custom Manufacturing	800
Wal-Mart/Sam's Club	750
K&L Microwave	400
Genis Healthcare	340
Delmarva Power	300
BBSI	250
Boscov's	250
MaTech	250
Pepsi-Cola Bottling	250
SHORE UP!	250
Total	8,740

Note: Includes those employers with 250 or more employees.

Sources: Economic development agencies in Maryland and Maryland Department of Economic Development.

With 1,700 employees, Salisbury University, a public higher education institution, is also a major employer in the County.

According to the Maryland Department of Labor, surrounding Maryland counties are home to seven major employers with 250 or more employees.

Major Private Employers in Surrounding Counties by Employee Count Class					
Dorchester, MD		Somerset, MD		Worcester, MD	
Dorchester General Hospital	250-499	Edward W. McCready Memorial Hospital	250-499	Atlantic General Hospital Corp.	500-999
Hyatt Regency Chesapeake Resort	250-499	Lankford-Sysco Food Services	500-999	Wal-Mart/Sam's Club	500-999
Allen Family Foods	500-999				

Note: Includes those employers with 250 or more employees.

Source: Maryland Department of Labor.

Although not tapped to date, Sussex County Delaware-based companies represent an opportunity to further expand the WYCC's corporate partners. In recent years, a significant amount of attendees at the WYCC have been from nearby Delaware counties. As shown in the adjacent table, 143 companies are headquartered in Sussex County. Similar to how the Delmarva Shorebirds have been able to solicit advertising and sponsorship opportunities from the Delaware market, WYCC management is actively pursuing this avenue for revenue and economic generating potential.

Sussex County Delaware Based Companies	
City	Count
Bridgeville	11
Dagsboro	1
Delmar	6
Fenwick Island	1
Frankford	3
Georgetown	22
Greenwood	10
Laurel	5
Lewes	15
Milford	17
Millsboro	7
Milton	3
Ocean View	1
Rehoboth Beach	3
Seaford	25
Selbyville	12
South Bethany	1
Total Count	143

Note: Sorted alphabetically.

Source: Kompas.

According to the Delaware Division of Corporations, Delaware remains the chosen home of 63% of Fortune 500 companies. At the end of 2010, there were over 909,000 active business entities in the state, a 2.5% increase from 2009. In 2010, 76% of all new U.S. Initial Public Offerings (IPOs) were incorporated in Delaware. Over the past year, companies such as the following have chosen to launch their IPOs as Delaware corporations: social networking site *LinkedIn*, Midwestern department store chain *Gordmans*, and internet radio company *Pandora Media*. The WYCC's proximity to Sussex County-based corporations presents an opportunity to draw new spending to the State of Maryland via sponsorship/advertising and patronage.

Area Colleges/Universities

In aggregate, the three higher educational institutions in the County have total enrollment of nearly 15,700 students. These students, in addition to faculty, staff and visitors, represent a target market for attendees at the WYCC. In addition, the colleges/universities themselves provide opportunities for strategic partnerships.

Enrollment at Area Colleges/Universities	
College/University	Enrollment
Salisbury University	8,400
Wor-Wic Community College	7,100
Sojourner-Douglass College - Salisbury Campus	160
Total Enrollment	15,660

Sources: Individual institutions; other secondary research.

Colleges and universities based in Delaware have student enrollment of nearly 40,000 representing another significant target market for sports and entertainment events at the WYCC.

Accessibility

Accessibility, particularly via highway, is an important factor to the overall success of multi-purpose facilities. In addition, the location and accessibility of a facility relative to hotels, restaurants, entertainment establishments and the general population base can impact its marketability for certain types of events.

The WYCC is easily accessible from all directions and approximately two to three hours from several major metropolitan markets including Philadelphia, Baltimore, Washington, D.C. and Norfolk. The WYCC is also located 30 minutes from the coastal destination of Ocean City. U.S. 13 (north-south) and U.S. 50 (east-west) intersect in Salisbury making it the hub of vehicular traffic on the Delmarva Peninsula and linking the peninsula to the northeast industrial corridor.

Regional Highway Accessibility



Air access can be a consideration in attracting certain regional and national events to the WYCC. The Salisbury-Ocean City Wicomico Regional Airport (Wicomico Regional) is located five miles from downtown Salisbury. As the only commercial airport on the Delmarva Peninsula, Wicomico Regional serves Delaware, the Eastern Shore of Maryland and the Eastern Shore of Virginia. US Airways Express/Piedmont Airlines offers several daily commuter flights to both Charlotte/Douglas International Airport and Philadelphia International Airport.

The Federal Aviation Administration (FAA) defines enplanements as domestic, territorial and international passengers who board an aircraft in scheduled and non-scheduled service of aircraft. As shown in the table that follows, the number of passenger enplanements at Wicomico Regional decreased each year between 2005 and 2008 before experiencing a slight increase in 2009.

Salisbury-Ocean City Wicomico Regional Airport		
Year	Passenger Enplanements	Percentage Change
2005	64,600	
2006	62,300	-3.6%
2007	60,500	-2.8%
2008	58,900	-2.7%
2009	59,700	1.4%
Average	61,000	
5-Year Change	-7.6%	

Note: Passenger enplanements are rounded to the hundred.

Source: Federal Aviation Administration.

Although enplanements at Wicomico Regional have generally been declining, several construction projects were recently completed including extending the main runway by 1,000 feet and improving safety areas. These projects will allow the airport to accommodate regional jets with the objective of encouraging service from additional carriers.

Hotel Supply

The diversity and supply of hotel rooms proximate to a multi-purpose facility can be an important factor in attracting certain events (e.g., conventions or tournaments), accommodating attendees and generating room nights. The County currently offers more than 1,600 hotel rooms in 19 properties.

Between fiscal year (FY) 2005 and FY 2010, room inventory at County hotels increased by 27%, occupancy decreased by 18% and average daily rate (ADR) increased by 19%. During that period, hotel room inventory in the County increased in FY 2006, FY 2007 and FY 2008.

Wicomico County Hotels	
Property	Number of Rooms
Holiday Inn & Suites - Downtown Salisbury	154
Hampton Inn Salisbury	150
America's Best Value Inn	123
Courtyard by Marriott	106
Hampton Inn Suites - Fruitland	102
Best Western Salisbury Plaza	101
Days Inn of Salisbury	100
Comfort Inn - Salisbury	96
Chesapeake Inn	92
Residence Inn by Marriott	84
Holiday Inn Express Hotel & Suites - Delmar	79
Sleep Inn	78
Country Inn and Suites	77
Temple Hill Motel	62
Microtel Inn & Suites	59
Country Hearth Inn Delmar	50
Motel 6 Salisbury	48
Economy Inn	34
Budget Inn	30
Total	1,625

Source: Wicomico County CVB.

This new supply has included properties that appeal to group business given their quality and price points. Even with the 16.2% increase in room supply in FY 2006, occupancy rates and average daily rate (ADR) both increased by approximately 6%. The ADR increased by 30% in FY 2008 which is same year the Hampton Inn Suites in Fruitland opened. However, both occupancy and ADR declined in FY 2009 and FY 2010 with minimal change in supply, which is likely attributable to economic conditions.

Historical occupancy rates indicate that area hotels should generally have available inventory throughout the year that can accommodate activity hosted at the WYCC.

Trends in Inventory, Occupancy and ADR at Wicomico County Hotels						
Fiscal Year	Room Inventory		Occupancy		ADR	
	Number	% Change	Rate	% Change	Rate	% Change
2005	1,311		56.4%		\$67.11	
2006	1,523	16.2%	59.9%	6.2%	\$70.96	5.7%
2007	1,605	5.4%	61.4%	2.5%	\$67.90	-4.3%
2008	1,708	6.4%	60.5%	-1.5%	\$88.30	30.0%
2009	1,708	0.0%	46.2%	-23.6%	\$81.67	-7.5%
2010	1,665	-2.5%	46.5%	0.6%	\$79.82	-2.3%
Average	1,587		55.2%		\$75.96	

Notes: Fiscal years end June 30.

Slight difference in the room inventory from previous table which is likely attributable to different data sources.

Sources: Smith Travel Report; Wicomico County CVB.

Area Attractions

The availability, proximity, and diversity of cultural, recreational and entertainment options are factors that event promoters/producers take into account when selecting a destination to host their event and attendees consider when deciding how long to stay and whether to bring additional family/friends.

Some of the County's attractions include, but are not limited to, the following:

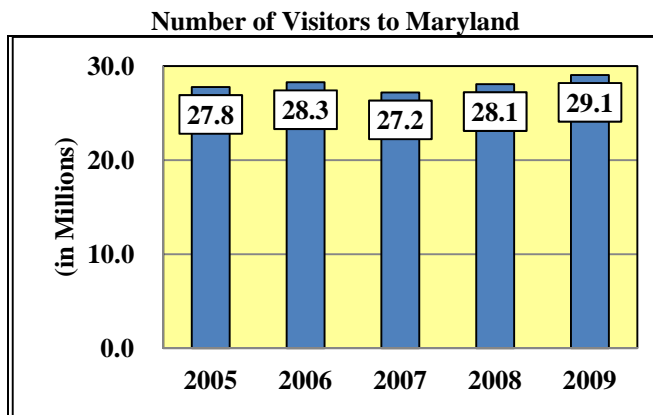
- Adkins Historical & Museum Complex
- Bordeleau Vineyards & Winery
- Chipman Cultural Center
- The Country House
- Delmarva Shorebirds Baseball
- Eastern Shore Heritage Museums
- Pemberton Hall
- Poplar Hill Mansion
- Salisbury University Arboretum
- Salisbury Zoo
- Sharptown Historical Museum
- Ward Museum of Wildfowl Art
- Wicomico Equestrian Center

The County has more than 75 parks which offer residents and visitors a variety of ways to experience the natural environment. In addition, downtown Salisbury is only 30 minutes from coastal destinations along the Atlantic Ocean.

Tourism Statistics

Tourism is a significant economic generator for the State of Maryland. Visitors spending money on items such as lodging, retail, eating/drinking and entertainment/recreation establishments supplements resident spending at area businesses and increases tax revenues for both local and State governments.

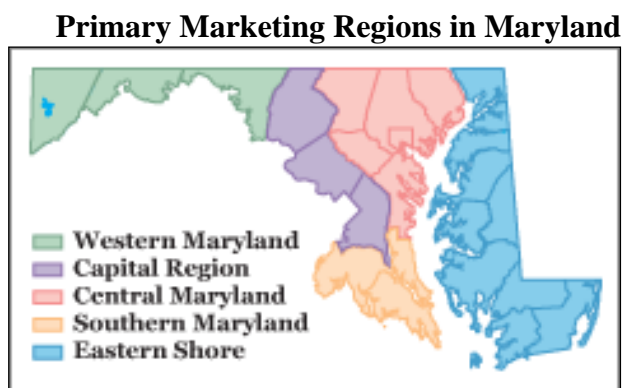
The estimated number of domestic U.S. visitors to the State of Maryland increased by 3.2% in 2008 and 3.5% in 2009. By contrast, total visitor volume declined in Delaware (5.3%), Pennsylvania (3.9%), Virginia (2.1%), West Virginia (1.4%) and the U.S. (5.3%) between 2008 and 2009. Visitors are defined as either someone who visits overnight or someone who travels more than 50 miles from home. In aggregate, visitors to the State of Maryland were estimated to have spent approximately \$13.7 billion in 2009.



Note: Annual data presented is for calendar year.
Sources: D.K. Shifflet & Associates, Ltd. And Maryland Office of Tourism.

In 2009, approximately 22.1 million (76%) domestic visitors to Maryland were estimated to be leisure travelers and 49% of visitors were overnights. The top tourism activities were dining (30%), shopping (18%), entertainment (15.0%) and sightseeing (12%).

As shown in the adjacent map, the Maryland Office of Tourism (MOT) segregates the State into five primary marketing regions. Wicomico County falls into the Eastern Shore region along with Caroline, Cecil, Dorchester, Kent, Queen Anne's, Somerset, Talbot, and Worcester Counties. The Eastern Shore attracted 22% of visitors to Maryland between 2007 and 2009, or more than 6.0 million visitors annually.

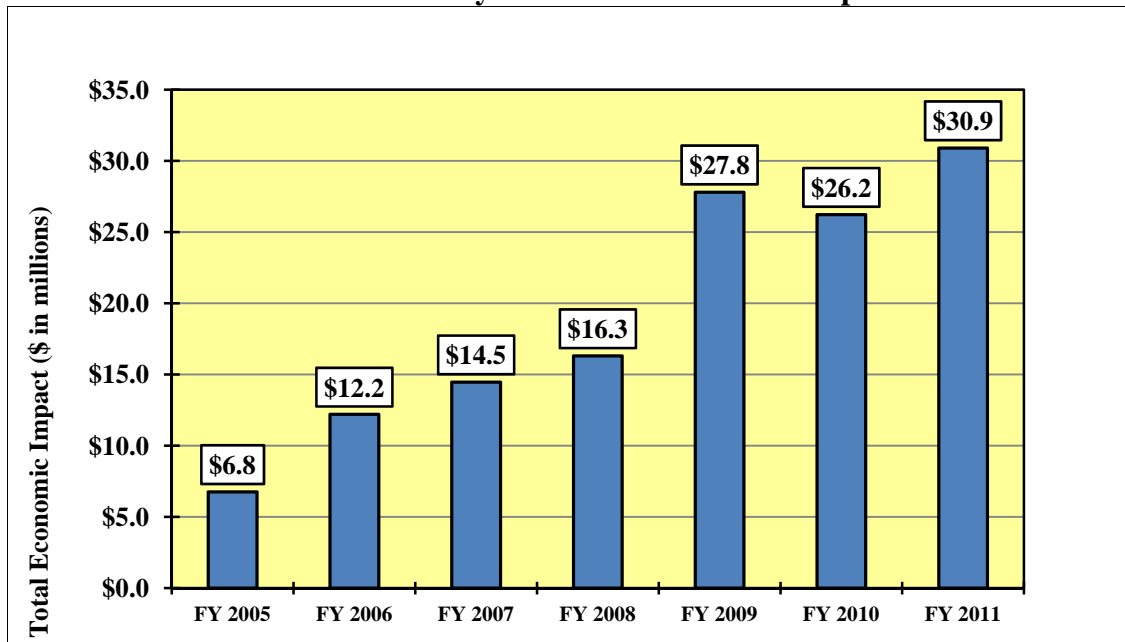


The *Fiscal Year 2010 Tourism Development Annual Report* presents the total tourism sales and use tax generated by each tourism region and by individual County in Maryland. In FY 2010, the State of Maryland collected \$322.1 million in tourism-related sales and use taxes, of which the Eastern Shore region accounted for approximately 12% or \$38.4 million. More specifically, Wicomico County generated approximately \$4.8 million in sales and use taxes from tourism related activity which ranked second within the nine-county region behind Worcester County where Ocean City is located.

The Wicomico County Convention and Visitors Bureau (CVB) tracks event registrants by several key target markets (i.e. sports marketing, group business and signature special events) in its trend report. As shown in the following graph, the number of total registrants and estimated economic impact from these three segments have significantly increased since 2005. According to CVB representatives, the upward trend is due, in part, to an improved hotel supply and concerted sales efforts in overall tourism and group business.

Total registrants peaked in 2011 with approximately 330,900 generating an estimated \$30.9 million in economic impact. The number of registrants at sporting events increased from 89,300 in FY 2008 to 160,300 in FY 2009, 154,240 in FY 2010 and 181,800 in FY 2011 which accounted for a significant portion of the increase in economic impact between FY 2008 and FY 2009. Visitors are attracted to a variety of area facilities that accommodate these events. Based on this report, sports marketing events have averaged 61% of events, 62% of total registrants, 61% of hotel rooms and 64% total economic impact over the last seven years.

Wicomico County - Trends in Economic Impact



Source: WYCC.

Regional Facilities

Understanding the supply of existing and planned facilities in the region and the degree to which they meet the needs of target market segments are important considerations when evaluating potential demand opportunities for the WYCC. Facility size, program elements, geographic location, configuration, age, market focus and date availability are factors that impact how competitive regional facilities may be to an expanded/renovated WYCC or any new facility.

Given its multi-purpose configuration and diverse event base, the WYCC competes with a variety of facility types depending on the event type. For sports/entertainment events, WYCC frequently competes with arenas and/or performing arts centers. Meeting/convention and banquet business often chooses between the WYCC, hotels or convention centers. Consumer and tradeshows commonly utilize arenas or convention centers for their flat floor events. As such, it is important to consider the variety of existing facilities in the local area as well as the broader region.

Existing Regional Sports/Entertainment Facilities

The following table lists existing regional sports/entertainment facilities within approximately 150 miles of Salisbury that offer a fixed seating capacity of between 5,000 and 15,000 and accommodate event activity such as recreational, scholastic, collegiate and professional level sports as well as concerts, family shows, consumer shows and other event activities. Many of the profiled facilities house collegiate athletic teams which generally limits their ability to host commercial sports/entertainment events because of market focus and/or date availability.

Existing Regional Sports/Entertainment Facilities			
Name	Location	Miles from Salisbury	Fixed Seating Capacity
Norfolk Scope Arena	Norfolk, VA	132	12,600
1st Mariner Arena	Baltimore, MD	108	11,000
The Liacouras Center - Temple University	Philadelphia, PA	140	10,200
D.C. Armory	Washington, DC	118	10,000
Patriot Center - George Mason University	Fairfax, VA	136	10,000
Hampton Coliseum	Hampton, VA	140	9,777
Constant Convocation Center	Norfolk, VA	132	8,181
Hampton University Convocation Center	Hampton, VA	140	7,200
Existing WYCC - Normandy Arena	Salisbury, MD		5,400
Show Place Arena	Upper Marlboro, MD	108	5,100
Towson Center Arena	Towson, MD	127	5,000
Bob Carpenter Center - University of Delaware	Newark, DE	107	5,000
Charles E. Smith Center - George Washington University	Washington, DC	118	5,000
Average (Excluding WYCC)		126	8,300

Note: Sorted in descending order by fixed seating capacity.

Sources: PollStar; representatives at and websites for individual facilities.

The WYCC offers the only arena within 100 miles of Salisbury that currently serves the surrounding area's sports/entertainment needs. However, several event promoters/producers cited the WYCC's seating bowl configuration, sightlines, lack of modern patron amenities, lack of dedicated fly space, and policy prohibiting the sale of alcoholic beverages as limitations for hosting certain sports/entertainment events which are discussed in more detail later in this report. Although not profiled, there are several larger arenas in the region such as the Verizon Center, Wells Fargo Center and Comcast Center that host diverse sports/entertainment activity. These venues do not represent direct competition to any expanded/renovated or new facility in Wicomico County given their size, program elements, geographic location and market focus.

Existing Regional Performing Arts Centers

WYCC's flexible space also allows it to host smaller cultural/entertainment events such as Broadway shows which can be held either in a scaled down Normandy Arena using a portable stage or in the Midway Room with portable riser seating. In addition, other areas of the facility can be used for pre- and post-event activities.

The following table lists regional performing arts centers in Maryland, Delaware and Virginia on or nearby the Delmarva Peninsula. The fixed seating capacity at these profiled facilities ranges from a high of 2,564 at the Modell Performing Arts Center at the Lyric to a low of 300 seats at the McManus Theatre, both of which are located in Baltimore. The majority of profiled venues host at least one resident company such as a symphony, ballet and/or opera in addition to Broadway shows, concerts, children's activities, lectures and comedy events. Eight of the profiled venues are located on collegiate campuses and, as such, are primarily dedicated to meeting the institution's needs. Several of these venues offer educational components that draw students for various performing arts disciplines. Many of the profiled venues are either owned by a college/university or a private non-profit foundation.

Existing Regional Performing Arts Centers			
Name	Location	Miles from Salisbury	Fixed Seating Capacity
Modell Performing Arts Center at the Lyric	Baltimore, MD	108	2,564
Chrysler Hall	Norfolk, VA	132	2,500
Hippodrome Theatre at the France-Merrick Performing Arts Center	Baltimore, MD	108	2,280
Strathmore	North Bethesda, MD	126	1,976
L. Douglas Wilder Performing Arts Center	Norfolk, VA	132	1,800
Ferguson Center for the Performing Arts	Newport News, VA	148	1,725
Harrison Opera House	Norfolk, VA	132	1,640
Sandler Center for the Performing Arts	Virginia Beach, VA	132	1,300
Ella Fitzgerald Center for the Performing Arts	Princess Anne, MD	13	1,200
Todd Performing Arts Center	Wye Mills, MD	58	904
Chesapeake Arts Center	Brooklyn Park, MD	103	816
Tidewater Community College Roper Performing Arts Center	Norfolk, VA	132	862
Holloway Auditorium	Salisbury, MD		776
Roselle Center for the Arts	Newark, DE	102	450
Avalon Theater	Easton, MD	48	400
McManus Theatre	Baltimore, MD	108	300
Average		110	1,300

Notes: Sorted in descending order by fixed capacity.

The existing WYCC can be configured differently to accommodate performing arts-related activities.

Source: Representatives at and websites for individual facilities.

Although the WYCC offers flexible seating capacities and configurations, the lack of a fixed stage and dedicated fly space in the Normandy Arena and the lack of dedicated fly space in the Midway Arena make hosting certain touring events/acts more labor intensive and therefore costly relative to other competitive venues.

In addition to the facilities listed in the previous table, there are other venues offering a range of seating capacity throughout Maryland, Washington, D.C. and Virginia dedicated to the performing arts. However, their geographic location and/or size make them less likely to compete with event activity considering the Salisbury market.

Existing Regional Convention/Meeting Facilities

Excluding the WYCC, the amount and type of conference/meeting/banquet space offered at hotels (e.g., Holiday Inn, Hampton Inn) and other public/private facilities (e.g., Dove Pointe, Black Diamond Lodge) in Wicomico County is relatively limited to accommodating groups of 250 people or less. The Fountains Wedding & Conference Center's Grand Ballroom offers 6,076 square feet of space and can accommodate parties ranging from 20 to 450 people.

However, the WYCC competes with the following larger hotels and regional convention centers for convention, meeting and banquet business.

Existing Regional Meeting Hotels/Convention Centers									
Facility	Location	Miles From Salisbury	Total Function Space SF	Total Exhibit SF	Total Ballroom SF	Largest Banquet Capacity	Total Meeting Room SF	Meeting Rooms	Sleeping Rooms
<i>Meeting Hotels</i>									
Hyatt Regency Chesapeake Bay	Cambridge, MD	32	24,100		16,200	850	7,900	24	400
Clarion Resort Fontainebleu Hotel	Ocean City, MD	30	22,800		14,400	625	8,400	21	250
Princess Royale Hotel	Ocean City, MD	30	20,100		18,900	430	1,200	1	345
Carousel Resort Hotel & Condominiums	Ocean City, MD	30	12,500		-	290	12,500	20	328
Average		31	19,900		12,400	550	7,500	17	330
<i>Convention Centers</i>									
Virginia Beach Convention Center	Virginia Beach, VA	132	205,500	150,000	31,000	2,000	24,500	22	292
Hampton Roads Convention Center	Hampton, VA	140	157,800	102,600	27,900	1,900	27,300	23	295
Roland E. Powell Convention Center	Ocean City, MD	30	122,900	63,000	21,900	1,200	38,000	20	n/a
Existing WYCC	Salisbury, MD		49,900	40,000	n/a	2,000	9,900	10	n/a
Average (excluding WYCC)		101	162,100	105,200	26,900	1,700	29,900	22	300

Notes: Profiled hotels are located in the Maryland Eastern Shore and offer a minimum of 10,000 SF of meeting/ballroom space.
Sleeping rooms associated with convention center denote that center's headquarters hotel.

Sources: Representatives at and websites for individual hotel properties and convention centers.

Although the WYCC offers more total function space than profiled hotels, its level of finishes are not the same caliber as that typically offered at full-service properties. In addition, regional convention facilities offer significantly more exhibit, meeting and dedicated ballroom space. However, given the WYCC's multi-purpose nature, it offers a similar maximum banquet capacity to regional convention centers.

Potential Future Developments

Public and private sector entities are continually seeking to improve their facilities through renovation, expansion, or new construction. As such, it is important to consider possible future developments that may compete with an expanded/renovated WYCC or a new facility in the County.

- Representatives at Salisbury University indicated they have a long-term vision for their campus to include an arena and a performing arts center; however, no plans are currently underway. Although these proposed facilities would primarily focus on meeting University needs, they would likely also be available to outside event promoters/producers for commercial touring activity.
- The Ocean City Convention Center is currently undergoing an expansion/renovation project which includes the planned development of a 1,200-seat auditorium to support its convention business. Funding has yet to be secured and, as such, no construction timeframe has been established. The WYCC and the Ocean City Convention Center currently compete for certain events in overlapping market segments. The addition of the proposed new auditorium will improve the Ocean City Convention Center's competitive position to host more cultural/entertainment acts. However, event producers/promoters will have the opportunity to choose from different physical products and destination settings within the same regional market which is beneficial to the State from a broader economic perspective. Date availability, space availability, patron amenities, previous experience, relationship with facility management, and cost are other factors that influence event promoters/producers' decision on where to host events.

- Towson University recently had a groundbreaking ceremony for its new \$68 million, 5,200-seat Tiger Arena which is slated to open in spring 2013. The arena will feature 340 club seats, 120 courtside seats and five private suites. The facility is envisioned to accommodate University athletic events as well as concerts, commencements, and other activities.
- A new arena is currently under consideration in downtown Baltimore to replace 1st Mariner Arena. However, no definitive development plans have been made.
- In an effort to increase tax revenues and create jobs, Maryland and Delaware have both considered broadening their gaming legislation to allow for the development of new casinos. Maryland passed a law in 2008 allowing slot machines but several clauses have limited their implementation including giving placement authority to local zoning officials and restricting casinos from offering entertainment. A study commissioned by the State legislature suggested that Delaware's gambling market could successfully support a new casino in the northern part of the State and a second in the south which would expand jobs and taxes. However, legislation proposed in 2010 for a casino resort project in Millsboro and a new gambling venue in the Wilmington City limits did not pass. A revised bill introduced in the 2011 Delaware legislation that was not site-specific and allowed for new sites anywhere in New Castle County and Sussex County was defeated by a House committee in March.

The WYCC is located in a region that offers a variety of purpose-built sports/entertainment, performing arts and convention/meeting facilities. To date, the facility has been successful at hosting a variety of event types which is likely attributable to its central location within the Delmarva Peninsula, flexible building program elements, and quality customer service. Although the WYCC's competitive position could be negatively impacted for certain event types (e.g., concert/entertainment activity) by the future development of any modern, sports/entertainment facilities within the Delmarva Peninsula, such as a new arena and/or performing arts center at Salisbury University or new casino in Southern Delaware, the WYCC should be able to accommodate multiple market segments that differ from a university-focused or casino-related venue.

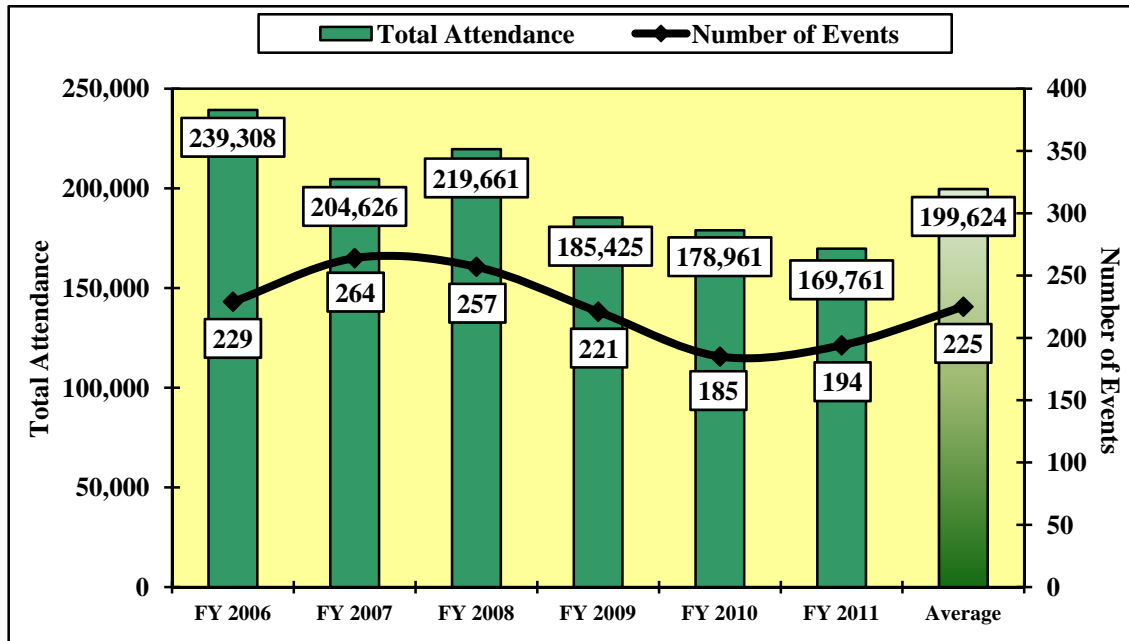
WYCC Event Activity Analysis

In order to better assess potential demand opportunities associated with renovating/expanding the WYCC or constructing any new facility, this section analyzes historical utilization at the WYCC, customer satisfaction surveys, and lost business reports.

Historical Utilization

As shown in the following graph, the number of events decreased between FY 2007 and FY 2010 with a slight improvement in FY 2011. Total attendance also decreased from 2008 to 2011 which is likely partially attributable to economic conditions. FY 2011 event activity was also negatively impacted by the installation of new flooring in Normandy Arena which occurred over a four-month period.

Summary of WYCC Total Events and Attendance



Notes: The WYCC's fiscal year ends June 30th.
FY 2011 event activity was negatively impacted by the installation of new flooring in Normandy Arena which occurred over a four-month period.

Consistent with its mission, the WYCC hosts a diverse set of entertainment, cultural, civic, convention and recreational activities. The table that follows summarizes activity at the WYCC by event type for the last six fiscal years. For purposes of this analysis and consistent with WYCC management's reporting, event activity is segregated into the following seven categories:

- Entertainment events include promoted acts such as concerts, family shows, professional wrestling, monster trucks, rodeo, and comedians as well as more traditional performing arts such as the Broadway series. Based on information provided by management, these events typically draw from both the surrounding residential base and southern Delaware, are usually one to two days in length, and can represent multiple performances for one show.
- Trade shows include primarily flat floor events that utilize the Normandy Arena and/or Midway Room for exhibit displays and can include business-to-business and business-to-consumer sales. These events typically use the building for 2.5 to 3.0 days and include craft shows, home and garden shows, bridal shows, health and wellness expos, among others. Given the WYCC's location, these events can draw from both the residential base, Eastern Shore visitors as well as nearby counties in Delaware.
- Sports include a variety of athletic competitions including, but not limited to, cheerleading, dance, basketball and wrestling as well as three annual dog shows. These events can draw from the local, State, regional and/or national markets depending on the level of competition.

- Corporate events include meetings, training events, sales launches, awards ceremonies, banquets and holiday parties sponsored by private companies. These events draw primarily from the surrounding communities but can occasionally draw from a broader region depending on the nature of the event.
- Education related events are those sponsored by scholastic or collegiate entities such as the Wicomico Board of Education, Wor-Wic Community College and Salisbury University. These typically represent six commencement ceremonies annually as well as other training and testing events. The majority of attendees represent residents or visitors staying with local family members.
- Socials represent primarily wedding receptions, birthday parties, reunions or other personal celebrations and are typically food functions or catered events. Attendees at these events can be both residents and visitors.
- Other events include those sponsored by fraternal, religious, government and civic organizations as well as those defined as miscellaneous by facility management such as meetings, registrations, festivals and other special events not encompassed in the categories above.
- The WYCC is also used for public recreation including activities sponsored by the Department of Recreation, Parks & Tourism offered when the facility is not rented. Activities include classes, organized sports, special events and senior citizen programs.

Summary of WYCC Historical Utilization

Fiscal Year 2006							Fiscal Year 2007						
Event Type	Events	Sessions	Event Days	Event Length	Total Attendance	Average Attendance	Event Type	Events	Sessions	Event Days	Event Length	Total Attendance	Average Attendance
Entertainment	27	46	39	1.4	105,491	2,293	Entertainment	21	29	28	1.3	62,231	2,146
Trade Show	12	32	32	2.7	31,880	2,657	Trade Show	11	24	24	2.2	29,865	2,715
Sports	13	28	28	2.2	31,079	2,391	Sports	14	36	34	2.4	40,400	2,886
Corporate	48	57	57	1.2	7,316	152	Corporate	51	53	53	1.0	9,447	185
Education	12	13	13	1.1	38,773	3,231	Education	16	23	23	1.4	41,624	2,602
Social	51	51	51	1.0	10,017	196	Social	52	52	52	1.0	7,974	153
Other	66	70	70	1.1	14,752	224	Other	99	182	184	1.9	13,085	132
Total	229	297	290		239,308		Total	264	399	398		204,626	

Fiscal Year 2008							Fiscal Year 2009						
Event Type	Events	Sessions	Event Days	Event Length	Total Attendance	Average Attendance	Event Type	Events	Sessions	Event Days	Event Length	Total Attendance	Average Attendance
Entertainment	23	55	54	2.3	94,193	1,713	Entertainment	27	43	43	1.6	73,687	1,714
Trade Show	16	38	38	2.4	23,092	1,443	Trade Show	12	32	32	2.7	20,774	1,731
Sports	17	41	41	2.4	41,140	2,420	Sports	13	33	33	2.5	34,149	2,627
Corporate	58	73	73	1.3	10,952	189	Corporate	46	46	47	1.0	10,806	235
Education	11	18	18	1.6	35,987	3,272	Education	11	19	19	1.7	32,840	2,985
Social	40	41	41	1.0	4,755	119	Social	34	33	34	1.0	4,394	129
Other	92	167	168	1.8	9,542	104	Other	78	97	99	1.3	8,775	113
Total	257	433	433		219,661		Total	221	303	307		185,425	

Fiscal Year 2010							Fiscal Year 2011						
Event Type	Events	Sessions	Event Days	Event Length	Total Attendance	Average Attendance	Event Type	Events	Sessions	Event Days	Event Length	Total Attendance	Average Attendance
Entertainment	31	60	60	1.9	86,429	1,440	Entertainment	19	32	43	2.3	68,894	2,153
Trade Show	9	24	24	2.7	9,065	1,007	Trade Show	7	18	19	2.7	13,650	1,950
Sports	16	31	32	2.0	32,286	2,018	Sports	18	40	38	2.1	28,258	1,570
Corporate	43	48	48	1.1	9,445	220	Corporate	44	46	46	1.0	10,492	238
Education	8	15	15	1.9	33,809	4,226	Education	12	22	22	1.8	34,058	2,838
Social	34	34	34	1.0	3,594	106	Social	33	33	33	1.0	3,373	102
Other	44	51	51	1.2	4,333	98	Other	61	67	76	1.2	11,036	181
Total	185	263	264		178,961		Total	194	258	277		169,761	

Notes: WYCC management recoded event types in FY 2007 to include Miscellaneous Events.

Sessions denotes the number of performances.

Average attendance for entertainment events is per session not per performance.

FY 2011 event activity was negatively impacted by the installation of new flooring in Normandy Arena which occurred over a four-month period.

Source: WYCC management.

Six Year Average (FY 2006 - FY 2011)						
Event Type	Events	Sessions	Event Days	Event Length	Total Attendance	Average Attendance
Entertainment	25	44	45	1.8	81,821	1,860
Trade Show	11	28	28	2.6	21,388	1,944
Sports	15	35	34	2.3	34,552	2,303
Corporate	48	54	54	1.1	9,743	203
Education	12	18	18	1.6	36,182	3,015
Social	41	41	41	1.0	5,685	139
Other	73	106	108	1.4	10,254	140
Total	225	326	328		199,625	

Note: FY 2011 event activity was negatively impacted by the installation of new flooring in Normandy Arena which occurred over a four-month period.
Average attendance for entertainment events is per session not per performance.
Source: WYCC management.

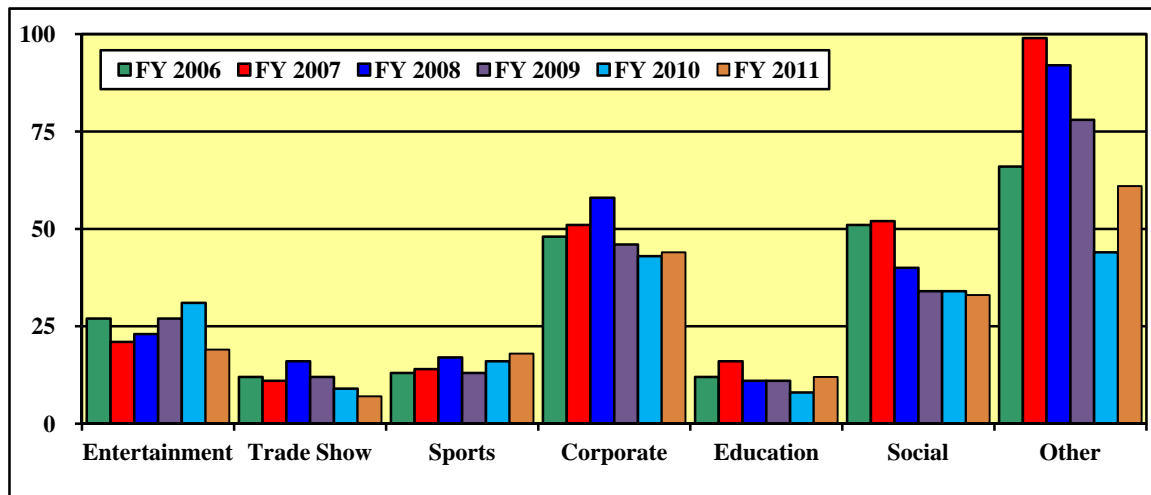
The following summarizes key trends in WYCC utilization over the last six fiscal years:

- The number of entertainment events increased each year from FY 2008 through FY 2010 and then decreased 39% from 2010 to 2011 due to the installation of new flooring in Normandy Arena which occurred over four months. The number of event days and attendance at entertainment events has fluctuated over the past six fiscal years. This is consistent with some events that only book the facility every other year and is common for touring acts such as family shows in smaller markets.
- Entertainment events have averaged 41% of total attendees over the last six years followed by education (18%) and sports (17%), respectively.
- Over the last six fiscal years, average attendance has been highest (3,015) at education events due to the number of graduations, followed by sporting events (2,303), trade shows (1,944) and entertainment events (1,860).
- Salisbury University's spring commencement requires two ceremonies to accommodate their attendance with both reaching the building's maximum capacity.
- Only two spectator oriented events (i.e., entertainment and sporting) in FY 2010 and one event in FY 2011 exceeded average attendance of 5,000.
- Trade shows have decreased both in number and average attendance from FY 2008 to FY 2010 to less than one-third of their total attendance in FY 2006. This decline is consistent with industry wide trends during this time period for business-to-consumer exhibitions. However, a 51% increase in total tradeshow attendance occurred between FY 2010 and FY 2011 due to a greater draw at these events.
- Although sports events have fluctuated in number over the last six fiscal years, average attendance has declined over the most recent three fiscal years. This is due, in part, to an increasing number of smaller tournaments/competitions since FY 2009.
- Social events and attendance have declined over the last six fiscal years. Other events and attendance experienced a steady decline between FY 2007 and FY 2010 with an increase in FY 2011 due to increased attendance at fraternal, religious and government related activities.

- Over the last six fiscal years, ticket sales to out-of-state buyers have averaged 37% based on data from WYCC management.

As shown in the following graph, other, corporate and social events have historically accounted for the largest number of events. In addition to these, entertainment has also been a consistent source of event activity.

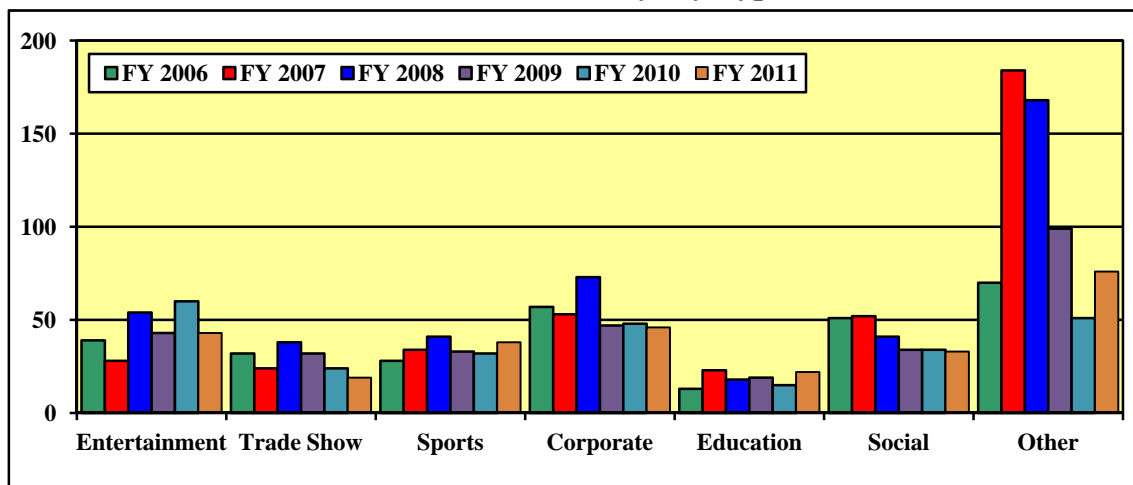
Number of Events by Type



Note: FY 2011 event activity was negatively impacted by the installation of new flooring in Normandy Arena which occurred over a four-month period.

As expected, these same event types have also accounted for a significant portion of the number of event days. Other events have experienced a significant decline in the number of event days in recent years. This is consistent with an industry wide decrease in the number of government and civic-related meeting and social functions which is primarily due to budget constraints.

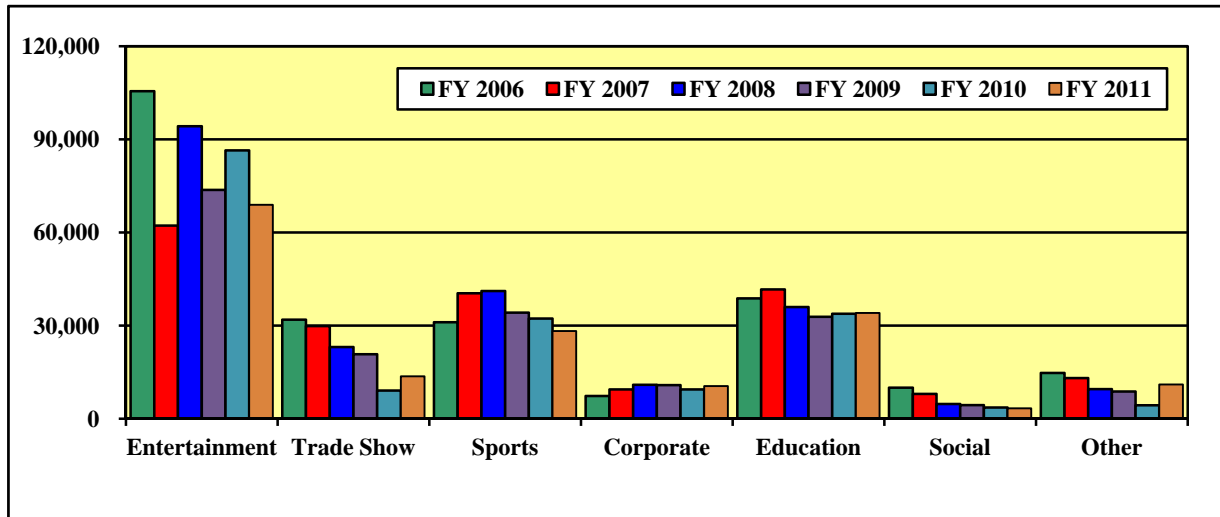
Number of Event Days by Type



Note: FY 2011 event activity was negatively impacted by the installation of new flooring in Normandy Arena which occurred over a four-month period.

As shown in the following graph, over the last six fiscal years entertainment, sports and education events have consistently attracted the highest total attendance with entertainment events fluctuating the most during the profiled period. Unlike the number of events and event days, corporate, social and other events represent a small portion of total attendance. These event categories have averaged the least amount of attendees per event over the last six fiscal years. Total attendance at tradeshow steadily declined with a slight improvement in FY 2011.

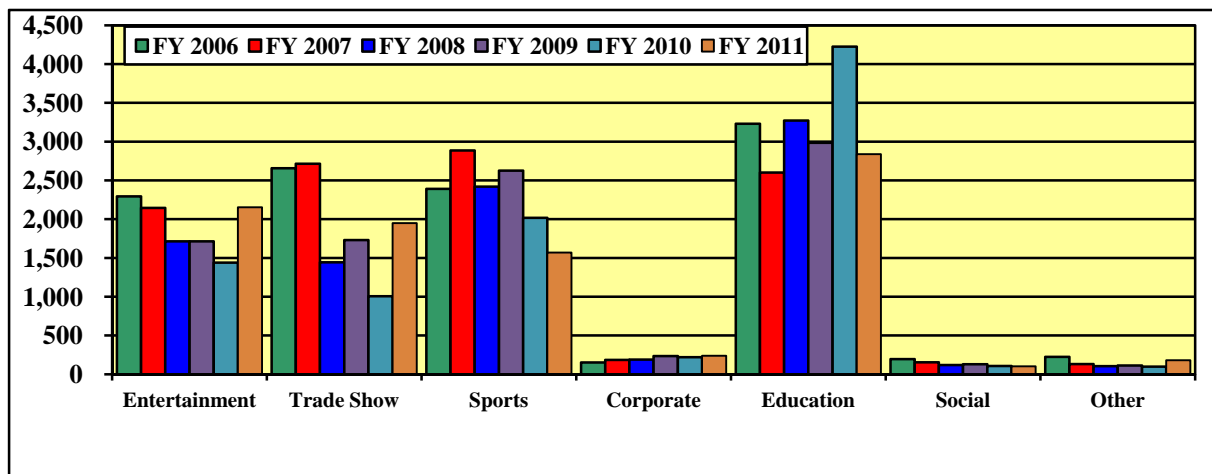
Total Attendance by Event Type



Note: FY 2011 event activity was negatively impacted by the installation of new flooring in Normandy Arena which occurred over a four-month period.

Average attendance has fluctuated in most event categories but more so for trade shows, sports and educations events. Average attendance at entertainment events declined from FY 2006 to FY 2010 with a 50% improvement in FY 2011.

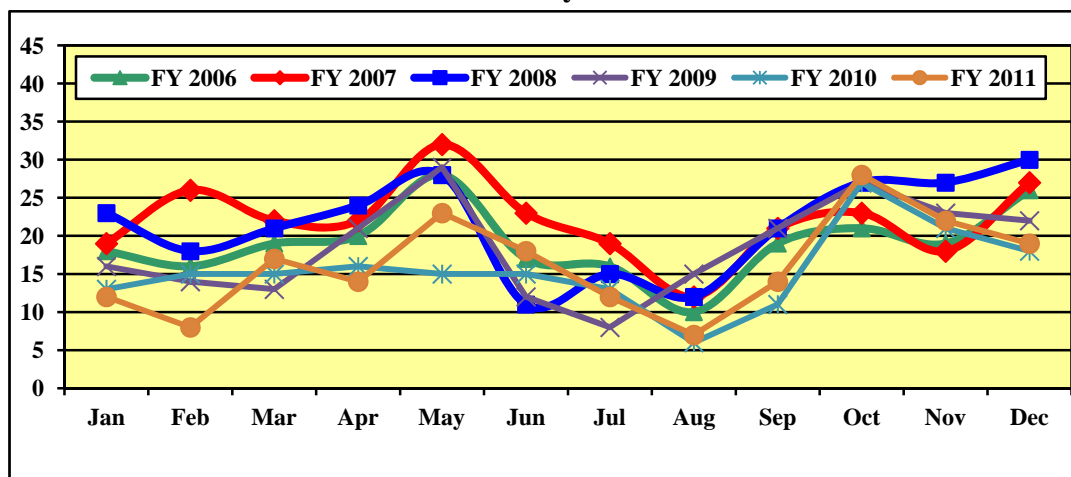
Average Attendance by Event Type



Notes: Average attendance for entertainment events is per session not per event.
FY 2011 event activity was negatively impacted by the installation of new flooring in Normandy Arena which occurred over a four-month period.

With the exception of the spring of 2010, the number of events held at the WYCC has consistently peaked each May, October, November and December over the last six fiscal years. The facility consistently experiences a slower period during the summer months.

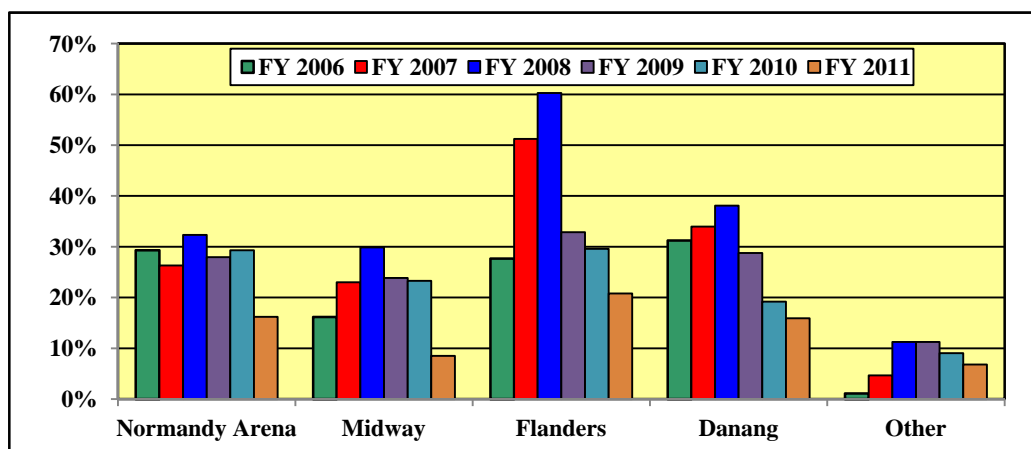
Number of Events by Month



Note: FY 2011 event activity was negatively impacted by the installation of new flooring in Normandy Arena which occurred over a four-month period.

For purposes of this analysis, annual occupancy is calculated based on the number of event days a particular building area is used divided by 365 days in a year. This figure does not necessarily represent the full building occupancy as it does not take into account move-in/move-out days for all events. Practical maximum occupancy for multi-purpose buildings is typically considered 60% to 65% given “down days” necessary for maintenance and repairs as well as the general inefficiency associated with scheduling events. As shown, Normandy Arena usage levels were fairly consistent from FY 2006 through FY 2010. Occupancy was down in each function area during FY 2011 when capital improvements were made.

Usage by Function Space



Notes: Usage is based on the total event days divided by 365 days.

FY 2011 event activity was negatively impacted by the installation of new flooring in Normandy Arena which occurred over a four-month period.

As shown in the following table, the vast majority of events held at the WYCC use one of the primary function spaces. On average, 84% of total events utilize one area of the facility. The current building configuration causes inefficiencies in hosting multiple groups simultaneously depending on what spaces are being utilized.

Event Count by Number of Spaces Used							
Number	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	Average
1	201	238	217	177	147	160	190
2	19	12	20	24	20	18	19
3	2	8	12	15	15	11	11
4	7	6	8	5	3	5	6
Total	229	264	257	221	185	194	225

Sources: WYCC management; Crossroads analysis.

While neither occupancy nor the number of spaces used are perfect measures of the building's usage, these statistics lend perspective as to how the building is utilized and what factors may be hindering greater usage.

Future Bookings

The following table summarizes WYCC returning business currently booked for FY 2012.

Summary of WYCC Returning Business				
Event Type	Events	Sessions	Total Attendance	Estimated Gross Revenue
Entertainment	16	26	50,999	\$1,210,000
Trade Show	5	14	11,200	67,000
Sports	17	35	28,658	150,000
Corporate	24	24	3,290	71,000
Education	8	15	5,600	18,000
Social	0	0	0	0
Other	9	9	929	4,000
Total	79	123	100,676	\$1,520,000

Source: WYCC management.

This represents approximately 40% of the total events hosted in each of FY 2010 and FY 2011 and nearly 50% of each of the last two fiscal year's event days and attendance suggesting FY 2012 is poised to exceed activity in recent years.

Customer Satisfaction Surveys

WYCC management regularly conducts customer satisfaction surveys to assess their event and catering service. Respondents are asked to rate their event experience from 1 (poor) to 5 (excellent) in a number of key areas. The table that follows summarizes the evaluations conducted for events held in FY 2010:

WYCC Customer Evaluation Summary					
Event	FY 2010 Percent Total Responses				
	5	4	3	2	1
Administrative staff	90%	10%	0%	0%	0%
Box office staff	100%	0%	0%	0%	0%
Maintenance and building cleanliness	74%	26%	0%	0%	0%
Event staff/first aid personnel	83%	17%	0%	0%	0%
Stagehands, technicians	78%	11%	0%	11%	0%
Overall WYCC rating	79%	16%	5%	0%	0%
Catering	5	4	3	2	1
Catering staff	91%	0%	9%	0%	0%
Food quality	82%	9%	9%	0%	0%
Food taste	73%	18%	9%	0%	0%
Overall Encore Catering rating	90%	10%	0%	0%	0%

Source: WYCC management.

As shown, facility staff, service and catering were highly rated by customers. These results are consistent with direct input received from past users of the WYCC via phone interviews discussed in the next section and the facility's high level of repeat business.

Lost Business

The Wicomico County CVB maintains lost business reports for event producers who are considered hosting their event at the WYCC. Over the last several years, lost business included groups that had previously met in Salisbury as well as those considering the City for the first time. According to data provided by the Wicomico County CVB, a total of 34 events were lost representing more than 79,000 attendees and 46,000 hotel room nights. Reasons cited include, but are not limited to, the following:

- Chose a conference center/hotel for their event
- Event required alcohol
- Lack of registrants/interest in proposed event
- Desired dates were not available
- Facility did not offer appropriate program/equipment

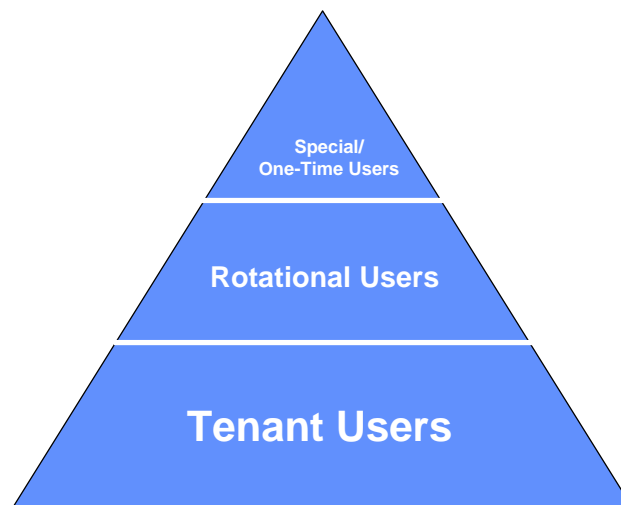
As shown below, lost business primarily consisted of sports competitions but also included conventions, dog shows, corporate, fraternal and religious events.

Lost Business Events	
AAU Karate National Championship	National Assoc. of Black Accountants
Cheer and Dance Extreme	Pug Dog Club of America, Inc
Cheer Challenge America	Spirit Power
Eastern Cheer & Dance	Tim Carle
Friday Systems Services, Inc.	USA Curling
German Shepherd Dog Club of America	USA Table Tennis US Open
Indoor Field Hockey Qualifier	USA Wrestling Nationals
Inline Hockey Tour	Women's Flat Track Derby
Jamie Morrison - Baptist Retreat	World Bocce League
Mary Kay Career Conference	World Cheerleading Assn
Maryland Delaware Hog Rally	Xtreme Spirit

Source: Wicomico County CVB.

Potential Demand Generators

In order to assist the MSA and the County in estimating the potential uses for a renovated/expanded WYCC or any new venue, it is important to understand the various levels of users at a multi-purpose facility. The diagram below illustrates the structure of users. Tenant users can represent a solid base for the facility that can provide steady and contractually obligated income. Tenant users are generally sports teams such as professional minor league hockey, basketball and/or arena football, among others. Rotational users are shows or events that return to the facility on a regular basis, usually during a designated time of year, and may have a long-term contract to do so. Examples of rotational users are annual athletic tournaments, family shows, consumer shows and festivals (e.g., Poodle Club of America, etc.). Special/one-time users are irregular in nature such as one-time sporting events and tournaments (e.g. major regional sports tournament, etc.), concerts, etc. Although these events can be significant revenue generators, they are not guaranteed and the number of these events will vary from year to year. Special/one-time users are important to the success of the venue, but are the least predictable and can sometimes be labor/marketing intensive.



As previously discussed, the broader region offers a number of sports/entertainment facilities, performing arts centers, and convention/meeting venues that can host a wide variety of event activity. Despite this supply of facilities, the WYCC has been successful at accommodating diverse event activity and experiences a high rate of repeat business. As such, obtaining input from past users of the facility as well as potential users is helpful in order to understand their perception of the venue's strengths and weaknesses as well as gauge their interest in hosting events at an expanded/renovated WYCC or proposed new facility.

Professional Minor League Sports

Although the WYCC is not currently home to any tenant sports teams, several professional minor league sports such as hockey, basketball, indoor football, and indoor soccer represent potential tenant teams which represent a stable base of events for an arena. Tenant teams generally have a number of requirements regarding the facility and market in which they play such as geographic location, market size, facility capacity, and premium seating (i.e., suites, club seats). The following table outlines general characteristics of select professional minor leagues that could potentially host a team at the existing WYCC or a potential new arena:

League (Date Formed)	Average Market Size	Average Arena Capacity	Average Attendance	Regular Season Home Games	Season	Other Comments
ECHL (1988)	1,536,000	9,600	4,500	36	Oct-Apr	Potential to develop rivalries with nearby teams
NBA D-League (2001)	860,000	7,300	3,000	24	Nov-Apr	NBA team sponsor not necessary
Indoor Football League (2008)	1,047,000	6,900	n/a	7	Feb-Jun	Merger of Intense Football League and United Indoor Football
Southern Indoor Football League (2008)	869,000	8,700	n/a	6	Mar-Jun	League instability

Note: n/a – denotes not available

Sources: Individual leagues; U.S. Census; other secondary research.

The above list does not represent all professional minor league sports leagues. For instance, the American Hockey League, North American Hockey League, Arena Football League, Major Indoor Soccer League, National Lacrosse League, and the Women's NBA are not likely to host teams at an expanded/renovated or new arena in Wicomico County for a variety of reasons including geographic and economic attributes.

Although there are no guarantees as to how long any sports league will be in existence, one factor to consider is the proven long-term stability of a league. As shown above, ECHL and NBA Development (NBA D) League have been in existence for at least 10 years. By contrast, the Indoor Football League and Southern Indoor Football League were both formed in 2008. Other professional minor leagues have experienced significant instability overall and/or with individual teams, depending on their ownership and management oversight.

In addition, while professional sports tenants offer a specific number of guaranteed dates, this event activity does not always translate into positive financial performance for a facility. The current restriction on selling alcoholic beverages is a significant constraint in attracting any professional minor league sports tenant.

Further, tenant teams' guaranteed dates for home games can be prime times for other commercial event activity that can often be more profitable on a per event basis (e.g., concerts, family shows). As such, prioritizing event dates for a tenant team could hinder the WYCC or any new facility's ability to accommodate some concerts, family shows and entertainment events that book in a shorter timeframe and have little flexibility in their date range. Similarly, tenant teams that would play at an expanded/renovated or new facility in Wicomico County would appeal to local-based residents and, as such, would not generate significant economic impact.

Scholastic and Collegiate Institutions

County Board of Education

The Wicomico County Public School District has a student population of nearly 14,600 in 25 schools including four high schools. Most athletic activities take place in high school gymnasiums with seating capacities ranging from approximately 800 to 1,300. County representatives indicated they currently use the WYCC annually for high school proms, graduations and a regional basketball tournament. However, two of the three proms that used to be held at the WYCC have relocated to other venues in recent years. Other uses include an opening day employee meeting for approximately 3,000 people and State championship athletic activities, as needed. According to representatives, the WYCC's location, size, price/value and exceptional staff make it a favorable venue to host County school activity. Suggested improvements that would make the WYCC more accommodating for their events include additional on-site parking, full-service locker rooms, and expanded back-of-house space. While a new facility is not necessary to continue accommodating local school needs, representatives indicated a modern arena would make it more competitive for attracting State championship and regional tournament athletic events.

Local Colleges/Universities

Salisbury University currently utilizes the WYCC for its spring and fall graduation ceremonies. According to representatives, they have experienced growth in their graduating class each year with 870 graduates expected this spring utilizing all of the Normandy Arena floor and riser seating. University staff mentioned graduations have reached the maximum capacity at the WYCC and they now have to host two spring graduation ceremonies to accommodate their needs. Strengths of the facility include its location proximate to the University. Although the WYCC offers the largest facility in the community, the University would ideally like to have a 25,000 to 30,000 SF floor in addition to 6,000 to 8,000 seats in order to meet their anticipated future growth. That said, representatives indicated a new facility would not be required to continue to accommodate their activities given their desire to keep graduations local. Given the supply of larger, modern arenas in the region, Wicomico County's ability to attract a significant

number of large State and/or regional collegiate competitions in the future is relatively limited even with any expanded/renovated or new arena facility. It is important to reiterate that Salisbury University's long-term strategy includes plans for a new arena and performing arts center on its campus to better meet the anticipated needs of its students, faculty and staff. Any new facility built on campus would likely negatively impact the amount and type of business held at the WYCC.

Sports and Athletic Associations

Input was obtained from representatives who organize State, regional and national youth and amateur sports competitions, tournaments and/or training events. Survey respondents represented a wide variety of sports such as cheerleading, dance, boxing, basketball, volleyball, wrestling, indoor soccer, field hockey and lacrosse at all levels of play (e.g., local, State, regional and national). Further, if the appropriate flooring were available, indoor track and field events could also be hosted. In general, representatives mentioned the WYCC's size and location within the Delmarva Peninsula as well as the lack of competitive venues make it an attractive choice for their events. Weaknesses mentioned related to the WYCC's physical condition, lack of modern amenities (e.g., full-service locker rooms, dedicated dressing rooms, etc.) as well as lack of purpose-built arena characteristics (e.g., loading dock, logistics, back-of-house space, concession variety, etc.). These weaknesses hinder event promoters' ability to host more event activity and/or to draw higher attendance. Improvements to the existing WYCC would make it more marketable for regional tournaments that draw visitors from surrounding states. One promoter suggested the facility could sponsor a high level high school basketball tournament for area private schools given its proximity to several schools with significant programs. This event could be a talent highlight for potential college scouts or a regional tournament giving schools the opportunity to play teams outside their normal competitive set. The inability to sell alcoholic beverages was not cited as a limitation for hosting these types of events. Promoters mentioned an expanded/renovated WYCC could host several local, state and/or regional sporting events each month drawing several thousand spectators.

Promoted Entertainment Acts

Input regarding an enhanced/renovated WYCC or proposed new facility in Salisbury was obtained from promoters of concerts, family shows, professional wrestling and the performing arts. Consolidation of the entertainment industry has impacted indoor and outdoor facilities around the country, especially with respect to the concert market. The major promoters in the U.S. are Live Nation (formerly Clear Channel Entertainment) and AEG Live, a subsidiary of Anschutz Entertainment Group. Both promoters book a variety of events including rock concerts, middle-of-the-road concerts, country concerts, stand-up comedians, family shows, music festivals, and Live Nation is active in motor sports entertainment.

Live Nation operates three global live-content divisions (i.e., theatrical, music and sports) as well as owning, operating, and/or exclusively booking approximately 128 live entertainment venues, including arenas ranging in size from 5,000 to 20,000 seats. This consolidation of venues and live entertainment significantly changed the composition of the industry. By assuming the roles

of both promoter and venue owner/manager, Live Nation can buy a show and book it into its network of venues. As venue manager, Live Nation is also in a position to manage all revenue streams including the selling of sponsorships, advertising, premium seating, managing concession operations, parking, merchandise, security, ushering and ticket taking operations. Live Nation is also involved in ticketing operations.

AEG Live is also one of the leading providers of live entertainment and sports in the world. AEG is involved in all aspects of live entertainment and multi-media production and is the second largest concert promotion, special event, and touring company in the world. AEG Live has a presence in the following areas of the live event industry: tours including major national and international concerts; festivals including the New Orleans Jazz & Heritage Festival and Seattle's Bumbershoot Music & Arts Festival; exclusive booking for the Colosseum at Caesars Palace in Las Vegas; exhibits including "Tutankhamun and the Golden Age of the Pharaohs"; Network LIVE, a provider of digital entertainment; special events such as corporate and private events; merchandising through BandMerch, Inc; and their venue division. AEG Live also owns and/or operates a variety of sports and entertainment venues throughout the world.

Input was obtained from both national and regional concert promoters as well as representatives of several family shows including Sesame Street Live and TNA Wrestling. In general, these promoters cited Salisbury's location within the Mid-Atlantic, lack of competitive venues nearby and surrounding demographics as advantages for hosting stop-over performances between major cities. They also cited the existing seating capacity and first-class staff as strengths for hosting events at the WYCC. None of the promoters we spoke with require a new facility to continue bringing entertainment acts to Salisbury. Most promoters commented that while more seats may result in a larger pool of talent from which to choose, it was unlikely that an expanded/renovated or new facility in Wicomico County would attract significantly more concerts or family shows, particularly given the declining national commercial event industry and recent economic conditions. Rather promoters commented that providing a flexible rigging grid, a flexible seating capacity or curtaining system, stage mobility, additional dressing rooms, expanded back-stage facilities, an improved loading dock, general "sprucing up", additional marshalling areas and separated VIP parking areas for talent would enhance the facility's marketability. In the future, the WYCC will need to continue to prioritize general maintenance and modernization to better meet the needs of commercial event promoters.

Wicomico County has an Arts Council dedicated to promoting the arts in their jurisdiction. According to representatives, the region's performing arts industry is limited by the lack of appropriate performance space. While the WYCC does offer the flexibility to host a variety of performing arts its capacity, acoustics and general ambience do not create an ideal setting for the arts. That said, the WYCC has hosted a Broadway series each of the last three years selling over 1,000 subscriptions. Promoters mentioned the WYCC's lack of fixed fly space and user-friendly load-in as challenges for these types of events historically. Should a more intimate performance space with traditional acoustics and finishes be developed, representatives indicated it could host a variety of local and regional arts performances each year including theater, dance, symphony and opera. The ability of the WYCC to host the current Broadway series given its lack of dedicated performing arts space is a testament to the facility's flexibility and high level of customer service.

Dog Show Promoters

The WYCC hosts three national/international level dog shows annually attracting 600 to 1,000 participants per show and offering one to six days of competition. Each of the shows currently utilizes all of the facility including its corridors, kitchen and back-of-house space.

Representatives of the three sponsoring organizations cited the WYCC's layout, access to membership and pet-friendly local hotels as strengths in terms of hosting their events. None of the shows require a new facility to continue coming to Salisbury. However, representatives did comment that a newer, more modern facility with additional space would allow their event to grow in size and provide the opportunity to bring additional shows. Suggested improvements to the existing venue include additional parking for both recreational vehicles (with full-service hookups) and cars, approximately 10,000 SF of additional column-free grooming and/or exhibit space, additional banquet space and greater meeting room flexibility. Expanding the WYCC's exhibit/vendor space by approximately 50% would allow one organization to bring one to three additional dog shows to the WYCC annually which are currently being courted by the new Purina Event Center outside St. Louis, Missouri. Groups mentioned that maintaining cost-effectiveness would be a priority for hosting their events.

Consumer/Trade Show Promoters

Interviews were conducted with consumer/trade show promoters that represent a variety of events such as home and garden shows, job fairs and better living expos. Representatives mentioned that the lack of flexibility for renting the Normandy Arena (i.e., not divisible) is a weakness of the WYCC's current program. Other surrounding area convention/meeting facilities offer flexibility making them more attractive for certain consumer/trade shows depending on their vendor demand. Promoters reacted positively to recent improvements made at the WYCC. Additional suggestions include more flexible and divisible space options, continued modernization, as well as improved aesthetics.

The Ocean City Convention Center currently hosts several consumer/trade shows each year and was noted as the WYCC's biggest competitor for this type of business. Its location, exhibit space flexibility and ability to draw from the visitor market were mentioned as positive destination attributes. That said, none of the promoters interviewed stated the need for a new building to accommodate their shows. The limitation on alcohol sales was not noted as a critical issue to continue hosting this type of event activity.

Conventions

The WYCC competes with larger regional hotel properties and convention centers such as the Ocean City Convention Center for convention activity. In general, economic conditions have negatively impacted the number of conventions held, space requirements and attendance at events. CVB representatives indicated that overall affordability, customer service and food quality as market and facility strengths. Challenges include the restriction on selling alcoholic beverages, the total number of hotel rooms in the County and the lack of a hotel within close proximity to the existing WYCC. Offering dedicated exhibit, meeting and banquet space as well as improving both patron amenities and overall aesthetics would further enhance the WYCC's marketability to attract and retain convention activity.

Other Events

In addition to the event types above, the WYCC accommodates a variety of other activities such as meetings, banquets, seminars and other special events. These types of events primarily attract local residents and can be financially profitable. Given the nature of this activity, event organizers cited the restriction on alcohol sales as a major weakness for attracting their event to the WYCC. In addition, the facility's multi-purpose nature makes it less aesthetically pleasing for some banquet and social activities. That said, its capacity and exceptional staff were noted as advantages for hosting events requiring a large capacity. General renovations, modernization and improved aesthetics were mentioned as desirable for these types of events.

In summary, promoters/producers who currently hold events at the WYCC are pleased with the facility, its management and its staff. The majority of promoters/producers cited the WYCC's location on the Delmarva Peninsula and lack of similar competitive facilities within the immediate market area as advantages for hosting their events. Although the majority of existing and potential users do not require increased capacity to accommodate their event, several facility enhancements were recommended which varied by specific event type. While management has been successful at attracting a variety of demand generators over the years that have tolerated the restriction on alcoholic beverage sales, given the changing competitive environment and trends in touring event activity, the ability of the venue to fundamentally change its event base and increase revenue generation will likely require alcoholic beverage sales in the future. The next section summarizes our market findings.

Summary of Market Findings

This section discussed various supply and demand factors that can influence the type and amount of event activity at an enhanced/renovated WYCC or new facility in the County including select demographic and economic characteristics, accessibility, lodging supply, tourism statistics, attractions, the supply of area facilities, historical utilization as well as input from existing and potential demand generators.

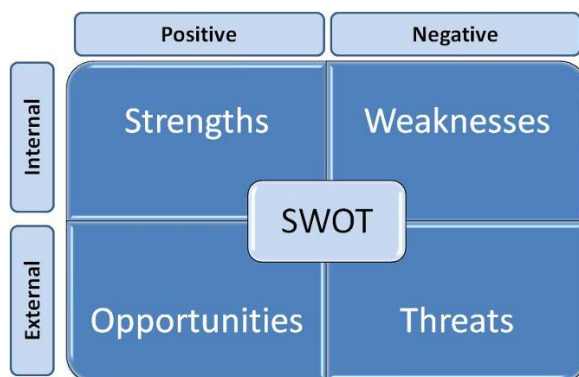
Based on input from event producers and management at comparable facilities as well as other research, several common factors appear to enhance the success of multi-purpose facilities including, but not limited to, the following:

- Demographic/economic characteristics
- Strong recognizable identity
- Importance of providing a well-designed, safe facility for attendees with convenient access throughout the facility
- Building program elements, patron amenities and supporting infrastructure that appropriately accommodates the desired target market(s)
- Flexibility to host diverse events
- Space configuration that has the ability to effectively host simultaneous events
- Accessibility to/from the facility

- Ability to maximize revenue streams including the sale of alcoholic beverages
- Proximity to supporting amenities such as hotels, restaurants, retail and entertainment establishments

SWOT Analysis

A SWOT analysis outlines the key internal and external factors, both positive and negative, impacting a project or concept.



Given these success factors as well as the primary and secondary research conducted for this analysis, the following summarizes market related strengths, weaknesses, opportunities and threats associated with an enhanced/renovated WYCC or a new facility in the County.

SWOT Analysis

Strengths	<ul style="list-style-type: none"> • Consolidation of Recreation, Parks and Tourism departments for seamless sales and service approach • WYCC has an established brand with significant repeat business • Ability to accommodate a variety of market segments consistent with its mission • Success of existing athletic users in a wide range of sports • Experienced staff offering exceptional customer service • Central location along Delmarva Peninsula • Proximity to the only commercial airport on the Delmarva Peninsula • Affordable hotel room rates and pet-friendly properties • Lack of similar sports/entertainment facilities within 100 miles • High quality food service • Free on-site parking • Recent facility upgrades/renovations and on-going capital improvement plan with dedicated funding source • Established area and State marketing agencies: Wicomico County CVB, Maryland Office of Tourism, Maryland Office of Sports Marketing • Growing group visitor markets to County in recent years, particularly sports related
Weaknesses	<ul style="list-style-type: none"> • Existing building configuration limits ability to effectively accommodate simultaneous events • Lack of modern amenities and finishes comparable to newer facilities • Restriction on alcohol sales • Relatively limited hotel supply near WYCC and no hotels within walking distance • Moderate primary market population with relatively nominal projected growth • Relatively low incomes in primary market making attendees price-conscious • Relatively high unemployment rate in the County • Relatively limited corporate base • Lack of interstate access within Delmarva Peninsula • High traffic during the summer season • Declining cultural/entertainment activity • Lack of VIP parking, truck marshalling area and load-in configuration • Few existing events require maximum capacity • Market demographics are consistent with smaller sized touring entertainment acts that prefer a more intimate seating capacity ranging from 3,000 to 4,000 seats
Opportunities	<ul style="list-style-type: none"> • Reconfiguration and modernization provides the opportunity to develop a fresh regional reputation for being a more modern facility resulting in an increase in events, attendance and corporate advertising/sponsorships • Entertainment option for visitors and residents to retain their discretionary spending • State and regional scholastic/collegiate athletic championships and/or tournaments • Proximity to large population centers • Ability to increase occupancy at area hotels with more event activity • Strategic partnership possibilities with other parks/recreation or local collegiate needs • State is supportive of tourism initiatives with established funding mechanisms/precedents
Threats	<ul style="list-style-type: none"> • Remaining status quo will result in continuing decline of amount and mix of business • Fluctuations/cyclic nature of the economy has had a negative impact on entertainment venues across the county particularly related to commercial event activity (e.g. concerts, family shows, sporting events) • Decrease in discretionary consumer spending on entertainment • Existing purpose built facilities (e.g., arenas, convention centers, hotel ballrooms, performing arts centers) offer more competitive package for some events, depending on space/amenity needs • Stated desire of Salisbury University to expand its facilities in the long-term (i.e., arena, performing arts venue) • Changes in the competitive market including any future developments of public assembly facilities and/or casinos with entertainment space in Delmarva Peninsula

Market Conclusions

Given the WYCC's age and physical condition as well as changes in the convention, sports and entertainment industry and the overall competitive market, Crossroads Consulting was retained to conduct a market and economic study that assesses the merits of renovating/expanding the existing WYCC or constructing a new facility in order to maintain/grow market share, facility revenues and economic/fiscal impacts.

Consistent with the County's strategic planning process both from a broader tourism perspective and specifically for the WYCC, market research indicates that remaining status quo would result in a continual decline in event activity and competitive position. As such, the County recognizes that it is not a viable option going forward which was one of the driving forces for establishing a restoration plan for the WYCC.

Although financial considerations are important to any long-term planning process, this phase of work focuses on answering the following questions from a market perspective:

- Does the WYCC meet the needs of its current user base?
- Does the size of the facility, either in terms of seating capacity or square footage, constrain current and potential event producers' abilities to present events at the WYCC? If so, is the WYCC failing to book a significant number of events based on its capacity?
- If not, what improvements or renovations do event producers require or recommend?
- Would a new facility fundamentally change the market's ability to host significantly more and/or different events that appeal to both residents and out-of-town attendees and generate additional revenues and economic and fiscal impacts?

Several factors impact the market potential of either development scenario under consideration. Factors such as facility operating policies, facility product and customer service can be influenced by the County and its management team while others such as market attributes, amount and type of business, and industry trends are outside of their control. Diverse public expectations for the asset can be somewhat managed through messaging but realistically are more of a non-controllable factor.



The pages that follow summarize the conclusions from the market research and analysis.

- Does the WYCC meet the needs of its current user base?

In general, the WYCC appears to meet the needs of its current user base. Consistent with its mission to enhance the quality of life for citizens by providing a venue for entertainment, cultural, civic, convention and recreational activities, the WYCC has historically hosted a diverse set of events that appeal to a broad spectrum of user groups and attendees. The WYCC is somewhat unique in that it is a true civic center while the trend in many communities over the years has been to build more special-purpose facilities. Overall, event producers are pleased with the WYCC. In addition, the flexibility of the WYCC has allowed its management team to shift its business operating strategy to react to changes in market, economic and competitive conditions. However, WYCC event activity has generally been declining so it is imperative that the County continue to improve its aging asset in order to remain competitive. As stated previously, remaining status quo will result in a continual decline in both event activity and competitive position over the long-term.

- Does the size of the facility, either in terms of seating capacity or square footage, constrain current and potential event producers' abilities to present events at the WYCC? If so, is the WYCC failing to book a significant number of events based on its capacity?

The facility has served the market well and hosts a wide variety of events including concerts, family shows, and sporting events as well as trade, convention and civic events. With the exception of graduations and a few other select events, spectator oriented events held at the WYCC have rarely reached the facility's capacity. In general, the WYCC's event activity compares favorably with comparable facilities given its market size. Market research suggests that the WYCC is attracting its fair share of event activity and is not missing a significant number of events based on its size.

There is a segment of concert, sports and exhibit-based business that the WYCC cannot currently market to or attract because of its size. For instance, there are certain concerts that require a minimum of 8,000 to 10,000 seats. However, even with a larger product, the incremental increase in the number of shows per year will likely be relatively minimal. Factors such as market size, declining commercial concert market, the amount of touring product in any given year, a particular act's route relative to open dates at a facility and the restriction on selling alcoholic beverages are all constraints to hosting significantly more concert activity irrespective of the facility product offered.

Professional minor league sports represent a target market for other similar sized arena facilities. The Normandy Arena at the WYCC would definitely require physical improvements to attract and host a professional minor league sports tenant. The relatively limited corporate base in the County would make it challenging to maximize advertising and sponsorship opportunities, particularly with competition from the Delmarva Shorebirds minor league baseball team which has an existing base of corporate support. In addition, the current restriction on selling alcoholic beverages is a major deterrent in attracting any sports tenant. Other external factors such as market size, income characteristics, strength of ownership, long-term viability of the league impact the success of a minor league sports

team. While sports tenants provide a guaranteed number of dates, they do not necessarily generate a significant profit to the facility. In some instances, hosting a few large or high profile entertainment events such as a concert or family show can be more profitable to a venue than the rent received for an entire season of a minor league sports tenant. Depending on the sports tenant, the required number of home dates would likely displace other event activity that requires the arena floor which might be more profitable to the facility and/or potentially generate more economic and fiscal benefits to the community and the State.

In addition, offering space that allowed groups the ability to exhibit, eat and meet in conjunction with a hotel within walking distance would place the WYCC in a better position to compete for convention/tradeshows/meeting business. However, the facility would still be competing with special purpose facilities designed for these events, such as the Ocean City Convention Center and larger resort, meeting hotels, which also offer more patron amenities and destination attributes (e.g., the Atlantic Ocean).

While graduations are maximizing capacity at the WYCC, expanding the facility to primarily accommodate these local-based events does not appear justified, particularly since area educational institutions have been able to add more sessions to meet their needs.

In order to meet the WYCC's mission, reconfiguring the existing space to maintain/grow market share, increase revenues, and increase economic/fiscal impacts appears to be the best option from a market perspective. This strategy provides potential upside to event activity with relatively less cost and future risk from uncontrollable external threats.

- If not, what improvements or renovations do event producers require or recommend?

Although the majority of users are generally pleased with the facility and its high level of customer service, market research indicates that there are opportunities to enhance/modernize the WYCC to increase its competitiveness for certain event activity including youth and amateur sports competitions, dog shows, touring entertainment acts, conventions, tradeshows, meetings and social events. There are also local/regional entities such as growing residential needs for certain sports and local collegiate uses that could potentially assist the facility in drawing broader regional/national sports, entertainment and meeting related business to the WYCC. Opportunities exist for an enhanced WYCC to retain more of the community's residential and Eastern shore visitor discretionary spending in the community and the State. In addition, renovating the facility with more modern amenities capable of competing with the broader region could result in retaining visitor spending in the County that could otherwise leak outside Maryland should proposed entertainment venues be developed elsewhere.

Recommended programmatic and physical improvements include the following:

- ✓ Replace existing arena seats and improve seating bowl to offer closer, more intimate seating and better sightlines
- ✓ Add a mechanical curtaining system that allows the arena to be downsized for more intimately attended events
- ✓ Add a divisible, dedicated 10,000 to 12,000 SF ballroom with finishes closer to that offered at full-service hotels
- ✓ Add 10,000 to 12,000 SF of divisible, flexible space that can serve as swing space and accommodate a variety of functions
- ✓ Add approximately 4,000 SF of meeting space that can be divisible into multiple rooms and can complement the new ballroom and swing space
- ✓ Add additional dressing room areas that can be used for a variety of functions depending on the event type
- ✓ Modernize the exterior of the facility
- ✓ Improve overall facility layout and configuration in order to host simultaneous events
- ✓ Improve the current main entrance lobby to make the facility more modern and welcoming
- ✓ Improve the lobby areas in terms of size, finishes and general aesthetics
- ✓ Explore alternatives for the main entrance/lobby with any expansion/renovation
- ✓ Enhance patron amenities throughout the facility
- ✓ Improve back-of-house support space including expanded load-in, green room, dressing rooms, locker rooms, and corridors
- ✓ Add VIP parking areas
- ✓ Add truck marshalling areas
- ✓ Explore potential to acquire adjacent land for additional parking and other long-term development opportunities
- ✓ Explore potential to re-route Glen Avenue to allow for an expanded building footprint, enhance access and campus connectivity

Several of these recommended improvements are currently included in the WYCC's current restoration plan including locker room restoration, lobby aesthetics, corridor flooring replacement.

- Would a new facility fundamentally change the market's ability to host significantly more and/or different events that appeal to both residents and out-of-town attendees and generate additional revenues and economic and fiscal impacts?

Market research does not suggest that a new facility would fundamentally change the County's ability to host significantly more and/or different events. Not any one market segment makes the WYCC successful – rather its ability to host diverse events. If a new

arena was constructed, reuse of the existing WYCC would be difficult given its age and configuration. It would likely require escalating capital costs for general maintenance and upkeep with a smaller level of remaining business given many events will prefer any new facility. As such, reuse of the WYCC may be cost prohibitive particularly in conjunction with construction and operations of a new facility. In summary, there appears to be minimal incremental upside to event activity at a new facility compared to renovation/expansion of the existing WYCC relative to the anticipated cost of construction, higher external risk as well as cost associated with re-use of the existing WYCC.

At this juncture, it is recommended that the County seek to improve its ability to operate as the best multi-purpose civic center possible, capitalizing on its brand identity, high levels of customer service, existing customer base, affordability, growing sports visitor market, proximity to the beach, etc. In addition to the programmatic changes recommended above, market research suggests that modifications to certain WYCC policies could also enhance its marketability, potential revenue and economic impact generation. Prior to proceeding with any decisions related to expansion/renovation, it is our recommendation that the County actively explore the following policy changes:

- Modify mission statement and booking policy to prioritize revenue and economic impact generating event activity to clearly articulate to all stakeholders that while the venue is multi-purpose in nature, event activity that generates facility revenues and economic/fiscal impacts should be given precedence in booking in order to effectively compete in the marketplace.
- Revisit potential to allow alcoholic beverage sales which will be important to fundamentally changing the existing WYCC's event base and financial performance.
- Continue to actively pursue corporate advertising/sponsorship opportunities with Delaware based businesses to enhance revenues and generate economic impact for the County and State.

Estimates of the financial and economic/fiscal impacts of the proposed WYCC renovation/expansion are addressed in the following sections.

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Financial Analysis

With respect to financial performance, it is important to understand that many similar multi-purpose facilities realize an operating deficit or operate near break-even. However, one of the primary reasons for developing these types of facilities is the economic activity that they can generate in terms of spending, employment, earnings, as well as tax revenues to local and state governments. These facilities typically attract events that draw patrons from outside the immediate market area who spend money on hotels, restaurants and other related services. In many instances, these net new benefits can outweigh the operating costs. Consequently, when evaluating the merits of these types of projects, it is important to consider all aspects of the costs and benefits including operating requirements, debt service and economic/fiscal benefits. An order-of-magnitude estimate of the potential economic/fiscal benefits associated with an expansion/renovation of the WYCC is provided later in this report.

Crossroads assisted the MSA and the County in developing a hypothetical, order-of-magnitude estimate of operating revenues and expenses before taxes, depreciation and debt service for the proposed expansion/renovation of the WYCC for a stabilized year of operations. This analysis is also based on certain hypothetical assumptions pertaining to operations of the facility, usage levels and other related financial assumptions agreed to by the MSA and the County. The accompanying analysis was prepared for internal use by the MSA and the County for their consideration of plans for the proposed expansion/renovation and should not be used or relied upon for any other purpose including financing of the project.

The analysis performed was limited in nature and, as such, Crossroads does not express an opinion or any other form of assurance on the information presented in this report. As with all estimates of this type, we cannot guarantee the results nor is any warranty intended that they can be achieved. The estimates of revenues and expenses are based on the anticipated size, quality and efficiency of the expanded/renovated WYCC. Since these estimates and assumptions are based on circumstances that have not yet transpired, they are subject to variation. Further, there will usually be differences between estimated and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

Historical WYCC Financial Operations

Over the last four fiscal years, the operating loss at WYCC has ranged from approximately \$165,000 in FY 2008 to approximately \$446,000 in FY 2009. Operating revenues have averaged nearly \$1.4 million while expenditures have averaged approximately \$1.6 million over the time period shown. Operating expenses are budgeted to increase by 16% in FY 2012 over FY 2011 levels due primarily to increased benefits and utilities expenses. Budgeted FY 2012 contracted services expense includes a pass-through expense item from the Parks and Recreation Department of \$66,000 which was not applicable in prior years. Admissions/amusements tax in Wicomico County is 6% which is applied to ticket charges and flows to the WYCC's operations after a nominal administrative fee is retained by the State of Maryland. The user/restoration fee line item is generated by 5% of ticket charges and 10% of flat rental fees; revenues from this stream are dedicated to the WYCC's capital improvement plan.

Summary of Historical WYCC Financial Operations						
Revenue Category	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012B	FY 08-FY 11 Average
Event-Related	\$634,000	\$567,000	\$538,000	\$499,000	\$476,000	\$560,000
Food/Beverage	431,000	355,000	307,000	315,000	292,000	352,000
User Fee			140,000	130,000	150,000	135,000
Admissions/Amusement Tax	107,000	139,000	113,000	86,000	85,000	111,000
Other Non-Event Revenue	102,000	58,000	37,000	36,000	101,000	58,000
Box Office	75,000	56,000	59,000	36,000	45,000	57,000
Parks/Rec Reimbursement	102,000	107,000	114,000	26,000	99,000	87,000
Total	\$1,451,000	\$1,282,000	\$1,308,000	\$1,128,000	\$1,248,000	\$1,360,000
Expenses Category	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012B	FY 08-FY 11 Average
Payroll	\$836,000	\$900,000	\$853,000	\$801,000	\$794,000	\$848,000
Benefits	252,000	333,000	257,000	242,000	322,000	271,000
Utilities	323,000	289,000	286,000	266,000	325,000	291,000
Materials/Supplies	90,000	88,000	96,000	85,000	86,000	90,000
Contracted Services	47,000	51,000	45,000	42,000	128,000	46,000
Repairs/Maintenance	28,000	17,000	42,000	27,000	34,000	29,000
General/Administrative	31,000	28,000	28,000	39,000	29,000	32,000
Marketing/Public Relations	9,000	22,000	11,000	7,000	30,000	12,000
Total	\$1,616,000	\$1,728,000	\$1,618,000	\$1,509,000	\$1,748,000	\$1,619,000
Net Operating Income/(Loss)	(\$165,000)	(\$446,000)	(\$310,000)	(\$381,000)	(\$500,000)	(\$259,000)

Notes: Parks/recreation reimbursement is net of a \$73,000 parks/recreation administrative pass-through reported as contract services.
FY 2011 event activity was negatively impacted by the installation of new flooring in Normandy Arena which occurred over a four-month period.
Source: WYCC management.

The financial operations of an expanded/renovated facility will be impacted by several factors including, but not limited to, its larger size in terms of gross square footage and/or seating capacity as well as its anticipated increase in event activity. For these and other reasons, it is difficult to make direct comparisons between historical facility operations and those estimated for an expanded/renovated WYCC. Discussions were conducted with facility management to consider the impact an expansion/renovation would have on individual line items. Those discussions were the basis for various assumptions regarding the operations of an expanded WYCC.

Estimate of Financial Operations

As part of our analysis, financial operations and associated assumptions were estimated based on two scenarios. Scenario 1 assumes that the WYCC continues to operate with its existing alcoholic beverage policy which is relatively restrictive. Scenario 2 assumes that the alcoholic beverage policy is modified to be significantly less restrictive and, as such, reflects an increase in event activity, average attendance and/or per capita food/beverage spending as appropriate.

The table that follows compares the estimates of net operating revenues over net operating expenses *before* taxes, depreciation and debt service for a stabilized year of operations for both scenarios to the historical four-year average for the existing WYCC. These estimates are based on historical operations and several hypothetical assumptions including recommended changes to the proposed building program, estimated utilization for an expanded/renovated facility, information on comparable facilities, as well as other primary and secondary sources including findings in the market analysis.

Comparison of WYCC Financial Operations							
Category	Historical	Total With Expansion/Renovation		Incremental New			
	Four-Year Avg	Scenario 1	Scenario 2	Scenario 1	Scenario 2	Scenario 2	
Net Operating Revenues	\$1,225,000	\$1,570,000	-	\$1,852,000	\$345,000	-	\$627,000
Net Operating Expenses	\$1,619,000	\$1,903,000	-	\$1,954,000	\$284,000	-	\$335,000
Estimate of Net Operating Revenues Over Net Operating Expenses	(\$394,000)	(\$333,000)	-	(\$102,000)	\$61,000	-	\$292,000
User/Restoration Fee	\$135,000	\$198,000	-	\$215,000	\$63,000	-	\$80,000
Net Operating (Loss)/Gain <i>Before</i> Taxes, Debt Service and Depreciation	(\$259,000)	(\$135,000)	-	\$113,000	\$124,000	-	\$372,000
Expense Coverage Ratio	76%	83%		95%			

Note: Expense coverage ratio equals operating revenues divided by operating expenses.

General Assumptions

Based on input from the client group, the following assumptions were used to develop estimates of event activity, financial operations and economic/fiscal impacts for the proposed expanded/ renovated facility.

- The recommended programmatic and physical improvements outlined earlier are developed.
- Facility management has established contacts and strong relationships with regional and national event promoters/producers, particularly in the concert, family show and sporting event industries.
- An aggressive marketing approach is taken by management at WYCC, particularly in attracting convention/meetings business, corporate meetings and sporting events/ competitions.
- A high level of quality customer service is provided.
- Tax rates continue at their current rates.
- No other similar, competitive/comparable facilities are built in the region.
- Amounts are presented in current dollars and reflect a stabilized year of operations for the expansion/renovation scenarios.

It should be noted that these assumptions are preliminary in nature and will continue to be refined as decisions related to the building program and other operating characteristics continue to evolve.

While tables in this section compare the historical four-year average amounts to the estimate of WYCC financial operations with expansion/renovation, the description and related assumptions for each line item only relate to the estimated total operations.

Usage/Event Activity Assumptions

The financial and economic/fiscal impact analyses are based on several factors including a hypothetical estimate of utilization that was developed based on historical utilization at the WYCC, research previously summarized in the market analysis including input from the client group, market characteristics, industry trends, event activity at area facilities, input from potential demand generators, information on comparable facilities as well as other research

Event activity at expanded/renovated facilities typically experiences a “ramp up” period to a stabilized level of activity which occurs for several reasons. For instance, some groups that book their event years in advance may not want to risk that a facility’s construction is delayed and not completed in time for their event. In addition, some groups may choose to let management “fine tune” its operations before meeting in the expanded/renovated facility. However, it is important to recognize that the overall utilization at any facility is typically dependent on a number of factors and is rarely consistent. As such, the estimated range of utilization shown in the table below represents a stabilized year of operations.

Comparison of WYCC Event Activity

Number of Events						
Event Type	Historical	Total With Expansion/Renovation		Incremental New		
	Four-Year Avg	Scenario 1	Scenario 2	Scenario 1	Scenario 2	
Sports/Entertainment/Assembly Related						
Concerts	6	8	- 9	2	- 3	
Family Shows	8	9	- 9	1	- 1	
Sporting Events	17	20	- 20	3	- 3	
Broadway	3	4	- 4	1	- 1	
Other Entertainment Events	9	10	- 12	1	- 3	
Assembly	14	12	- 12	(2)	- (2)	
Subtotal	57	63	- 66	6	- 9	
Exhibit/Meeting Events						
Consumer/Public Shows	13	15	- 15	2	- 2	
Conventions/Trade Shows	1	3	- 4	2	- 3	
Meetings	83	85	- 85	2	- 2	
Banquets/Socials	64	75	- 85	11	- 21	
Subtotal	161	178	- 189	17	- 28	
Grand Total	218	241	- 255	23	- 37	
Total Attendance						
Event Type	Historical	Total With Expansion/Renovation		Incremental New		
	Four-Year Avg	Scenario 1	Scenario 2	Scenario 1	Scenario 2	
Sports/Entertainment/Assembly Related						
Concerts	14,700	21,600	- 27,000	6,900	- 12,300	
Family Shows	45,800	56,700	- 56,700	10,900	- 10,900	
Sporting Events	35,100	44,000	- 44,000	8,900	- 8,900	
Broadway	5,600	8,320	- 8,840	2,720	- 3,240	
Other Entertainment Events	13,600	18,200	- 23,400	4,600	- 9,800	
Assembly	31,500	42,000	- 42,000	10,500	- 10,500	
Subtotal	146,300	190,820	- 201,940	44,520	- 55,640	
Exhibit/Meeting Events						
Consumer/Public Shows	16,500	22,500	- 24,000	6,000	- 7,500	
Conventions/Trade Shows	500	2,850	- 3,800	2,350	- 3,300	
Meetings	14,500	15,300	- 15,300	800	- 800	
Banquets/Socials	10,900	15,000	- 17,000	4,100	- 6,100	
Subtotal	42,400	55,650	- 60,100	13,250	- 17,700	
Grand Total	188,700	246,470	- 262,040	57,770	- 73,340	
Average Attendance						
Event Type	Historical	Total With Expansion/Renovation		Incremental New		
	Four-Year Avg	Scenario 1	Scenario 2	Scenario 1	Scenario 2	
Sports/Entertainment/Assembly Related						
Concerts	2,500	2,700	- 3,000	200	- 500	
Family Shows	1,900	2,100	- 2,100	200	- 200	
Sporting Events	2,200	2,200	- 2,200	-	-	
Broadway	1,300	1,600	- 1,700	300	- 400	
Other Entertainment Events	1,100	1,400	- 1,500	300	- 400	
Assembly	2,700	3,500	- 3,500	800	- 800	
Exhibit/Meeting Events						
Consumer/Public Shows	1,300	1,500	- 1,600	200	- 300	
Conventions/Trade Shows	460	475	- 475	15	- 15	
Meetings	180	180	- 180	-	-	
Banquets/Socials	170	200	- 200	30	- 30	

Note: Total attendance for concerts, family shows, Broadway and entertainment events is calculated based on the number of performances, not events.

Net Operating Revenues

The following table shows the estimated net operating revenues for an expanded/renovated WYCC in a stabilized year of operations under both scenarios:

Comparison of WYCC Net Operating Revenues						
Category	Historical	Total With Expansion/Renovation		Incremental New		
	Four-Year Avg	Scenario 1	Scenario 2	Scenario 1	Scenario 2	
Event-Related	\$560,000	\$762,000	-	\$826,000	\$202,000	- \$266,000
Food/Beverage	352,000	466,000	-	642,000	114,000	- 290,000
Box Office	57,000	73,000	-	82,000	16,000	- 25,000
Other Non-Event	58,000	61,000	-	66,000	3,000	- 8,000
Parks & Recreation Reimbursement	87,000	25,000	-	30,000	(62,000)	- (57,000)
Admissions/Amusements Tax	111,000	183,000	-	206,000	72,000	- 95,000
Total	\$1,225,000	\$1,570,000	-	\$1,852,000	\$345,000	- \$627,000

Note: Parks & Recreation reimbursement estimates are more in line with FY 2011 figures which are lower than previous years.

Net Operating Revenue Assumptions

Event-Related – The revenues generated from the proposed expansion/renovation of the WYCC are typically derived from rental rates per day or per hour and/or a portion of ticket sales/admissions depending on the facility and event. It is important to recognize that facility management typically negotiates rental terms for events based on various factors such as seasonality, popularity of the act, potential economic impact and/or multi-year contracts.

Rental generated from WYCC utilization is typically derived from two primary rental arrangements. In the case of many high attendance events, facility rental is calculated by taking a percentage of the gross ticket sales for each event. The other rental arrangement is when the user pays a base rental rate per event day which is used for assembly events as well as exhibit/meeting oriented events.

The inputs impacting facility rental revenue are attendance, ticket price or base rental rates, and the appropriate rental revenue capture rate based on a percentage of ticket sales. Rental rates can vary by facility depending on the specific details of the arrangements with the event promoter/producer. Some facilities structure their rental rates to better accommodate civic groups (such as non-profits) who would like to utilize the facility but cannot afford “market” rental rates. In addition, preferential rates may be necessary to attract certain events given the competitive regional market.

In addition to ticket sales/admissions and rental revenue, other event-related items such as equipment rental or event services are also included in this line item. Based on an increase in facility function space and event activity as well as historical ticket sales/rent per event, event-related revenue is estimated to range from \$762,000 to \$826,000 in the two scenarios.

Food & Beverage – Food and beverage revenue is generated by sales from catering, concessions and vending. Currently, the facility provides food and beverage services in-house. According to management, WYCC has averaged approximately \$830,000 in gross food and beverage sales in recent years. Based on historical financial information, WYCC nets approximately 42% of gross revenues. Based on the estimated event activity at an expanded/renovated WYCC and an assumed profitability similar to historical experience, net food and beverage revenue to the facility is estimated to range from \$466,000 to \$642,000 in the two scenarios.

Box Office – Based on utilizing a similar percentage of gross ticket sales from concerts, family shows, sporting events, Broadway and other entertainment events, revenue from this line item is estimated to range from \$73,000 to \$82,000 in the two scenarios.

Other Non-Event – This line item consists of revenue generated from items such as advertising/sponsorships, ATM fees, food service administrative fees, tourism marketing and equipment rental, as well as other miscellaneous sources. Advertising and sponsorship opportunities are diverse and can range from temporary signage at a single event to permanent signage on buildings or billboards located throughout a facility to advertising in a program to sponsoring an entire event/ championship. Events sponsored by outside organizations do not typically share revenues with the facility owner/operator. However, advertising and sponsorship revenue generated from events that are organized/sponsored by the facility operator, or other local community groups is usually retained by the facility and is a function of the amount and type of event activity in terms of events and attendance (e.g., large national championships), the strength/breadth of the local corporate market, and the approach taken by management in terms of the amount and type of advertising and sponsorships it wants to sell. According to management, a new staff position has been created to grow this revenue stream with the intent to broaden potential corporate partnerships into southern Delaware given its proximity. Other non-event revenue is estimated to range from \$61,000 to \$66,000 in the two scenarios.

Parks and Recreation Reimbursement – This line item is a reimbursement paid by the Parks and Recreation Department for office rent (i.e., utilities, cleaning, rent, etc.) for approximately 5,000 SF and costs to support public recreation meetings and activities hosted at the WYCC when the facility is not rented. It is net of parks and recreation administrative costs that are reported on the facility's financial statements as contract services. Based on input from facility management, it is estimated that this revenue stream will be more in line with FY 2011 and, as such, is estimated to range from \$25,000 to \$30,000 in the two scenarios.

Admissions/Amusements Tax – Admissions and amusements tax is applicable to gross ticket sales with few exceptions (e.g., scholastic events and some non-profit events). Admissions tax revenue generated from WYCC event activity is dedicated to facility operations. Admissions tax is based on a historical effective rate and is estimated to range from \$183,000 to \$206,000 in the two scenarios.

Net Operating Expenses

The table below shows the estimated net operating expenses for the proposed expansion/renovation of the WYCC for a stabilized year of operations:

Comparison of WYCC Net Operating Expenses							
Category	Historical Four-Year Avg	Total With Expansion/Renovation		Incremental New			
		Scenario 1	Scenario 2	Scenario 1	Scenario 2	Scenario 2	
Payroll	\$848,000	\$890,000	-	\$890,000	\$42,000	-	\$42,000
Benefits	271,000	356,000	-	356,000	85,000	-	85,000
Utilities	291,000	375,000	-	400,000	84,000	-	109,000
Materials/Supplies	90,000	112,000	-	118,000	22,000	-	28,000
Contracted Services	46,000	55,000	-	60,000	9,000	-	14,000
Repairs/Maintenance	29,000	40,000	-	45,000	11,000	-	16,000
Marketing/Public Relations	12,000	40,000	-	45,000	28,000	-	33,000
General/Administrative	32,000	35,000	-	40,000	3,000	-	8,000
Total	\$1.619,000	\$1,903,000	-	\$1,954,000	\$284,000	-	\$335,000

Net Operating Expenses – Summary of Significant Assumptions

Payroll - Although the staffing requirements and subsequent salaries and wages can represent a significant expense, permanent full-time staffing plans can vary based on a variety of factors. One factor relates to the management philosophy of maintaining event-related personnel as full-time or part-time staff. Another factor relates to the management and physical relationship the facility might have to other facilities. For example, the staffing plan for a stand-alone facility is different than for an entire complex that can share administrative costs among several venues. In addition, the extent that contracted services are used also impacts staffing at a facility. The current staffing plan is assumed to be augmented by one event manager, one banquet server and one maintenance technician under both scenarios. Based on these assumptions, payroll is estimated to be \$890,000 in each scenario.

Benefits – For purposes of this analysis, benefits are estimated to be 40% of payroll based on input from management and be approximately \$356,000 in each scenario.

Utilities - Utilities generally represents one of the highest expense items for these types of facilities and can be variable depending upon the level of utilization, the type of facilities and climate. For purposes of this analysis, it is assumed that the operating entity passes through to the user, to the extent possible, utility costs related to a particular event. In many facilities, these costs are handled as an expense that is fully or partially reimbursed by the event at a later date or, for civic uses, a utilities charge is assessed. The utility cost shown in this analysis represents the total non-reimbursable costs. Utility costs are estimated to range from \$375,000 to \$400,000 in the two scenarios. It should be noted that actual utility expenses will depend on facility design and decisions concerning energy systems and management.

Materials/Supplies – This line item includes various materials/supplies necessary for the operation of the proposed expanded/renovated facility such as electrical equipment, office and janitorial supplies and is estimated to range from \$112,000 to \$118,000 in the two scenarios.

Contracted Services – Contracted services represent a variety of professional services which may include legal and/or accounting contracts as well as other services that are not reimbursable and are borne by the facility. Contracted services at the proposed expanded/renovated facility are estimated to range from \$55,000 to \$60,000 for the two scenarios.

Repairs/Maintenance - This line item includes expenses that will be incurred related to building, equipment and grounds maintenance and typically varies based on utilization. Expense allocations for repairs/maintenance are also highly dependent upon the owner/management philosophy relative to facility upkeep. Based on historical operations, repairs/maintenance expenses are estimated to range from \$40,000 to \$45,000 in the two scenarios.

Marketing/Public Relations – Expansion/renovation alone will not bring new events to the facility. An aggressive marketing strategy will need to be undertaken to diversify and increase the event base at an expanded/renovated WYCC, specifically as it relates to conventions/tradeshows, touring entertainment acts and sporting competitions. Sales and marketing expenses for the facility relate to both event promotion and facility marketing. This line item is increased over historical amounts and is estimated to range from \$40,000 to \$45,000 for the two scenarios. Again, this amount is intended to supplement other area marketing agencies such as CVB-related efforts and should be expended for familiarization trips, tradeshow attendance, direct marketing efforts and other literature and advertising expenditures for the facility.

General Administrative – This line item, which includes general expenses used in the day-to-day management of the facility such as travel, communications, technology, postage, membership dues, is estimated based on the historical operations to range from \$35,000 to \$40,000 in the two scenarios.

Taxes, Ground Lease, Debt Service and Depreciation - This analysis does not estimate any taxes, a ground lease payment for use of the property, debt service or depreciation.

Non-Operating Revenue

User Fee/Restoration Fee – As mentioned previously, the WYCC collects a user fee equal to 5% of gross ticket sales and a restoration fee of 10% on flat rental revenue. This revenue is dedicated to the facility's long-term capital improvement plan. For purposes of this analysis, the user/restoration fees are estimated to range from \$198,000 to \$215,000 in the two scenarios.

Summary

It is estimated that the proposed expanded/renovated WYCC will be able to support approximately 83% of its operating expenses with operating revenues under Scenario 1. The ability to sell alcoholic beverages is estimated to increase this coverage ratio to 95% based on the estimated potential increase in event activity, average attendance and per capita spending on food/beverage for some events. In addition to covering most of its operating expenses, the proposed expanded/renovated WYCC is anticipated to attract out-of-town attendees and generate various economic and fiscal benefits which are discussed in the next section of the report.

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Economic/Fiscal Impact Analysis

One of the primary objectives of this study is to estimate the incremental new economic and fiscal impacts associated with expansion/renovation of the WYCC to the local economy. The County would continue to benefit from the WYCC's operations in a number of ways, including such tangible and intangible benefits as:

- Enhancing the area's appeal as a sports/entertainment and convention/meeting destination
- Receiving increased exposure through media coverage, destination marketing and visitation
- Providing a first-class multi-purpose venue for area residents and out-of-town attendees
- Increasing the overall quality of life and livability of the area
- Capitalizing on existing and planned County and State sports marketing efforts
- Providing a catalyst for further development initiatives including private sector investment
- Maintaining and generating additional economic activity
- Maintaining and generating additional fiscal revenues for local and State governments

Each of these benefits is important in assessing the overall impact of an expanded/renovated WYCC to the County. While the value of most of these benefits is difficult to measure, the estimated economic activity generated can be quantified. This analysis quantifies the direct, indirect and induced benefits associated with operations of an expanded/renovated WYCC including the associated tax revenues. Although some of the estimated event activity is occurring at the existing WYCC, an expanded/renovated facility will likely maintain and grow existing business as well as attract incremental new events that cannot currently be accommodated at the existing facility.

General Methodology Overview

An assessment of the economic benefits that could potentially occur in the County as a result of operations of an expanded/renovated WYCC can be approached in several ways. The approach used in this analysis considers estimated incremental net new operating revenues and the user/restoration fee as well as estimated spending by attendees outside the facility on items such as lodging, food/beverage, retail, and transportation as an initial measure of economic activity in the marketplace. Once the amount for direct spending is quantified, a calculated multiplier is applied to generate the indirect and induced effects. The sum of direct, indirect and induced effects equals total economic impact which is expressed in terms of spending (output), employment (jobs), and personal earnings.

This analysis also estimates the incremental new fiscal impacts to the County and the State generated from operations of an expanded/renovated WYCC. Revenues generated from sales and use tax, personal income tax, corporate income tax, hotel/motel tax, and admissions and amusements tax were estimated.

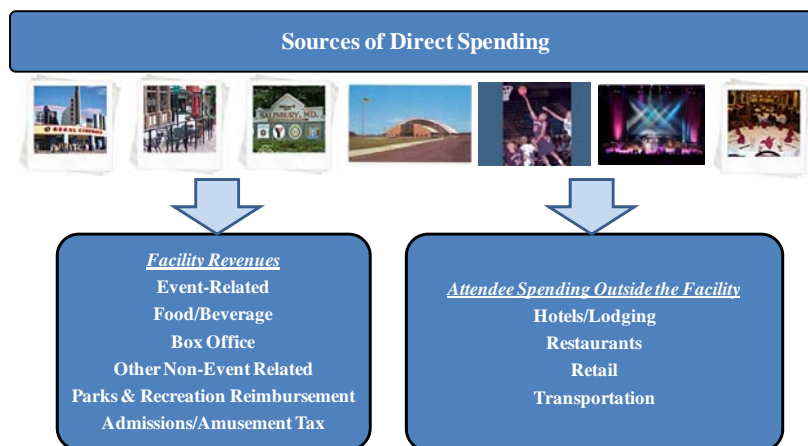


Methodology – Economic Impact Analysis

Regional input-output models are typically used by economists as a tool to understand the flow of goods and services among regions and measure the complex interactions among them given an initial spending estimate.

Direct Spending

Estimating direct spending is the first step in calculating economic impact. Direct spending represents the initial change in spending that occurs as a direct result of operations of an expanded/renovated WYCC. As graphically depicted, direct spending occurs both inside and outside of the facility.



Because all of this spending is not new to the local and State economies, adjustments are made to reflect only incremental direct spending.

Indirect and Induced Impacts

The economic activity generated by operations of an expanded/renovated WYCC affects more than just the facility. In preparation for new spending in the economy, several other economic sectors are impacted and jobs are created. Indirect effects reflect the re-spending of the initial or direct expenditures or the business-to-business transactions required to satisfy the direct effect. Induced effects reflect changes in local spending on goods and services that result from income changes in the directly and indirectly affected industry sectors. The model generates estimates of these impacts through a series of relationships using local-level average wages, prices and transportation data, taking into account commute patterns and the relative interdependence of the economy on outside regions for goods and services.

Multiplier Effect

In an effort to quantify the inputs needed to produce the total output, economists have developed multiplier models. The estimation of multipliers relies on input-output models, a technique for quantifying interactions between firms, industries and social institutions within a local economy. This analysis uses IMPLAN software and databases which are developed under exclusive rights by the Minnesota IMPLAN Group, Inc. IMPLAN, which stands for *Impact Analysis for Planning*, is a computer software package that consists of procedures for estimating local input-output models and associated databases. The IMPLAN software package allows the estimation of the multiplier effects of changes in final demand for one industry on all other industries within a defined economic area. Its proprietary methodology includes a matrix of production and distribution data among all counties in the U.S. As such, the advantages of this model are that it is sensitive to both location and type of spending and has the ability to provide indirect/induced spending, employment and earnings information by specific industry category while taking into account the leakages associated with the purchase of certain goods and services outside the economy under consideration.

Once the direct spending amounts are assigned to a logical category, the IMPLAN model estimates the economic multiplier effects for each type of direct new spending attracted to or retained in the area resulting from operations of an expanded/renovated WYCC.

For purposes of this analysis, the following industry multipliers were used:

Summary of Wicomico County Multipliers			
Category	Spending	Employment*	Earnings
Hotels	1.6534	15.1	0.5318
Entertainment	1.7143	33.2	0.6555
Eating & Drinking Places	1.6083	23.5	0.5454
Retail Trade	1.5174	22.9	0.7211
Transportation	1.6205	14.5	0.5487
Business Services	1.5831	11.4	0.5631

Note: *Indicates the number of jobs per \$1 million in spending.

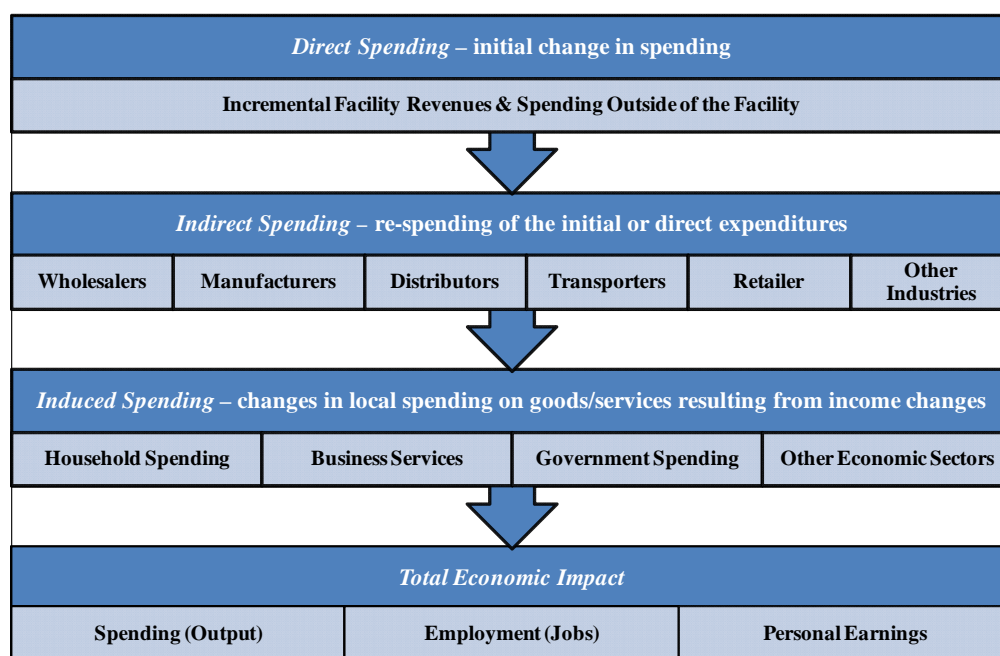
Source: IMPLAN.

Total Economic Impact

The calculated multiplier effect is then added to the direct impact to quantify the total economic impact in terms of spending, employment and earnings which are defined below:

- *Spending (output)* represents the total direct, indirect and induced spending effects generated by the facility. This calculation measures the total dollar change in spending (output) that occurs in the local economy for each dollar of output delivered to final demand.
- *Employment (jobs)* represents the number of full and part-time jobs supported by the facility. The employment multiplier measures the total change in the number of jobs supported in the local economy for each additional \$1.0 million of output delivered to final demand.
- *Personal Earnings* represent the wages and salaries earned by employees of businesses associated with or impacted by the facility. 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.

The following graphic illustrates the multiplier effects for calculating total economic impact.



Methodology - Fiscal Impact Analysis

The estimated spending generated from operations of an expanded/renovated WYCC also creates tax revenues for the County and the State. Experience in other markets suggests that while a significant portion of the direct spending likely occurs near the facility, additional spending occurs in other surrounding economies. Major tax sources impacted by WYCC operations were identified and taxable amounts to apply to each respective tax rate were estimated. Although other taxes may also be positively impacted, this analysis estimated the revenues generated from the following taxes based on the direct and indirect/induced spending amounts previously defined:

Wicomico County

- Admissions and amusements tax
- Local personal income tax
- Hotel/motel tax

State of Maryland

- Sales and use tax
- Personal income tax
- Admissions and amusement tax
- Corporate income tax

The remainder of this section presents the results of this methodology for the proposed expansion/renovation of the WYCC.

Summary of Estimated Annual Incremental Economic Benefits

The following table summarizes the estimated incremental new economic benefits from the on-going activities of an expanded/renovated WYCC as measured by spending, jobs and earnings. As shown, the total annual incremental new spending (i.e., direct/indirect/induced) is estimated to range from \$4.5 million to \$5.8 million in the two scenarios.

Comparison of WYCC Economic Benefits					
Category	Historical	Total With Expansion/Renovation		Incremental New	
	Four-Year Avg	Scenario 1	Scenario 2	Scenario 1	Scenario 2
Spending					
Direct Spending	\$8,998,000	\$11,806,000	- \$12,606,000	\$2,808,000	- \$3,608,000
Indirect/Induced Spending	5,506,000	7,231,000	- 7,719,000	1,725,000	- 2,213,000
Total Spending	\$14,504,000	\$19,037,000	- \$20,325,000	\$4,533,000	- \$5,821,000
Total Jobs	190	240	- 260	50	- 70
Total Earnings	\$5,329,000	\$6,994,000	- \$7,464,000	\$1,665,000	- \$2,135,000

Note: Scenario 1 assumes current alcoholic beverage policy; Scenario 2 assumes a less restrictive alcoholic beverage policy.

The following section provides a detailed description of the assumptions used in this analysis.

Direct Spending

As mentioned previously, the first step in calculating economic impact is estimating the direct spending generated in the area. Direct spending relates to incremental net new operating revenues generated from WYCC operations as well as attendee spending outside of the facility. For purposes of this analysis, direct spending from all estimated event activity in each scenario is adjusted by historical amounts to reflect incremental direct spending. Adjustments were made to account for leakage and displacement and therefore reflect net new spending and are explained in the following two subsections.

Incremental Net New Operating Revenues & User/Restoration Fee

Estimated operating revenues plus the user/restoration fees for an expanded/renovated WYCC were compared to the four-year historical average in order to calculate the incremental new revenues. Approximately \$408,000 (or 23%) of estimated net operating revenue and user/restoration fees in Scenario 1 and \$707,000 (or 34%) in Scenario 2 are estimated to be incremental new to the County and the State.

Attendee Spending Outside of the Facility

This category attempts to reflect the spending patterns of attendees outside of the facility before and after events. Estimated annual attendance for an expanded/renovated WYCC was compared to the four-year historical average in order to calculate incremental new attendees. Approximately 23% of total attendance in Scenario 1 and 28% of total attendance in Scenario 2 are assumed to be incremental new to the County and the State.

Based on the estimated mix of event activity, attendees are categorized as either high impact, defined as those generating hotel room nights, or low impact and are assigned different spending amounts. These spending amounts are allocated among various categories including hotel/lodging, food/beverage, transportation and retail. For purposes of this analysis, a spending amount of \$120 per day for high impact attendees and \$25 per day for low impact attendees is utilized. Approximately 20% of total incremental attendees are assumed to be high impact. The estimated spending amounts and the allocation among specific categories are based on various primary and secondary sources including, but not limited to, the Wicomico County CVB and the Maryland Office of Tourism Development.

Based on these and other assumptions, incremental new direct event attendee spending outside an expanded/renovated WYCC is estimated to range from \$2.4 million to \$2.9 million annually in the two scenarios.

Summary of Direct Spending

Based on this information, the incremental new direct spending related to the on-going operations and attendee spending outside of an expanded/renovated WYCC is estimated to range from \$2.8 million to \$3.6 million annually in the two scenarios.

Estimate of Annual Incremental Direct Spending		
Category	Scenario 1	Scenario 2
Net Operating Revenues & User/Restoration Fee	\$408,000	\$707,000
Attendee Spending Outside Facility	\$2,398,000	\$2,899,000
Total	\$2,806,000	\$3,606,000

These incremental spending estimates are considered direct output and serve as the basis for the multiplier analysis. Direct spending amounts were assigned logical industry categories and relevant multipliers were applied to these amounts in order to calculate estimates for total spending, jobs and earnings.

Indirect and Induced Impacts

The IMPLAN model is used to generate the indirect and induced impacts spawned from the estimated economic activities within the County. The indirect impacts represent inter-industry trade from business to business. Likewise, the induced impacts represent the economic activity spurred by the household trade that occurs when employees make consumer purchases with their incomes. According to the IMPLAN model, incremental new direct spending spurred by on-going operations of an expanded/renovated WYCC is estimated to generate between \$1.7 million and \$2.2 million annually in indirect/induced spending in the two scenarios.

Total Spending

Outputs from the IMPLAN model indicate that total (i.e., direct, indirect and induced) incremental annual spending from activity at an expanded/renovated WYCC is estimated to range from \$4.5 million to \$5.8 million. Dividing the total impacts by the direct impacts yields an economic multiplier of approximately 1.60. Thus, every dollar of direct spending generates \$1.60 in total economic activity.

Total Jobs

Based on the IMPLAN model, which calculates the number of jobs per \$1.0 million in direct spending, the economic activity associated with the on-going operations of the expansion/renovation of the WYCC is estimated to generate a total of between 50 and 70 incremental new jobs. These jobs are created in many sectors of the economy, which both directly and indirectly support the increased level of business activity in the area on an annual basis.

Total Earnings

Outputs from the IMPLAN model indicate that incremental new annual earnings generated from expansion/renovation of the WYCC are estimated to range from \$1.7 million to \$2.1 million in the two scenarios.

Summary of Estimated Annual Incremental Fiscal Benefits (Tax Revenues)

As shown in the table below, the incremental annual tax revenues related to on-going operations of an expanded/renovated WYCC are estimated to range from \$138,000 to \$174,000 to the County and \$307,000 to \$421,000 to the State. Approximately 70% of estimated incremental new tax revenues occur at the State level primarily driven by sales and use tax.

Comparison of WYCC Fiscal Benefits - Stabilized Year					
Municipality/Tax	Historical Four-Year Avg	Total With Renovation/Expansion		Incremental New	
		Scenario 1	Scenario 2	Scenario 1	Scenario 2
Wicomico County					
Admissions and Amusements Tax	\$140,000	\$223,000	-	\$248,000	\$83,000 - \$108,000
Local Personal Income Tax	87,000	114,000	-	122,000	27,000 - 35,000
Hotel/Motel Tax	86,000	114,000	-	117,000	28,000 - 31,000
Total	\$313,000	\$451,000	-	\$487,000	\$138,000 - \$174,000
State of Maryland					
Sales and Use Tax	\$768,000	\$999,000	-	\$1,092,000	\$231,000 - \$324,000
Personal Income Tax	183,000	241,000	-	257,000	58,000 - 74,000
Admissions and Amusements Tax	6,000	11,000	-	12,000	5,000 - 6,000
Corporate Income Tax	44,000	57,000	-	61,000	13,000 - 17,000
Total	\$1,001,000	\$1,308,000	-	\$1,422,000	\$307,000 - \$421,000
Grand Total	\$1,314,000	\$1,759,000	-	\$1,909,000	\$445,000 - \$595,000

The assumptions utilized in this analysis are described on the pages that follow.

Wicomico County Taxes

Admissions and Amusement Tax - The admissions and amusement tax is a local tax collected by the State Comptroller's Office for local municipalities. The entire amount of the tax collected, less administrative expenses, is returned to the municipalities and counties imposing the local tax. The tax is generally levied on the admission or amusement cost for activities such as ticketed entertainment acts, movies, amusements, athletic events, golf and the sale of refreshments at a nightclub or other similar entertainment venue. The tax on admissions differs among local municipalities in Maryland. Wicomico County applies a 6% tax on the admission or amusement cost for activities such as entertainment acts, movies, athletic events and golf. If the gross receipts from the activity is also subject to the sales and use tax, the admissions and amusement tax is limited to 5%. For purposes of this analysis, the 5% tax is applied to 100% of the incremental new ticket sales generated by an expanded/renovated WYCC in each scenario as well as estimated direct entertainment spending outside the facility. Admissions and amusement tax revenues generated from WYCC activities are remitted to the State of Maryland which retains an administrative fee of 5.5% of collections.

Local Personal Income Tax – Wicomico County imposes a local personal income tax of 3.10% which is calculated as a percentage of taxable income. For purposes of this analysis and based on information provided by the Comptroller of Maryland, an effective tax rate of 2.18% was calculated based on the federal adjusted gross income and the total personal income tax paid to the County in 2009. This effective tax rate was applied to incremental County-level earnings estimated to be generated from an expanded/renovated WYCC. Local personal income tax is based on where you live, not where you work. This analysis assumes that 75% of incremental earnings generated by WYCC operations occur in the County.

Hotel/Motel Tax – Wicomico County taxes the furnishings of lodging within the County. The hotel/motel tax does not include State sales tax. The current hotel/motel tax rate is 6.0%. This rate is applied to 100% of the estimated incremental direct hotel spending.

State of Maryland Taxes

Combined, the sales and use tax, personal income tax, corporate income tax as well as the admissions and amusement tax generate approximately 87% of the State's tax proceeds from all sources. While other taxes may be positively impacted by the event, they are not quantified in this analysis.

In general terms, all State tax proceeds are collected in the State's General Fund and then allocated to a variety of program areas, such as education, transportation, public safety, and others. As such, individual revenue sources, such as the sales and use tax, are not designated to fund specific programs. As a result of this process, municipalities and counties may benefit from a variety of State and locally administered programs. For purposes of this analysis, only collections have been quantified, without regard as to how these funds are ultimately spent through the individual State departments/funds.

The following describes the primary State-level taxes quantified in this analysis based on information obtained from the State of Maryland Comptroller for the most recent year that data was available.

Sales and Use Tax – The State of Maryland collects a sales and use tax from sales and leases of tangible personal property and services throughout the State. Sales and use tax is uniform throughout the State at 6.0%. This tax source is the State’s second largest source of general fund revenue. For purposes of this analysis, the tax rate was applied to total taxable incremental direct spending as well as a percentage of indirect/induced spending generated under each scenario.

Personal Income Tax – The State of Maryland imposes a personal income tax assessed against personal income earned in the State. The State income tax is a graduated rate ranging from 2.0% to 6.25% of taxable income. Non-residents are subject to a special non-resident tax rate of 1.25% in addition to the State income tax rate. This tax source is the State’s largest single source of general fund revenue. For purposes of this analysis and based on information provided by the Comptroller of Maryland, an effective tax rate was calculated based on the federal adjusted gross income and the total personal income tax paid to the State in 2009 (the most recent year for which data was available). This effective tax rate was applied to incremental earnings estimated to be generated by each scenario.

Corporate Income Tax – A corporate income tax of 8.25% on the corporate federal taxable income adjusted by State modifications is also levied by the State of Maryland on corporations. For purposes of this analysis and based on information provided by the Comptroller of Maryland, an effective tax rate was calculated based on the Gross State Product and the total corporate income tax paid to the State in 2010. This effective tax rate was applied to incremental total spending estimated to be generated by each scenario.

Summary of Conclusions

Given the WYCC’s current condition and findings from the market analysis, not developing the recommended improvements could lead to greater erosion of event activity. This analysis estimates that the proposed improvements would positively impact WYCC’s total attendance by 57,770 to 73,340 and the operating deficit by \$61,000 to \$292,000. The changes in event activity and financial operations are estimated to generate annual incremental direct spending in the County of approximately \$2.8 million to \$3.6 million resulting in annual incremental total spending of \$4.5 million to \$5.8 million. This incremental economic activity is estimated to generate \$138,000 to \$ 174,000 in County fiscal impacts and \$307,000 to \$421,000 in State fiscal impacts.

Summary of Major Impacts Associated with Expansion/Renovation of the WYCC					
Category	Historical Four-Year Avg	Total With Expansion/Renovation		Incremental New	
		Scenario 1	Scenario 2	Scenario 1	Scenario 2
Number of Events	218	241	255	23	37
Attendance	188,700	246,470	262,040	57,770	73,340
Operating Deficit/Improvement	(\$394,000)	(\$333,000)	(\$102,000)	\$61,000	\$292,000
Direct Spending	\$8,998,000	\$11,806,000 -	\$12,606,000	\$2,808,000 -	\$3,608,000
Total Spending (i.e., direct, indirect and induced)	\$14,504,000	\$19,037,000 -	\$20,325,000	\$4,533,000 -	\$5,821,000
Total Jobs	190	240	260	50	70
County Fiscal Impacts	\$313,000	\$451,000 -	\$487,000	\$138,000 -	\$174,000
State Fiscal Impacts	\$1,001,000	\$1,308,000 -	\$1,422,000	\$307,000 -	\$421,000

The findings and recommendations presented in this report are based on the competitive universe as it is known today. As such, the report takes into consideration Ocean City's current expansion/renovation project which includes the planned development of a 1,200-seat auditorium to support its convention business, better meet the community's arts and entertainment needs, and extend its peak summer season. Given their geographic location, size and configuration, the WYCC and the Ocean City Convention Center currently compete for some events in overlapping market segments such as sporting events/tournaments.

The addition of the auditorium will place the Ocean City Convention Center in a stronger competitive position to host more cultural/entertainment acts desiring a more intimate seating capacity. While some performing arts organizations and acts may choose to remain more local-based, others may play in both markets or alternate between markets to provide more exposure to their performers/product. However, these two facilities will still offer different building programs and destination characteristics to event promoters/producers. Ocean City is a beach destination with a smaller residential population base and a larger seasonal tourism base whereas Wicomico County offers a larger year-round residential population base to support event activity that is close to an airport and relatively proximate to the beach. As such, event producers/promoters have the opportunity to choose from different physical products and destination settings within the same regional market. Date availability, space availability, patron amenities, previous experience, relationship with facility management, and cost are other factors that influence event promoters/producers' decision on where to host events. For instance, event promoters/producers indicated that the WYCC is currently constrained by its lack of dedicated fly space which makes hosting certain touring entertainment events more labor intensive and costly compared to other venues.

In addition, there may be opportunities and synergies to jointly market both of these facilities to certain events such as larger sporting events. From a broader economic perspective, it appears that modernizing these two existing public assembly facilities will place them both in a stronger position to maintain, grow and diversify existing and future business within the State.

To the extent that other facilities are developed within the immediate market (e.g., arena or performing arts center at Salisbury University, casino in Delaware), particularly at the same capacity or larger than the existing WYCC, one would ask if the recommendations would change. If other larger or same size facilities were developed, the recommendations in this report would still appear valid since the WYCC would accommodate multiple market segments that differ from those likely to utilize a university-focused or casino-related venue. In addition, the possibility of the County partnering with external organizations such as Salisbury University should be explored as part of its due diligence with regard to financial considerations associated with any future development scenario.