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# Analysis

## An Evaluation of the Proposed Expansion of the Columbia Metropolitan Convention Center & Vista Station

September 24, 2021

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# Contents

<b>1. Executive Summary .....</b>	<b>3</b>
<i>Overview .....</i>	<i>3</i>
<i>Key Findings.....</i>	<i>3</i>
<i>Recommendations.....</i>	<i>8</i>
<b>2. Project Overview .....</b>	<b>11</b>
<b>3. CMCC Analysis.....</b>	<b>12</b>
<i>Discussion #1: Supply &amp; Demand Estimates.....</i>	<i>12</i>
<i>Discussion #2: Attendance &amp; Event Growth Estimates .....</i>	<i>14</i>
<i>Discussion #3: Cost Estimates .....</i>	<i>17</i>
<b>4. Parking Garage Analysis .....</b>	<b>21</b>
<i>Discussion #1: Construction Cost Estimate.....</i>	<i>21</i>
<i>Discussion #2: Parking Profitability Estimate .....</i>	<i>22</i>
<b>5. Hotel Analysis.....</b>	<b>26</b>
<i>Discussion #1: Occupancy Projections.....</i>	<i>26</i>
<i>Discussion #2: Cost Projections.....</i>	<i>28</i>
<b>6. Vista Station Economic Impact Analysis .....</b>	<b>29</b>
<i>Discussion #1: New Visitor Projections .....</i>	<i>29</i>
<i>Discussion #2: Shifting Impacts .....</i>	<i>30</i>
<i>Discussion #3: Property Tax Estimates .....</i>	<i>30</i>
<b>7. Appendix .....</b>	<b>32</b>
1. <i>City and County Debt Types and Capacity .....</i>	<i>32</i>
2. <i>Tourism Development Convention Center Fund (TDCCF).....</i>	<i>35</i>
3. <i>Midlands Authority for Conventions, Sports, and Tourism (MACST).....</i>	<i>36</i>
4. <i>Historical Hotel Occupancy .....</i>	<i>37</i>
5. <i>“Competitive Set” Hotel Projections.....</i>	<i>38</i>
<b>About this Report.....</b>	<b>39</b>

# 1. Executive Summary

## Overview

The City of Columbia was presented a proposal by Arnold Companies to expand the Columbia Metropolitan Convention Center (CMCC) and develop Vista Station, requiring a mix of public and private funds from the City of Columbia (\$70M for CMCC), Richland County (\$231M for parking garage), and Arnold Companies (\$311 for hotels, commercial and residential).

## Key Findings

### 1. CMCC loses very few events to lack of hotels or space.

Arnold Companies states the driving needs to expand CMCC as (1) Lack of Hotel Rooms and (2) Lack of Exhibit and Meeting Space. However, **over 10 years** (between 2013 and 2022):

- *Only 1 event* was lost due to not having an HQ hotel.
- *Only 2 events* were lost due to lack of area hotel rooms.
- *Only 2 events* were lost to CMCC not being big enough.
- *Only 5 events* were lost to the configuration of CMCC.

208 were lost due to date availability and 25 due to space availability, which may not necessarily be remedied by a larger facility if events target the same popular time periods.

Figure 1-1. CMCC Lost Events 2013-2022

CMCC Lost Business: 2013 - Future				
Reason	Events	Attendance	Room Nights	Rental Revenue
Unknown	361	193,328	106,237	\$2,777,216
Date Availability	208	83,631	23,435	\$943,893
Cancelled	73	25,068	4,235	\$165,487
Space Availability	25	7,132	2,775	\$107,825
Proposal Not Accepted	19	3,200	155	\$6,585
Cost to Host	18	11,525	3,841	\$146,230
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Hotel Rates Too High	3	13,495	7,303	\$62,483
CMCC Too Small	2	24,365	20,518	\$332,269
Low Interest	2	4,100	6,133	\$66,610
Hotel Availability	2	2,330	3,175	\$56,235
Catering Service Concerns	2	950	60	\$13,105
Proposal Not Accepted	2	3,200	155	\$6,585
Ground Transportation Issue	1	400	1,150	\$17,540
Sponsorship Request	1	0	1,300	\$25,950
No HQ Hotel	1	600	1,100	\$17,485
<b>Total</b>	<b>746</b>	<b>383,596</b>	<b>188,052</b>	<b>\$4,966,267</b>

Source: Columbia Metropolitan Convention Center

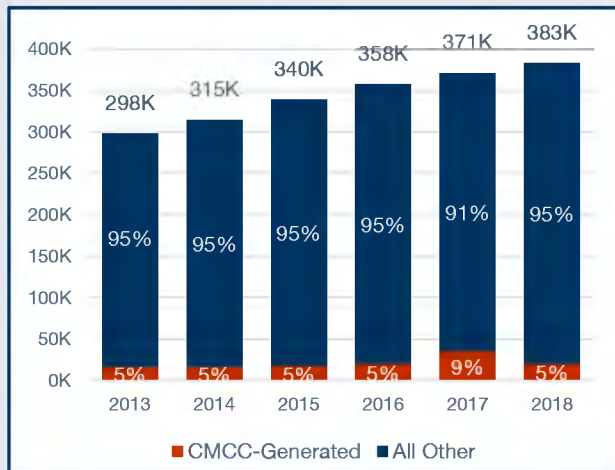
Source: Table 1-11 of "Columbia Metropolitan Convention Center Expansion & Vista Station Analysis." Hunden Strategic Partners, October 9, 2019.

### 2. CMCC generates a very small percent of hotel nights in downtown Columbia market.

Between 2013 and 2018, CMCC-generated room nights make up **just 6.0%** of room nights sold at the nine downtown "competitive set" hotels (Figure 1-2). Given that CMCC attendees may stay at a larger pool of Columbia hotels, this percentage is likely even less.

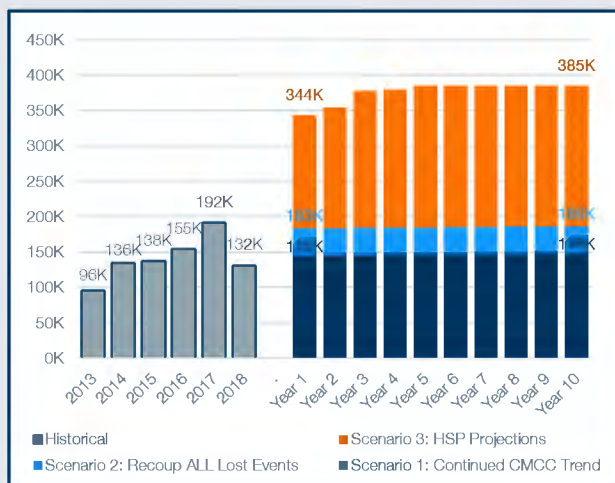


**Figure 1-2. Sold Room Nights (RN) at Nine Downtown Columbia Hotels**



Source: Tables 1-5, 4-4 of "Columbia Metropolitan Convention Center Expansion & Vista Station Analysis." Hunden Strategic Partners, October 9, 2019.

**Figure 1-3. CMCC Attendance: Proposal Projections: vs. Alternative Scenarios**



Source: Tables 1-5 & 8-2 of "Columbia Metropolitan Convention Center Expansion & Vista Station Analysis." Hunden Strategic Partners, October 9, 2019.

Ultimately, Columbia hotel occupancy is not driven by the CMCC, but rather by other Columbia area features, like business, universities, state and federal government, sporting events and other area attractions.

### 3. Project feasibility requires exceptionally optimistic projected attendance.

The proposal predicts a surprisingly large and immediate increase in events where the average attendance at each event **almost doubles**, from an historical average of 567 to over 1,000 in the first year.

Proposal projections by Hunden Strategic Partners (HSP) are compared to alternative scenarios (Figure 1-3):

**Scenario 1:** practical continuation of CMCC historical trends.

**Scenario 2:** optimistic recoupment of **every single lost event** reported in Figure 1-1.

**Scenario 3** (HSP predictions) imagines an immediate increase of 143% over historical average, increasing to 172% by Year 5. These predictions, unlikely as they are, are a necessary condition to generate revenue to make the project remotely feasible.

### 4. Even with extreme attendance projections, CMCC will continue to lose money.

CMCC has historically operated at a loss. Even under projections for very large event and attendance increases, the proposal expects CMCC **to continue to operate at a loss**.

Proposal projections by HSP expect CMCC to lose \$0.9M in Year 1, falling to \$0.3M in Year 10. Driving these results is rapidly increasing predicted revenue from events, jumping almost

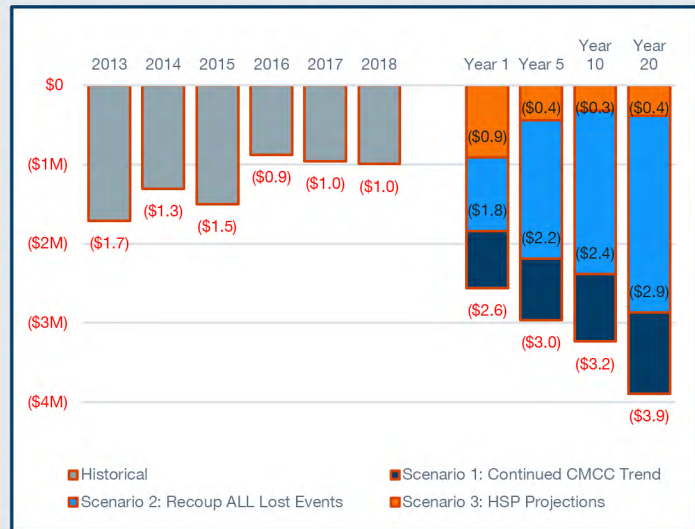
25%. If attendance and events do not achieve their predicted high levels, CMCC losses will be even greater (Figure 1-4).

**5. Tourism Development Fee revenue is not adequate to cover CMCC operating losses and debt service on the bond.**

The State of South Carolina has allocated \$9M to CMCC expansion. To finance the remaining \$61M, it has been proposed to use the portion of the Tourism Development Fee (TDF) currently allocated to pay debt service on the CMCC bond series that rolls off in 2022. After 2022, Lexington County will no longer contribute its TDF funds as it will construct its own competing venue, leaving just \$1,141,656 available for new CMCC bonds (Figure 1-5), enough to finance the debt of a \$23M bond.

The City could choose to divert some of its other TDF revenues from “Tourism & Community Development” expenses. These funds presumably cover operations of the Midlands Authority for Conventions, Sports, and Tourism (MACST), which is responsible for operating the CMCC, and thus are already being used to cover the losses the CMCC and other MACST activities currently incur each year.

**Figure 1-4. CMCC Historical and Projected Revenues (\$ millions)**



Source: Table 1-11 of “Columbia Metropolitan Convention Center Expansion & Vista Station Analysis.” Hunden Strategic Partners, October 9, 2019.

**Figure 1-5. Tourism Development Fee Funds Available for CMCC Expansion**

	FY 2019	FY 2022+
<b>Revenues</b>		
City Tourism Development Fee (TDF)	3,924,883	3,924,883
County Government TDF <sup>1</sup>	2,752,738	1,299,289
from Richland County <sup>2</sup>	1,299,289	1,299,289
from Lexington County <sup>3</sup>	1,600,550	0
Interest income	10,562	10,562
<b>Total revenues</b>	<b>6,688,183</b>	<b>5,163,609</b>
<b>Expenditures</b>		
Tourism & Community Development <sup>4</sup>	3,957,379	3,957,379
Current Series 2012 Debt Service	2,717,720	0
Capital Outlay	70,376	0
<b>Total expenditures</b>	<b>6,755,555</b>	<b>4,021,954</b>
<b>Available for CMCC Expansion</b>		<b>\$1,141,656</b>

Sources: Comprehensive Annual Financial Reports. City of Columbia, Lexington County, Richland County, Fiscal Years 2017 - 2020.

1 Individual county amounts are from each county's CAFR and do not necessarily sum to City of Columbia's reported values.

2 Comprehensive Annual Financial Report. Richland County, Fiscal Year 2019.

3 Comprehensive Annual Financial Report. Lexington County, Fiscal Year 2019.

4 The City CAFR does specify the use of Tourism & Community Development funds, though according to requirements they presumably fund operations of the Midlands Authority for Conventions, Sports, and Tourism, which is responsible for operating the convention center.

Under all scenarios, the expanded CMCC is projected to lose money each year (Figure 1-6). More importantly, these losses will need to be made up by the City.

- If CMCC continues its current trends (Scenario #1), the *City needs an additional \$4.3M in Year 1* and a total of *\$85.6M over 20 years*.
- In Scenario #2 (the optimistic recoupment of all lost events) the *City needs an additional \$3.6M in Year 1* and a total of *\$68.4M over 20 years*.
- Under the very high HSP Projections (Scenario #3), the *City needs an additional \$2.6M in Year 1* and a total of *\$29.3M over 20 years*.

Finally, none of these scenarios account for the occurrence of a recession, which will further reduce CMCC revenues and require even more City subsidies.

**Figure 1-6. CMCC Projected Cash Flows Under 3 Scenarios**

	#1: Continued CMCC Trend				#2: Recoup ALL Lost Events				#3: HSP Projections			
	Year 1	Year 5	Year 10	Year 20	Year 1	Year 5	Year 10	Year 20	Year 1	Year 5	Year 10	Year 20
<b>Operating Income/Expenses<sup>1</sup></b>												
CMCC Expenses	(5,275)	(5,914)	(6,513)	(7,839)	(5,275)	(5,914)	(6,513)	(7,839)	(5,275)	(5,914)	(6,513)	(7,839)
CMCC Revenue	2,714	2,952	3,278	3,945	3,433	3,727	4,128	4,968	4,367	5,475	6,194	7,455
Net Operating Income	(2,561)	(2,962)	(3,235)	(3,894)	(1,842)	(2,187)	(2,385)	(2,870)	(908)	(439)	(319)	(384)
<b>City &amp; County Subsidies</b>												
Tourism Development Fee <sup>2</sup>	1,288	1,533	1,907	2,950	1,288	1,533	1,907	2,950	1,288	1,533	1,907	2,950
<b>Debt Service<sup>3</sup></b>												
Loan Balance <sup>4</sup>	63,440	57,440	49,056	28,838	63,440	57,440	49,056	28,838	63,440	57,440	49,056	28,838
Principal	1,445	1,595	1,805	2,310	1,445	1,595	1,805	2,310	1,445	1,595	1,805	2,310
Interest	1,586	1,436	1,226	721	1,586	1,436	1,226	721	1,586	1,436	1,226	721
Total Debt Service	3,031	3,031	3,031	3,031	3,031	3,031	3,031	3,031	3,031	3,031	3,031	3,031
<b>Cash Flows</b>												
Net Increase (Decrease) in Cash	(4,305)	(4,460)	(4,359)	(3,974)	(3,585)	(3,685)	(3,509)	(2,951)	(2,651)	(1,937)	(1,443)	(465)
Closing Cash Balance	(4,305)	(21,860)	(43,879)	(85,627)	(3,585)	(18,124)	(36,045)	(68,365)	(2,651)	(11,647)	(19,892)	(29,305)

1 Revenue and Expense Projections through Year 10 per Tables 1-10 & 8-3 of "Columbia Metropolitan Convention Center Expansion & Vista Station Analysis." Hunden Strategic Partners, October 9, 2019. After that, they increase at average 10-year CPI of 1.87%

2 Assumes TDF increases annually at the historical average rate of increase between 2014 and 2019 of 4.6%

3 Assumes inclusion of all costs of land, infrastructure, building construction, architecture, engineering, legal, appraisal, title, insurance, etc.

4 Assumes \$61M bond issued at 2.5% rate for a 30-year term with 4% issuance cost.

## 6. Parking Garage cost estimates are excessively high, resulting in the County paying \$231M for an indistinctly priced \$65M deck.

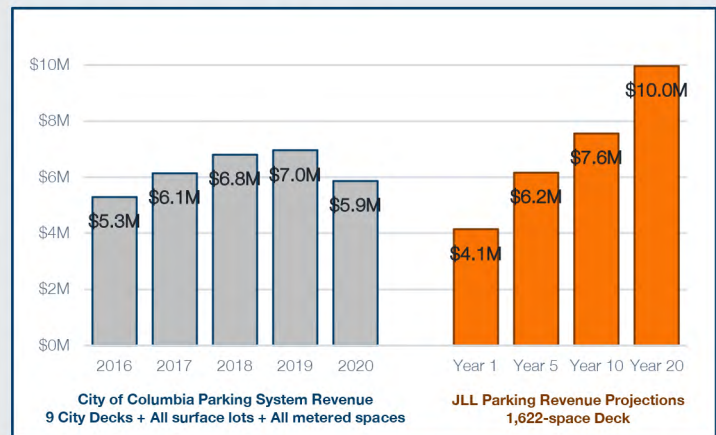
Arnold Companies states the deck cost will be \$65M to construct, or \$40,000 per space, which are almost twice as high as the national median of \$22,000 in 2020. Accounting for Covid-19 price increases, this cost is still overly expensive.



Counterintuitively, the amortization schedule developed by Jones Lang LaSalle IP, Inc. (JLL) in the same proposal details debt service over 30 years on a loan of **just over \$130M** (\$80,600 per space). Richland County is effectively responsible for paying the \$130M loan through a 30-year lease that equals the combined principal, interest, and administrative fees of **\$231M**.

JLL still estimates Richland County will profit over 30 years based on incongruously high predictions of parking revenues, far higher even than the scenario in which the elevated HSP attendance projections result in the parking deck achieving 100% capacity. In fact, JLL projected parking revenues for the 1622-space deck exceed all revenues of the City of Columbia Parking System for **all** of its nine City garages (5000+ spaces), surface lots and metered parking spaces (Figure 1-7).

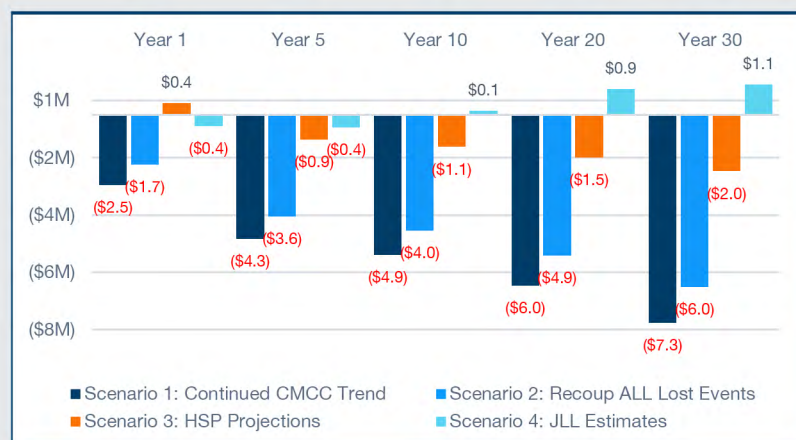
**Figure 1-7. City of Columbia Parking System Revenues vs. JLL Estimates for 1,622-Space Deck**



Sources: "Columbia Master and Convention Center Presentation FINAL," Arnold Companies, June 30, 2021. Slide 11. City of Columbia's Consolidated Annual Financial Reports, 2016-20.

The combination of unreasonable parking revenue estimates, excessive lease payments, and operating costs associated with the NNN lease almost certainly guarantees large losses under all scenarios (Figure 1-8).

**Figure 1-8. Parking Garage Projected Revenues Under 3 Scenarios & JLL Estimates (\$ millions)**



See Table 4-4 for detailed list of sources and assumptions.

Cumulative 30 Year Gains (Losses)	
Scenario 1	(\$162,132,467)
Scenario 2	(\$133,043,225)
Scenario 3	(\$37,114,152)
Scenario 4	\$12,794,862

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## **7. Cost, ownership, contract details, and financing capabilities are unclear.**

Costs and ownership are not explicitly stated in the proposal, and are, in some cases, unclear.

**Hyatt Regency HQ Hotel:** The October 2019 Proposal states the hotel, “*will need to be subsidized by public funds*” because it “*is not economical for the private sector to support.*” In the updated 2021 document, no mention is made of the need for public funds, so it is unclear how or if the hotel is now profitable.

**Hotel Financing:** Three new hotels, totalling 675 new rooms, are to be opened within the same block within the span of 2½ years (2023Q2 to 2025Q4). These rooms represent a rapid 42% increase in supply over the 1,606 rooms currently available in the nine “competitive set” hotels in downtown Columbia. The ability for developers to secure private financing for all three during a time of unclear and changing travel patterns induced by Covid-19 is unclear and not discussed.

**Parking Garage:** Arnold Companies proposes to construct a 1,622-space parking deck, which Richland County will lease for 30 years. Arnold Companies states it will donate 4.8 acres to the structure; however, plan drawings indicate most of the structure will be on City-owned property, and it is unclear who will have ownership—Arnold Companies or Richland County—at the completion of the 30-year lease.

## **8. Vista Station economic impact is inflated due to overly optimistic visitor projections.**

The combination of highly overstated visitor projections and the assumption that over 2/3 of them will stay overnight (thus spending significantly more), produces a significantly inflated economic impact to the Columbia region.

## **Recommendations**

### **CMCC**

**1. Compare Actual Convention Center Attendance:** The proposal does not provide regional or national statistics on event or attendance quantity at convention centers. Because the feasibility of the project depends on **enormous increases** in events and attendance, verifying the ability of CMCC to achieve that success is critical. If predictions do not manifest, it will result in miring the City in further future debt.

**2. Research Actual Expansion Cases:** The City should research other convention centers who undertook similar expansions and evaluate their before and after attendance, events and revenues. In particular, a focus on cities the size of Columbia, (where over 86% of CMCC attendees are day-trippers) will identify how many newly expanded convention centers were



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able to attract very large events away from venues such as Atlanta, Las Vegas or Detroit, or even smaller local venues such as Myrtle Beach, Hilton Head Island, or Charleston.

**3. Verify Cost of Project & Contract Details:** No supporting details are provided on project cost or scope, including whether infrastructure, architecture, engineering, and other hard/soft costs are included. Given the state of real estate and construction industries, with large demand facing supply constraints, a thorough understanding of project costs is necessary to ensure the City does not end up with exorbitant cost overruns for which they have no recourse.

### ***Parking Garage***

**1. Obtain Competitive Bids:** Because the cost to build the parking structure is so high compared to national estimates, the City and County should consider obtaining competitive bids for the work if they choose to undertake the CMCC expansion.

**2. Ensure Profitability & Contract Details:** The likely unprofitability of the parking deck due to overstated parking revenues combined with the unreasonably high lease price to Richland County will create financial strain, requiring use of other County funds to cover the discrepancy. Realistic estimates of revenues and costs should be used to ensure the feasibility of public funding. Further, the City and County should clarify ownership of both the structure and the land.

**3. Evaluate Parking Needs:** Given the unknown current demand for parking or efficiency of deck and lot use in the City, it is recommended that a full parking needs analysis and/or efficiency study be undertaken to evaluate current deck use, peak demand and times, and occupancy. The results can help identify opportunities to increase current deck efficiency as well as prescribe requirements for appropriate levels of new space going forward.

### ***Hotel***

**1. Encourage Profitable Private Investment:** The downtown Columbia hotel market has recovered well from Covid-19 and can absorb additional hotel rooms to maintain trend growth. Since 2013, 428 new rooms have been added just to the “competitive set” (a 36% increase), with occupancy rates increasing (excluding Covid-19). These rooms were parts of privately financed hotels that, presumable, found the Columbia downtown market profitable. Continued private profitable investments will spur City growth. Public subsidies of a single large private hotel create unfair competition for other private hotels who do not receive subsidies, driving down their profits and discouraging their future investment. Further, the City should investigate the ability of developers of three new hotels within the same geographic location to secure private financing for construction of an additional 675 rooms to open all within 2½ years of each other.

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**2. Recognize that Key Drivers of Hotel Occupancy are not CMCC Events:** Over 86% of current CMCC attendees are day-trippers. It is unlikely this demographic will change drastically or that CMCC will suddenly host very large events that previously went to Atlanta, Las Vegas or Detroit. In all, CMCC-generated hotel room nights accounted for *less than 6.0% of all “competitive set” room nights* sold between 2013 and 2018. Decisions regarding downtown hotel development should, therefore, not be solely based on CMCC expansion plans, or vice versa.

## 2. Project Overview

In October 2019<sup>1</sup> (and later updated in June 2020)<sup>2</sup>, the City of Columbia was presented a proposal for the expansion of the Columbia Metropolitan Convention Center (CMCC) and the development of Vista Station (hotels, commercial and residential structures). The proposal contains a mix of requirements for both public and private funds from the City of Columbia, Richland County, and Arnold Companies. This analysis reviews that proposal, the funding requirements, and the fiscal impact.

**Table 1-1. Project Components**

Structure	SF <i>(thousands)</i>	Cost <i>(millions)</i>	Open Date	Funding	Notes
<b>Convention Center</b>					
CMCC Expansion	200	\$70	Q4 2025	\$9M grant from SC \$61M bond by City of Columbia	Additional 98,100 rentable and 103,500 support space.
Parking Garage	360	\$65	Q1 2023	\$231M 30-year lease by Richland County	1,622 space deck shared by CMCC & Hyatt Regency
<b>Hotels</b>					
Hyatt Regency	430	\$125	Q4 2025	Private	387-room HQ Hotel connected to CMCC
Hotel Anthem	148	\$50	Q2 2023	Private	158-room Tapestry by Hilton
Select-Service Lifestyle Hotel	90	\$25	Q3 2024	Private	130-room Hilton or Hyatt
<b>Commercial &amp; Residential</b>					
Office Tower	200	\$56	Q4 2025	Private	
Multifamily Towers	195	\$45	Q4 2025	Private	
Existing Office Building	147	\$10		Private	
Existing Depot Building	22			Private	
<b>Total</b>	<b>1,792</b>	<b>\$446</b>			

1 "Columbia Metropolitan Convention Center Expansion & Vista Station Analysis." Hunden Strategic Partners, October 9, 2019.

2 "Columbia Master and Convention Center Presentation FINAL." Arnold Companies, June 30, 2021.



# 3. CMCC Analysis

Specifications of the proposed expansion of the Columbia Metropolitan Convention Center (CMCC) is shown in Table 3-1 as they were presented in the October 2019 *Columbia Metropolitan Convention Center Expansion & Vista Station Analysis* by Hunden Strategic Partners (**2019 Analysis**) and in the June 2021 *Columbia Master and Convention Center Presentation FINAL* by Arnold Companies (**2021 Update**).

**Table 3-1. CMCC Expansion Specifications**

Square Footage	Current	Expansion <sup>1</sup>		
		(1)	(2)	(3)
Rentable Space				
Ballroom	16,704	0	0	0
Meeting Space	15,423	24,200	20,089	26,100
Exhibit Space	23,700	72,300	71,770	72,000
<b>Total</b>	<b>55,827</b>	<b>96,500</b>	<b>91,859</b>	<b>98,100</b>
Other Space <sup>2</sup>	86,173	103,500	108,141	101,900
<b>Total Space</b>	<b>142,000</b>		<b>200,000</b>	
<b>Cost<sup>3</sup></b>		(1)	(2)	(3)
		<b>\$63M</b>	<b>\$83M</b>	<b>\$70M</b>

1 The proposal lists 3 different size variations for the expansion: (1) Table 3-5 and (2) Table 7-2 of the *2019 Analysis* and (3) the *2021 Update*.

2 Front-of-house and back-of-house support spaces (non-leasable).

3 Three different cost estimates are provided: (1) Table 1 of the *2019 Analysis* states it is \$63M, but (2) page 1-12 of the same document indicates it increased to \$83M. Finally, (3) the *2021 Update* states it is \$70M.

## Overview

Arnold Companies proposes to expand the CMCC, adding 200,000 SF of space, with 98,000 being rentable and the remaining being front and back-office non-rentable space. The projected cost is \$70M. The State of South Carolina has allocated \$9M to the project. It is indicated that the City of Columbia will finance the remaining \$61M via a bond issue paid for with proceeds from the City's Tourism Development Fee.

## Discussion #1: Supply & Demand Estimates

The *2019 Analysis* and *2021 Update* state the CMCC needs expansion due to:

1. Lack of Hotel Rooms:

- “The current hotel supply is insufficient to handle larger [events].”
- “National events, such as March Madness, will not return to the City without more full-service hotel options near Colonial Life Arena.”
- “Hotel availability block is the most important factor when determining the selection of the venue.”

## 2. Lack of Exhibit and Meeting Space:

- “CMCC continues to lose business to larger markets (Atlanta, Detroit, Las Vegas, etc.) where amenities are larger and of better quality.”
- “The current facility lacks the larger spaces that will avail the attractive location, destination and rate structure to larger regional groups and potentially even national events.”
- “The current square footage is too small and needs to at least double to attract more business.”

**Figure 3-2. CMCC Lost Events 2013-2022**

**Table 1-11**

**CMCC Lost Business: 2013 - Future**

Reason	Events	Attendance	Room Nights	Rental Revenue
Unknown	361	193,328	106,237	\$2,777,216
Date Availability	208	83,631	23,435	\$943,893
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Source: Columbia Metropolitan Convention Center

Source: Table 1-11 of “Columbia Metropolitan Convention Center Expansion & Vista Station Analysis.” Hunden Strategic Partners, October 9, 2019.

However, the 2019 Analysis lists all lost events at the CMCC between 2013 and 2022 (shown in Figure 3-2). Over those 10 years:

- Only **1 event** was lost due to not having an HQ hotel.
- Only **2 events** were lost due to not having enough area hotel rooms.
- Only **2 events** were lost due to CMCC not being big enough.
- Only **5 events** were lost due to the configuration of CMCC.

208 were lost due to date availability and 25 due to space availability, which may not necessarily be remedied by a larger facility if events target the same popular time periods.

The proposal notes that the convention center space is very competitive but omits any national and/or regional statistics on demand for convention center space or supply of such space. Instead, it simply discusses what types of events *could* exist. Further, it provides detailed overviews of “competitor” cities from which Columbia is aiming to take events and attendance, including Charleston and Myrtle Beach.

Simply building a larger space for meetings does not guarantee an increase in demand, particularly when other nearby cities are expanding their supply of convention center space as well. It simply makes the market even more competitive and less likely to produce the events, attendance, and revenues hoped for.

## Discussion #2: Attendance & Event Growth Estimates

The *2019 Analysis* predicts a large and immediate uptick in convention center events and visitor yet provides no rationale for rapid increases. It simply makes unsubstantiated statements such as:

- “HSP projects that the expanded CMCC will attract approximately 385,000 attendees.”
- “The CMCC is expected to host between 343 and 366 events per year.”

Furtherer, it assumes a continued, constant set of visitors every single year, with no recession, pandemics, national or international conflict, or other similar event which reduces economic activity, as has been the case every 5-7 years in recent history.

CMCC event, attendance, and room night projections created by Hunden Strategic Partners (HSP) in the *2019 Analysis* are shown in Table 3-3, along with historical CMCC data.

**Table 3-3. CMCC Historical Performance and HSP Projections**

	Historical Performance						Hunden Strategic Partners Projections									
	2013	2014	2015	2016	2017	2018	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Events	249	235	244	245	254	273	343	351	361	365	366	366	366	366	366	366
Attendance	96,448	135,531	137,886	155,034	191,855	131,781	343,500	354,100	377,400	380,000	385,000	385,000	385,000	385,000	385,000	385,000
Avg Attnd / Event	387	577	565	633	755	483	1,001	1,009	1,045	1,041	1,052	1,052	1,052	1,052	1,052	1,052
Room Nights	15,777	16,046	17,381	19,625	35,135	19,983	49,772	51,308	54,684	55,061	55,785	55,785	55,785	55,785	55,785	55,785
Avg Room Night / Attendee	0.16	0.12	0.13	0.13	0.18	0.15										

Source: Tables 1-5, 8-1, & 8-2 of “Columbia Metropolitan Convention Center Expansion & Vista Station Analysis.” Hunden Strategic Partners, October 9, 2019

Not only does HSP predict a surprisingly large and immediate increase in events, but, more surprisingly, the average size of those events almost **doubles**, from an average of 567 per event between 2013 and 2018 to over 1,000 in the first year of the expansion.



While room nights are not shown in the HSP projections, they are calculated based on the historical average of 0.14. In other words, only 14% of CMCC attendees stay in a hotel. The remaining 86% are day-trippers. Assuming some attendees who stay multiple nights account for a number of the room nights, it is likely than more than 86% of attendees are day-trippers.

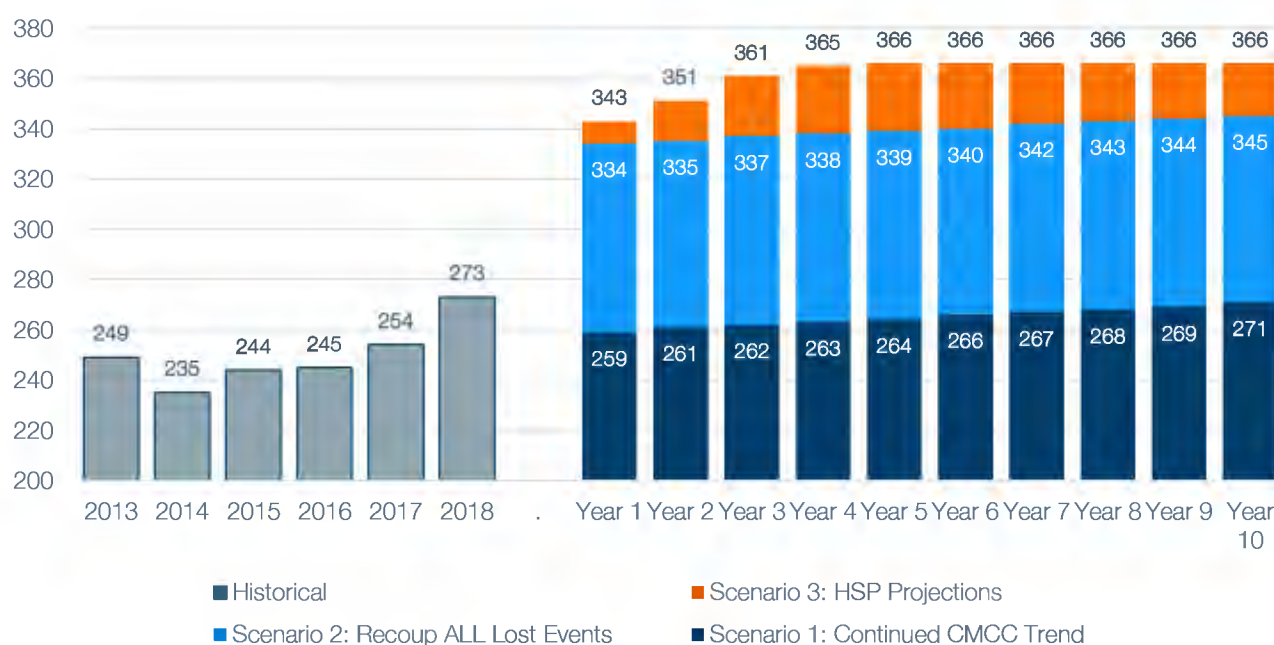
For comparative purposes, two additional scenarios are provided in Figures 3-4 through 3-6:

**Scenario 1:** Continuation of current CCMC trends.

**Scenario 2:** Recoupment of *every single lost event* reported in Figure 3-2.<sup>3</sup>

**Scenario 3:** HSP projections.

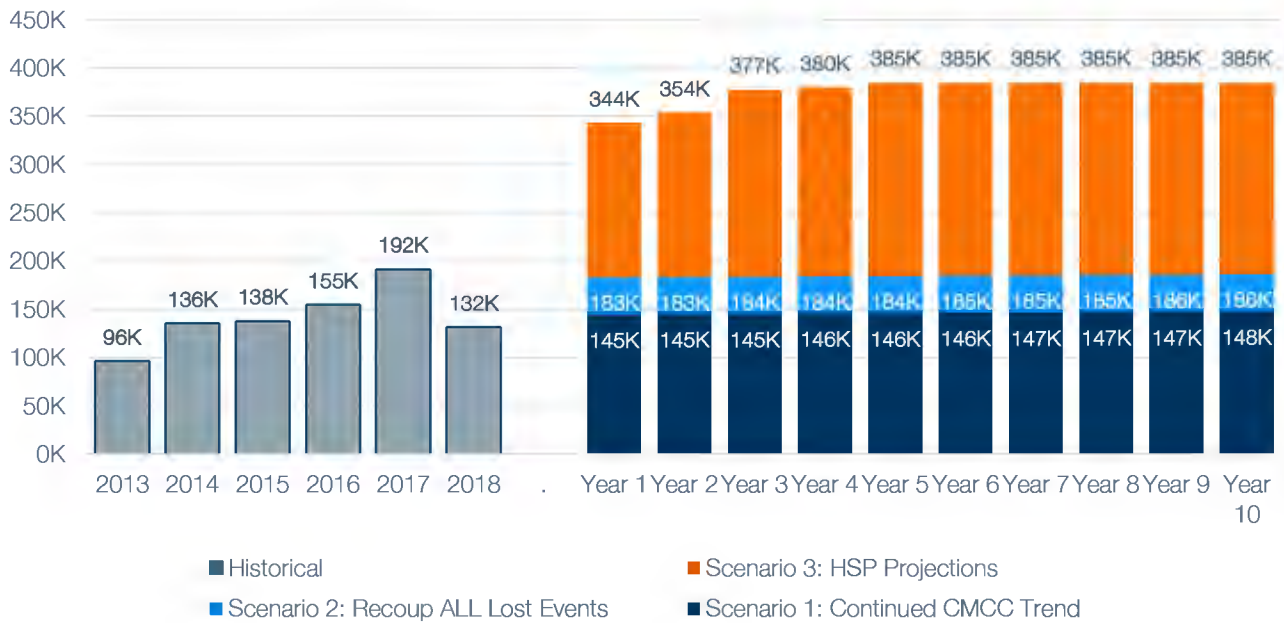
**Figure 3-4. CMCC Events: Historical and Projections Under 3 Scenarios**



Scenario 1 reflects the practical continuation of CMCC historical trends. Scenario 2, which represents the optimistic outcome that *every single lost event* is recouped, sees an improbable increase of 74 events per year over Scenario 1. Finally, Scenario 3 (HSP predictions) imagine events will immediately increase 37% over the historical average, increasing to 46% higher by Year 4 and remaining constant thereafter.

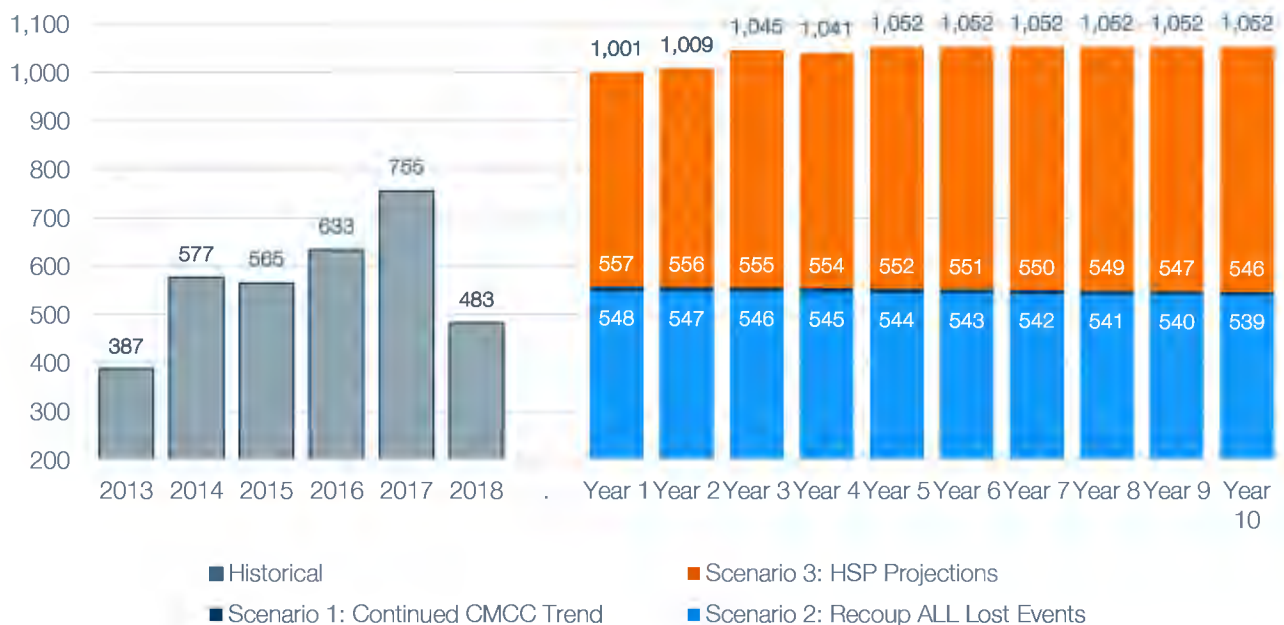
<sup>3</sup> Including those lost for unknown reasons, canceled, or because the event sponsor could not afford it.

**Figure 3-5. CMCC Attendance: Historical and Projections Under 3 Scenarios (thousands)**



CMCC historical trends continue in Scenario 1, with attendance averaging 146,000. Scenario 2, in which every single lost event is recouped, sees an extra 38,300 attendees per year over Scenario 1. Finally, Scenario 3 (HSP predictions) postulate an immediate increase of 143% over historical average, increasing to 172% by Year 5 and remaining constant thereafter.

**Figure 3-6. CMCC Attendance Per Event: Historical and Projections Under 3 Scenarios**



Here, Scenarios 1 and 2 generate very similar number of attendees per event, as the pool of lost events closely represent the types and sizes of events common to the Columbia market. Scenario 3 (HSP predictions) hypothesizes an increase in average event size of *almost double* the attendance seen in the historical data or in the lost event data.

### Discussion #3: Cost Estimates

Future attendance projections are of key importance in the determining the cost of the facility to the City. Detailed historic and projected revenues and expenses are shown in Table 3-7.

**Table 3-7. CMCC Historical and Projected Revenues**

	Historical Performance						Hunden Strategic Partners Projections									
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenues (\$ 000's)</b>																
Event Revenue	2,194	2,533	2,654	2,574	2,690	2,806	4,267	4,450	4,812	4,935	5,352	5,485	5,623	5,763	5,907	6,055
Other Revenue	13	7	3	17	3	27	100	104	112	115	123	127	129	132	136	139
<b>Total Revenues</b>	<b>2,206</b>	<b>2,540</b>	<b>2,657</b>	<b>2,591</b>	<b>2,693</b>	<b>2,833</b>	<b>4,367</b>	<b>4,554</b>	<b>4,924</b>	<b>5,050</b>	<b>5,475</b>	<b>5,612</b>	<b>5,752</b>	<b>5,896</b>	<b>6,043</b>	<b>6,194</b>
<b>Expenses (\$000's)</b>																
Salaries & Employees	2,213	2,301	1,854	2,014	2,108	2,048	2,537	2,599	2,688	2,751	2,853	2,918	2,984	3,051	3,120	3,190
Sales and Marketing	109	97	101	189	181	222	125	128	84	85	87	89	91	93	95	97
Operating	1,166	1,098	1,927	1,072	1,103	1,166	2,466	2,521	2,654	2,700	2,775	2,817	2,862	2,909	2,954	3,002
Depreciation, FF&E, Reserves	425	350	275	193	261	391	148	155	171	176	198	203	208	213	219	224
<b>Total Expenses</b>	<b>3,914</b>	<b>3,845</b>	<b>4,157</b>	<b>3,467</b>	<b>3,653</b>	<b>3,827</b>	<b>5,275</b>	<b>5,404</b>	<b>5,596</b>	<b>5,712</b>	<b>5,914</b>	<b>6,029</b>	<b>6,146</b>	<b>6,266</b>	<b>6,388</b>	<b>6,513</b>
<b>Net Income (Loss) (\$ 000's)</b>																
	(\$1,708)	(\$1,305)	(\$1,500)	(\$876)	(\$960)	(\$994)	(\$908)	(\$850)	(\$671)	(\$662)	(\$439)	(\$417)	(\$394)	(\$370)	(\$345)	(\$319)
<b>Event Revenues</b>																
Per Event (\$ 000's)	\$8.8	\$10.8	\$10.9	\$10.5	\$10.6	\$10.3	\$12.4	\$12.7	\$13.3	\$13.5	\$14.6	\$15.0	\$15.4	\$15.7	\$16.1	\$16.5
Per Attendee	\$23	\$19	\$19	\$17	\$14	\$21	\$12	\$13	\$13	\$13	\$14	\$14	\$15	\$15	\$15	\$16

Source: Tables 1-10 & 8-3 of "Columbia Metropolitan Convention Center Expansion & Vista Station Analysis." Hunden Strategic Partners, October 9, 2019

CMCC has historically operated at a loss. Even under projections for very large event and attendance increases, the proposal expects CMCC to continue to operate at a loss. While future expenses are projected to increase 56% on average over the historical period, revenues are predicted to increase 108%. Driving this increase is revenue from events. While remaining relatively stable between 2013 and 2018 at just over \$10,000 in revenue per event, HSP predicts they will immediately increase to \$12,440 per event (presumably due to the dramatic increase in attendance per event predicted), further rising to over \$16,000 by Year 9.



The State of South Carolina has allocated \$9M to the CMCC expansion. To finance the remaining \$61M projected cost, it has been proposed to use the portion of the City's and County's 3% Tourism Development Fee (TDF) that is currently being used to pay debt service on the CMCC bond series that will roll off in 2022. (See Appendix 2 for detailed Tourism Development Convention Center Fund revenues and expenditures for Fiscal Years 2017 to 2020.)

Currently, Richland and Lexington Counties provide proceeds from their respective TDFs to service debt. After 2022, Lexington County will no longer provide those funds, as they will be constructing their own competing venue.

Table 3-8 shows TDF revenues for FY 2019 (pre-Covid-19), where a total of \$2,717,720 was used to pay debt service. An additional \$3,957,379 of TDF revenues were used to finance "Tourism and Community Development" expenditures. City financial reports do not specify the use of Tourism & Community Development funds, though according to requirements they presumably fund operations of the Midlands Authority for Conventions, Sports, and Tourism (MACST), which is responsible for operating the convention center. (See Appendix 3 for a detailed accounting of MACST revenues and expenditures for Fiscal Years 2015 to 2020.)

Subtracting out Lexington County's reported contribution of \$1,600,550 leaves \$1,141,656 available to go to debt service for the CMCC expansion (Table 3-8). The City could choose to apply more of the revenues from the TDF, but it would require diverting those funds from the current Tourism and Community Development uses. Presumably, a portion of which are already being used to cover the losses the CMCC currently incurs each year.

**Table 3-8. Tourism Development Fee Funds Available for CMCC Expansion**

	FY 2019	FY 2022+
<b>Revenues</b>		
City Tourism Development Fee (TDF)	3,924,883	3,924,883
County Government TDF <sup>1</sup>	2,752,738	1,299,289
<i>from Richland County</i> <sup>2</sup>	1,299,289	1,299,289
<i>from Lexington County</i> <sup>3</sup>	1,600,550	0
Interest income	10,562	10,562
<b>Total revenues</b>	<b>6,688,183</b>	<b>5,163,609</b>
<b>Expenditures</b>		
Tourism & Community Development <sup>4</sup>	3,957,379	3,957,379
Current Series 2012 Debt Service	2,717,720	0
Capital Outlay	70,376	0
<b>Total expenditures</b>	<b>6,755,555</b>	<b>4,021,954</b>
<b>Available for CMCC Expansion</b>		<b>\$1,141,656</b>

Sources: Comprehensive Annual Financial Reports. City of Columbia, Lexington County, Richland County, Fiscal Years 2017 - 2020.

1 Individual county amounts are from each county's CAFR and do not necessarily sum to City of Columbia's reported values.

2 Comprehensive Annual Financial Report. Richland County, Fiscal Year 2019.

3 Comprehensive Annual Financial Report. Lexington County, Fiscal Year 2019.

4 The City CAFR does specify the use of Tourism & Community Development funds, though according to requirements they presumably fund operations of the Midlands Authority for Conventions, Sports, and Tourism, which is responsible for operating the convention center.

Table 3-9 shows projected future cash flows of the CMCC expansion under the same three scenarios. The analysis assumes:

- The State contributes \$9M and the City issues a \$61M bond at 2.5% for 30 years.
- All costs of land, infrastructure, building construction, architecture, engineering, legal, appraisal, title, insurance, etc. are included in the \$70M construction cost.
- No cost overruns occur during construction.

The results show:

- At current trends<sup>4</sup> the available Tourism Development Fee funds are not enough to cover the cost of debt service until Year 21.
- Under all scenarios, CMCC continues to operate at a loss. Even under the way HSP structured its revenue predictions, even further increases in events and attendance will be required to make the CMCC profitable.
- Over 20 years, the City will be required to find an additional \$29M to fund the CMCC expansion in the most optimistic Scenario 3 (HSP predictions), an additional \$68M in Scenario 2 (where all lost events over the previous 10 years are recouped), and an additional \$85M in Scenario 1 (where CMCC continues its historical growth trend).

**Table 3-9. CMCC Projected Cash Flows Under 3 Scenarios**

	#1: Continued CMCC Trend				#2: Recoup ALL Lost Events				#3: HSP Projections			
	Year 1	Year 5	Year 10	Year 20	Year 1	Year 5	Year 10	Year 20	Year 1	Year 5	Year 10	Year 20
<b>Operating Income/Expenses<sup>1</sup></b>												
CMCC Expenses	(5,275)	(5,914)	(6,513)	(7,839)	(5,275)	(5,914)	(6,513)	(7,839)	(5,275)	(5,914)	(6,513)	(7,839)
CMCC Revenue	2,714	2,952	3,278	3,945	3,433	3,727	4,128	4,968	4,367	5,475	6,194	7,455
<i>Net Operating Income</i>	<i>(2,561)</i>	<i>(2,962)</i>	<i>(3,235)</i>	<i>(3,894)</i>	<i>(1,842)</i>	<i>(2,187)</i>	<i>(2,385)</i>	<i>(2,870)</i>	<i>(908)</i>	<i>(439)</i>	<i>(319)</i>	<i>(384)</i>
<b>City &amp; County Subsidies</b>												
Tourism Development Fee <sup>2</sup>	1,288	1,533	1,907	2,950	1,288	1,533	1,907	2,950	1,288	1,533	1,907	2,950
<b>Debt Service<sup>3</sup></b>												
Loan Balance <sup>4</sup>	63,440	57,440	49,056	28,838	63,440	57,440	49,056	28,838	63,440	57,440	49,056	28,838
Principal	1,445	1,595	1,805	2,310	1,445	1,595	1,805	2,310	1,445	1,595	1,805	2,310
Interest	1,586	1,436	1,226	721	1,586	1,436	1,226	721	1,586	1,436	1,226	721
<i>Total Debt Service</i>	<i>3,031</i>	<i>3,031</i>	<i>3,031</i>	<i>3,031</i>	<i>3,031</i>	<i>3,031</i>	<i>3,031</i>	<i>3,031</i>	<i>3,031</i>	<i>3,031</i>	<i>3,031</i>	<i>3,031</i>
<b>Cash Flows</b>												
Net Increase (Decrease) in Cash	(4,305)	(4,460)	(4,359)	(3,974)	(3,585)	(3,685)	(3,509)	(2,951)	(2,651)	(1,937)	(1,443)	(465)
Closing Cash Balance	(4,305)	(21,860)	(43,879)	(85,627)	(3,585)	(18,124)	(36,045)	(68,365)	(2,651)	(11,647)	(19,892)	(29,305)

<sup>1</sup> Revenue and Expense Projections through Year 10 per Tables 1-10 & 8-3 of "Columbia Metropolitan Convention Center Expansion & Vista Station Analysis." Hunden Strategic Partners, October 9, 2019. After that, they increase at average 10-year CPI of 1.87%

<sup>2</sup> Assumes TDF increases annually at the historical average rate of increase between 2014 and 2019 of 4.6%

<sup>3</sup> Assumes inclusion of all costs of land, infrastructure, building construction, architecture, engineering, legal, appraisal, title, insurance, etc.

<sup>4</sup> Assumes \$61M bond issued at 2.5% rate for a 30-year term with 4% issuance cost.

<sup>4</sup> The historical average rate of increase between 2014 and 2019 (pre-Covid-19) of the TDF was 4.46%.

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## Recommendations

**1. Compare Actual Convention Center Attendance:** The proposal does not provide regional or national statistics on event or attendance quantity at convention centers. Because the feasibility of the project depends on *enormous increases* in events and attendance, verifying the ability of CMCC to achieve that success is critical. If predictions do not manifest, it will result in miring the City in further future debt.

**2. Research Actual Expansion Cases:** The City should research other convention centers who undertook similar expansions and evaluate their before and after attendance, events and revenues. In particular, a focus on cities the size of Columbia, (where over 86% of CMCC attendees are day-trippers) will identify how many newly expanded convention centers were able to attract very large events away from venues such as Atlanta, Las Vegas or Detroit, or even smaller local venues such as Myrtle Beach, Hilton Head Island or Charleston.

**3. Verify Cost of Project & Contract Details:** No supporting details are provided on project cost or scope, including whether infrastructure, architecture, engineering, and other hard/soft costs are included. Given the state of real estate and construction industries, with large demand facing supply constraints, a thorough understanding of project costs is necessary to ensure the City does not end up with exorbitant cost overruns for which they have no recourse.



## 4. Parking Garage Analysis

The project proposes a parking garage to be jointly used by the CMCC and Hyatt Regency Hotel as shown in Table 4-1.

**Table 4-1. Parking Garage Specifications**

Total Spaces	1,662	
Square Footage	360,000	
Terms		30-year NNN lease by Richland County where Richland Co. keeps parking revenues. Unclear if Arnold Cos. maintains ownership or transfers to Richland Co. after 30 years.
Rent Payments	\$231M	due From Richland County over 30 years
Cost per space	\$40,000	as proposed by Arnold Companies
	\$80,000	as calculated per Jones Lang LaSalle IP, Inc
Total Cost	\$65M	as proposed by Arnold Companies
	\$130M	as calculated per Jones Lang LaSalle IP, Inc.

### Overview

Arnold Companies proposes to construct a 1,622-space deck to be jointly shared by CMCC and the Hyatt Regency, which Richland County will lease for 30 years. Arnold Companies says it will donate 4.8 acres to the structure; however, plan drawings indicate most of the structure will be on City-owned property, and it is unclear who will have ownership—Arnold Companies or Richland County—at the completion of the 30-year lease.

### Discussion #1: Construction Cost Estimate

Arnold Companies states the deck cost will be \$65M to construct (\$40,000 per space). However, the amortization schedule developed by Jones Lang LaSalle IP, Inc. (JLL) in the same proposal indicates total debt service over 30 years which amounts to a loan of just over \$130M (\$80,600 per space), with Richland County directly paying rent that equals the combined principal, interest, and administrative fees of \$231M.<sup>5</sup> JLL estimates parking revenues will exceed these payments, resulting in a profit of \$30M for Richland County over 30

<sup>5</sup> "Columbia Master and Convention Center Presentation FINAL." Arnold Companies, June 30, 2021. Parking garage calculations on slide 11 present an amortization schedule of 31.5 years at a 4% fixed rate with sculpted debt service payments based on Cashflow Available for Debt Service escalating at 2% annually resulting from parking revenues. These calculations inherently require a principal amount of \$130M.

years. Both price points are particularly high compared to national and regional averages, even when accounting for price increases resulting from Covid-19 (Table 4-2). Stated costs of \$40k per space are almost *twice as high* as the national median of \$22k in 2020, while the proposals calculated costs of \$80k are nearly *four times as high*.

## Discussion #2: Parking Profitability Estimate

The profitability of the parking structure relies on the ability to generate revenues via parking fees. The proposal states the deck will be run by Ace Parking

Management for a fee, while generating the projected revenues in Table 4-3. For comparison, current parking revenues generated by the City of Columbia, as well as the CMCC are shown.

**Table 4-2. Parking Garage Construction Cost Estimates**

	Cost per Space	Total Cost
<b>WGI 2020 Cost Survey</b>		
National	\$22,200	\$36M
Atlanta	\$19,536	\$32M
Charlotte	\$18,870	\$31M
Richmond	\$19,536	\$32M
<b>Arnold Companies Proposal</b>		
As Stated	\$40,000	\$65M
As Calculated per JLL	\$80,000	\$130M

\* Smith, Raymond. "Parking Structure Cost Outlook for 2020." WGI Inc. May 25, 2020. (Online: <https://wginc.com/parking-outlook/>)

**Table 4-3. Parking Revenue Actual Vs. Projections**

	Actual					Projected			
	2016	2017	2018	2019	2020	Year 1	Year 5	Year 10	Year 20
<sup>1</sup> CMCC	\$8,833	\$7,067	\$4,643						
<sup>2</sup> City of Columbia	\$5,295,080	\$6,134,730	\$6,809,628	\$6,954,924	\$5,873,384				
<sup>3</sup> Garages (Monthly, Daily, Hourly)	8	8	8	8	9				
Lots (Monthly, Daily, Hourly)	5	5	5	5	8				
Metered spaces (Hourly)	4,690	4,940	4,940	4,987	5,064				
<sup>4</sup> Arnold Companies (JLL) Projections						\$4,140,776	\$6,163,037	\$7,553,896	\$9,967,249
Spaces						1,622	1,622	1,622	1,622
<sup>5</sup> Required Revenue per Space to meet JLL Estimates									
with occupancy of... 100%						\$6.99	\$10.41	\$12.76	\$16.84
75%						\$9.33	\$13.88	\$17.01	\$22.45
50%						\$13.99	\$20.82	\$25.52	\$33.67
25%						\$27.98	\$41.64	\$51.04	\$67.34

1 From "Columbia Metropolitan Convention Center Expansion & Vista Station Analysis." Hunden Strategic Partners, October 9, 2019.

2 Represents "Charges for Services" in Statement of Revenues, Expenses & Changes in Net Position for Proprietary Funds in the City of Columbia's Consolidated Annual Financial Reports. In FY20, garage charges accounted for \$2,993,930 or 50% of total charges for services.

3 The 9 City of Columbia garages include over 5,000 spaces containing a mix of monthly, metered, and hourly/daily spots. See <https://www.columbiasc.net/parking/facilities>.

4 From "Columbia Master and Convention Center Presentation FINAL." Arnold Companies, June 30, 2021. Slide 11.

5 100% occupancy requires each space generate revenue 365 days per year.

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The revenue required to be generated by the new parking structure to fulfill the JLL projections are (1) far higher than what the CMCC currently generates and (2) on par with what the City of Columbia generates throughout its *entire* parking services, including garages, lots, and metered spaces. (In FY 2020, City parking revenues from garages were \$2.99M (51%), metered spaces were \$2.39M (41%), and lots were \$0.3M (5%)).<sup>6</sup>

CMCC directs visitors to one of four lots,<sup>7</sup> although additional lots exist in the vicinity as well.

1. CMCC Surface Lot (*to be eliminated with the CMCC expansion*): **278 Spaces**
2. Discovery Garage (Innovista Parking): **1300 Spaces**
3. Park Street Garage (City of Columbia): **800 Spaces**
4. Lincoln Street Garage (City of Columbia): **650 Spaces**

With the CMCC expansion, it is assumed the 278 spaces previously available will be absorbed by the new 1,622-space deck. While convention center attendance is generally sporadic, with short, large events followed by periods of little activity, average daily attendance is used to estimate parking revenues. This methodology assumes every attendee drives separately, parks in the connected CMCC deck (rather than at a hotel or competing parking deck) and pays the maximum daily rate (stays the entire day). Average daily attendance numbers are further increased 40% to account for multiple night stays as well as transient daily and hourly visitors unrelated to the CMCC. Finally, a blend of City of Columbia (\$10) and Innovista Parking (\$8) maximum daily garage rates are used.

Estimates of the profitability of the parking structure to Richland County are calculated under the JLL parking projections as well as the same three scenarios of Section 1 (see Table 4-4).

Only under the JLL projection does the County make a profit over 30 years, and then it is only \$12.8M (and not the projected \$30.2M) because JLL did not account for expenses due to the NNN lease terms.

Even under the high HSP attendance projections of Scenario 3 (further bumped up by 40% to max out at full capacity of the 1,622-space deck), the County will fail to make a profit in any of the 30 years, resulting in a total loss of \$37M. Daily and hourly deck rates would have to accelerate far faster than both historical trends and inflation for this scenario to be profitable.

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6 "FY2021-2022 Proposed Budget Workshop." City of Columbia. April 20, 2021. Online: <https://www.columbiasc.net/depts/budget-office/FY%2021-22%20Proposed%20Budget%20for%20Notice.pdf>

7 See <https://www.columbiaconventioncenter.com/parking-directions>

**Table 4-4. Parking Structure Net Operating Income (Under Various Scenarios)**

	Year 1	Year 5	Year 10	Year 20	Year 30
<b>Operating Expenses</b>					
<sup>1</sup> Operating Expenses	(\$170,450)	(\$183,562)	(\$201,379)	(\$242,369)	(\$291,702)
<sup>2</sup> Taxes	(\$229,560)	(\$257,108)	(\$295,674)	(\$391,028)	(\$517,135)
<sup>3</sup> Rent	(\$4,140,776)	(\$6,163,037)	(\$6,918,870)	(\$8,434,064)	(\$10,281,077)
<b>Scenario 1: Current Attendance Patterns</b>					
<b>Operating Income</b>					
<sup>4</sup> Parking Revenues	\$2,086,063	\$2,268,843	\$2,519,658	\$3,106,173	\$3,827,061
<i>Avg Daily Attendance + 40%</i>	635	641	649	665	681
<b>Net Operating Income</b>	(\$2,454,724)	(\$4,334,864)	(\$4,896,264)	(\$5,961,289)	(\$7,262,854)
Cumulative Operating Income	(\$2,454,724)	(\$17,384,057)	(\$40,931,592)	(\$95,576,342)	(\$162,132,467)
<b>Scenario 2: Recoup All Lost Attendance</b>					
<b>Operating Income</b>					
<sup>5</sup> Parking Revenues	\$2,812,429	\$3,052,548	\$3,381,439	\$4,148,198	\$5,087,001
<i>Avg Daily Attendance + 40%</i>	856	863	871	888	905
<b>Net Operating Income</b>	(\$1,728,357)	(\$3,551,158)	(\$4,034,483)	(\$4,919,264)	(\$6,002,913)
Cumulative Operating Income	(\$1,728,357)	(\$13,610,237)	(\$33,007,981)	(\$78,071,787)	(\$133,043,225)
<b>Scenario 3: HSP Attendance Projections</b>					
<b>Operating Income</b>					
<sup>6</sup> Parking Revenues	\$4,955,230	\$5,738,144	\$6,295,105	\$7,576,455	\$9,118,620
<i>Avg Daily Attendance + 40%</i>	1,508	1,622	1,622	1,622	1,622
<b>Net Operating Income</b>	\$414,443	(\$865,562)	(\$1,120,818)	(\$1,491,006)	(\$1,971,295)
Cumulative Operating Income	\$414,443	(\$1,207,330)	(\$6,500,182)	(\$19,664,757)	(\$37,114,152)
<b>Jones Lang LaSalle (JLL) Projection</b>					
<b>Operating Income</b>					
<sup>7</sup> Parking Revenues	\$4,140,776	\$6,163,037	\$7,553,896	\$9,967,249	\$12,150,021
<b>Net Operating Income</b>	(\$400,010)	(\$440,669)	\$137,973	\$899,788	\$1,060,107
Cumulative Operating Income	(\$400,010)	(\$2,101,396)	(\$2,460,880)	\$2,933,761	\$12,794,862
<sup>8</sup> Max Daily Parking Deck Rate	\$9	\$10	\$11	\$13	\$15

1 Includes insurance, electricity, janitorial, etc. Increases at 10-year average CPI of 1.87%.

2 Prorated lost tax to City & County plus payment to School District, assuming Arnold Companies donates 4.8 acres from 700 Gervais parcel.

3 JLL Rent Projections from "Columbia Master and Convention Center Presentation FINAL." Arnold Companies, June 30, 2021. Slide 11.

4 Scenario 1 revenues based on attendance patterns reflecting 40% over current CCMC trends at the max daily parking rate.

5 Scenario 2 revenues based on Scenario 1 plus 40% over recapture of all lost events at the max daily parking rate.

6 Scenario 3 revenues based on 40% over HSP projected attendance patterns at the max daily parking rate.

7 Max daily rate in year 1 is \$9 and escalates annually by 10-year average CPI of 1.87%.



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## Recommendations

- 1. Obtain Competitive Bids:** Because the cost to build the parking structure is so high compared to national estimates, the City and County should consider obtaining competitive bids for the work if they choose to undertake the CMCC expansion.
- 2. Ensure Profitability & Contract Details:** The likely unprofitability of the parking deck due to overstated parking revenues combined with the unreasonably high lease price to Richland County will create financial strain, requiring use of other County funds to cover the discrepancy. Realistic estimates of revenues and costs should be used to ensure the feasibility of public funding. Further, the City and County should clarify ownership of both the structure and the land.
- 3. Evaluate Parking Needs:** Given the unknown current demand for parking or efficiency of deck and lot use in the City, it is recommended that a full parking needs analysis and/or efficiency study be undertaken to evaluate current deck use, peak demand and times, and occupancy. The results can help identify opportunities to increase current deck efficiency as well as prescribe requirements for appropriate levels of new space going forward.

# 5. Hotel Analysis

## Overview

The *2019 Analysis* and the *2021 Update* both include a proposal for the construction of three privately funded hotels in downtown Columbia that will become part of the “competitive set” for CMCC events (Table 5-1).<sup>8</sup>

**Table 5-1. “Competitive Set” Hotels in Downtown Columbia**

Hotel	Rooms	Completion	Construction Cost
<b>Existing</b>			
Hampton Inn Columbia Downtown Historic District	123		
Hilton Columbia Center	222		
Hyatt Place Columbia Downtown The Vista	130		
aloft Hotel Columbia Downtown	107		
Springhill Suites Columbia Downtown The Vista	132		
Courtyard Columbia Downtown @ USC	189		
Sheraton Hotel Columbia Downtown	132		
Marriott Columbia	300		
Holiday Inn Express & Suites Columbia Downtown	81		
Holiday Inn	90	2020	
Home2 Suites	100	2020	
<b>Proposed</b>			
Hotel Anthem (Tapestry by Hilton)	158	2022	\$50M
Hyatt Regency HQ (connected to CMCC)	387	2023	\$125M*
Select-Service Lifestyle Hotel (Hilton Tempo)	130	2023	\$25M
<b>Total</b>	<b>2,281</b>		

Source: “Columbia Metropolitan Convention Center Expansion & Vista Station Analysis.” Hunden Strategic Partners, October 9, 2019.

\*The *2019 Analysis* states the cost at \$136M, but the *2021 Update* shows a revised cost of \$125M.

## Discussion #1: Occupancy Projections

As of July, the larger Columbia market occupancy rates mirrored the state and US in strong recovery from Covid-19. (See Appendix 4) Average daily room rates (ADR) and revenue per available room (RevPar) are historically lower Columbia.

Historical occupancy for the “competitive set” is shown in Table 5-2, along with historical room nights generated by CMCC. Between 2013 and 2018, **CMCC-generated room nights make up just 6.0% of all “competitive set” room nights** sold on average. Given that CMCC attendees may stay at a larger pool of Columbia hotels, this percentage is likely even less.

<sup>8</sup> One of the three hotels, Hotel Anthem, is included as a part of the overall proposal, although Arnold Companies announced its construction separately and indicated it would be built regardless.

Ultimately, Columbia hotel occupancy is not driven by the CMCC, but rather by other Columbia area features, like business, universities, state and federal government, sporting events and other area attractions.

**Table 5-2. “Competitive Set” vs. CMCC Room Nights (RN)**

	2013	2014	2015	2016	2017	2018
<b>Competitive Set Rooms</b>						
Rooms	1,178	1,178	1,287	1,308	1,406	1,416
Annual Available RN (Supply)	429,970	429,970	469,750	477,420	513,158	516,720
Annual Sold RN (Demand)	298,432	314,788	339,547	358,252	371,472	383,490
Occupancy Rate	69.4%	73.2%	72.3%	75.0%	72.4%	74.2%
<b>CMCC-Generated Rooms</b>						
Annual Room Nights From CMCC Events	15,777	16,046	17,381	19,625	35,135	19,983
% of Competitive Set RN	5.3%	5.1%	5.1%	5.5%	9.5%	5.2%

Sources: Hunden Table 1-5, “Columbia Metropolitan Convention Center Historical Performance”

Hunden Table 4-4, “Historical Supply, Demand, Occupancy, ADR, and RevPar for Selected Downtown Hotels”

Room Night predictions for the “competitive set” developed by HSP in the *2019 Analysis* are

shown in Figure 5-3. (Detailed projected hotel statistics are in Appendix 5.) While a particularly large increase in room nights sold is predicted to occur as the CMCC and Hyatt Regency open beginning in Year 5, the overall trend of downtown Columbia hotel room night growth and occupancy is back in line by Year 10. The hotel occupancy projections appear reasonable, given the current strong recovery in the Columbia hotel market, combined with the lack of accommodations in the Columbia market during high periods of demand. Again, at current trends, CMCC is likely to continue to account for just a small percentage of the growth in sold room nights in the Columbia hotel market.

**Figure 5-3. Historical and Projected “Competitive Set” Room Nights**



Source: Tables 8-4 and 8-6 of “Columbia Metropolitan Convention Center Expansion & Vista Station Analysis.” Hunden Strategic Partners, October 9, 2019.

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## Discussion #2: Cost Projections

By Year 4 after opening, the 2019 Analysis projects the Hyatt Regency to achieve an occupancy rate of 77% (versus 70% for the rest of the “competitive set”). Net operating income is expected to be \$7M in Year 1, ramping up to \$10.2M by Year 4 and \$12.2M in Year 10.<sup>9</sup> Due to the large cost of construction, however, HSP states NOI is not sufficient to cover developer equity and debt. As a result, the hotel “**will need to be subsidized by public funds.**” Chapter 8, page 12 states,

*“...the present value of the Hyatt Regency is estimated at \$227,000 per room. The expected cost of the Hyatt Regency is \$351,000 per room, leaving a gap of \$114,000 per room that is not economical for the private sector to support.”*

In the 2021 Update, however, no mention is made of the need for public funds, so it is unclear how or if the hotel became profitable in the intervening period. Additionally, details regarding the costs of construction of the Hyatt Regency versus the significantly more economical Anthem and Tempo hotels are unavailable.

Regardless, the use of public funds to subsidize an unprofitable privately owned business should motivate the City to perform its own in-depth due diligence to ensure public funds are appropriately spent.

## Recommendations

**1. Encourage Profitable Private Investment:** The downtown Columbia hotel market has recovered well from Covid-19 and can absorb additional hotel rooms to maintain trend growth. Since 2013, 428 new rooms have been added just to the “competitive set” (a 36% increase), with occupancy rates increasing (excluding Covid-19). These rooms were parts of privately financed hotels that, presumable, found the Columbia downtown market profitable. Continued private profitable investments will spur City growth. Public subsidies of a single large private hotel create unfair competition for other private hotels who do not receive subsidies, driving down their profits and discouraging their future investment. Further, the City should investigate the ability of three new hotels within the same geographic location to secure private financing for construction of an additional 675 rooms to open all within 2½ years of each other.

**2. Recognize that Key Drivers of Hotel Occupancy are not CMCC Events:** Over 86% of current CMCC attendees are day-trippers. It is unlikely this demographic will change drastically or that CMCC will suddenly host very large events that previously went to Atlanta, Las Vegas or Detroit. In all, CMCC-generated hotel room nights accounted for **less than 6.0% of all “competitive set” room nights** sold between 2013 and 2018. Decisions regarding downtown hotel development should, therefore, not be solely based on CMCC expansion plans.

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<sup>9</sup> Table 8-14 of “Columbia Metropolitan Convention Center Expansion & Vista Station Analysis.” Hunden Strategic Partners, October 9, 2019



# 6. Vista Station Economic Impact Analysis

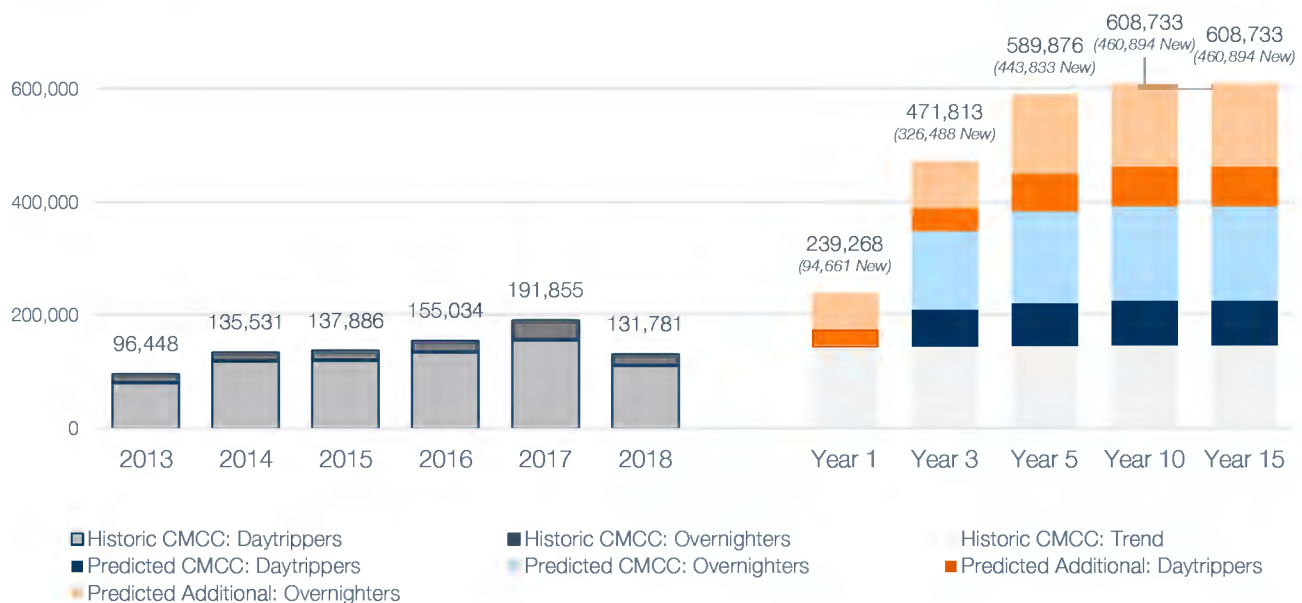
The *2019 Analysis* presents an economic impact analysis of the “project” totaling \$7.2B to the local economy over 30 years.

## Discussion #1: New Visitor Projections

While the ability to predict outcomes over 30 years is improbable, the projections rest largely on the number of “new” visitors to the area. The *2019 Analysis* predicts a very large number of new visitors to Columbia, though no supporting evidence is provided. It simply says, “Visitation is expected to increase from nearly 95,000 in Year 1 to 461,000 in Years 8 through 30.”

Figure 6-1 compares current CMCC attendance trends to the HSP new visitor predictions. It is assumed from the HSP figures that Year 3 marks when the CMCC expansion comes online.

**Figure 6-1. Columbia Visitors: HSP Projections vs. Historic CMCC**



Source: Tables 1-5, 8-2 & 9-1 of “Columbia Metropolitan Convention Center Expansion & Vista Station Analysis.” Hunden Strategic Partners (HSP), October 9, 2019.

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In addition to the projections being overtly large, the following issues artificially inflate them further.

**Year 1:** Although the only possible portion of the project that could be completed in this time is Hotel Anthem Year, a net new 94,661 visitors travel to Columbia anyway. It is unlikely that that hotel on its own could be responsible for these new visitors.

**Natural Growth:** As Columbia continues to grow, new visitors will continue to grow also. But the analysis does not differentiate between the natural increase in new visitors and those directly attributable to the project.

**Day Trippers:** The HSP projections assume day trippers make up only 32% of visitors, which is completely off the historical trend of over 86% of CMCC attendees being day trippers. Since overnights spend significantly more, the projections are further overestimated.

## **Discussion #2: Shifting Impacts**

The analysis assumes that every visitor (day tripper and overnights) brings *new* money to the local area. However, attendees at a CMCC events who live within the Midlands area will simply be shifting their money from one location in the area to another. (For example, spending at a downtown restaurant for lunch would likely have taken place at another area restaurant.) Ultimately, this is a net zero economic impact, yet the analysis incorrectly assumes it is all new. And, since 86%+ of current visitors to CMCC are day trippers, this overstatement is likely very large.

Further, any of the day trippers or overnight “new” visitors that are from outside the Midlands (i.e.- from Myrtle Beach or Charleston or Greenville) may represent new spending in the Midlands, but certainly not to the state. Again, spending is just being shifted from one area of the state to another, with zero new economic impact.

Finally, the analysis assumes 2/3 of the 920 jobs in Vista Station will be coming from people who move to Columbia (rather than just shifting jobs within the region) and that all 183 housing units will be occupied by new people moving to Columbia. Again, these are unlikely, as a large subset of the new residents will also likely come from other apartments within the region.

## **Discussion #3: Property Tax Estimates**

Estimates of property tax paid to the City and County are estimated to be less than half what they should be. It is unclear if the analysis did not use the correct millage rates and/or LOST credits or set the taxable value on the properties at far less than fair market value (FMV).

Given the errors in calculation, it appears to be a combination of both. 2020 calculated tax revenues versus projections by HSP in the 2019 Analysis are shown in Table 6-2.

For the HSP estimates to be correct, it would imply that the properties they construct be valued for tax purposes at far less than FMV. For City taxes, their implied valuation is 61% of FMV. For the County taxes, the implied valuation is just 40% of FMV.

**Table 6-2. Property Tax Estimates: 2020 Actual vs. HSP Projections**

2020 Actual <sup>1</sup>			HSP Estimates <sup>2</sup>	
	Taxable Value	Tax	Tax	Implied Taxable Value
<b>City</b>				
<i>New</i>				
Hyatt Regency	\$125M	\$451,000	\$254,095	\$70M
Tapestry by Hilton	\$50M	\$180,400	\$92,212	\$26M
Townplace Suites	\$25M	\$90,200	\$56,903	\$16M
Restaurant/Entertainment	\$10M	\$36,080	\$83,514	\$23M
Office	\$56M	\$202,048	\$77,132	\$21M
Residential	\$45M	\$162,360	\$124,770	\$35M
<i>Less Current<sup>3</sup></i>				
700 Gervais parcel (8.72 acres)	\$14.1M	\$50,895		
1100 Wayne parcel (2.83 acres)	\$2.4M	\$8,524		
<b>Total</b>	<b>\$311M</b>	<b>\$1,062,669</b>	<b>\$688,626</b>	<b>\$191M (61% of FMV)</b>
<b>County &amp; School</b>				
<i>New</i>				
Hyatt Regency	\$125M	\$3,244,500	\$1,195,391	\$46M
Tapestry by Hilton	\$50M	\$1,297,800	\$433,814	\$17M
Townplace Suites	\$25M	\$648,900	\$267,702	\$10M
Restaurant/Entertainment	\$10M	\$259,560	\$392,892	\$15M
Office	\$56M	\$1,453,536	\$362,868	\$14M
Residential	\$45M	\$1,168,020	\$586,980	\$23M
<i>Less Current</i>				
700 Gervais parcel (8.72 acres)	\$14.1M	\$366,140		
1100 Wayne parcel (2.83 acres)	\$2.4M	\$61,321		
<b>Total</b>	<b>\$311M</b>	<b>\$7,644,855</b>	<b>\$3,239,646</b>	<b>\$125M (40% of FMV)</b>

1 Calculations based on 2020 millage rates (City of Columbia: 93.8, Richland County: 125.9, Richland Schools 1: 330.5) and LOST Credits (City of Columbia: 0.00202, Richland County: 0.001428)

2 Uses 2025 estimates (first full year of build out) in Table 9-7 of "Columbia Metropolitan Convention Center Expansion & Vista Station Analysis." Hunden Strategic Partners, October 9, 2019.

3 From Tax bills per Richland County Treasurer's Office

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# 7. Appendix

## 1. City and County Debt Types and Capacity

In South Carolina, local governments have multiple mechanisms to incur debt.

### *General Obligation Bonds*

Defined under the state Municipal Bond Act (SC Code of Laws §5-21-210), general obligation bonds:

- Must be secured by ad valorem property taxes.
- Must be incurred for a “public purpose”
- May not exceed the “constitutional debt limitation,” defined as 8% of the assessed value of taxable property in the municipality
- To exceed the 8% limit or be excluded from it, the debt may be approved in a referendum.

### *Revenue Bonds*

Defined under the state Revenue Bond Act for Utilities (SC Code of laws Chapter 21, Title 6), revenue bonds:

- Must be secured by a pledge of and lien upon the designated stream of revenues.
- Are payable “payable solely from the revenues derived from the operation of the ‘system.’”
- Where the “system” can be any one of the following: “...waterworks system, water supply system, sewer system, sanitary disposal equipment and appliances, garbage and trash disposal systems including plants for solid waste transfer, reduction and recycling, light plant or system, natural gas system, ice plants, power plants and distribution systems, gas plants, incinerator plants, hospitals, nursing home and care facilities, piers, docks, terminals, airports, toll bridges, ferries, drainage systems, city halls, courthouses, armories, fire stations and fire fighting vehicles, auditoriums, hotels, municipal buildings, theatres, community auditoriums and hotels, city halls and hotels, public markets, public recreation parks, swimming pools, golf courses, stadiums, school auditoriums, gymnasiums or teacherages, cemeteries, parking buildings, parking lots, curb markets or other public buildings or structures...”
- Revenue bond ordinances must include an “earnings test,” which typically “requires net revenues equal to a specified percentage (usually 120% or 125%) of aggregate debt service on bonds secured by such revenues.”<sup>10</sup>

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<sup>10</sup> Obligations of South Carolina Municipalities: A Brief Overview.” Haynesworth Sinkler Boyd, PA, December 2003. Online: <https://www.masc.sc/SiteCollectionDocuments/Finance/Obligations.pdf>



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## ***Leasing***

Defined under SC Code of Laws §11-27-110,

- “Most lease-purchases of land, buildings, and fixtures must be treated as “debt” for 8% debt limitation purposes, unless approved by referendum.”
- “Certain lease-purchase agreements do not count against the debt limit.” These include agreements that:
  1. finance assets for a system that is expected to generate sufficient revenues to pay amounts due under the financing agreement;
  2. finance equipment and rolling stock;
  3. finance the refunding of lease-purchase transactions entered into prior to January 1, 1996, provided that there is a savings achieved by the refunding;
  4. are secured solely by accommodation and hospitality fees in accordance with SC Code of Laws §11-27-110(A)(4), and
  5. finance energy efficiency projects or guaranteed energy savings contracts.”<sup>11</sup>

## ***Capital Projects Sales Tax***

A Capital Projects Sales Tax:

- Requires a referendum.
- “Debt secured by the proceeds of a capital project sales tax may be charged against the issuing municipality’s debt limit.”<sup>12</sup>

## ***Tax Increment Financing***

This type of debt is:

- Not chargeable against the 8% debt limit.
- “Incurred for the purpose of redevelopment in areas that are or threaten to become ‘blighted.’”
- Debt service must be paid “from the additional (or incremental) tax revenues that result from the redevelopment.”<sup>13</sup>

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<sup>11</sup> Paraphrased from “Obligations of South Carolina Municipalities: A Brief Overview.” Haynesworth Sinkler Boyd, PA, December 2003. Online: <https://www.masc.sc/SiteCollectionDocuments/Finance/Obligations.pdf>

<sup>12</sup> Ibid.

<sup>13</sup> Ibid.

**Table A-1. Outstanding Debt, City of Columbia and Richland County, FY2020**

	City of Columbia	Richland County
<b>Legal Debt Limitation</b>		
Taxable Property Assessed Value	\$628,308,793	\$1,748,387,340
Debt Limit	\$50,264,703	\$139,870,987
Debt Outstanding Subject to Limit	\$18,445,000	\$33,165,000
<b>Total Debt Outstanding</b>		
<i>Governmental Activities</i>		
Notes payable	\$450,000	
General obligation bonds	\$18,445,000	\$76,510,000
Bond premiums	\$1,672,428	\$4,187,000
Revenue bonds	\$43,090,000	\$26,670,000
Bond premiums	\$3,015,503	
Special assessment bonds		\$132,845,000
Bond premiums		\$3,526,000
Capital leases payable	\$23,251,463	\$1,255,000
<b>Total</b>	<b>\$89,924,394</b>	<b>\$244,993,000</b>
<i>Business-type Activities</i>		
Parking Facilities revenue bonds	\$36,105,000	
Waterworks & Sewer revenue bonds	\$665,390,000	
Bond premiums	\$48,720,576	
Stormwater System revenue bonds	\$37,470,000	
Bond premiums	\$4,847,806	
General obligation bonds		\$58,780,000
Bond premiums		\$3,930,000
<b>Total</b>	<b>\$792,533,382</b>	<b>\$62,710,000</b>
<b>Grand Total</b>	<b>\$882,457,776</b>	<b>\$307,703,000</b>

Sources: *Comprehensive Annual Financial Reports*, City of Columbia and Richland County, Fiscal Year Ended June 30, 2020.

## 2. Tourism Development Convention Center Fund (TDCCF)

TDCCF accounts for the 3% Tourism Development Fee (TDF) imposed upon the rental of hotels, motels, and other lodging establishments in the City. It has also been pledged the TDF revenues from Richland and Lexington Counties until 2022. This fee is dedicated to:

1. Attraction and improvement of services provided to tourists.
2. Retirement of Series 2012 Certificates of Participation revenue bonds issued to fund the original convention center.
3. Accounting for the activities of the Public Facilities Corporation, a non-profit corporation formed in 2002 to undertake acquisition of property and the design, construction, operation, and financing the convention center.<sup>14</sup>

**Table A-2. TDCCF Statement of Revenues and Expenditures\***

	2017	2018	2019	2020
<b>Revenues</b>				
City Tourism development fee	3,911,428	4,080,751	3,924,883	3,481,978
County government tourism development fee <sup>1</sup>	2,790,931	2,803,784	2,752,738	2,632,404
<i>from Richland County<sup>2</sup></i>	<i>1,489,803</i>	<i>1,283,240</i>	<i>1,299,289</i>	<i>1,149,524</i>
<i>from Lexington County<sup>3</sup></i>	<i>1,315,346</i>	<i>1,520,544</i>	<i>1,600,550</i>	<i>1,335,779</i>
Interest income	2,965	16,421	10,562	3,592
<b>Total revenues</b>	<b>6,705,324</b>	<b>6,900,956</b>	<b>6,688,183</b>	<b>6,117,974</b>
<b>Expenditures</b>				
Tourism and community development <sup>4</sup>	3,390,305	4,661,916	3,957,379	4,078,214
Debt service				
Principal payment on bonds	2,380,000	2,435,000	2,480,000	2,550,000
Interest on bonds	346,248	291,746	235,905	178,964
Fiscal agent charges / debt issuance cost	1,650	1,650	1,815	1,813
Capital outlay		1,408,424	70,376	69,902
<b>Total expenditures</b>	<b>6,118,203</b>	<b>8,798,736</b>	<b>6,755,555</b>	<b>6,878,893</b>
Excess (deficiency) of revenues over (under) expenditures	587,121	(1,897,780)	(67,372)	(760,919)
<b>Fund Balance</b>				
Net change in fund balances	587,121	(1,897,780)	(67,372)	(760,919)
Beginning fund balances	5,343,635	5,930,756	4,032,976	3,965,604
Ending fund balances	5,930,756	4,032,976	3,965,604	3,204,685

\* Source: Comprehensive Annual Financial Reports. City of Columbia, Fiscal Years 2017 - 2020.

1 Individual county amounts are from each county's CAFR and do not necessarily sum to City of Columbia's reported values.

2 Comprehensive Annual Financial Reports. Richland County, Fiscal Years 2017 - 2020.

3 Comprehensive Annual Financial Reports. Lexington County, Fiscal Years 2017 - 2020.

4 The City CAFR does specify the use of Tourism & Community Development funds, though according to requirements they presumably fund operations of the Midlands Authority for Conventions, Sports, and Tourism, which is responsible for operating the convention center.

<sup>14</sup> It has a three-member board made up of the City Manager, the Assistant City Manager for Operations, and the Assistant City Manager for Finance and Economic Services.

### 3. Midlands Authority for Conventions, Sports, and Tourism (MACST)

MACST was formed to oversee the development and operation of the convention center for the mutual benefit of the City and Richland and Lexington Counties.<sup>15</sup> All three entities pledged their Tourism Development Fees (TDF) to support this project. Outside of TDF revenues, the City issued the debt and is responsible for those debt payments. The City is also required to fund any operating deficits and owns the building where MACST is located. MACST also manages activities of the Columbia Regional Sports Council and Columbia Regional Visitors Center.

**Table A-3. MACST Statement of Revenues and Expenditures\***

	2015	2016	2017	2018	2019	2020
<b>Revenues</b>						
Charges for Services <sup>1</sup>	3,245,990	10,847,547	11,687,447	3,209,520	5,012,603	11,152,005
Operating Grants & Contributions <sup>2</sup>	8,006,761			10,151,159	9,059,934	
Appropriations - City of Columbia						
Investment earnings	17,966		68,075	118,465	204,401	152,478
Gain on disposal of capital assets		42,237				
<b>Total Revenues</b>	<b>11,270,717</b>	<b>10,889,784</b>	<b>11,755,522</b>	<b>13,479,144</b>	<b>14,276,938</b>	<b>11,304,483</b>
<b>Expenditures</b>						
<b>Total Expenditures</b>	<b>8,354,319</b>	<b>9,623,054</b>	<b>9,813,898</b>	<b>12,214,195</b>	<b>11,736,044</b>	<b>10,361,104</b>
<b>Fund Balance</b>						
Change in net position	2,916,398	1,266,730	1,451,788	1,264,949	2,540,894	943,379
Net position - beginning of period	12,452,362	15,368,762	16,635,492	18,087,280	19,352,229	21,893,123
Net position - ending	15,368,760	16,635,492	18,087,280	19,352,229	21,893,123	22,836,502

\* Source: Comprehensive Annual Financial Reports (CAFR). City of Columbia, Fiscal Years 2015 - 2020.

<sup>1</sup> The City CAFRs do not provide a breakout of Charges for Services and Operating Grants & Contributions for Fiscal Years 2016, 2017, and 2020, where they are combined.

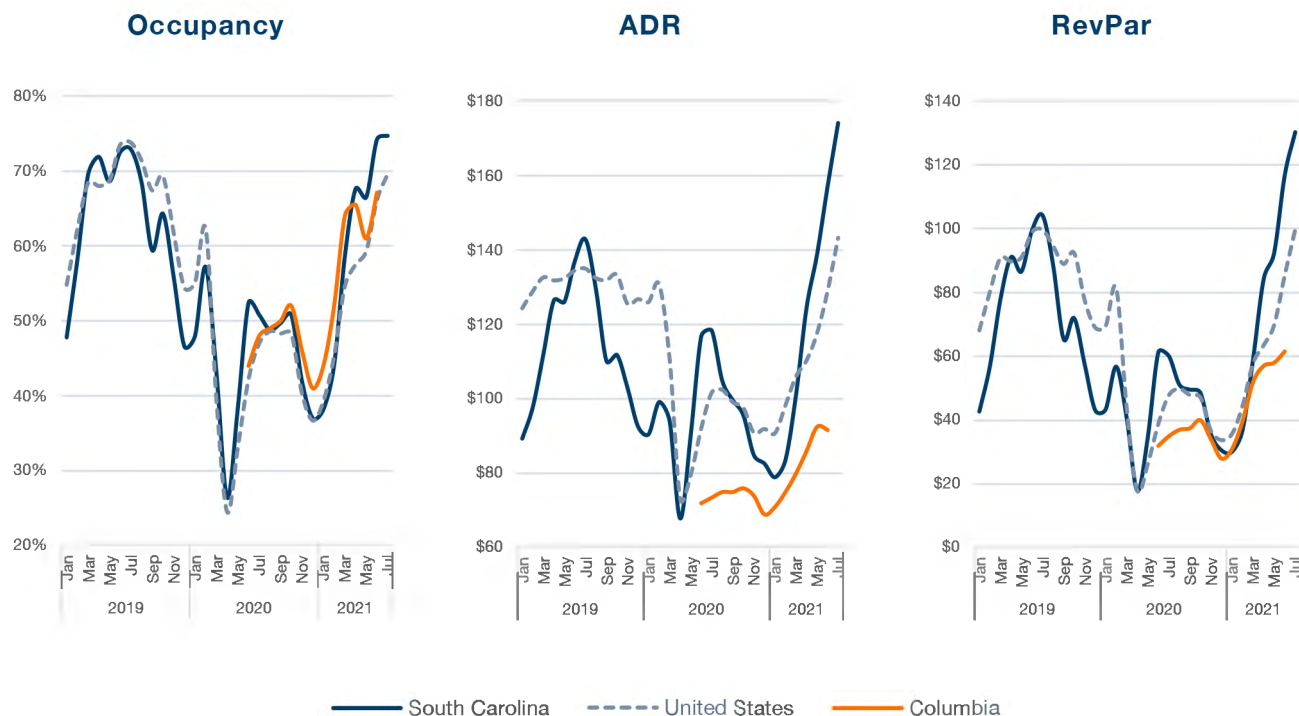
<sup>2</sup> The City CAFRs do specify the sources of Operating Grants & Contributions, though according to funding requirements they are presumably from City contributions and TDF fees.

<sup>15</sup> It has a nine-member board of directors (five from the City and two each from the Counties).



## 4. Historical Hotel Occupancy

**Table A-4. Historical Hotel Occupancy, Average Daily Room Rate (ADR) and Revenue per Available Room (RevPar)**



Sources: (1) South Carolina Statewide Lodging Outlook Report. SC Parks, Recreation and Tourism (via STR, Inc.), Monthly 2019 – July 2021. Online: <https://www.scprr.com/research>

(2) South Carolina Hotel 2021 Q2 Report. Colliers International. Online: <https://www.colliers.com/en/research/columbia-sc/2021-q2-hotel-south-carolina-report>

## 5. “Competitive Set” Hotel Projections

**Table A-5. Projected “Competitive Set” Hotel Occupancy, ADR and RevPar**

	2013	2014	2015	2016	2017	2018	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Competitive Set Rooms</b>																
Rooms	1,178	1,178	1,287	1,308	1,406	1,416	1,416	1,606	1,606	1,764	2,281	2,281	2,281	2,281	2,281	2,281
Available RN (Supply)	429,970	429,970	469,750	477,420	513,158	516,720	516,840	586,190	586,190	643,860	832,565	832,565	832,565	832,565	832,565	832,565
Competitive Set	429,970	429,970	469,750	477,420	513,158	516,720	516,840	586,190	586,190	643,860	691,310	691,310	691,310	691,310	691,310	691,310
Hyatt Regency											141,255	141,255	141,255	141,255	141,255	141,255
Sold RN (Demand)	298,432	314,788	339,547	358,252	371,472	383,490	387,017	408,930	417,738	434,000	497,422	542,701	574,949	595,256	595,256	595,256
Competitive Set	298,432	314,788	339,547	358,252	371,472	383,490	387,017	408,930	417,738	434,000	419,901	449,483	470,295	486,267	486,267	486,267
Hyatt Regency											77,521	93,218	104,654	108,989	108,989	108,989
Occupancy Rate	69.4%	73.2%	72.3%	75.0%	72.4%	74.2%	74.9%	69.8%	71.3%	67.4%	59.7%	65.2%	69.1%	71.5%	71.5%	71.5%
Competitive Set	69.4%	73.2%	72.3%	75.0%	72.4%	74.2%	74.9%	69.8%	71.3%	67.4%	60.7%	65.0%	68.0%	70.3%	70.3%	70.3%
Hyatt Regency											54.9%	66.0%	74.1%	77.2%	77.2%	77.2%
<b>CMCC-Generated Rooms</b>																
Room Nights From CMCC	15,777	16,046	17,381	19,625	35,135	19,983	49,772	51,308	54,684	55,061	55,785	55,785	55,785	55,785	55,785	55,785
% of Competitive Set RN	5.3%	5.1%	5.1%	5.5%	9.5%	5.2%	12.9%	12.5%	13.1%	12.7%	11.2%	10.3%	9.7%	9.4%	9.4%	9.4%
<b>Competitive Set ADR &amp; RevPar</b>																
ADR	\$128	\$132	\$138	\$145	\$148	\$151	\$154	\$158	\$161	\$163	\$163	\$164	\$166	\$169	\$173	\$177
Hyatt Regency											\$181	\$180	\$183	\$186	\$190	\$194
RevPar	\$89	\$97	\$100	\$109	\$107	\$112										
Hyatt Regency											\$99	\$119	\$135	\$144	\$147	\$150

Sources: Hunden Table 1-5, "Columbia Metropolitan Convention Center Historical Performance"

Hunden Table 4-4, "Historical Supply, Demand, Occupancy, ADR, and RevPar for Selected Downtown Hotels"

# About this Report

This report was initiated and financed by Joe Taylor, candidate for Columbia City Council District 4, and Representative Kirkman Finlay (SC House District 75). Research and analysis were conducted by Shefelton Associates, LLC.

## CHRIS SHEFELTON

Chris Shefelton is a former legislative analyst for State Senator Richard A. Harpootlian. He received his Master's in Education in Community Development from Vanderbilt University and a Bachelor of Arts in International Relations from the University of Arkansas. Prior to moving to Columbia in 2018, Chris was the Southeast Regional Director for Campus Election Engagement Project, a nonprofit organization dedicated to providing nonpartisan election education to colleges, universities, and technical schools throughout the country. He founded Shefelton Associates in 2021 with the goal of shedding light on public policy positions through research and analysis to help provide a better understanding to the public.

## KIRKMAN FINLAY, III

Born and raised in Columbia, South Carolina, Kirkman Finlay, III has lived here the majority of his life, other than his time away to attend school. As a small business owner and entrepreneur, Kirkman farms 6,000 acres of corn, wheat and soybean crops and manages Pawleys Front Porch in Five Points. Kirkman's business ventures have created over 100 jobs in our community. Kirkman has been involved in and has served on the board of the Free Medical Clinic and the Jefferson Scholars Foundation Board of Directors and donates time and resources to many local charities. He is co-founder and co-chair of The Gray Horton Scholarship at the University of Virginia. He served on the Columbia City Council from 2006 to 2010. He was elected to the South Carolina House of Representatives in 2012, where he has served for District 75 since.

## JOE E. TAYLOR, JR.

Joe Taylor is a life-long resident of Columbia, South Carolina. While a student at Wofford College, he helped found Southland Log Homes along with his father. At age 25, he became president and CEO and eventually built the company into the largest producer of pre-cut log buildings in North America. He sold the company into the private equity market in 2005. Joe was appointed by Governor Mark Sanford to chair the South Carolina Jobs Economic Development Authority in 2003. In 2006, Governor Sanford appointed him Secretary of Commerce. During his term, South Carolina was recognized as being one of the country's top business friendly states and led the Southeast in job recruitment in 2009 and 2010. He led the team that recruited the largest economic development project in State history and the national economic development deal of the year in 2009, The Boeing Company, and the national economic development deal of the year in 2010, First Quality Tissue. The year 2010 continues to rank as the top year in South Carolina history for the number of new jobs recruited to the state. After his term with Commerce ended in 2011, Joe was appointed to the State Infrastructure Bank Board and his term ended in February 2019. Currently he is a candidate for Columbia City Council District 4 and has no opposition in the election scheduled for November 2, 2021.