
**ROCKFORD PUBLIC ASSEMBLY
FACILITIES MASTERPLAN**

JULY 2003

**PREPARED FOR:
ROCKFORD METROPOLITAN EXPOSITION,
AUDITORIUM AND OFFICE BUILDING AUTHORITY**

**PREPARED BY:
C.H. JOHNSON CONSULTING, INC.
CONVENTIONAL WISDOM CORP.
HOK SPORT + VENUE + EVENT**

DRAFT



TABLE OF CONTENTS

- I. REPORT LETTER**
- II. INTRODUCTION, OVERVIEW, AND METHODOLOGY**
- III. MASTERPLAN GOALS, DEVELOPMENT CONCEPTS, AND MAJOR RECOMMENDATIONS**
- IV. MARKET SITUATION REVIEW**
- V. OPERATING ENVIRONMENT**
- VI. METROCENTRE, DAVIS PARK, AND THE CORONADO THEATRE COMPETITIVE POSITION ANALYSIS**
- VII. CONVENTION CENTER DEVELOPMENT: OPPORTUNITY AND OPTIONS**
- VIII. OPERATING PROJECTIONS AND NAMING RIGHTS ANALYSIS**
- IX. ECONOMIC AND FISCAL IMPACT ANALYSIS**

I. REPORT LETTER

C.H. JOHNSON CONSULTING, INC.

EXPERTS IN CONVENTION, SPORT AND REAL ESTATE CONSULTING

June 17, 2003

Mr. Corey Pearson
Rockford Metropolitan Exposition,
Auditorium and Office Building Authority
300 Elm Street
Rockford, IL 61101

Dear Mr. Pearson:

Pursuant to our contract with the Rockford Metropolitan Exposition, Auditorium and Office Building Authority (Authority), C.H. Johnson Consulting, Inc. (Johnson Consulting) and Conventional Wisdom Corp. prepared a masterplan for the Authority's portfolio of existing facilities (MetroCentre, Coronado Theatre, and Davis Park at Founders Landing), as well as a proposed exhibition facility. HOK Sport + Venue + Event (HOK) provided additional technical support and strategic services for this engagement.

This report includes a market analysis, operations review, industry analysis, strategic recommendations for Rockford and the Authority, facility demand and operating projections, and analysis of potential economic and fiscal impacts that may be generated through the execution of the facilities masterplan. The enclosed report explains methods used to conduct this evaluation and discusses improvement criteria.

Operating analyses and estimates presented herein are based on trends, assumptions, and current market factors, which usually result in differences between the projected results and actual performance. As events and circumstances often do not occur as expected, those differences may be material. Capital and construction costs presented herein are estimates based on prevailing cost data, preliminary building programs, and existing projects. Actual costs may vary based on changes in market conditions, materials costs, ultimate development concept, site selection, physical programming strategies, or other factors.

Johnson Consulting has no responsibility to update this report for events and circumstances that occur after the date of release for this report. The findings presented herein reflect analyses of primary and secondary sources of information. Johnson Consulting, Conventional Wisdom, and HOK utilized sources deemed to be reliable, but cannot guarantee their accuracy.

We have enjoyed serving you on this engagement and look forward to providing you with continuing services.

Sincerely yours,

DRAFT

C.H. JOHNSON CONSULTING, INC.

CONVENTIONAL WISDOM CORP.

HOK SPORT + VENUE + EVENT

Attachment

II. INTRODUCTION, OVERVIEW, AND METHODOLOGY

INTRODUCTION, OVERVIEW, AND METHODOLOGY

This report contains the following sections:

- I. Report Letter
- II. Introduction, Overview, and Methodology
- III. Masterplan Goals, Development Concepts, and Major Recommendations
- IV. Market Situation Review
- V. Operating Environment
- VI. MetroCentre, Davis Park, and the Coronado Theatre Competitive Position Analysis
- VII. Convention Center Development: Opportunity and Options
- VIII. Operating Projections and Naming Rights Analysis
- IX. Economic and Fiscal Impact Analysis

Project Team

Johnson Consulting is a Chicago-based real estate and economic development consulting firm with extensive experience in the development of destination districts that feature specialized land uses and public assembly facilities such as arenas, convention centers, theaters, hotels, and other multi-purpose facilities. Johnson Consulting served as the engagement manager for this project and conducted the market study, operations review, naming rights analysis, hotel market review, economic and fiscal analysis, and provided strategic advisory services in regard to the development of the facilities masterplan.

Conventional Wisdom specializes in the planning, development, and operations of public assembly facilities, with particular emphasis on exhibition and convention center projects. For this engagement, Conventional Wisdom conducted the analysis of the Ingersoll Building, developed programming and phasing options for the potential convention center component as well as Davis Park, provided strategic direction and consultation, and prepared the masterplan diagrams as well as participated in development of initial cost estimates.

HOK Sport + Venue + Event Architecture is a specialized practice devoted to the development of outstanding sport, entertainment and recreational facilities and settings. HOK's specialization helps communities maximize the usefulness of their public assembly spaces, whether they are arenas, ballparks, convention centers or theaters. For this engagement, HOK provided technical assistance and strategic advisory services with regard to the MetroCentre Arena analysis and broader urban design concepts found within the masterplan.

Introduction and Project Overview

The Rockford Metropolitan Exposition, Auditorium and Office Building Authority (Authority) currently operates three public assembly facilities in downtown Rockford, Illinois - the Coronado Theatre, the MetroCentre arena, and Davis Park at Founders Landing, a riverside park and festival area. These facilities, which currently host approximately 225 entertainment, exhibition, sports, theater and special events on an annual basis, play a high profile role in the civic and cultural life of Illinois' northern tier. These activities also play a role in the local economy by attracting approximately 700,000 annual visitors to downtown Rockford, creating support for local businesses.

While the breadth of events hosted by these facilities signifies the ability of the Rockford metro area to support a diverse menu of entertainment options, it is the ongoing objective of the Authority to evaluate strategies for improving the physical and operating environment of the assets under its direction. Further, the Authority recognizes its capacity to influence the competitive position of Rockford by contributing to the city's revitalization through targeted reinvestment in existing facilities or the development of new assets. Given these objectives, the Authority engaged Johnson Consulting and Conventional Wisdom to develop a comprehensive masterplan and strategy guide, addressing the following considerations:

- Historical performance and event programming strategies for CentreEvents, the Authority's operating entity,
- The financial impact of the recent integration of the Coronado Theatre into the CentreEvents portfolio,
- The potential market support for new or enhanced facilities, including site considerations as influenced by development patterns and trends in the Rockford, Winnebago County, the Northern Tier of Illinois, and metro Chicago,
- The optimal physical and operating environment for the Authority's assets and CentreEvents, including the development of new revenue streams,

- The role investment in the Authority's assets can play in repositioning downtown Rockford and linking concurrent redevelopment initiatives in the River District and on the Museum Campus,
- Strategies for fostering the development of Rockford as a regional center for cultural and entertainment activities, and increasing the contribution of these activities to the local economy, and
- How to evolve the policy capacity and governance structure of the Authority to ensure it has the ability to remain an effective steward.

As an additional component of this engagement, the Consulting Team was asked to specifically evaluate the market opportunity for the potential addition of an exhibition facility/convention center to the Rockford marketplace. Incorporated into this evaluation is an analysis of the capacity of the Ingersoll Building to be retrofitted to serve this function, identification of ancillary development that may be required to support a convention center (e.g. hotel rooms), and recommendations on the environment in which a convention center would achieve the greatest, and most immediate, economic impact for the Rockford metro area.

As initially conceived, this study was to focus primarily on the analysis of the Ingersoll Building. However, as the process was initiated, it was determined by the committee assembled to steer this effort that additional considerations were warranted, in part, due to the existing condition of the MetroCentre and the desire to ensure the direction outlined by this masterplan effectively meshed with that of the RiverDistrict, and other current development projects. The implicit objective therein was to encourage adoption of a common vision for downtown, rather than foster competing ideals that would detract from the larger goal of revitalizing the City's urban core. The Consulting Team applauds the wisdom on the committee in encouraging cross-fertilization among various groups.

The product of these efforts is the enclosed *Rockford Public Assembly Facilities Masterplan*. In the experience of the Consulting Team, communities that continually improve their urban core and commercial corridors through strategic - and sustained - investment consistently attract the economic activity and cultural or entertainment activity that distinguish their city (and region) as place to live, work, and be entertained. Further, it is this critical and ongoing investment that establishes the competitive identity of the community, and provides for the demand generators that can, in turn, support or induce commercial and, in time, residential development projects.

Operating Environment

The Rockford Metropolitan Exposition, Auditorium, and Office Building Authority (Authority) is a municipal corporation authorized by the State of Illinois and

C.H. JOHNSON CONSULTING, INC.

EXPERTS IN CONVENTION, SPORT AND REAL ESTATE CONSULTING

granted the ability to acquire, own, construct, lease, operate, equip and maintain fair, exposition, arena, office, and associated facilities and grounds. Established in 1969, and updated in 1998, the Authority operates the MetroCentre, Coronado Theatre, and Davis Park at Founders Landing in accordance with the memorandum(s) of understanding (MOU) with the City of Rockford, which owns each of the facilities. The Authority has established an 'operating arm' known as CentreEvents to manage and program these venues. As the facilities were developed independent of one another, a separate MOU exists with the respect to the management of each venue. In addition to their management responsibilities, CentreEvents is charged with the maintenance and upkeep of the MetroCentre and Coronado Theatre, as well as selected surrounding properties. At this stage, the MOU for Davis Park has expired, but CentreEvents continues to serve as the primary programming body for that venue, while the Rockford Park District provides maintenance services.

The governing structure for the Authority is comprised of a nine-member board. The mayor of Rockford appoints five members, the mayor of Loves Park appoints one member, and the Chairman of the Winnebago County Board appoints three members. Members serve five-year terms. The Chair and Vice-Chair must be duly appointed members of the Board, while the Treasurer and Secretary do not. In addition, a city council liaison and the general counsel for the Authority serve as non-voting observers to the Board. While the Authority serves as the managing agent for Davis Park, that venue has an independent board. As this report deals only with Authority managed assets, all Board references contained herein refer only to the Authority Board, unless otherwise explicitly stated.

Operating support for the Authority/CentreEvents is generated through facility operations and an annual contribution of more than \$900,000 from the City of Rockford. Unlike most municipal corporations, however, the Authority is obligated to pay property taxes on the MetroCentre and adjacent parking area due to the presence of a tax increment finance district, which returns approximately \$415,000 per year to the City. CentreEvents currently has approximately 26 full-time staff, with an additional 160-180 part time employees, depending on the season.

Over the last three years, there has been considerable flux in the operating environment and management structure for CentreEvents. Among the factors that have contributed to this flux:

- In 2000, CentreEvents assumed management, booking, and maintenance responsibility for the Coronado Theatre. Despite these additional responsibilities, CentreEvents did not receive additional operating support. Compounding this issue was the fact the Coronado represented the introduction of venue type with which CentreEvents had limited experience. As a consequence, the then management of CentreEvents was not able to

develop an event calendar that effectively balanced the need for volume-oriented shows that yield significant revenues (e.g. touring musicals) with the civic orientation envisioned by many of the individuals who contributed to the facility's redevelopment fund.

- The physical condition of the MetroCentre has deteriorated markedly due to selected deferred maintenance choices. While funding has been secured to address some of these conditions, especially life safety concerns, the declining facility condition has impacted the quality of events and heightened or reinforced perceptions about the vitality of downtown Rockford. These conditions have been further exposed as peer communities such as Moline, Madison, and DeKalb added new arenas that are more appealing to the contemporary needs of events, attendees and promoters.
- After fifteen years under the direction of the same management team, CentreEvents is now on its third General Manager in as many years. While the position has now stabilized, the vestiges of prior administrators are still being addressed, including budgeting and accounting functions, maintenance practices, booking strategies, and rental guidelines. Compounding the transition has been an uncertain economic climate that has placed additional fiscal restraints on the City.

In combination, these factors exacerbated operating deficits for these facilities, and made it difficult to devote resources to their repositioning or improvement, regardless of need. While the majority of public assembly facilities around the country operate at deficits of \$250,000 or more, in Rockford these amounts are likely to be exceeded. The compelling issue(s) is that, in its current condition, the MetroCentre is a) not a competitive facility, and b) many dates are used for events (e.g. the Home Show, etc) that are better suited to dedicated exhibit space. Due to the absence of such a facility in the market, however, the events are held in the MetroCentre, and consume dates that could be used for more profitable events. And, c) the initial lack of resource support provided in exchange for the assumption of management responsibility for the Coronado has increased operating costs by more than \$350,000.

Area Description

Rockford's development patterns over the last quarter century have impacted its past and future potential. The decision to have I-90 bypass the downtown area more than three decades ago, resulted in a shift of commercial activity and energy to East State Street. In the ensuing years, additional zoning choices, infrastructure investments, and external issues such as change in the retail industry have contributed to the exodus of commercial activity from downtown. As a result, downtown Rockford's role in the community became less certain.

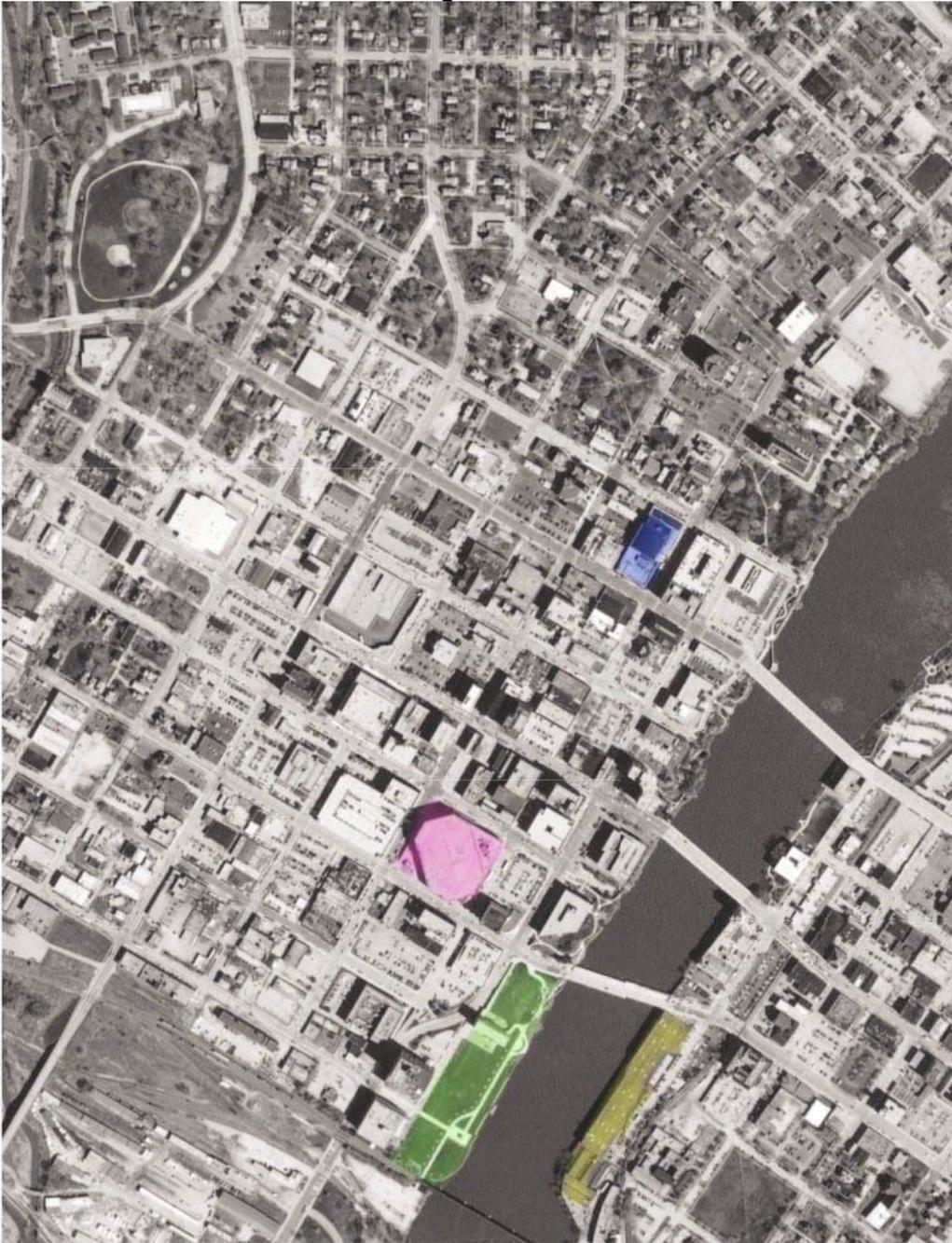
C.H. JOHNSON CONSULTING, INC.

EXPERTS IN CONVENTION, SPORT AND REAL ESTATE CONSULTING

Despite the ongoing presence of a workforce comprised of specialty professions such as law and government, as well as periodic investment in projects such as the Coronado Theatre, no clear identity has emerged for the downtown area. This has limited the ability to leverage existing assets or develop new ones. In the last two years, however, the activities of several organizations have contributed to an evolving conception that several critical elements are already in place that could contribute to the emergence of an identity for downtown that is, at least in part, connected with cultural, historical, entertainment or recreational assets such as the MetroCentre, Coronado Theatre, Burpee Museum, and the River District, among others.

Figure 2-1 displays an aerial view of downtown Rockford. The MetroCentre, Coronado Theatre, Davis Park, and the Ingersoll Building are denoted in color.

Figure 2-1



- Coronado Theatre
- MetroCentre
- Davis Park
- Ingersoll Bldg.

As the image shows, the downtown area has an inviting riverfront presence and a number of existing public assets. With the concentration of retail along East State Street, it is neither realistic nor cost-effective to try to position downtown as a place for these activities as it merely duplicates existing services and dilutes the ability to maintain critical mass. However, based on the concentration of public assets and infrastructure that are in place in the downtown area it is an appropriate and executable concept to reposition the area as a regional center for cultural and entertainment activities. This will require that existing assets be enhanced and new assets layered in, in order to increase the level of visitation in the area. The leadership and involvement of the Authority and CentreEvents must be central to this effort.

In their current form, the assets operated by the Authority have no physical connection to one another, no shared infrastructure (such as parking), and fail to serve as a beachhead or anchor for other activity-generated developments such as restaurants/bars, hotels, and other entertainment endeavors. Planned public investment is represented by a new federal courthouse and a new Winnebago County jail. While these projects are important, they do not create a downtown center that attracts the local population or out-of-town visitors. In fact the jail is a countervailing development given other development strategies. Among the principal objectives of the Authority is to draw users into downtown Rockford. It must now extend its role by leading in the development of a new identity for downtown. In addition, continued investment in projects such as the execution of the RiverDistrict masterplan, and study of the feasibility for major infrastructure improvements, such as a Metra commuter line extension, will also be important to the reemergence of downtown.

Existing Asset Descriptions

The MetroCentre - contains 5,126 permanent seats, with the potential to seat up to 10,000 with the use of temporary seating fixtures. The arena is used as a venue for sporting events such as basketball and hockey. However, it also hosts concerts, entertainment events, family shows, conventions, trade shows, consumer shows, and other events. The facility was originally built in 1981, and very few capital improvements have been made since it opened despite considerable changes in the industries that use similar venues.

Davis Park at Founders Landing - is situated on seven acres along the Rock River and offers three integrated facilities that combine to provide a unique location for outdoor concerts, festivals, and recreational events. The Landing has 5,570 square feet that can seat 384 people. The Village Green is situated north of the Building and occupies approximately 1.6 acres, with room for 2,000 people. Finally, the Great

Lawn is on the south side of the Building and occupies approximately 3.7 acres, with room for approximately 10,000 people.

Morris and Roberta Davis donated Davis Park and its buildings to Rockford. Development of the park has been accomplished by recycling existing buildings using money from the Davis Trust, public funds, and other private donations. The Davis Park Board of Directors is comprised of two representatives of each of the three public agencies who agreed to develop, market, and manage the facility (City, Authority, and Park District), two Davis Trust trustees, eight community representatives, and one representative from the Rockford Area Convention and Visitors Bureau.

The Coronado Theatre - is a 2,335-seat theater originally built in 1927 as a movie house and vaudeville theater. In 1970, the theater was sold to the Kerasotes Corporation and continued to operate as a movie house until 1984. In 1994, the Kerasotes Theatre Organization donated the Coronado Theatre to the City of Rockford. At the time of the transfer, the Rockford Area Arts Council was in the midst of a feasibility study that recommended expanding and renovating the Coronado to create a performing arts and entertainment center.

In 1997, the Friends of the Coronado was formed to raise \$18.5 million in order to fund the renovation and restoration of the facility. The Theatre re-opened in January 2001 as a performing arts center that hosts local productions as well as national touring productions. The Friends of the Coronado funded the renovation through private donations and a \$7 million contribution from the City. As previously mentioned, when the Authority took on the responsibility of operating this facility, it undertook the supplemental expense of the additional salaries, service costs, and supply costs. However, the Authority has not received any added funding from the City to help cover these expenses. This contributed to an operating deficit of approximately \$200,000 to \$300,000 over the last 2 years.

The Friends of the Coronado remain an active and valuable resource. They are governed by an 18-member Board of Directors that preserve and promote the Coronado by advocating for the continued preservation of the Theatre, providing educational programs, and conducting annual fundraising drives. Their continued involvement in supporting the Coronado should be encouraged, but must be done in a manner that contributes to the evolution of the theater.

Methodology

In order to complete this masterplan, Johnson Consulting, Conventional Wisdom, and HOK completed the following work:

Market and Opportunity Analysis

- Analyzed economic and demographic characteristics of the metropolitan area, such as population, employment, and corporate presence,
- Interviewed selected public officials, civic leaders, and private stakeholders regarding strategy and vision for Rockford, with a particular focus on the downtown area,
- Reviewed documentation regarding recent and proposed downtown and community development efforts,
- Interviewed local planning and economic development officials,
- Toured targeted redevelopment areas in Rockford and Winnebago County such as the Reed-Chatwood area, I-90/State Street Corridor, and the banks of the Rock River as flows through the Central Business District,
- Evaluated market opportunities for an additional facility, added features to existing facilities, and programming strategies,
- Reviewed the operations of each existing facility individually and as a package, including operating and management agreements, event contracts, rental structures, resource use, and other factors,
- Surveyed the business community regarding interest in naming rights and luxury or premium seating opportunities,
- Developed case studies on comparable facilities and markets,
- Conducted an interim workshop to explore potential masterplan concepts and development strategies,
- Summarized key market characteristics and observations, and
- Reviewed governance and operating scenarios.

Facility Analysis and Planning

- Toured the respective facilities and met with key personnel responsible for their operation, management, and maintenance,
- Evaluated the current physical condition, noting any critical deficiencies of the facilities,
- Interviewed management of comparable facilities,
- Summarized the facility, demand, and financial characteristics of relevant comparable facilities,
- Interviewed event promoters concerning the performance and programming and explored opportunities to enhance the programming options,

- Interviewed management and operations staff of the primary facility tenants and discussed their operations, performance, and lease agreements,
- Reviewed facility characteristics for other regional markets and potentially competitive facilities,
- Developed operating projections based on incremental or phased facility improvements, and
- Developed conceptual facility improvement plans and prepared initial cost analysis.

Demand and Financial Projections

- Reviewed the performance of similarly sized facilities in comparative markets,
- Analyzed the historical demand and operating characteristics of the Authority's assets,
- Evaluated physical program and sizing options, and
- Reviewed existing market activities.

III. MASTERPLAN GOALS, DEVELOPMENT CONCEPTS, AND MAJOR RECOMMENDATIONS

MASTERPLAN GOALS, DEVELOPMENT CONCEPTS, AND MAJOR RECOMMENDATIONS

Throughout the country, dozens of communities with demographic, economic, and development characteristics similar to Rockford have successfully repositioned their urban core through the development and marketing of cultural, entertainment, hospitality, recreation and sports-related assets. In Rockford, this process is already in motion, as evidenced by the restoration of the Coronado Theatre, conceptualization of the River District plan, designation of the Riverfront Museum Park for the Arts and Science, and the expansion of the Burpee Museum, to name but a few. While each of these projects represents an essential contribution to the future of downtown Rockford, there is an immediate need for projects that can be used to accelerate the pace of redevelopment, and serve as the beachhead around which other projects can coalesce to establish critical development mass.

As the attached report details, the presence of the Coronado Theatre, MetroCentre, and Davis Park in a relatively compact geographic area provides an opportunity to establish this beachhead. To do so, however, significant investment will be required in physical and programming improvements for these facilities. In addition, Rockford must also invest in new facilities that will attract activities that are not currently occurring in the market with any significant volume, such as conventions, tradeshows, and large banquets.

The combined objective of these investments is to establish Rockford as a more prominent community, and allow the MetroCentre, Davis Park, and the Coronado Theatre to consistently attract higher-quality touring concerts, family shows, additional sports franchises, and theater productions, or other events activities that are now avoiding the market in favor of communities that have invested in modern facilities. This is especially relevant as the metro Chicago market inches to the northwest, providing the prospect for Rockford to establish itself as the regional entertainment and cultural alternative to the increasingly congested inner-ring suburbs of Chicago. While this will be a difficult challenge, one of Rockford's emerging assets is its ready access to the relatively affluent and growing population(s) in Boone, DuPage, Kane and Lake Counties.

An additional consideration in executing this vision is the need to address the absence of activity in the downtown area during non-business hours and on weekends. In recent years, this situation that has been made more acute by the rapid development of East State Street, and that area's success (and acceptance) in establishing itself as the major commercial corridor for much of Winnebago and Boone Counties. As commercial, residential and other forms of growth continue to bypass the center city and residents grow further accustomed to satisfying their retail needs in suburban-oriented locations, it will become even more challenging

C.H. JOHNSON CONSULTING, INC.

EXPERTS IN CONVENTION, SPORT AND REAL ESTATE CONSULTING

for the City to maintain the relevance and viability of downtown for non-professional activities. The Rock River and inventory of legacy buildings provide a case for a viable downtown. By embracing and leveraging the area's existing entertainment, theatre, concert, and sporting facilities to generate visitation and convey vitality, the Rockford metro area is taking an appropriate step toward the redefinition of downtown as a regional activity center.

To mobilize downtown and attract more development, the City of Rockford should first capitalize on the recent resurgence of interest in the downtown by directing additional investment into this area. This investment must be guided by a consistent plan, and occur on sustained short and long-term schedule. As a second step, the community should recognize that East State Street is an established commercial corridor, and rather than resist development in this area, use targeted investment in this area to improve the quality, vitality, and economic contribution of this area, while extending its useful life.

While it may not be readily recognized at this time, an emerging challenge for the community will be maintaining traction for some of areas along East State Street due to continued evolution within the retail and restaurant industries. For instance, the current trend toward 'super-stores' has pulled retailers closer to I-90 in search of larger or more visible sites. Concurrently, chain restaurants have also clustered in these areas in order to attract more interstate travelers and capture visitors to the super-stores. As these trends continue to cycle through the local market, the potential impact is a large inventory of retail or restaurant space that needs to be repositioned, creating yet another competing interest to downtown redevelopment. This trend can already be partially evidenced along East State as well North Main Street. Both cases evoke strong parallels to what happened as downtown lost traction. However, with careful planning and catalytic projects, the community can respond or even preempt further decline.

As the health of Rockford reflects on the health of all of Illinois' Northern Tier, the City should actively recruit the county, state, and other public and private partners to participate in these efforts through collateral investment in infrastructure, public assembly facilities, recreation, and transportation initiatives. Not only should such projects include the initiatives outlined in this masterplan, but extensive consideration should be given to a downtown Metra station and the near-term improvement of South Main Street. Targeting a baseball stadium for the downtown area would also be appropriate for this cultural and entertainment concentration strategy.

By improving downtown and making it more accessible, Rockford will subsequently be better positioned to attract its own residents back downtown, and capitalize on the continued expansion of the Chicago metro area into Kane, Boone,

DeKalb, and Lake Counties. To do this, however, Rockford must also offer products and facilities that are compelling and can compete with those in Chicago and inner-ring suburbs such as Rosemont.

The balance of this section presents the recommended elements for the facilities masterplan, and subsequently presents their projected impacts. For the purposes of presentation, these elements have been organized under the following headers: physical, policy and operating environment, and economic/fiscal economic impacts.

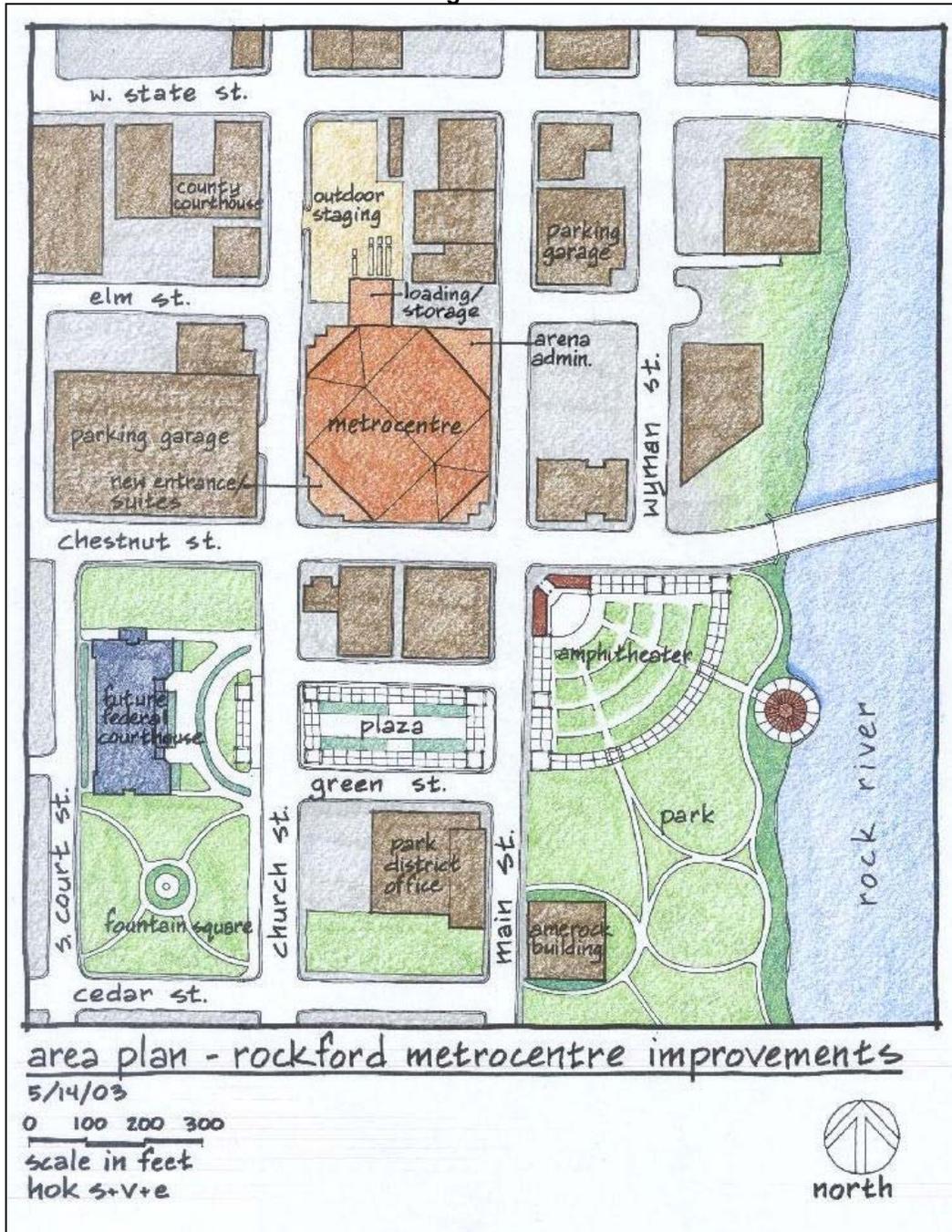
Physical Recommendations

Priority One: Establish an Entertainment District through the redevelopment of the MetroCentre and Davis Park

The presence and concentration of the MetroCentre and Davis Park in a relatively compact area provide the foundation for the execution of a bold economic development program, and a potentially powerful real estate project. In their current format, both facilities are underutilized assets and, as such, are not providing a level of impact that is concurrent with their potential. As these facilities are redeveloped, the level of visitation to downtown Rockford will increase which will set the stage for private investment in other land development, including commercial and residential projects.

Figure 3- 1 displays an aerial view of the proposed entertainment district.

Figure 3-1



In order to establish this district, the Consulting Team makes the following recommendations:

- **Davis Park should be redeveloped as an amphitheater with the stage at the northwest corner of the park.**
 - The amphitheater should contain 4,500 to 5,000 permanent seats, excellent event support infrastructure, including a 'green room,' permanent stage, and ample restroom and concession facilities. In addition, site access should be controlled in order to maximize crowd capture and security, and enhance the opportunity for ticketed events. In addition to the permanent seating, Davis Park would continue to feature lawn seating for picnic and other uses. The lawn area will also continue to support (and grow) the established festivals in the area, including On the Waterfront.
 - In conjunction with the improvement of Davis Park, the Consulting Team encourages closing of Wyman Street between Main and Chestnut and the demolition of the "Lorden" building at the center of Davis Park, as well as the parking garage at the corner of Main and Chestnut. The development of a plaza north of Green Street between Church and Main would provide a link between the proposed Federal Courthouse and Davis Park. These street closings and building demolitions would create a larger park, with more leisure and recreational programming opportunities.
 - The redevelopment of Davis Park will not only create a unique and dramatic venue for downtown Rockford, it will ensure year round activity in the downtown area by complementing the heavy winter calendar of the MetroCentre. It will also capture the value of the Rock River and continue to foster its evolving identity as a recreational resource.

- **Renovate and modernize the MetroCentre.**
 - In order to establish the MetroCentre as a viable and competitive facility, it should be renovated and new amenities that will enhance the quality of the user experience, increase operating efficiency, create new revenue streams, and make the center more appealing to promoters and franchises should be added.
 - As part of this effort, the main entrance should be relocated to the corner of Chestnut and Church Streets, which will allow for the development of synergy between the MetroCentre and Davis Park. In addition, as part of this move, a food court would be developed on the second floor of the

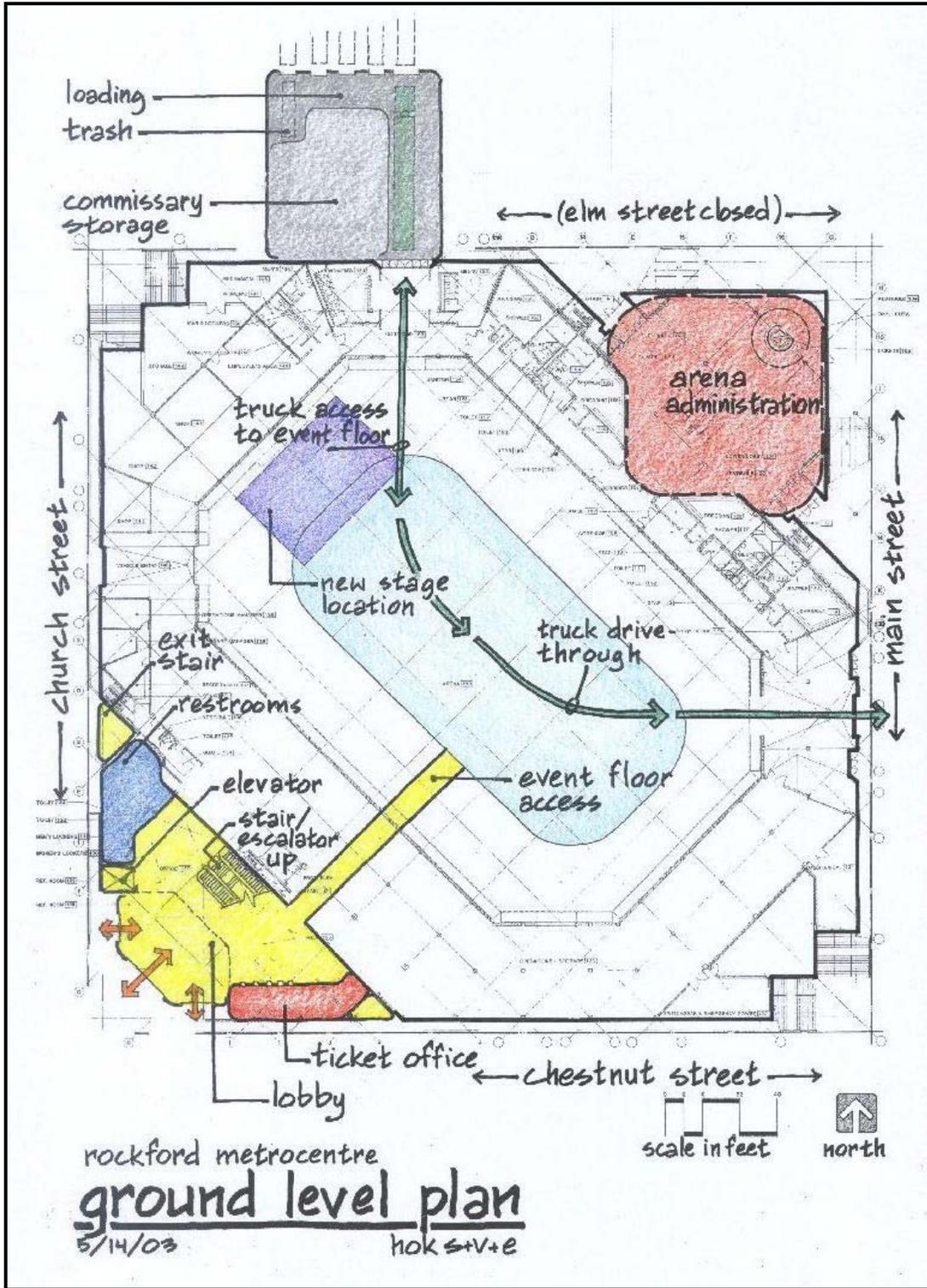
MetroCentre, and the box office would shift to this new location. The interface of this area with Davis Park would allow the two facilities to share concession functions and other selected infrastructure, including restrooms.

- Relocation of these functions would involve demolishing the existing southwest corner of the arena (from the seating bowl out), and rebuilding a new three-story addition, including the public lobby, ticket office, escalator/grand stair, elevator, and public restrooms at the ground level. The relocation would place the entrance near the largest parking resource in the area, the garage directly west on Church Street, and orient the lobby to face the planned Federal Courthouse and its associated park space.
- Relocate the MetroCentre's loading and outdoor staging activities to the north side of the arena, which would allow Main Street to remain open during all types of events.
- Open Main Street between Elm Street and Mulberry Street (presently a two-block pedestrian mall). This will simplify vehicular movement through the downtown area, and allow patrons to park closer to the businesses on Main Street.
- Close Elm Street between Main and Church Street, to allow a screened loading area and outdoor staging yard to be developed north of the MetroCentre. Motor sport shows, circuses, and other events could use this area for staging and for storage of large show equipment and trailers.
- On a long-term basis, the remaining Elm Street right-of-way east of the loading addition could be developed into a plaza or pocket park.

In order to position the MetroCentre as a competitive facility, the Consulting Team also recommends the following:

- Figure 3-2 illustrates the ground level recommendations. A narrative description of these recommendations appears below the image.

Figure 3-2



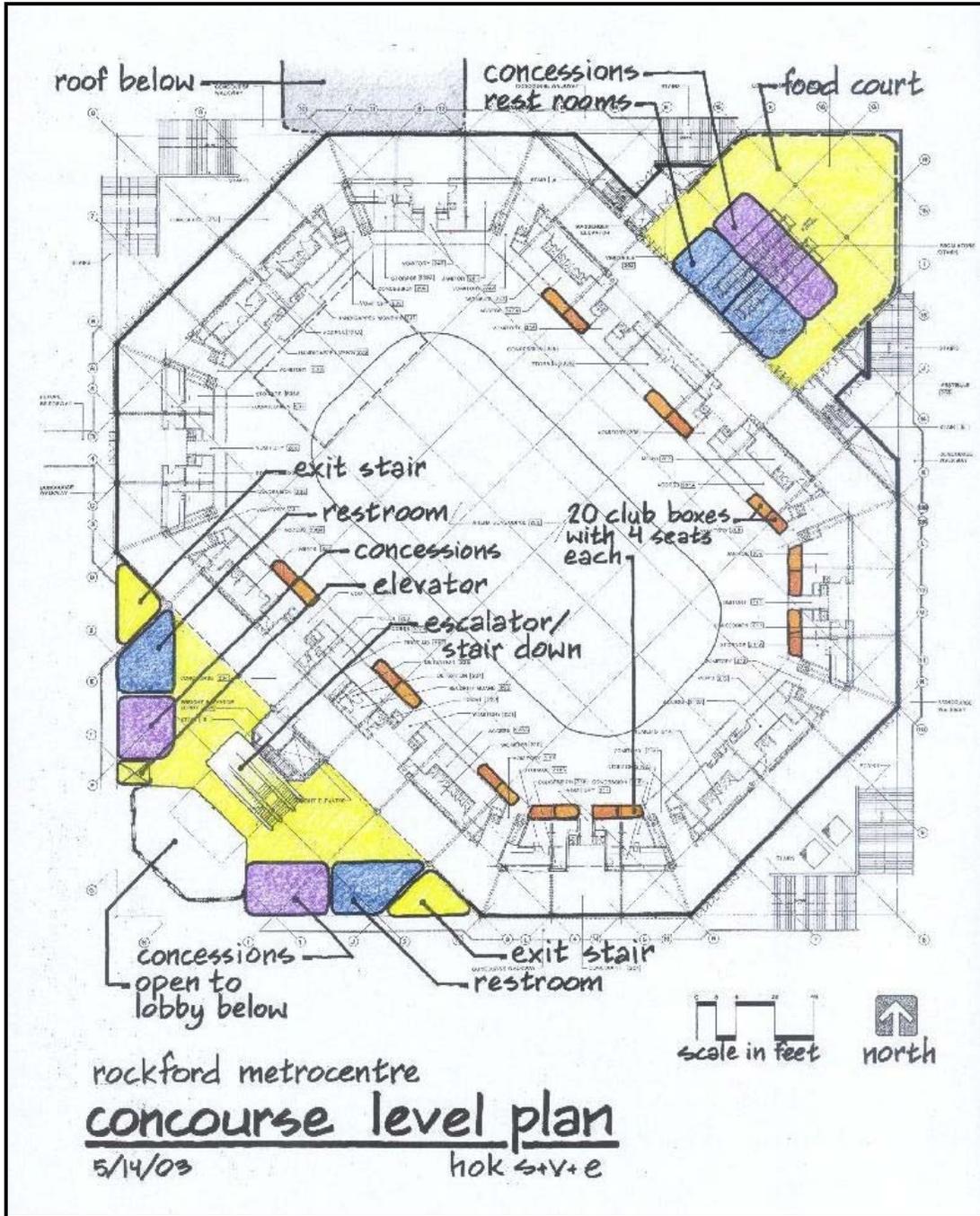
C.H. JOHNSON CONSULTING, INC.

EXPERTS IN CONVENTION, SPORT AND REAL ESTATE CONSULTING

- Establish the northwest end of the event floor as the stage location for end-stage concerts and shows. Trucks carrying show equipment could drive through a large door on the north side of the addition, onto the event floor for unloading, and then drive on through the arena, leaving via the existing overhead door on Main Street. This would decrease set up time and allow staff to focus on other activities.
- Relocate the primary truck loading area to the north side of the arena and close Elm Street.
- Displace the commissary storage area and trash collection to the north side of the arena, enclosing these activities and the truck loading in a new addition built on the Elm Street right-of-way.
- At present, the arena administration offices are located below grade at the northeast corner of the arena. We propose moving these offices up one level to the space currently used as the ticket office and entrance lobby. This space is much more appropriate for office use, as it has windows on much of its perimeter. This space also has direct access to the "talent corridor" serving the star dressing areas and show office. The below-grade space vacated by arena administration could be converted to meeting rooms, support spaces, or, potentially a kitchen.

On the concourse level, the MetroCentre is deficient in the number of concession stands and public restrooms, has extremely narrow concourses, a lack of revenue generating seating options, and has lower than ideal seating capacity for end stage concerts. The recommendations for the concourse level are shown in Figure 3-3. A narrative description of these recommendations appears below the image.

Figure 3-3



- In its current configuration, the MetroCentre has six permanent concessions areas, featuring 26 total points of sales. Newer facilities of this size would typically feature in excess of 50 points of sale, if not more. In order to address this deficiency, the Consulting Team recommends adding two-to-three new food service stands with a total of ten points of sale. These areas could be added at the northeast and southwest corners. As drawn, the new stands are located away from the concourses, allowing patrons to stand in queues without blocking the concourses. The stand(s) at the northeast corner could be adjacent to a large food court.
- The public restrooms on the concourse do not meet the requirements of the Americans with Disabilities Act (ADA). Due to the physical constraints of the seating bowl above the restrooms, renovation does not appear to be practical. Therefore, we propose adding new ADA-compliant restrooms away from the seating bowl, in the northeast and southwest corners.
- Due to the original design of the MetroCentre, it is impractical to widen the concourse. But by providing new concessions and restrooms away from the concourse, traffic in the concourses can be reduced, allowing patrons easier movement around the arena. Another option to ease constriction in the concourses is to add projections at the southeast and northwest corners. These projections could allow portable concessions carts or chairs and tables to be placed off the concourse, away from through traffic. Because these projections would add roofs over existing leaky exterior concrete decks, it may be possible to partially fund them with the current capital improvements budget.
- One opportunity for adding a type of premium seating could be gained by closing sections of the cross aisle at the concourse level, (in locations where it provides redundant access to lower bowl aisles) and building new “club boxes.” Each box could offer four generously sized swivel chairs behind a counter facing the event floor. It is estimated that 20 of these 4-person boxes could be added between the lower retractable seats and the upper fixed seats, distributed around the non-stage end of the arena. Another alternative use of these redundant sections of cross aisle is to create two rows of fixed arena seating in the same locations, adding about 200 new seats to the arena.
- Arena management asked if 1,500 seats could be added to the building’s end stage concert capacity. Several ideas were tested in order to increase the seating capacity, but found that adding a substantial number of seats is impossible without redesigning the structural system supporting the main roof over the arena bowl. A small number of seats could be added at the top of the seating bowl by adding “pods” between the existing structural

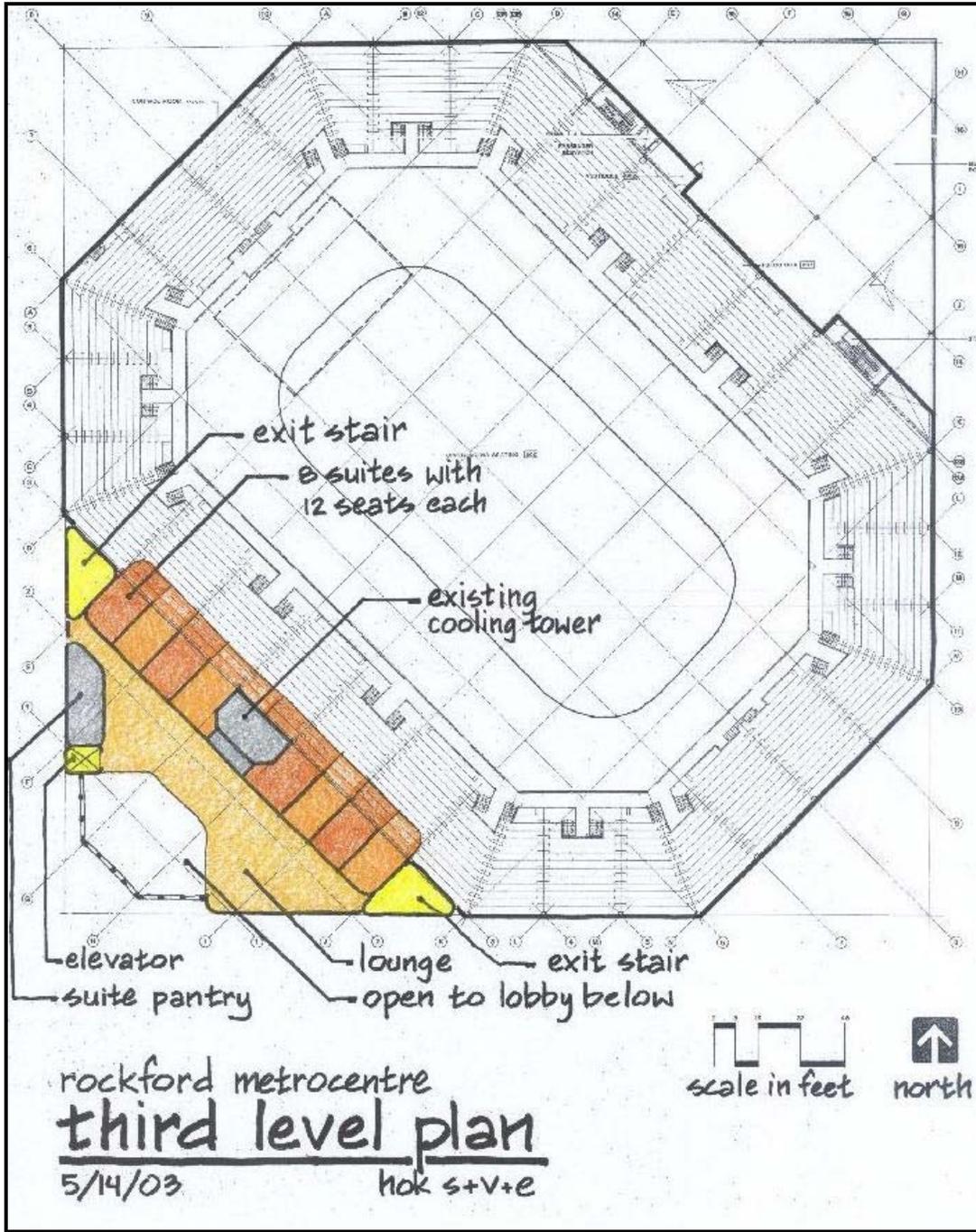
columns. The cost of adding these few seats would exceed their value as revenue producers.

The approach for the third level is to create a luxury seating level that contains suites and a lounge for the premium seating members. The Consulting Team makes the following recommendation.

- The MetroCentre presently does not have any suites or “party rooms” with a view of the event floor. The Consulting Team proposes adding a row of eight suites at the top of the seating bowl, along the southwest side of the arena. These suites, along with a lounge, restrooms, and other support spaces could be built at the top level of the southwest corner addition. Each suite could have 12 wide fixed seats and five “drink rail” locations with views to the event floor. The lounge could overlook an atrium, open to the concourse level and lobby below.

Figure 3-4 illustrates the proposed plan for the third level.

Figure 3-4



Priority Two: Introduce a Convention Center in the Market

Rockford is currently devoid of a venue that is specifically designed to host conventions, tradeshow, consumer shows and banquets. What events are held are often at the expense of other entertainment or sporting events more appropriate for the MetroCentre. In other instances, events that might otherwise target Rockford are not even inquiring because they know the market does not offer an appropriate venue.

The absence of a convention center in the Rockford marketplace is affecting the competitive profile of the region, and depriving Rockford and Winnebago County (and the Northern Tier of Illinois) of the opportunity to capture their fair share of an industry that contributes in excess of \$80 billion per year to the gross domestic product of the US. If located in the most advantageous spot, the development of a convention center is an appropriate strategy for Rockford. The introduction of a convention center would not only provide an additional layer of economic activity that would benefit local businesses, it would also allow the MetroCentre to operate at a more optimal level.

The Consulting Team recommends the initial development of a convention center with 80,000 square feet of exhibit space, a ballroom with 15,000 square feet, and 15,000 square feet of meeting space. The long-term masterplan for this facility should contemplate eventual expansion of the exhibit space to 200,000 square feet, and a proportional increase in ballroom and meeting space. In order to accommodate a facility of this dimension, the contemplated site will eventually require approximately 30-acres.

Upon analysis, the potential conversion of the Ingersoll Building into a convention center was deemed inappropriate. Not only does the structure present considerable code compliance and other issues that prevent a cost-effective conversion to this use, the site does not have long-term expansion potential due to the building's proximity to the Rock River. In addition, the lack of hotels in this area and difficulty in creating a viable option to allow for excellent truck access to the site create additional barriers.

Given the results of this analysis, the Consulting Team contemplated the potential development of a center in the downtown area. But, again, the long-term expansion needs, in combination with the ancillary development (e.g. hotel rooms) required to support a convention center indicate that, at this time, downtown is not the optimum location. Figure 3-5 presents a 30-acre site superimposed on downtown Rockford.

Figure 3-5



As the image shows, the long-term site requirements present considerable challenges in developing a facility of this size in the downtown area. Given these challenges, the Consulting Team suggests development of the convention center along the East State Street corridor. Among the reasons/benefits:

- Due to the ancillary development requirements and site constraints, a downtown location will cost more and take longer to succeed because downtown will have to mature to be appealing to meeting planners and hotels will have to be developed.
- For a convention center of this size, the minimum hotel room requirement is approximately 400 to 500 rooms. As downtown Rockford currently has no hotel rooms, that becomes the immediate development target. Yet, without additional demand generators (business travelers, etc) to support the hotel, the downtown area will not be appealing to the development community, unless substantial public support for the hotel, as well as the convention center, is part of the package.
- When deciding where to stage an event, two of the primary considerations of meeting planners and event promoters are 1) the availability of proximate hotel rooms, and 2) access to the site. As more than 90 percent of Rockford's existing 2,100-room hotel inventory is located proximate to nexus of I-90/East State Street, locating the prospective center in this area addresses both of these needs. In addition, as these hotel properties are the natural advocacy group for a convention center, the development of such a facility in this area should ensure their efforts are directed toward supporting development. Further, if the facility were built in this area, Rockford would immediately be competitive in the convention center business.
- While East State Street has enjoyed a long-run as the primary commercial corridor for the area, as development energy continues to sprawl to the east, new infrastructure and other resource requirements emerge, and more property is left behind to deteriorate. A convention center could be used as a vehicle for redeveloping selected portions of East State Street and, in the process, extending the longevity of the retail, restaurant, and hotel cluster in this area by creating an additional level of demand. It would allow for the re-use of existing infrastructure and refresh the image of the area, creating a more sustainable development cycle. Moreover, to the extent that the convention center drives additional business to the area, the incremental sales or hotel/motel tax increases could be accessed to help finance the project.
- Convention centers are, by nature, regional assets as they generate fiscal benefits for the County and the State, as well as the City. Locating the property in this area makes it more accessible and effectively establishes it as a regional entity.

Figures 3-6 and 3-7 show a hypothetical building plan for a convention center along the East State Street corridor.

Figure 3-6

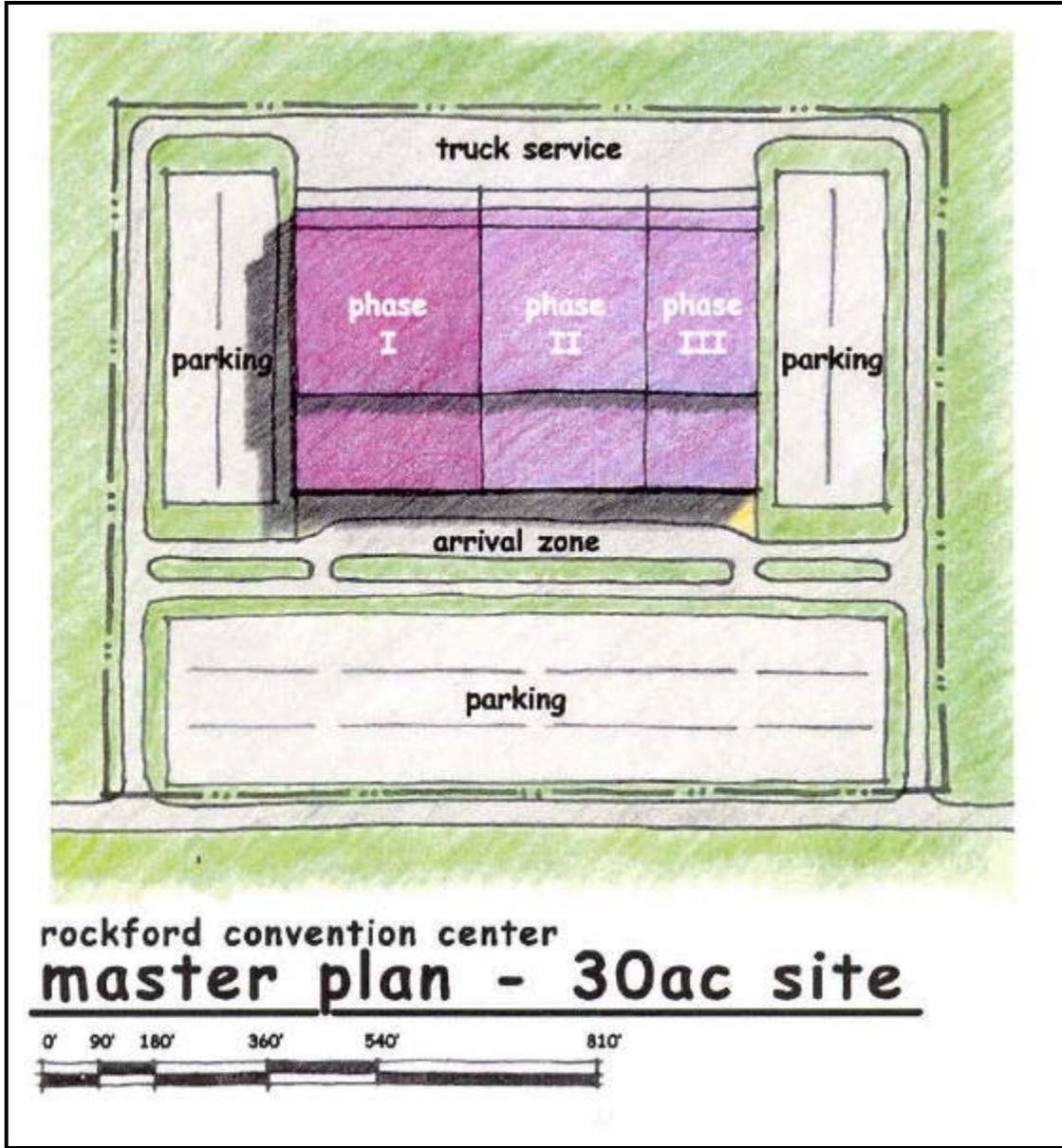
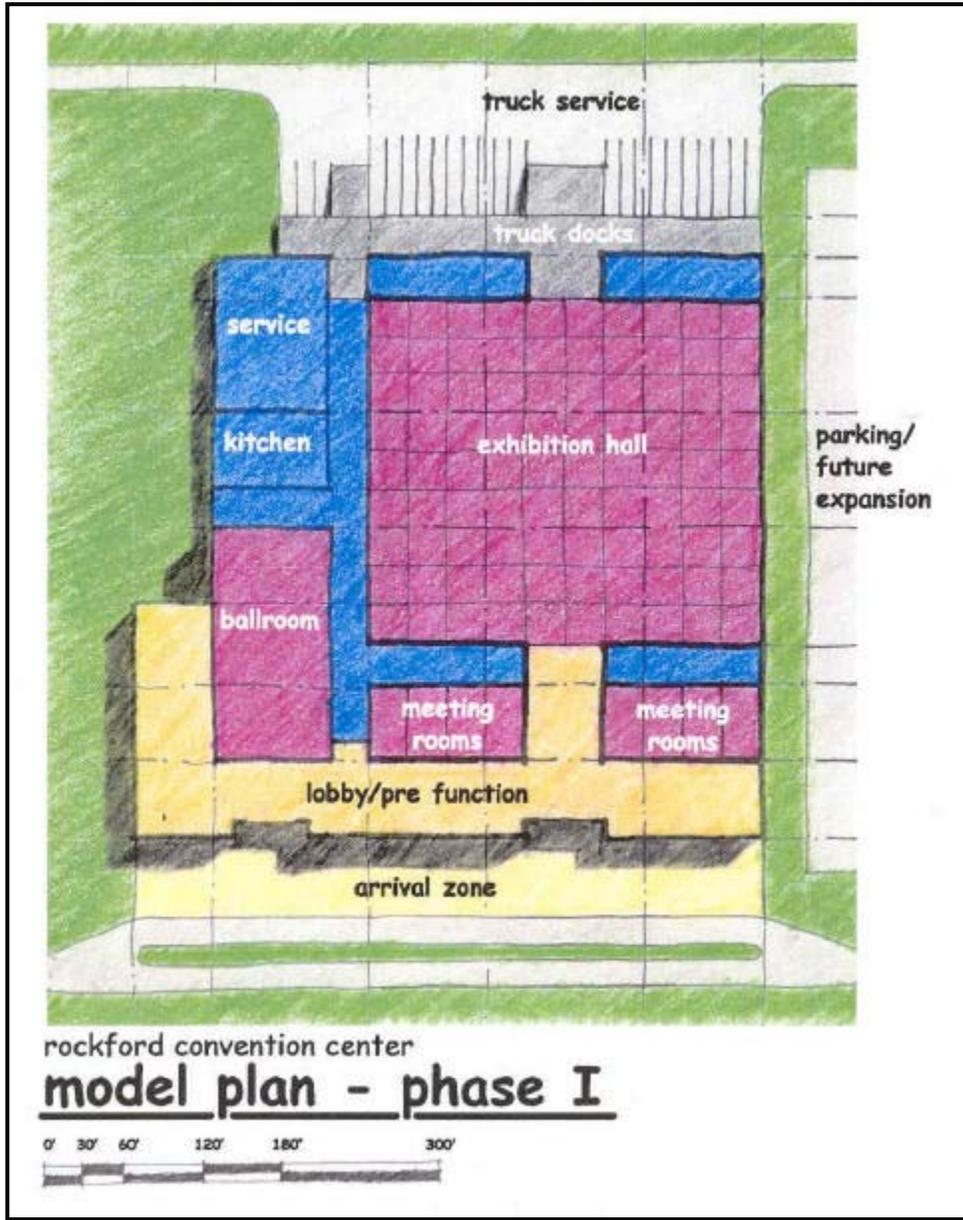


Figure 3-7



The market opportunity for Rockford is to develop a convention center that targets a high volume of consumer shows and social activities. In addition, it is anticipated the facility would attract state association business and a limited number of regional tradeshows. In reflection of these target markets, it is recommended that Rockford focus its resources on the size of the convention center, rather than trying to

C.H. JOHNSON CONSULTING, INC.

EXPERTS IN CONVENTION, SPORT AND REAL ESTATE CONSULTING

distinguish itself based on quality. As such, the floor plan and development concept reflects a facility that is highly flexible and cost-effective to construct.

Capital Costs

Table 3-1 presents the estimate of the capital costs associated with the execution of the facility developments and improvements outlined above. These estimates are preliminary in nature and remain subject to change as design and other construction plans are developed.

Table 3-1

Rockford Public Facilities Preliminary Budget for Improvements			
	Unit	\$/Unit or %	Budget
Davis Park			
Construction Cost	n/a	n/a	\$1,786,000
Site Infrastructure			\$2,500,000
Demolition and Site Prep			\$1,000,000
Professional Fees, Soft Costs		15%	268,000
Furniture, Fixture, and Equipment		10%	179,000
Project Contingency		10%	179,000
Total Cost			\$5,912,000
MetroCentre			
Selective Building Demolition (Portion of MetroCentre)	6,000 SF	\$40	\$240,000
Luxury Suites, Lounge, and Support	8 suites	n/a	\$1,720,000
Club Seats	20 boxes	n/a	\$70,000
New Lobby, ADA Restrooms, Ticket Office and Concession Stands	16,100 SF	\$200	\$3,220,000
Food Court and New Concession Stands	2,500 SF	\$150	\$375,000
Other Improvements	n/a	n/a	\$9,672,000
Total Construction Cost			\$15,297,000
Professional Fees, Soft Costs		15%	2,295,000
Furniture, Fixture, and Equipment		10%	1,530,000
Project Contingency		10%	1,530,000
Total Cost			\$20,652,000
Rockford Convention Center			
Exhibit Hall	80,000 SF	\$160.00	\$12,800,000
Ballrooms	15,000 SF	250.00	3,750,000
Meeting Rooms	15,000 SF	200.00	3,000,000
Other	155,150 SF	varies	23,445,000
Total Construction Cost	265,150 SF	\$162.15	\$42,995,000
Professional Fees, Soft Costs		15%	6,449,000
Furniture, Fixture, and Equipment		10%	4,300,000
Project Contingency		10%	4,300,000
Total Cost			\$58,044,000
Total Improvement Cost			\$84,608,000
Preliminary Estimate of Order of Magnitude Costs			\$85 - \$90,000,000

Source: Conventional Wisdom, HOK, Johnson Consulting

As the table shows, the estimated cost of the complete execution of the masterplan is approximately \$85 to \$90 million. Considering the range of facilities associated with this plan, this investment is modest in comparison to other communities in Illinois and throughout the region. For example, Dubuque has invested more than \$175 million in the repositioning of its riverfront, while Peoria is currently contemplating an investment of approximately \$70 to redevelop and improve the Peoria Civic Center, which includes a theatre, convention center, and arena.

Policy and Operating Recommendations

The most successful communities are those that are constantly improving their appeal and refreshing their identity. A single investment or improvement is simply not enough to redefine a community. Instead each investment must be followed by another product or programming innovation. Operational improvements are as important as physical improvements. Based on this fact, the Consulting Team has developed a number of recommendations that can contribute to the ongoing improvement of CentreEvents, and ensure that progress at the community level remains a high priority. Among the recommendations:

- **Invest in marketing and positioning to establish Rockford as a regional events center** - In order for Rockford to maximize the impact of its facilities, they must attract a high volume of visitation from outside the metro area. In order to do this, Rockford should cultivate an identity as the regional center for event and entertainment activity and seek to distinguish itself based on the quality and diversity of its event offerings. Existing data indicates that Rockford has already achieved some success in penetrating markets such as Ogle and Boone Counties as well as southern Wisconsin. This data is shown in Table 3-2.

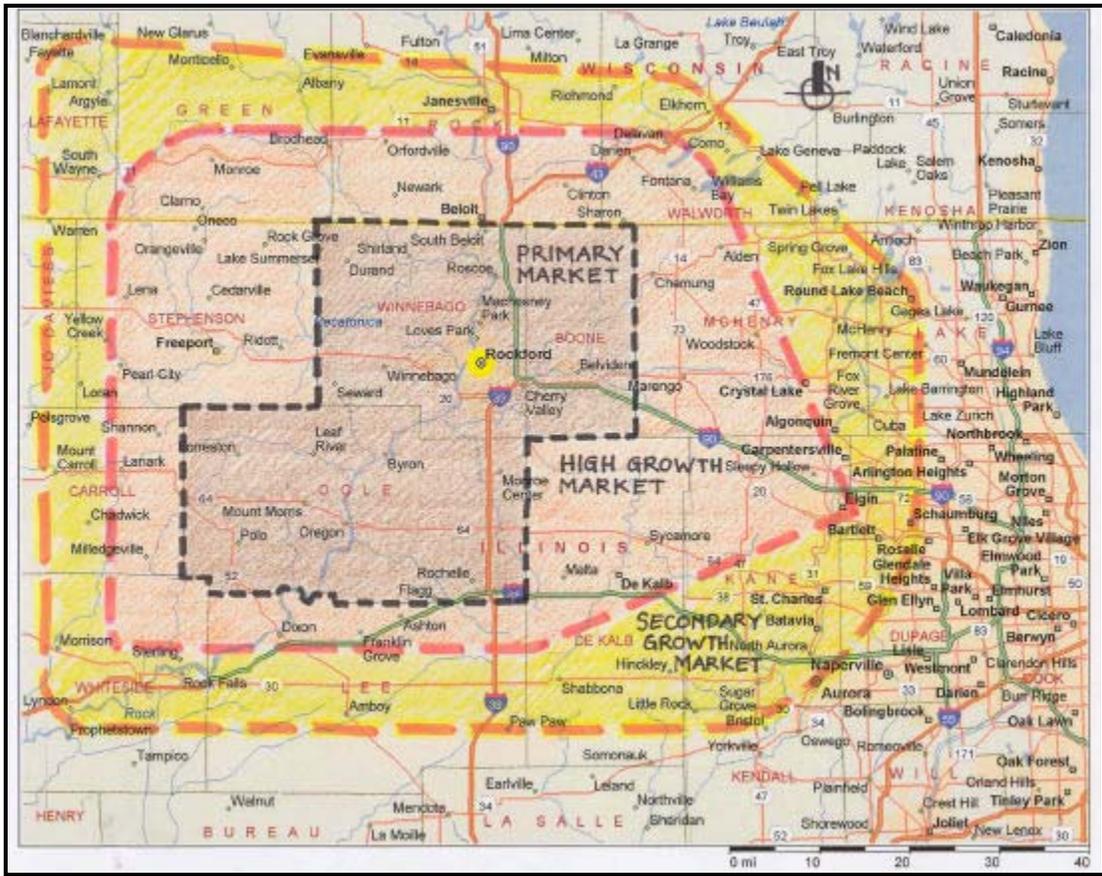
Table 3-2

	Ticket Origin of Sample Events							
	Disney	Bear in the Big Blue House Live	WWE	Carrot Top	Cher	Kenny Rogers	Ice-Hogs	
Type of Events	Family Show	Family Show	Entertainment	Entertainment	Concert	Concert	Sporting Events	
Venue	MetroCentre	Coronado Theater	MetroCentre	Coronado Theater	MetroCentre	Coronado Theater	MetroCentre	
Attendance	5,869	1,774	7,513	2,173	7,200	3,300	2,760	
Attendee Origin:								
Rockford	2,062	628	1,310	795	2,204	719	2,011	
Outside Rockford, within Winnebago Co.	887	432	1,009	505	1,558	447	441	
Winnebago County	2,949	1,060	2,320	1,300	3,763	1,166	2,452	
Ogle and Boone Counties	1,121	340	966	332	1,550	581	207	
Rockford MSA	4,070	1,400	3,286	1,632	5,312	1,747	2,659	
Outside MSA, within IL*	1,378	214	3,141	451	1,485	1,198	85	
From Illinois	5,448	1,614	6,427	2,083	6,797	2,945	2,744	
From Out of State	421	160	1,086	90	403	355	16	
Total	5,869	1,774	7,513	2,173	7,200	3,300	2,760	
	100%	100%	100%	100%	100%	100%	100%	

Source: CentreEvents

As the table shows, depending on the event type, the MetroCentre is already attracting 20 percent of more of its attendees from outside the city and county. The table confirms that Rockford has the potential to emerge as a regional events center, if appropriate resources are targeted to these efforts. In order to assist CentreEvents in this effort, the Consulting Team developed Figure 3-8 to illustrate the potential growth markets.

Figure 3-8



- **Establish a downtown ‘vision’ committee to coordinate implementation activities** – as the MetroCentre and Davis Park are re-developed, the effort should be closely coordinated with other major initiatives in the community, such as the expansion of the Burpee Museum or the implementation of the River District masterplan. In order to ensure these projects retain their complementary posture, a single coordinating body (or position) should be established to foster common identity and ensure consistent application of development objectives. Given the volume and profile of proposed projects, the potential exists for competing agendas to emerge. The role of this body is

to ensure there is cross-fertilization among various boards of directors and consistent effort to execute all complementary projects.

- **Create a programming advisory board** - in order to be successful, the Coronado Theatre, Davis Park, and the MetroCentre require a level and variety of programming that is challenging to assemble. In order to take advantage of the tremendous interest in these venues, and leverage the presence of groups such as the Friends of the Coronado, or the staff and experience of the Starlight Theatre or On the Waterfront, a three to five person program advisory board should be established to assist CentreEvents in the identification of product for its venues. An additional advantage of this board will be the opportunity to expose more individuals to the operations of CentreEvents and potentially groom them for future board service.
- **Establish a Mayor's Office of Special Events** - with the improvement in Davis Park and the MetroCentre, there will be additional capacity to host more events. In order to leverage this capacity, a position should be established to identify, develop, and cultivate new activities and events. An additional role of this position should be to serve as a primary point of contact for the execution of existing events, serving as a resource on issues such as street closings and security. This position could exist within a number of organizations, but would ideally be part of the City of Rockford.
- **Discrete recommendations for CentreEvents appear in Section 5.**

Demand Projections and Economic and Fiscal Impacts

Based the execution of this masterplan, Rockford's capacity to attract and host events, accommodate patrons, and generate revenues will be greatly improved. These improvements will translate to more events in Rockford and the northern tier of Illinois, which will attract more attendees. Table 3-3 summarizes the incremental demand contributions for each facility, based on execution of the masterplan. A detailed description of these projections appears in Section 8.

Table 3-3

Rockford Public Facilities						
Summary of Event Demand and Attendance Contribution from Improvements						
Year and Contribution		MetroCentre	Coronado Theatre	Davis Park	Rockford Convention Center	Combined Facilities
Number of Events	Current	107*	106	6	15**	234
	After Improvements***	125	116	17	78	336
	Contribution	18	10	11	63	102
	% Contribution	17%	9%	183%	420%	44%
Attendance	Current	290,249*	134,438	200,000	76,023**	700,710
	After Improvements***	416,400	170,300	318,100	121,400	1,026,200
	Contribution	126,151	35,862	118,100	45,377	325,490
	% Contribution	43%	27%	59%	60%	46%

**Excluding trade shows, consumer shows, conferences, and meetings that will be moved into the Convention Center.*
***Refers to the number of events and attendance of trade shows, consumer shows, conferences, and meeting currently held at the MetroCentre.*
****Refers to a stabilized year of operation after improvements and construction are completed.*
 Source: Johnson Consulting

As indicated in the table, in its stabilized year of operation after improvements are completed, Rockford is projected to host 102 additional events, increasing the total to 336 events per year. Based on the expanded facility capacity and the additional events, the CentreEvents facilities are projected to increase attendance by 46 percent, representing an additional 325,490 visitors to Rockford.

Table 3-4 summarizes the incremental financial impacts for each facility, based on execution of the masterplan. A detailed description of these projections appears in Section 9.

C.H. JOHNSON CONSULTING, INC.

EXPERTS IN CONVENTION, SPORT AND REAL ESTATE CONSULTING

Table 3-4

Rockford Public Facilities					
Operating Projections in Their Stabilized Year of Operation (In \$000's, in Constant Dollars)					
	MetroCentre	Coronado Theatre	Davis Park	Rockford Convention Center	Combined Facilities
Total Event Revenue	\$5,752	\$5,173	\$2,183	\$4,831	\$17,938
Talent/ Promoter Expense	2,665	2,810	0	0	5,475
Net Event Revenue	\$3,087	\$2,363	\$2,183	\$4,831	\$12,464
Operating Expenses	\$2,911	\$1,747	\$1,141	\$2,250	\$8,049
Administration Expenses	1,100	600	820	3,000	5,520
Operating Income	(\$924)	\$16	\$222	(\$419)	(\$1,106)
Other Income (Expenses) and Reserve	\$677	(\$149)	(\$73.70)	\$106	\$561
Surplus (Deficit) Before Capital Projects	(\$247)	(\$133)	\$148	(\$313)	(\$545)
<i>Baseline Surplus (Deficit) in FY 2001-02</i>	(\$681)	(\$210)	\$14*	na	(\$891)
<i>Improvement to Bottom-Line</i>	\$434	\$77	\$148	(\$313)	\$346

*Assumed to be included in the complex proforma
Source: Johnson Consulting

As the table shows, these improvements will also decrease the operating deficit of CentreEvents by approximately \$346,000 despite the addition of a convention center.

The additional 325,490 attendees are projected to generate a total of \$94 million annually in direct, indirect, and induced spending based on items such as ticket sales, meals, lodging, transportation, and other items. The spending is projected to generate a total of \$1.4 million of general sales tax revenue annually. In addition, spending on lodging (from approximately 31,600 room nights) is expected to generate approximately \$98,000 in hotel occupancy tax, spending on food and beverage is expected to generate approximately \$145,000 in restaurant tax, and spending on admission tickets is expected to generate approximately \$143,000 in amusement tax, annually. These figures will grow as Rockford grows its business in this sector. Based on execution of the initial phases of the masterplan, one-time construction activity is projected to produce approximately \$95 million in spending and \$6 million in sales tax.

IV. MARKET SITUATION REVIEW

MARKET SITUATION REVIEW

In order to analyze the market opportunity for new or improved public assembly facilities and entertainment venues, Johnson Consulting undertook a comprehensive review of market conditions and characteristics in the Rockford metro area as well as the extended region. The objectives of these analyses were to identify structural factors that may affect the market's ongoing competitive situation and gauge the level of support that exists for the development of additional facilities and attractions.

While characteristics such as population, employment, and income are not strict predictors of performance for exhibition, entertainment, or cultural facilities, they provide insight into the capacity of a market to provide ongoing support for facilities or activities. In addition, the size and role of a marketplace, its civic leadership, proximity to other metro areas, as well as competing or complementary attractions all affect the scale or quality of facilities that should be developed for a particular market.

A tangential objective of this analysis is to examine the physical environment in which facilities should be located in order to ensure the maximum contribution to the local economy in the face of primary and secondary development requirements, as well as potential public sector financial support. It cannot be emphasized enough how important factors such as land availability, existing business concentrations, and proximity to transportation are to the success of public assembly facilities. In addition, factors such as a community's economic development objectives, desire to reposition deteriorated neighborhoods or commercial districts, or the need to expand the potential funding base for projects are equally important considerations.

The key observations from the review and analysis are described below.

Demographic and Economic Overview

- The City of Rockford (Rockford), located between major industrial and transportation centers in the Midwest, is 65 miles northwest of Chicago's O'Hare International Airport and 90 miles east of the Mississippi River. The location allows for easy entrance into regional, national, and international markets. Interstate 90 and US Highway 20 place Rockford within a two-hour drive of Chicago (90 miles southeast, metro area 8.3 million people), Dubuque (90 miles northwest, metro area 89,000), Madison (75 miles northwest, metro area 428,000), Milwaukee (100 miles north, metro area 1.5 million), and the Quad Cities (125 miles southwest, metro area 360,000).

- Rockford is located in Winnebago County (County), which also includes the cities of Loves Park, Machesney Park, and South Beloit. The County has a population of approximately 280,000 and is part of the Rockford Metropolitan Statistical Area (MSA). The MSA is also composed of Boone County and Ogle County and has a total population of 371,000. With a population of 150,000, Rockford is the largest city in the region and the anchor for the metro area. Table 4-1 displays the population trends for the City of Rockford, Winnebago County, the Rockford MSA, the State of Illinois, and US.

Table 4-1

Population Change 1990 - 2000					
	1990	2000	# Change '90-'00	% Change '90-'00	Annual % Change
City of Rockford	141,000	150,000	9,000	6.4%	0.6%
Winnebago County	252,913	278,400	25,487	10.1%	1.0%
Rockford MSA	329,700	371,200	41,500	12.6%	1.2%
State of Illinois	11,400,000	12,400,000	1,000,000	8.8%	0.8%
US	248,800,000	281,400,000	32,600,000	13.1%	1.2%

Source: US Census Bureau

- With a population of just over 371,000 in 2000, the Rockford MSA is home to approximately three percent of Illinois' total population. In addition, as the table shows, the annual rate of growth for the MSA is significantly higher than the State and equal to the national average. In addition, the City of Rockford experienced the smallest rate of growth between 1990 and 2000, with a 0.6 percent annual change.
- Rockford has the opportunity to capitalize on a much larger population base than the immediate MSA. With a broader vision, Rockford can take a step in creating regional cohesiveness that reaches southern Wisconsin, northeast Illinois, the western suburbs of Chicago, and northeastern Iowa. Portions of 13 counties are within 50 miles of Rockford. Table 4-2 shows the counties and population within 50 miles of Rockford.

Table 4-2

Counties and Population within 50 miles of Rockford			
County	Part of County within 50-mile Radius (%)	Total County Population	Pop. in 50-mile Radius
Winnebago, IL	100%	278,400	278,400
Boone, IL	100%	42,000	42,000
Stephenson, IL	100%	48,000	48,000
Rock, WI	100%	152,000	152,000
Walworth, WI	90%	93,800	84,420
Kane, IL	80%	350,000	280,000
DeKalb, IL	75%	89,000	66,750
Green, WI	40%	33,600	13,440
McHenry, IL	30%	260,000	78,000
Jefferson, WI	25%	74,000	18,500
Lee, IL	20%	36,000	7,200
Dane, WI	20%	427,000	85,400
DuPage, IL	10%	904,200	90,420
Total		1,883,800	1,154,100

Source: US Census Bureau

- As the table indicates, within a 50-mile trade area there are approximately 1.2 million people, which provides a considerable base of support for events, facilities, and if exploited, Rockford’s downtown and riverfront area. By providing multiple venues with various programming, Rockford could entice different audience layers from all of these counties. Rockford already has some of the venues in place, and in addition to the structural improvements, the facilities need to attract suitable events to maximize capacities. By attracting different audiences to the different venues with the appropriate programming, Rockford has access to a population that can support multiple venues on the same nights.
- While Rockford may have access to 1.2 million people, the target market reaches the “Northern Tier” of Illinois and southern tier of Wisconsin, with core communities such as Janesville, Beloit, and Freeport. For touring acts and Broadway shows, this market can extend into the Kane County communities such as Elgin, and other Northwest suburbs of Chicago. For marquee events, such as Cher, Rockford’s target market can incorporate the outlying communities within the 50-mile radius. These markets, such as Lake County, the far west suburbs of Chicago (including Naperville), and

even southern Dane County, may typically attend events in Chicago or even Milwaukee, but can be attracted to a high-end concert event in Rockford.

- Rockford serves as a major media outlet for the Northern Tier and southern Wisconsin, which effectively extends the market area beyond the MSA to the north, south, and west, as indicated by the ticket sales patterns shown in Section Two. In other directions it must contend with the Chicago and Milwaukee markets. The presence of affiliates for ABC, CBS, NBC, and FOX as well as the Register Star provides advantages such as cost effective media buying for CentreEvents and promoters as well as sponsorship opportunities.
- While markets such as Madison, Milwaukee, and Chicago are not direct competitors with Rockford for daily events, they do compete with Rockford in two respects. First, Rockford competes with these markets for the attention and economic activity of residents, both in the City, as well as in the periphery of its trade area. Second, Rockford is also a source market for these areas, as Rockford residents travel to these markets to shop, and see concerts, shows, and sporting events that are not available in Rockford. This situation presents a considerable challenge for Rockford, just as residents of Belvidere may shop or dine along East State Street; residents of Rockford regularly travel to Schaumburg or Gurnee to engage in similar activities, or pursue leisure activities in areas such as Lake Geneva or Green Lake.
- This situation is particularly troubling, because during interviews conducted by the Consulting Team for this engagement, several individuals reported that they leave the market to shop more often than stay at home. The implication is that Rockford is leaking economic activity as well as jobs and tax revenues out of its economy. Recapturing the economic activity that is leaving the market is one of the most significant market challenges facing Rockford.

Table 4-3 shows the area's major employers.

Table 4-3

Largest Employers in the Rockford Area		
Company	Industry	Number of Employees
Rockford Health System	Health Care	4,400
Rockford C.U.S.D. #205	Public (K-12) schools	4,010
Textron, Inc.	Power handtools, industrial fasteners	3,560
Honeywell/Microswitch	Switchgear and switchboard apparatus	3,000
SwedishAmerica Health System	Health Care	2,910
Hamilton Sundstrand Corporation	Aerospace	2,900
DaimlerChrysler Corporation	Automobile Assembly	1,970
OSF St. Anthony Medical Center	Health Care	1,950
United Parcel Service	Parcel Shipping and Delivery	1,700
County of Winnebago	County government	1,600
Freeport Regional Health Network	Health Care	1,300
Rock Valley College	Community college	1,130
Woodward Governor Company	Aircraft components	1,030
City of Rockford	City government	1,020
MCI WorldCom	Telemarketing	1,000
Newell/Amerock Corp.	Cabinet and Window Hardware	1,000
Wal-mart Stores	General Merchandise Stores	970
Harlem Cons. S.D. # 122	Public (K-12) schools	950
Rochelle Foods, Inc.	Meat Packing Plant	900
Warner-Lambert	Chewing Gum	890
Belvidere C.U.S.D. # 100	Public (K-12) schools	880
Kelly-Springfield Tire Co.	Automobile and Truck Tires	860
Quebecor Printing	Commercial Printing	750
ComEd (Byron Station)	Electric Power Generation	750
Freeport C.U.S.D. #145	Public (K-12) schools	750
Levelor/Kirsch Window Fashions	Drapery hardware, window treatments	740

Source: IL Department of Commerce and Community Affairs, 2003

- Rockford’s employment base has historically been manufacturing-oriented, and despite the recent downswing in that sector, it prevails as a regional employment leader. As of 2000, approximately 23 percent (50,600 jobs) of Rockford’s private employment base was in manufacturing, compared to 13 percent in Illinois and 12 percent in the US. However, in 2000, the contribution of the ‘services’ sector surpassed that of manufacturing for the first time. While this intimates the evolution of the local economy, the impact of this shift is not altogether positive as the some service sector jobs (e.g. retail clerk) are lower wage, lower skill than manufacturing-based positions. Over time, if this shift continues and heavily concentrated in the low-wage elements of the services sector, it raises the specter of a sustained decline in local incomes, which in turn has the potential to impact everything from fiscal revenues to home prices. However, as many service

sector jobs are knowledge based (computer technicians, auto repair), encouraging diversity and workforce development within is key.

- The region currently has several automotive assembly plants that employ several thousand workers in the MSA. DaimlerChrysler's Neon plant is located just off of I-90 in Belvidere. Janesville's General Motors Assembly Plant manufactures Chevrolet's Suburban and Tahoe lines. The plant is Janesville's largest employer. These two manufacturing companies provide an important employment concentration for the region.
- Over the last quarter century, Rockford, like many industrial-oriented communities, has struggled under the weight of an economic transformation and dispersion of economic activity as employers downsized or left the area. The lack of diversity in the local employment base, as evidenced by the dominance of the manufacturing sector, coupled with volatility in Rockford's core industries have contributed to the higher than average unemployment rates in the Rockford area and slower than average growth in non-farm income. Between 1990 and 2002, the Rockford area had an average unemployment rate of 7.6 percent, compared with a state average of 5.7 percent and a national average of 5.5. Moreover, while Rockford did experience a 5.1 percent annual growth in non-farm income between 1991 and 2000, Rockford lagged behind the national average of 5.7 percent and the State of Illinois' average of 5.4 percent.
- Among Rockford's core issues is the need to retain its manufacturing base, while continuing to diversify and grow the service and trade sectors. A positive development has been the evolution of the Greater Rockford Airport from a general aviation facility to a dynamic commercial service airport, which presently ranks as the twenty-third most active cargo airport in the nation when measured by landed weight. The airport is home to the second largest air hub sorting facility in United Parcel Service's system. In addition, Airborne Express and BAX Global have smaller facilities at the airport. More than \$170 million has been invested in infrastructure improvements and facilities over the last few years. This development has helped fuel a modest employment transition to service distribution, however, these jobs, while critical to the area, traditionally do not offer the income level that is on par with lost manufacturing jobs. The distribution role of the market may be enhanced with the addition of the multimodal distribution system, located in nearby Rochelle. This is one of the largest such facilities in the nation and is expected to extend the role of the Northern Tier of Illinois as the nation's nexus for distribution and warehousing sectors.
- Other positive employment benchmarks include a significant engineering base in the community (approximately 3,300 as of 2000), a strong health care

sector (11,200), and a large governmental sector (18,400). In addition, selected private firms, such as Amcore, which is a Rockford-based financial institution, have started to expand into the suburban Chicago-market, including outlets in Schaumburg, Des Plaines, Lincolnshire, and St. Charles. As the MetroCentre is repositioned as a more regional asset, the presence of Amcore in these markets may present an opportunity for promotional partnerships or even ticket sales and distribution.

- Between 1992 and 1998 the MSA added an average of 4,250 new jobs annually. The growth was mainly attributable to Rockford's loss of manufacturing jobs and growth in the service sector. However, in 2000, the MSA only added 1,000 new employees, which was approximately 1.2 percent below the national growth average.
- According to the Illinois Department of Employment Security, in 2000, 18 percent of all employed residents in Rockford commuted daily to jobs outside of the MSA. The most common destinations for these commuters were DeKalb County, McHenry County, Kane County, and northwestern Cook County. In the near term, this intimates that Rockford may need to develop strategies to encourage residents that work outside the area to bring their spending back to Rockford, rather than purchase groceries, clothes, or other products in the communities in which they work. Longer-term, the objective needs to be attract a broader employment to the community, and shift the commutation statistics so that more people are flowing into the community each day, then leaving it. Entertainment and cultural programming and redevelopment of the riverfront should be an integral part of the synergy that could be used to attract workers back into the area, on per event and long-term basis.
- In addition, at the county level, the proportion of total earnings that goes to commuters who live elsewhere, but work in Winnebago County is widening, growing from 2.7 percent in 1990 to 6.9 percent in 2002. While this indicates the growing interconnections between Winnebago and Boone or Kane Counties, it also intimates increasing suburbanization and dispersion of higher wage workers. This appears to be supported by the fact that Winnebago County has a lower annual median household income (\$42,000) than fast growing counties such as Boone (\$52,000) and Kane (\$57,000) and is on par with contracting population areas such as Stephenson County (\$41,000).
- Table 4-4 shows that the average family home purchase price is significantly less in Rockford than its neighboring communities.

Table 4-4

Median Purchase Price - Existing Single Family Home				
Year	Rockford (\$)	Belvidere (\$)	Illinois (\$)	US (\$)
1998	\$93,000	\$104,900	\$135,100	\$128,400
1999	93,800	103,200	137,900	133,300
2000	95,300	111,000	140,800	139,000
Average	\$94,033	\$106,367	\$137,933	\$133,567

Source: National Association of Realtors, Illinois Association of Realtors

Rockford has consistently ranked in the top five metropolitan areas in the US for the most affordable housing by the National Association of Home Builders. This has likely lured more buyers from the Chicago suburbs to move to the Rock River Valley for lower housing costs. However, in comparison to national and regional markets housing values in Rockford have not appreciated during a period of strong appreciation in the sector. This indicates soft demand, and also appears to underscore that many individuals are moving into new homes. Boone and Winnebago Counties remain hot spots for new home construction and sales. Belvidere new-home sales totaled 269 since 1999, by far the most in the Boone County. Caledonia ranked second in Boone County, with 168 newly built homes sold in the past four years.

Nonetheless, while affordable housing is a desirable attribute for any area, it can also indicate economic distress as the lower home values do not provide a robust property tax base to help a community pay for basic community services, which can create quality of life issues.

Colleges and Universities

- As many workers look to redirect their careers, higher education will play an increasingly important role the economy of northern tier of Illinois. The ten institutions of higher learning in the Rockford area have a combined enrollment of more than 61,000 students. Rock Valley Community College, located in Rockford, is the largest school in the area with approximately 18,000 students, followed by Northern Illinois University, Highland Community College, and Kishwaukee College. Table 4-5 lists the six colleges and universities in the area.

Table 4-5

Major Educational Institutions within Commuting Distance		
	Location	Enrollment
4-year:		
Northern Illinois University	DeKalb, IL	23,248
Beloit College	Beloit, WI	1,150
Rockford College	Rockford, IL	785
Northern Illinois University	Rockford, IL	379
St. Anthony College of Nursing	Rockford, IL	64
Community:		
Rock Valley College	Rockford, IL	18,300
Highland Community College	Freeport, IL	4,000
Kishwaukee College	Malta, IL	3,268
Other:		
Rockford Business College	Rockford, IL	487
University of Illinois - Coll. of Medicine	Rockford, IL	144
Total		51,825
<i>Source: Rockford Area Council of 100, Respective Colleges and Universities</i>		

- The ten schools in the area not only represent an important demand base for events at the facilities, but due to a partial presence in downtown, are community assets that can be leveraged for programming ties or resource partnerships. However, as universities such as Northern Illinois develop their own programming strategies as new facilities come online; it may also impact the ability of Rockford to actively attract residents who reside close to the DeKalb area.
- In early May 2003, the Rockford Business College was sold to American Higher Education Development Corporation of Illinois, a subsidiary of American Higher Education Development Corporation, based in New York. American Higher Education owns and operates 25 charter high schools in the United States and a private business college in Toledo, Ohio. The college is now exploring expanding its curriculum. Some possible new programs could include veterinary sciences and computer education.

Transportation and Development

- The decision to locate I-90 east of downtown Rockford is having multi-generational impacts on the development patterns in Rockford. The combination of interchanges along I-90 has actually driven commercial and residential development out of the downtown area and into the areas along the Interstate. This pattern has hurt the development of the downtown area,

as most hotels are situated off the corridor and away from central downtown.

- Studies are currently underway to link Rockford into the Metra commuter rail network that currently services the Chicago metro area. In addition to the increase in transportation options, if a similar pattern of transit oriented development (TOD) emerges as has occurred in areas such as Naperville, suburban Northern Virginia, and Portland, Oregon, this link could generate additional impacts, including real estate development and population growth. This one step is viewed as essential in order to compensate for the absence of interstate access to downtown.
- As congestion along I-90 southbound rises, it will become increasingly difficult for residents of Kane, DuPage and other suburban counties to access the inner-ring Chicago suburbs and the city itself. While this congestion presents myriad problems, it also represents an opportunity for Rockford to position itself as the more accessible alternative for commercial and entertainment activity.
- If development patterns to the north, northwest, and west of Chicago over the past quarter century are effective guide, then the continued expansion of the Chicago metro area toward Rockford. During this period of time, formerly rural and agrarian areas of DuPage, Kane, Lake, and, more recently, Boone County have been developed for residential and commercial purposes. As the expansion of the Chicago market has moved northwest along I-90, the interaction of Rockford with communities such as Elgin and Huntley has changed dramatically. Where Rockford was once a clearly independent market, today movement between these communities has become more fluid as commuters and residents move back forth for jobs or in search of more affordable housing. Given the continued economic success of the Chicago suburban marketplace, Rockford should continue to envision itself as the area's cultural center and specialty shopping locale. Its strategies should work to capture this associated economic activity.
- The Greater Rockford Airport has been ranked among the nation's fastest growing cargo airports. Specifically, Rockford's UPS Air Hub was built at the Airport in 1992 as an integral part of the UPS global network. The Airport is desperately trying to reinstitute passenger service, which ceased operation in June 2001. Rockford also has major rail services that include Burlington Northern Santa-Fe, Union Pacific, Canadian National, and I&M Rail Link.

Hotel, Meeting, and Retail

- The City of Rockford’s lodging market is comprised of approximately 2,500 rooms. The predominant property type in the market is ‘limited service’ properties, which compete for business based on price rather than through amenities such as meeting space and food service. Table 4-6 shows the hotel market in Rockford along with any meeting space that is part of the hotel.

Table 4-6

Hotels Located In Rockford ¹			
Name	# of Rooms	Typical Room Rates (\$)	Meeting Space (sq. ft.)
Baymont Inn and Suites	88	\$70 - \$140	-
Best Western Clock Tower Resort & Conference Center	251	89 - 199	30,000
Candlewood Suites	67	69 - 89	-
Cliffbreakers River Suites, Conference Center & Riverview Restaurant	104	90 - 190	25,000
Comfort Inn	64	60 - 85	-
Courtyard by Marriott	161	74 - 125	1,000
Exel Inn	100	42 - 85	-
Extended Stay America	104	45 - 260	-
Fairfield Inn by Marriott	134	54 - 89	-
Hampton Inn	122	59 - 122	-
Holiday Inn of Rockford	202	79 - 145	10,000
Howard Johnson Hotel	160	49 - 79	600
Quality Suites of Rockford	95	75 - 200	3,266
Ramada Plaza Suites & Rockford Conference Center	114	69 - 125	10,000
Red Roof Inn	108	49 - 76	-
Residence Inn by Marriott	94	79 - 159	550
Sleep Inn	72	59 - 89	700
StudioPLUS	73	49 - 85	-
Super 8 Motel	50	48 - 80	-
Sweden House Lodge	105	45 - 125	1,300
Travelodge	84	49 - 170	700
Villager Lodge	105	57 - 70	-
Total	2,457		83,116

¹ Does not include bed and breakfast lodging
 Source: Rockford Area Convention & Visitors Bureau

- As the table shows, the largest hotel in the area is the 252-room Best Western Clock Tower Resort & Conference Center. This property also contains the most meeting space of any hotel in the Rockford area, followed by the Cliffbreakers. In both instances, the properties have been successful in cultivating meetings business for smaller events. The business model, however, does not attract the size of events that drive business for multiple hotel properties.

- Rockford is at competitive disadvantage to communities such as Peoria and Springfield, which have dedicated exhibition space or hotel properties with high volumes of meeting space. Based on its current hotel and because Rockford does not have a larger exhibition or meeting facility, the area is not able to attract conventions or tradeshows that require multiple hotel properties. As a result, state association meetings or tradeshows that would be a natural fit for this market, bypass Rockford in favor of destinations that have invested in dedicated, high quality exhibition or meeting facilities. This topic is further addressed in Section 6.
- Hotel development in Rockford has centered around the I-90 interchange. Based on this location, which is approximately six miles from downtown Rockford, these properties have been developed to capture transient interstate traffic and resultantly capture commercial and group business as well.
- Rockford also has several facilities that offer banquet or ballroom space, as shown in Table 4-7.

Table 4-7

Rockford's Banquet Space		
Name	Total Space (Sq.Ft.)	Capacity
Downtown:		
Lombardi Club	na	300
Coronado Theatre Stage	1,500	250
Verdi Club	5,000	350
MetroCentre (lower level)	5,000	200
Rockford Women's Club	na	120
Outside of Downtown:		
Holiday Inn	1,900	200
Midway Village	na	250
LaMere's at the Airport	na	540
Tebala Shrine Temple	7,500	600
Forest Hills Lodge	9,000	700
Ramada Plaza Suites	10,000	550
Cliffbreakers	10,000	650
Clock Tower	10,080	1,000
Giovanni's	15,600	1,000
<i>Source: Rockford Area Convention & Visitors Bureau</i>		

- As the table shows, the Ramada, Cliffbreakers, Clock Tower and Giovanni's each feature large banquet spaces, the facilities in the Rockford market are somewhat undersized in relation to the population. As a result, for larger banquet events, such as the Mayor's annual luncheon, the MetroCentre is

put to use, which limits its ability to be used for revenue generating activities. For even larger events, the activity is leaving the market.

- In addition, while many of the properties listed above also feature meeting space, there is not a single facility in the market that offers the combination of modern, high quality, technologically advanced meeting space and itinerant pre-function or banquet capacity. It is precisely this issue that has resulted in limited penetration into the meetings and conferences market.
- In 2001, according to the Illinois Department of Revenue, total retail sales in Rockford were approximately \$2.7 billion, with general merchandise stores making up the most of those sales. Rockford citizens are subject to a Winnebago County sales tax of 6.25 percent and a State of Illinois sales tax of 6.25 percent. Table 4-8 shows retail sales per household.

Table 4-8

2000 Retail Sales Per Household	
Location	Retail Sales (\$)
City of Rockford	\$20,900 - \$20,900
Winnebago County	25,000 - 29,999
Boone County	15,000 - 19,999
Ogle County	15,000 - 19,999
Rockford MSA	21,000 - 21,000
State of Illinois	27,400 - 27,400
Average	\$20,717 - \$23,216

Source: Center for Governmental Studies, NIU

Rockford Recreational, Cultural, and, Tourist Attractions

Attractions

The Rockford area has a number of recreational, cultural, and tourist attractions and while the region has been slow to market its assets, the presence of these attractions and the number of visitors they bring to the area represent an important, yet emerging market for a potential exhibition center and increased linkage to entertainment activities. Table 4-9 displays attendance figures for selected Rockford attractions.

Table 4-9

Top Attractions in the Rockford Metro Area				
	2000	2001	2002	Compound Annual Growth Rate (%)
Sportscore Complex	890,016	1,472,705	1,435,873	27.0%
Rock Cut State Park	994,362	988,535	1,005,203	0.5%
MetroCentre	557,516	372,404	366,272	-18.9%
Ice Facilities (Park District)	329,889	224,549	278,775	-8.1%
Magic Waters	267,000	294,058	267,699	0.1%
Discovery Center	169,500	204,565	224,897	15.2%
Davis Park ¹	na	200,000	200,000	0.0%
Coronado Theatre	na	218,998	134,438	-38.6%
Rockford Speedway	207,933	223,000	203,000	-1.2%
City Golf Courses	239,579	226,736	201,564	-8.3%
Midway Village & Museum Center	226,173	227,321	193,720	-7.5%
Burpee Museum of National History	47,847	62,345	93,909	40.1%
New American Theater	46,178	48,167	53,000	7.1%

¹ Davis Park does not distinguish between festival and non-festival events, figures reported in both categories are estimates.
Source: Rockford Area Convention & Visitors Bureau

As the table shows, the Rockford area offers a diverse collection of attractions ranging from parks to museums to theaters, and a demand base that consistently supports both passive (museums) and active (parks) amenities. The table also displays that attendance at most of these sites has been on the decline since 2000, except for Sportscore, which has grown tremendously as a result of new facilities. The Rockford Speedway, in particular, saw increased attendance in 2001 as a result of adding trade shows, a circus, and other Sunday events. Of the top sites in Rockford, five are sport related and the Parks District owns a majority of them.

The narrative below briefly describes some of the attractions.

Sport and Recreation Attractions

- **City Golf Courses** – are some of the best facilities in all of Illinois and even the Midwest. In each of the last three years, Golf Digest has named Rockford the best mid-sized golf city in the United States
- **Ice Facilities** – include year-round ice facilities that are operated by the Rockford Park District. The facilities are used for figure skating, hockey, broomball, parties, lessons, and other exhibition activities.

- **Magic Waters Waterpark** - is Illinois' largest water park. Magic Waters provides water coasters, wave pool, body slides, tube slides, SplashMagic River, Little Lagoon, Castaway Adventure, SplashMagic Island, sand volleyball, lounge chairs, lockers, concessions, shade, picnic areas (coolers and picnics permitted, no alcohol). It is open annually from Memorial Day through Labor Day and costs between \$14 and \$17.
- **Rock Cut State Park** - is a 3,092-acre park set-off by two lakes. Pierce Lake, with 162 acres, is a retreat for people wanting to fish, ice fish or ice skate. The 50-acre Olson Lake is designed for swimmers and recreational uses. Rounding out the park's other recreational options are camping, hiking, horseback trails and cross-country skiing.
- **Rockford Speedway** - is a high-banked 0.25-mile asphalt oval that provides NASCAR sanctioned racing events. Rockford Speedway participates in the national NASCAR Weekly Racing Series, which features two premier classes along with seven support divisions and six touring series including the NASCAR Re/Max Challenge Tour. The Speedway handles more than 85 events annually, with weekly events on both Saturday and Wednesday nights, along with several Sunday events.
- **Sportscore Complexes**- are part of the Rockford Park District and consist of two separate facilities that host several venues for recreational sporting events. Sportscore One sits on 105 acres and has eight lighted softball diamonds, eight regulation soccer fields, nine practice soccer fields, nine sand volleyball pits, two playgrounds, locker facilities, boat ramps, and a recreation path. Sportscore Two is a 160-acre site that has 17 regulation soccer fields, two small fields, and 13 practice fields. More than one million people use these facilities annually.

Cultural and Historical Attractions

- **Discovery Center Museum** - is a children's museum with more than 200 hands-on art and science exhibits, planetarium, TV studio, robotics lab, and an outdoor science park. The Museum ranked a prestigious fourth in a national survey of children's museums in the US conducted by Child magazine, the only museum in Illinois to reach the top 10.
- **Midway Village & Museum Center** - is a turn-of-the-century village, with 24 buildings on 137 acres, including a general store, church, one-room schoolhouse, fire station, bank, and a blacksmith shop. The 52,000 square foot Museum Center features five exhibition galleries. The facility is open from Memorial Day through Labor Day.

- **New American Theatre (NAT)** – is located in the historic River District and houses a scene shop, costume shop, rehearsal hall and classrooms, as well as administrative offices. The NAT, founded in 1972 by J.R. Sullivan, provides classic, contemporary, and modern genres. The NAT produces eight shows per season - (7 MainStage plays and 1 Theater for Young Audience play) in the 280-seat MainStage Theater. NAT also produces a touring production for area schools.
- **The Burpee Museum of Natural History** – was established in 1941 and is comprised of the 42,000 square foot Robert H. Solem Wing, which opened in December 1998. Contained in the Solem Wing are the permanent exhibits, meeting rooms, laboratories, Collectors Gift Shop, and the Mahlburg Auditorium. The Solem Wing was built onto the 148-year-old Manny Mansion. This building now provides classrooms and office space for the Education Department of the Burpee Museum. The Burpee is home to a life-size Tyrannosaurus Rex and Columbian Mammoth, the newly-discovered "Jane" the Nanotyrannus, a two-story Carboniferous Coal Forest, Ordovician Sea Floor, interpretive exhibit about Native Americans -- The First People, the forces of the earth in GeoScience, a specimen viewing laboratory.

Events

Similar to many Midwest communities, Rockford has had a long history as a center for festivals and fairs. In conjunction with the potential redevelopment of Davis Park and creating a more regional vision, Rockford has the opportunity to strengthen its success as a festival and entertainment event host and boost its reputation among neighboring cities. The attractive riverfront setting and existing event support infrastructure has made Rockford one of the top festival markets in the Midwest. However, it appears that event demand is not at an optimum level. Organizers report that based on the limited space for staging and lack of permanent infrastructure for bands, they are restricted in the size of acts they can attract.

In addition to the attractions listed above, Rockford has several events that draw local and regional attendance. Table 4-10 shows the major events that take place in Rockford.

Table 4-10

Attendance of Selected Major Events				
	2000	2001	2002	Compound Annual Growth Rate (%)
Fourth of July Celebration	400,000	400,000	400,000	0.0%
On the Waterfront ¹	366,000	372,000	372,000	0.8%
Winnebago County Fair	160,058	132,000	132,000	-9.2%
Festival of Lights	300,000	130,000	200,000	-18.4%
Illinois Snow Sculpting Comp.	99,123	99,045	35,000	-40.6%
Festa Italiana	50,000	55,000	37,000	-14.0%
Pec Thing - Sept.	32,000	22,000	21,000	-19.0%
Cherry Valley Festival Days	25,000	17,000	25,000	0.0%
Music in the Park	21,125	17,050	17,000	-10.3%
Roscoe Lions Fall Festival	20,000	20,000	20,000	0.0%
Wing Ding	10,000	10,000	10,000	0.0%

¹ Davis Park does not distinguish between festival and non-festival events, figures reported in both categories are estimates.

² The Rockford Home Show, the Boat Fishing & Outdoor Show, and the RV Camping & Travel Show take place in the MetroCentre and draw a total of 82,000 attendees annually.

Source: Rockford Area Convention & Visitors Bureau

As the table shows, Rockford provides several events that consistently draw regional attention. Eight of the top ten events are either festivals or consumer shows. Although the table shows that the attendance has been down, these events still totaled approximately 1.3 million attendees in 2002. The text below briefly describes some of the attractions.

- **On the Waterfront** - is one of Illinois' largest music festivals. On the Waterfront spans 30 blocks and features more than 150 acts on eight stages. In addition, the festival has more than 40 food booths, 30 special events including a 5K race and a chess tournament, a Kid's Castle with hands-on activities for children, the World marketplace to buy treasures from around the world, and spectacular fireworks every night. The event cost ranges from \$9 to \$14 and occurs for three days in August. On the Waterfront averages more than 350,000 attendees annually.
- **Festival of Lights** - is an annual event that begins with the lighting of the community Christmas Tree, fireworks display over the Rock River, and the arrival of Santa Clause. The ceremony is held in early December at the Sinnissippi Park.
- **Festa Italiana** - is a three-day festival that includes authentic music and folk-dancing plus carnival rides and booths, and kids' activities. The event takes

place in August and lasts for three days. The entrance fee is \$3. The event is typically held at Boylan Catholic High School.

- **Fourth of July Celebration** - takes place in downtown Rockford along the banks of the Rock River from noon until dark. The Celebration includes the Skyconcert, a parade along State Street to Wyman, and fireworks that are synchronized to music. Other events include Ski Broncs at Shorewood Park, music at Davis Park, the Duck Tale Derby, and a speedboat regatta. The Fourth of July Celebration usually attracts more than 400,000 people, which makes it the largest event in Rockford.
- **Illinois Snow Sculpting** - is a competition that has taken place in Rockford for the last 17 years. Although cancelled in 2003 due to a lack of snow, the event usually draws attendees from all over the region. Teams from around the state battle to for the right to represent the State of Illinois in the national competition at the U.S. Snow Sculpting Competition. The event usually lasts for three-and-half days in January.
- **MetroCentre Events - The Boat, Fishing, & Outdoor Show** features the best of new boats, trailers, motors, jet skis, and marine accessories plus innovative products and services that are available. Resorts, campgrounds, Chamber of commerce groups, and scores of other exhibitors are typically on hand as well. The event usually occurs for three days in February at the MetroCentre. **The Rockford Home Show** features floral gardens with thousands of flowers, waterfalls, hundreds of exhibits, and other family entertainment. The Home show takes place for three days in March at the MetroCentre. **The RV Camping and Travel Show** takes place for three days in January at the MetroCentre.
- **Pec Thing** - is a semi-annual antique flea market that occurs at the Winnebago County Fairgrounds. The market includes more than 500 dealers in five enclosed buildings, two open sheds, and acres of outside spaces. Admission to Pec Thing is \$3.00 and the events typically draw more than 50,000 people annually.
- **Wing Ding** - sponsored by CentreEvents, Wing Dings serves as the unofficial kick-off of summer. Wing Ding has grown to become the biggest annual one-day event hosted by Davis Park in Downtown Rockford. The event provides free live music and draws approximately 10,000 patrons per year.
- **Winnebago County Fair** - runs for six days in August and draws approximately 150,000 people per year. The Fair takes place in Pecatonica, which is 15 miles outside of Rockford. The Fair features art and sewing competitions, free grandstand entertainment, harness racing, animal

judging, food, a beer garden, and a midway. Admission costs ranges Admission cost ranges from \$3 to \$7.

Community Leadership Infrastructure

- Rockford is restricted in capacity to develop new revenue streams through based on the fact that Rockford is not a 'home rule,' community. As such, state legislative approval is required for material changes taxing categories, including the hotel/motel tax.
- Rockford and its neighboring communities are at a disadvantage to many similarly composed communities in Illinois and throughout the US because the area does not have a dedicated 'regional planning authority' or 'council of governments.' While Winnebago County plays this role to a certain extent, the existence of a dedicated RPA or COG would further the development of a common vision for the region and foster the development of an entity that could consistently advocate for Federal and State funding for capital investment, transportation and other major needs. Currently, the City of Rockford carries many of these burdens. A prime example is the recently funded study to evaluate the development of Metra connection into downtown Rockford.
- While Rockford has a long history of effective civic leaders and a stable of excellent civic groups, there appears to be limited cross-fertilization between these groups. While selected citizens may serve on the boards of multiple groups, ideas and vision is not being effectively translated from one organization to another. As a result, multiple, positive projects may be under consideration at any time, but rarely are planning or fundraising programs brought together which, in turn, extends the pre-development phase of many projects, allowing them to linger as ideas for several years. In recent years, the profile and geography of key projects, such as the museum campus and River District have started to change this informal practice, but the community would benefit from more formal collaborations between groups.
- **Rockford Area Convention and Visitors Bureau** - is a private, not-for-profit organization established in 1984 to promote the Rockford region. The RACVB is funded as part of a six percent hotel/motel tax that is instituted throughout all of Winnebago County. The taxes received are deposited into a general development fund before distributed to various government related causes. The first one percent of the hotel/motel tax is designated to satisfy the debt service on the MetroCentre, which has a balance of approximately \$2.65 million as of the end of fiscal year 2002. The next four cents of the tax is used to fund the RACVB, and is expected to increase to

five percent in FY 2004. The RACVB currently operates under a \$1.2 million budget, but considers a budget of approximately \$2.5 million to \$2.8 million more appropriate for an area the size of Rockford. However, as a result of Rockford's home rule government, the city and the RACVB have no ability to change the tax based revenue stream without legislative approval.

- **Rockford Council of 100** - is the regional economic development leadership organization for the Rockford Area. The Council strives to develop and serve the region by enhancing the business climate and supporting primary employment investment decisions in Boone, Ogle, Stephenson, and Winnebago counties. The Council's strategic objectives can be classified into the four main categories of business expansion, business recruitment, international trade development, and regional leadership.

Redevelopment Projects and New Facilities

- In February 2003, **the Rockford River District** unveiled a multi-million dollar plan to redevelop a good portion of downtown Rockford. The River District is a private, not-for-profit organization designed to promote the revitalization of the downtown. The District's boundaries are Whitman Street and Y Boulevard on the north, the Union Pacific Railway and First Avenue on the south, Longwood Street on the east, and Kilburn Avenue on the west. Some of the ideas posed by the District are to bring condominiums and more apartment space to downtown, construct a bridge between the Museum Campus and a redeveloped Madison Street between Whitman Street and Jefferson Street bridges, and to develop more downtown entertainment choices. The River District plans provide an umbrella over several other development projects that include the new federal courthouse, the museum campus development, and the potential redevelopment of the Ingersoll/ComEd site. The River District is a private, not-for-profit organization, but it will work closely with the Rockford Park District and the City of Rockford to execute these plans.
- The **Rockford Park District** offers about 700 different recreational programs, activities, and special events throughout the year, while operating more than 170 facilities that fall under its jurisdiction. Over eight million visits to parks and recreation facilities by local residents, visitors, and tourists occur annually. In April 2003, the Rockford voters defeated a Park District Referendum seeking a 22.5 cent increase in property tax over three-years to be levied and collected in the recreation fund. As a result of the defeat, the Park District will most likely decrease its number of programs and services and not be able to respond to the many maintenance needs its facilities require. More importantly, the Park District will have to limit its

contribution to community projects that would include the Phase II development of the Museum Campus.

- Rockford's Riverfront Museum Campus (Campus) currently includes the Riverfront Museum Building and the Burpee Museum of Natural History (Burpee). The Campus is currently planning a \$35 million expansion project that will create an integrated site visually connecting the Campus with the river. This project is part of the larger River District plan. The project is expected to be a five-year, two phase process beginning in 2003. Phase I will include a 16,000-square foot expansion of the Burpee to provide space for its new dinosaur exhibit, "Jane." This expansion could provide an annex that could possibly connect to the riverfront in the area of the Discovery Center. The Burpee hopes to be able to do some spin-off exhibits of Jane in conjunction with the Discovery Center. Phase II would include the development of an IMAX Theater. However, as the Park District Referendum in April 2003 did not receive the required number of votes, funding for this \$6 million project remains uncertain.
- The amateur sports market is very strong in Rockford, especially in terms of the **Sportscore** Complexes. With its 26 softball and 16 soccer fields, the Sportscore I drew approximately 2.3 million users per year. Sportscore has also started to provide a concert series (seven events annually) that draws approximately 2,100 attendees per event. While soccer and softball are the anchor activities, the growth areas appear to be rock climbing, rugby, kickball, kickboxing, and whiffle ball. In 2001, the amateur sports market was able to generate approximately 78,000 room nights. Sportscore II has 33 fields and one stadium field with seating for 4,100. The amateur sports market is in need of more square footage of indoor space for national volleyball tournaments, fencing, in-line skating, and basketball.
- **Rock Valley College** is also in the midst of finishing a three-phase, \$8 million renovation project that updated the **Starlight Theatre**, now known as The Bengt Sjostrom Starlight Theatre. Phase One was completed during the summer of 2001 and included a variety of improvements, most importantly the addition of approximately 500 seats, which raised the theater capacity to 1,100. Phase Two was completed in 2002, and added a 150-foot proscenium stage house. Finally, Phase Three, scheduled for completion in June 2003, finalized the project by installing the hexagonal dome roof. The project was funded in major part by private donation. Rock Valley also has a "Great Lawn" area that is bermed and well landscaped that is located directly west of the Starlight. The area can hold approximately 4,500 people and will host a variety of outdoor concerts.

Rock Valley College is also planning a \$33 million "Arts Park." This project calls for an 800-seat orchestra hall and a 350-seat theater that will connect to

the Starlight via a walkway/art gallery. The Arts Park will also provide four different concert venues that will host small events. In addition, the plans are underway to develop an annual Chautauqua, which will include numerous events and performances over a multi-day period, much like a fair. However, this project is only partially funded at this point, with the State of Illinois' Capital Development Board providing approximately \$24 million of the budget. Rock Valley hopes to open the facility in 2005.

- In 2002, a private firm proposed redeveloping the Hanley Furniture Building into a 64-room hotel and several thousand square feet of meeting and banquet space. The project remains under consideration. The mention of the proposal this report is not intended to provide an opinion as to its feasibility or long-term prospects.

Implications

Through sustained and thoughtful investment in projects such as the Coronado Theatre, MetroCentre, and Burpee Museum downtown Rockford can be endowed with an updated identity and re-emerge as an economic resource for the community. As festivals such as On the Waterfront and ticket buying statistics affirm, Rockford is already demonstrating an ability to attract attendees from beyond the MSA. However, this ability has gone largely without recognition and has not been leveraged. With improved products and concerted marketing, the area is well positioned to emerge as an alternative to the traffic congested suburban Chicago market for entertainment and other activities. The realization of this potential will require targeted and sustained investment in the downtown area. But, as this occurs, the area will develop an identity as a center for events, and be endowed with an additional sense of purpose.

The number of current initiatives underway (or at least being studied) provides strong commentary as to the level of interest in the long-term downtown and community redevelopment. The resolve with which the citizens and an important network of civic leaders have tackled projects such as the Coronado Theatre and River District plan also indicates that the community, notwithstanding fiscal constraints, has an increasing appetite to pursue redevelopment at an accelerated pace. However, the scale and nature of projects that are required to shift the pendulum in favor downtown are that that repeatedly invite visitors into the area, encourages them to circulate after events, and contributes the enrichment of the community's quality of life.

Despite this progress, however, downtown Rockford is plagued by an unclear identity and distinct absence of vitality in certain areas. While new projects such as the development of a new Federal Courthouse will contribute to the ongoing,

C.H. JOHNSON CONSULTING, INC.

EXPERTS IN CONVENTION, SPORT AND REAL ESTATE CONSULTING

incremental progress, if downtown is truly going to emerge, more immediate, and more clearly targeted steps must be taken. The Coronado Theatre, Davis Park, and the MetroCentre provide a potential foundation on which to build, but large scale investment and ancillary development needs must be combined under a common vision. Further, since downtown remains disconnected from the I-90 corridor, Rockford will need to develop more effective connections to its outlying urban and suburban areas to be a successful destination.

V. OPERATING ENVIRONMENT

OPERATING ENVIRONMENT

As part of this engagement, Johnson Consulting and Conventional Wisdom evaluated the operating environment and historical performance of CentreEvents. This evaluation included an exploration of the historical circumstances, structural issues, and management practices that have impacted the performance of CentreEvents and the assets under its management. It also references the physical limitations of the existing facilities, to the extent their condition, design, or management has inhibited the attractiveness and revenue production capacity of CentreEvents. An important priority in this review was the identification of options for enhancing CentreEvents' business environment, overall event capacity, and financial performance of the Authority. The balance of this section presents the findings of this review.

Mission and Objectives

While the vintage and quality of Rockford's existing collection of public assembly facilities varies markedly from facility to facility, their presence in a relatively compact geographic area provides a tool that can be leveraged to assist in the overall redevelopment of downtown Rockford. For this strategy to be effective, each of its parts must be optimized to provide for their maximum contribution. Accomplishing this will require considerable upfront investment to redevelop the MetroCentre and Davis Park as well as an ongoing commitment to attracting the highest possible quality events and tenants. Moreover, the appearance and infrastructure of these facilities must not be allowed to deteriorate to the point where the physical structure restricts event volume, revenue potential, or limits market capture, as is the case today.

The management of public assembly facilities is an increasingly sophisticated endeavor. It is a low margin business with operating costs competing directly with resources for programming, marketing, and maintenance. As a community, Rockford has a finite supply of public and private resources that must remain focused on improving event quality and attracting more attendees. Under no circumstance should these resources be diluted through the creation of additional organizations with duplicative functions or competing agendas. Furthermore, given the evolution of the entertainment promotion industry, only a single entity with multiple assets will be in a position to negotiate with promoters and sponsors for the more prominent, higher yield events that will be required to resolutely establish Rockford as an advantageous destination for events. With improvement, CentreEvents is the appropriate entity to manage and maintain the Coronado Theatre, MetroCentre, Davis Park, and a convention center, when it comes into

being. In order to be successful in these efforts, however, CentreEvents must evolve at pace that is concurrent with the improvement in these facilities. Should this not occur, then private management for the entire collection of facilities would be the next best option.

It should be recognized from the outset that public assembly facilities rarely achieve operating self-sufficiency. Instead, their role in a community is threefold:

- To provide cultural, entertainment, sporting, and other events that will enrich the quality of life for citizens and, as a result, enhance the appeal of the community as a place to live, work, and do business,
- To attract local and out-of-town visitors who will generate economic activity by providing support to local businesses which, in turn, create revenue opportunities for the city, county, and state, and
- To increase the vitality of a neighborhood/district, and induce private investment in commercial and, in time, residential projects.

In the years that have elapsed since the MetroCentre and Davis Park were developed, the technical capacity, management and marketing techniques, and financial demands of the industries that utilize these facilities have changed. There has been a convergence between entertainment and sport, the production quality and costs of theater productions/shows have risen dramatically, and new product categories such as family shows (e.g. Bear in the Blue House, Disney on Ice) have matured.

With these changes, the expectations of patrons have also increased. In exchange for higher ticket prices, patrons now expect comfort, convenience, and variety. For cities that have recognized these trends, and invested in facilities to address needs and satisfy expectations, the impact has been extremely positive. From Chattanooga to Moline, new arenas or theaters have served as anchors for redevelopment. Conversely, in communities that have made incremental investments, the impact has been fewer products, declining attendance, and larger operating subsidies. Rockford falls in the later category, but, with investment, can be positioned to revise its current standing.

With the Coronado Theatre's recent restoration, the City has taken its first major step to operate at a higher level, if selected business strategies are executed. In contrast, however, it is increasingly difficult for the MetroCentre and Davis Park to achieve a standard of performance that meets market capacity or expectations. The MetroCentre is more than 20 years old and has not been renovated or updated since it was built. In the interim, communities as close as DeKalb and Madison have either developed new facilities, and updated their existing assets. With each

improvement, the competitive position of the MetroCentre has been further eroded, casting a longer shadow over downtown Rockford. In the case of the MetroCentre, the impact has been also especially acute due to the fact that value engineering and design inefficiencies limited its usability from the onset. For instance, due to the narrow width of the concourses, concession areas cannot be added without creating congestion. In the case of Davis Park, the bold (and appropriate) vision that was established in the late 1980's has never been fully realized. While the park has made a nice addition to downtown, and served as viable festival grounds, its capacity and potential have never been realized.

Historical Performance and Operating Patterns

Although CentreEvents has experienced inconsistency in its operational duties and management hierarchy over the last few years, its three venues have been able to attract more than 200 events and between 495,000 and 700,000 attendees annually over the last two years. Table 5-1 shows the event demand and attendance in Fiscal Year 00-01 and 01-02.

Table 5-1

Rockford Public Facilities Historical Demand and Attendance				
	2000-01		2001-02	
	Events	Total Attendance	Events	Total Attendance
MetroCentre	142	233,384	122	366,272
Davis Park ¹	6	200,000	6	200,000
Coronado Theatre	86	62,115	106	134,438
Total	234	495,499	234	700,710

¹ The demand for 2000-2001 is estimated.
Source: CentreEvents

As shown in the table, in FY 00-01, the facilities hosted 234 events, which attracted approximately 495,500 attendees. FY 01-02 saw the same level of demand but a higher level of attendance, as the facilities combined hosted 234 events with approximately 700,000 attendees. The variance in attendance is partially explained by the one year suspension in the Lightning's operations and the increase in event activity resulting from the maturation of the Coronado Theatre. Other factors that contribute to the variance include historically poor record keeping on attendance and the fact that there is not currently an accurate way to capture attendance figures for Davis Park due to the structure of the festival grounds.

While these figures illustrate the critical role and importance of the Authority's facilities in bringing visitors to downtown, Rockford is not capturing the level of events or volume of attendees that it should. All three facilities under the management of CentreEvents have additional capacity, especially the Coronado and Davis. In the case of the MetroCentre, the event volume is negatively impacted by the facility's dual use as an arena and convention/tradeshow space. In order to accommodate these uses, which typically have longer set-up and tear down periods, the MetroCentre loses up to 20 event days per year. A convention center component can help to alleviate the problem by taking flat-floor events out of the MetroCentre and creating open dates for higher-end concerts and other entertainment shows that generate larger attendance. Additional analysis regarding this issue appears later in this section. In addition, Davis Park can learn from the Coronado Theatre renovation project and update its facilities in order to attract more concert dates.

Table 5-2 shows the operating proforma of the Authority.

Table 5-2

Rockford Metropolitan Exposition, Auditorium, and Office Building Authority		
Statement of Revenues and Expenses		
	FY 2000-01*	FY 2001-02
Operating Revenue		
Ticket Sales	\$6,291,106	\$5,741,995
Concessions	835,858	728,995
Parking	268,212	263,580
Catering	121,839	(33,360)
Box Office Commissions	266,499	240,224
Other	359,751	323,332
Total	\$8,143,265	\$7,264,766
Operating Expenses		
Performances	\$4,830,693	\$4,106,228
Payroll	2,122,588	2,516,261
Property Taxes	409,682	415,445
Commodities and Contractual Services	1,847,916	2,144,407
Depreciation	532,820	493,925
Total	\$9,743,699	\$9,676,266
Operating Income (Loss)	(\$1,600,434)	(\$2,411,500)
Non-Operating Revenues (Expenses)		
Interest Income	\$322,422	\$307,929
City of Rockford Development Fund	912,000	912,000
Interest Expense	(132,573)	(100,482)
Net Increase (Decrease)	50,775	(18,101)
Total	\$1,152,624	\$1,101,346
Net Income (Loss)	(\$447,810)	(\$1,310,154)
Net Assets, Beginning of Year	\$12,896,480	\$12,448,670
Net Assets, End of Year	\$12,448,670	\$11,138,516
<i>*Fiscal Year runs from July 1 through June 30.</i>		
<i>Source: Rockford Metropolitan Exposition, Auditorium, and Office Building Authority</i>		

As shown in the above table, operating revenue decreased from \$8.1 million to \$7.3 million from FY 00-01 to FY 01-02, and non-operating revenues decreased from \$1.2 million to \$1.1 million, resulting in an a reported operating loss of approximately \$811,000. Expenses stayed relatively flat during this period. As a result, the net operating loss increased from approximately \$448,000 to \$1.3 million. This size of this loss, however, can partially be explained by two anomalies in the way the Authority's finances are presented:

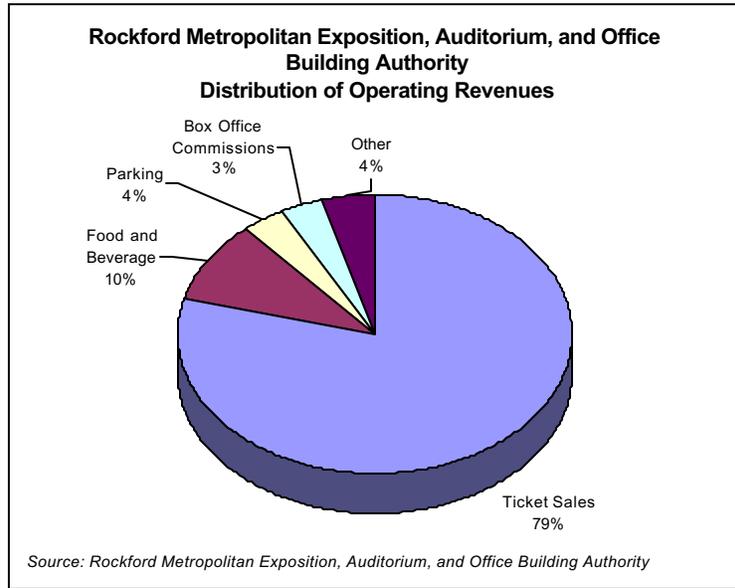
- First, in contrast to most facilities of this nature, CentreEvents is required to pay property taxes on the MetroCentre. This structure increases the reported operating loss by approximately \$415,000 per year and, in effect, amounts to an interfund transfer between the City and the Authority. As CentreEvents receives approximately \$900,000 a year in operating support from the City, but pays the tax, a portion of that operating support flows back to the City. While the return payment to the City may benefit other civic obligations or programs, it should be recognized that it skews the “bottom-line” report for the Authority.
- Two, depreciation is presented in the financial statement as an expense. This reporting could actually be listed below the operating lines on the statement, so as not to impact the reported size of the operating loss. This is how most authorities present depreciation.

Nonetheless, even if the financial statement is repackaged, the bottom-line is that CentreEvents would struggle without the City’s annual financial support based on the lack of revenue generating opportunities in the MetroCentre and Davis Park. For instance, the lack of concourse width in the arena makes it very difficult to add additional points of sale for food and beverage and retail that could lead to higher concession or merchandise revenues. The absence of a large ballroom space associated with a convention center means that Rockford strains to penetrate the convention market or grow its banquet business, which restricts the ability to produce higher revenues outside of daily rental. The lack of a convention center also eliminates the ability to host simultaneous events the arena and another facility, thereby curtailing the prospect of event volume increases. The absence of luxury suites or premium seating has myriad revenue impacts, including missed rental income, as well as food and beverage sales.

Short of selling naming rights, pursuing more aggressive sponsorships income, or an increase in standard rental rates, the Authority has few options for enhancing revenues. As such, until Rockford has more competitive products, it should be anticipated the Authority’s operating deficits will outpace those of comparable organizations around the country.

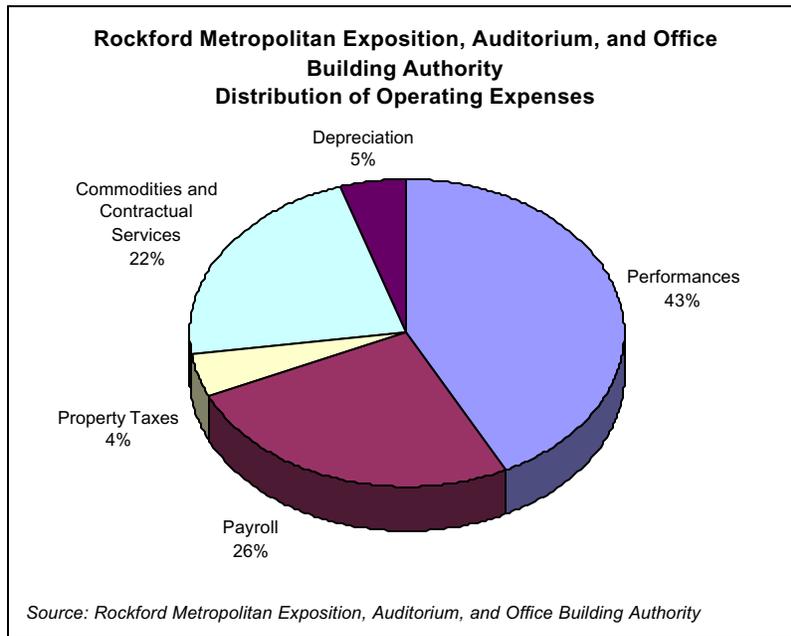
Figure 5-1 and Figure 5-2 illustrate the proportion of revenues and expenses from individual sources.

Figure 5-1



As the table shows, CentreEvents is heavily dependent on ticket sales to produce revenues, which exposes the Authority to a high degree of risk should a selected series in the Coronado not be well received, or if the IceHogs have an off year. In comparable facilities, ticket sales would account for sixty to seventy percent of revenues, while food and beverage would equate to approximately twenty percent. It is critical that CentreEvents increase its non-ticket revenue streams and increase season ticket and subscriber sales, in order to stabilize cash flows.

Figure 5-2



As the table shows, performance costs are the single largest expenditure category for the CentreEvents. Other major items include payroll and commodities and services. In the case of the later, the general operating inefficiencies at the MetroCentre and Davis Park are the primary causes for this high proportion.

Operating Profile – By Facility

The MetroCentre, Davis Park, and the Coronado Theatre have different characteristics in terms of event type, sizes, and revenue generating potential. They also serve distinct market segments and have their own tenant or client base. In order to evaluate financial attributes and functional and physical limitations, the Consulting Team reviewed operations on a facility-by-facility basis.

MetroCentre

The MetroCentre arena features 5,126 permanent seats, with the potential to increase capacity through the use of temporary seating fixtures. The facility's primary use is as a venue for sporting events such as basketball and hockey. It also hosts concerts, entertainment events, and family shows. The arena's 33,000 square foot main floor area can also accommodate conventions, trade shows, consumer shows, and other events. The facility provides a maximum of 45,000 square feet of

exhibit floor space when including the concourse areas. The MetroCentre also has 4,600 square feet of meeting space through four lower level meeting rooms.

The MetroCentre has two primary tenants, the Rockford Lightning of the Continental Basketball Association (CBA) and the United Hockey League's Rockford IceHogs. In combination, these tenants account for more than two-thirds of the arena's event calendar. Table 5-3 shows demand characteristics of the MetroCentre.

Table 5-3

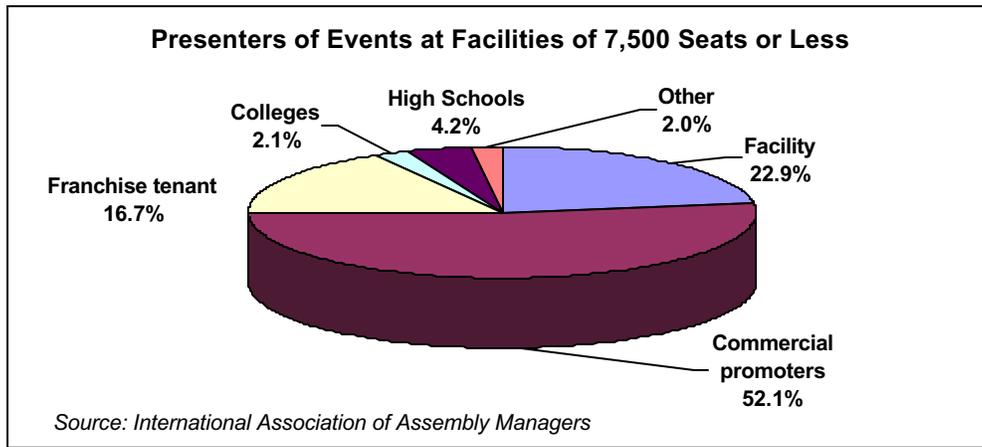
MetroCentre		
Event Statistics (July 01 - May 02)		
	# of Events	Total Attendance
Trade	11	63,169
Meeting	4	12,854
Concerts	4	12,927
PS	10	17,546
Spec	7	43,362
Davis	3	3,119
Family	5	15,647
Hockey	37	115,567
MOR	2	10,044
CBA	31	59,395
HS Sports	2	8,640
Other	6	4,002
Total	122	366,272

Source: CentreEvents

In FY 01-02, the MetroCentre hosted 122 events, 70 of which were sporting events, which included 37 IceHogs games, 31 Lightning games, and two high school sporting events. Other events included 11 trade shows (63,200 attendees), 10 public service events (17,500), and seven specialty events (43,400 attendees).

As the event calendar indicates, the MetroCentre is overly dependent on its sports franchises, which currently account for approximately 56 percent of all events in the building, compared with less than seventeen percent in a typical arena. Figure 5-3 illustrates the proportion of events by type in a typical arena with 7,500 seats or less.

Figure 5-3



As the chart shows, the typical arena of the MetroCentre's size has an event calendar that hosts more commercial events such as concerts and family shows. A higher proportion of events such as concerts and family shows (as shown in the commercial promoters' category) generate more revenue through merchandise and food/beverage sales. In this respect, the low number of concerts (four) and high number of tradeshow (11) hosted by the MetroCentre last year explains why the Authority is struggling financially. However, until the MetroCentre is improved physically and alternatives are developed for consumer shows, the MetroCentre will continue to struggle to attract family shows and concerts.

Table 5-4 shows a sample selection of events that occur at the MetroCentre and a summary of the revenues and expenses along with attendance figures.

Table 5-4

Statistics of Selected MetroCentre Events								
Name of Event	Fall Arts and Craft Show	RV and Camping Show	Boat Show	Home Show	Dierks Waukausha Food Show	Spring Arts and Craft Show	Industrial Trade Show	Concert
Show Days	3.0	3.0	3.0	3.0	1.0	3.0	2.0	1.0
Move In/Out Days	1.0	1.0	1.5	3.0	1.0	1.0	1.5	0.0
Attendance	12,607	4,950	5,923	7,752	400	8,251	0	7,500
Est. Gross Sales	\$46,662	\$21,133	\$28,817	\$39,800	\$0	\$30,226	\$0	\$300,000
Revenues								
Rent	\$10,500	\$14,945	\$15,709	\$16,364	\$4,500	\$10,500	\$8,000	\$30,000
Invoiced Labor	6,000	0	0	0	3,313	6,000	0	0
Advertising								6,000
Catering								6,000
Ice In/Out	0	0	0	0	0	0	0	0
Ticket Office	4,526	0	0	0	0	2,932	0	0
Food and Beverage	7,411	2,263	4,345	4,145	293	3,644	0	14,000
Electrical Orders	6,480	1,280	1,800	4,400	4,560	5,960	0	0
Phone Orders	100	100	100	600	100	0	100	0
Estimated Merchandising								5,000
Total	\$35,018	\$18,588	\$21,953	\$25,509	\$12,766	\$29,036	\$8,100	\$56,000
Expenses								
Labor	\$10,503	\$9,163	\$10,906	\$14,818	\$3,313	\$12,076	\$4,000	\$15,000
Equipment	0	0	0	0	0	0	0	1,000
Advertising								6,000
Catering								6,000
Credit Cards (at 3%)								3,000
Utilities	3,000	3,000	3,750	4,500	1,500	3,000	3,000	750
Misc Expenses	0	0	0	0	0	0	0	1,000
Ice In/Out	5,000	5,000	5,000	0	0	0	5,000	0
Total	\$18,503	\$17,163	\$19,656	\$19,318	\$4,813	\$15,076	\$12,000	\$32,750
Profit (Loss)	\$16,515	\$1,424	\$2,297	\$6,190	\$7,953	\$13,960	(\$3,900)	\$23,250
Profit as % of Gross Sales	35.4%	6.7%	8.0%	15.6%		46.2%		7.8%

Source: CentreEvents, Johnson Consulting

As the table shows, trade shows provide only a minimal benefit to the MetroCentre, despite the high number of event dates they use. The trade shows presented last year generated an average of \$6,300 for CentreEvents and last an average of 2.6 event days (which does not include set up and tear down). In comparison, a single concert event was able to generate attendance of 7,500 people and a profit of \$23,300 through a one event day. This illustrates the need to transform the programming at the MetroCentre from trade show events into higher revenue producing events such as concerts, family shows, and other entertainment productions. The development of a dedicated convention center will help format the transformation and can serve as the home to those events that require only flat floor space. It is important that Rockford retain its tradeshow activity, but these events should be held in a facility has been designed for their use, which will leave the MetroCentre to focus on events that are the highest and best use of its space.

The published rate calendar for the MetroCentre appears in Table 5-5.

Table 5-5

Rockford Public Facilities: MetroCentre Effective Rates	
	Rate Per Day
Event Days	
Small Concerts	Flat Fee vs % of ticket sales, less 3% City Tax
Large Concerts	26% of gross ticket sales, less 3% City Tax
Trade Shows	\$3,000 per event day + 10% gross ticket sales, less 3% City Tax
Not-For-Profit Community Group	\$1,500 + labor
Set Up Fee	\$2,000
Load In/Out	\$1,500
<i>Source: CentreEvents</i>	

The rental rates for the MetroCentre are on par with those in comparable facilities. While these rates present certain challenges for civic uses or not-for-profit groups, the rate structure, in combination with the market draw of the MetroCentre, should make the arena an attractive venue to event promoters.

The Authority provides a break-down of the proforma into two facilities: MetroCentre and Coronado Theater, but not Davis Park. Table 5-6 shows the MetroCentre proforma as part of the overall proforma.

Table 5-6

MetroCentre				
Schedule of Revenues and Expenses*, FY 2001-02**				
	MetroCentre		Total	
	Actual \$	% of Event Revenue	Actual \$	% of Event Revenue
Event Revenue	\$4,036,231	100%	\$7,088,569	100%
- Talent/ Promoter Expense	\$2,084,046	52%	\$4,106,228	58%
= Net Event Revenue	\$1,952,185	48%	\$2,982,341	42%
- Operating Expenses	\$2,121,544	53%	\$3,249,571	46%
- Administration Expenses	\$937,920	23%	\$1,303,754	18%
= Operating Income	(\$1,107,279)	(27%)	(\$1,570,984)	(22%)
+ Other Income	\$1,302,867	32%	\$1,303,137	18%
- Other Expenses	\$623,269	15%	\$623,269	9%
= Surplus (Deficit) Before Capital Projects	(\$427,681)	(11%)	(\$891,116)	(13%)
- Capital Project Reserve	\$74,887	2%	\$74,887	1%
= Surplus (Deficit)	(\$352,794)	(9%)	(\$816,229)	(12%)
- Depreciation			\$493,925	7%
= Net Loss as in Financial Statements			(\$1,310,154)	(18%)

**Restated from Audited Annual Report FY 2001-02.*
***Fiscal Year runs from July 1 through June 30.*
 Source: MetroCentre

The proforma shown in the table above has been restated from the actual Audited Annual Report FY 2001-02. As shown, the MetroCentre generates only 66 percent of the total net event revenue. However, the arena accounts for 67 percent of the total expenses (before restatement, arena expenses accounts for 73 percent of the total expenses). At the bottom-line, the arena deficit makes up 43 percent of the overall deficit (74 percent before restatement). This suggests that many of the expenses for the overall operation have traditionally been attributed to the MetroCentre, rather than distributed to each of the facilities, as they occur. Payroll, benefits, taxes, office supplies, other administrative expenses are examples. In the future, if these line-items should be distributed across the various units of operation, which would provide for a more accurate accounting of operations by facility (as partially expressed in the table above).

In order to analyze the business impact the physically out-dated condition of the MetroCentre has on the prospective revenues of the facility, Johnson Consulting compared the existing per capita sales for various event types in the MetroCentre to industry standards for existing and new facilities. Table 5-7 shows the benchmark data for the industry versus the MetroCentre.

Table 5-7

Per Capita Revenues in Arenas with Capacities less than 12,000				
	Mean (\$)	Median (\$)	MetroCentre (\$)	New Facility Target Numbers (\$)*
Total Food & Novelty Sales:				
Sporting Events	4.28	5.06	1.97	3.89
Family Shows	1.72	1.54	1.67	4.04
Concerts	3.88	3.57	2.15	9.00
Other Entertainment	na	na	1.50	3.68

**Per cap targets for new arenas in this size for a private facility management organization
Source: Johnson Consulting*

As the table shows, the typical attendee of a sports event in the MetroCentre spends \$1.97 per game. The industry mean for similar events is \$4.28. For an IceHogs game that attracts 3,000 attendees, the incremental cost in the lost opportunity \$6,930. Over a 37 game season, this translates to \$256,000.

As part of its analysis for the arena, Johnson Consulting interviewed each of facility’s primary users, examined their historical performance versus that of comparable franchises, and reviewed their respective contracts with CentreEvents. In addition, our team interviewed several event promoters that have staged in the MetroCentre or are active in the Midwestern marketplace. Based on these activities, we made the following observations:

- MetroCentre staff and management are widely viewed as responsive and professional. Promoters report that management actively works to solve problems, and tenants indicate they are treated with consistency. This should be a selling point to other events.
- Rockford does not have a strong history of supporting their sports franchises. The IceHogs and Lightning bring minimal attendance to the facility. Some feel that even motorsports are not a big draw in Rockford. However, the new emerging sports markets such as BMX, Monster Trucks, and the WCW seem to be a good match for Rockford.
- Historically, CentreEvents has not effectively tracked data on ticket sales. This data could be used to provide a more thorough understanding of consumer patterns in the local market, allowing for more effective use of marketing resources. It could also be used to enhance sponsorship revenue based on targeting potential.
- Event promoters have expressed concerns in regard to the rental agreements used for the MetroCentre. In addition to the three percent CentreEvents

takes on the sale of tickets, there are no cooperative marketing agreements between the facility and the event that could help increase the attendee demand. Events are permitted to sell their own sponsorships, but often they conflict with standing agreements already established by the MetroCentre, which limits the amount of revenue the event promoters can produce.

- The venue is not functional for the type of events it needs to host to make it operationally successful. Its seating size is not big enough for major concert events, and too big for smaller acts. Its absence of suites and poor aesthetics also limit its appeal.
- Concession areas and concourses are congested, which impacts revenue opportunities from merchandizing and food/beverage sales.
- Exclusive sponsorship relationships such as beverage pouring rights or facility naming rights and are becoming a more prevalent in the industry. While the MetroCentre has minor relationships, it has not effectively maximized its presence or taken advantage of its profile in the market, generating only \$87,000 last year from these activities. Going forward, this is an important area to pursue.
- While the concessionaire contract with Volume Services is not atypical in the industry, with an improved facility CentreEvents has the opportunity to enter into a more productive agreement. Under the current agreement, which provides a sliding percentage scale based on total gross sales, CentreEvents has only limited revenue capture opportunity. The potential upgrade of the MetroCentre will provide CentreEvents the chance to renegotiate its contract and incentivize the structure of the contract with the food service provider. In addition, the planned food court (which could be open during Davis Park events as well) should greatly enhance the food service provider's ability to generate revenues. As such, the food service provider should be responsible for investing in facilities, causing them to be concerned about operations as well.

Davis Park

Davis Park provides three integrated facilities that form a unique location for outdoor concerts, festivals, and other recreational events. The three components, The Landing, the Village Green, and the Great Lawn combine to seat approximately 12,000 (10,000 on the south lawn and 2,000 on north lawn). Davis Park annually hosts a variety of community events, and drew more than 200,000 attendees to six events in which CentreEvents was involved in 2001-2002. Davis Park is also home to events such as On the Waterfront, which draws several hundred thousand additional attendees to downtown Rockford.

CentreEvents is currently experiencing difficulty in operating Davis Park because the facility has no pre-existing equipment and uses antiquated equipment handed down from the MetroCentre. As a result, CentreEvents is forced to require its users to rent equipment (such as AV, staging, lighting, tables, chairs, restrooms, etc.) from local vendors. Table 5-8 shows the current rental rates for Davis Park.

Table 5-8

Rockford Public Facilities: Davis Park	
Effective Rates	
	Rate Per Day
Event Days	
North Lawn	\$350 + 10% gross ticket sales
South Lawn	\$750 + 10% gross ticket sales
Large Concerts	Vary

Source: CentreEvents

As a civic use facility, the rental rates for Davis Park are modest, but these rates belie the actual costs of hosting events on the site due to requirements to rent equipment, etc. Further, the lack of concessions and other elements make it very difficult to generate revenues, which increase the reliance on ticket sales to cover event costs.

As with the other venues, Johnson Consulting interviewed selected Davis Park users and reviewed their business relationship with CentreEvents and made the following observations:

- Davis Park offers a dramatic setting, but its potential is not being fulfilled. The presence of the Landing in the middle of the park creates an artificial barrier on the site that restricts event size. In addition, while the site is inviting, the presence of deteriorated or poorly maintained buildings was cited as a barrier to use as it reduces the aesthetic appeal.
- A permanent stage was universally cited as the number one priority. At this point in time, any promoter wanting to book an event at Davis Park must rent a temporary stage and a roof at a cost of approximately \$12,000. This price was not a part of the deal in past years, as CentreEvents provided the temporary stage. However, because there was no maintenance on that stage it deteriorated to a point where it can no longer be used. Promoters also spend approximately \$3,000 to \$5,000 on sound systems per event.

- Promoters have noted that oftentimes they need to bring in their own volunteer staff and concession operators because the facilities provided by CentreEvents cannot handle the demand during the event. This same concern surrounds the number of restroom facilities, the safety barricade that separates fans from the stage, and the backstage facilities. This additional support can cost a promoter an additional \$1,500 to \$2,000 per event, which translates into a higher ticket prices.
- On a going-forward basis, improvements need to be made at Davis Park. These are outlined in a subsequent chapter in this report.

The Coronado Theatre

The historic Coronado Theater is a two-tiered facility with a total of 2,335 seats, configured continental-style to maximize seating capacity. The Coronado features a main floor, a lower balcony, an upper balcony, and seating within the Pit. In addition to the main theatre, the facility has a 1,920 square foot rehearsal room. Table 5-9 shows the demand for the Coronado in FY 2000-01.

Table 5-9

Coronado Theatre Event Statistics (July 01 - May 02)		
	# of Events	Attendance
Performances	25	56,163
Concerts	8	18,877
Resident Company Performances	33	42,830
Resident Company Rehearsals	22	2,865
Not-For-Profit	16	13,400
Other Events	2	303
Total	106	134,438

Source: CentreEvents

As the table shows, the Coronado hosted 106 events (22 of which were rehearsals), attracting approximately 134,400 attendees. While a renovated theater will typically take three or more years to stabilize, this data indicates the Coronado’s events calendar needs to appeal to a broader cross section of the marketplace. As it stands now, the event calendar is underdeveloped with too many special events and not enough performances.

In the theater’s initial year of operation, only 55 percent of available tickets were sold. The newly renovated facility should be able to produce a better demand profile, especially in terms of the Resident Company performances, which averaged

C.H. JOHNSON CONSULTING, INC.

EXPERTS IN CONVENTION, SPORT AND REAL ESTATE CONSULTING

only 1,300 per performance. Furthermore, 16 not-for-profit events is too many for a theatre of this caliber, and those events are taking dates away from other performances that have the capability of drawing more people.

The Coronado is home to five resident companies, which include the Rockford Dance Company, Friends of the Coronado, Rockford Coronado Concert Association, Land of Lincoln Theatrical Organ Society, and the Rockford Symphony Orchestra. In 2002, the companies drew approximately 42,800 attendees through a total of 33 performances. The resident companies each pay \$1,500 to use the facility for performances, \$750 for a full day rehearsal, and \$300 for a half-day of rehearsal.

There is also a policy issue at work in the Coronado, as it relates to the use of the facility for rehearsals. Currently, the Rockford Symphony Orchestra (RSO) rehearses in the Coronado. Based on the relatively soft event calendar, this has not been an issue, to date. However, as the theater's use increases, the RSO should be transitioned out of the facility, except on event days to allow for more performances (and revenue). In this light, CentreEvents should also ensure that it does not allow a significant number of rehearsals or practices in any of its facilities, to ensure consistency with this policy. In most theaters, resident companies are allowed to practice in the venue only one day in advance of performances.

Outside of the resident companies, the users of the facility each pay a standard rental fee to use the theater. The rental rates for all other users are shown in Table 5-10.

Table 5-10

Rockford Public Facilities: Coronado Theatre Effective Rates	
	Rate Per Day
Event Days	
Ticketed Events	\$2,500 vs 10% for ticketed events (usually capped at \$5,500 for large concerts), less 3% City Tax
Not-For-Profit Community Groups	\$1,500 + expenses
Non-Ticketed Events	\$2,500 + expenses
Box Office Set Up Fee	\$200 + 3% of adjusted gross sales
Labor	\$10-\$15/hour
Rehearsal Days	\$350-\$500
Load In/Out	\$350-\$500
<i>Source: CentreEvents</i>	

As the table shows, rental rates for the theater are based on a menu that involves criteria such as ticketed and non-ticketed events and performance day versus non-performance day. The rental rates charged by the facility are competitive on a regional level and fair based on market considerations. The facility also has a preferred rate structure for not-for-profit community groups, which is appropriate, as long as their access to dates is limited.

Table 5-11 shows the Coronado Theatre proforma as part of the overall proforma, restated from the actual Audited Annual Report FY 2001-02.

Table 5-11

Coronado Theatre				
Schedule of Revenues and Expenses*, FY 2001-02**				
	Coronado Theater		CentreEvents Total	
	Actual \$	% of Event Revenue	Actual \$	% of Event Revenue
Event Revenue	\$3,052,338	100%	\$7,088,569	100%
- Talent/ Promoter Expense	\$2,022,182	66%	\$4,106,228	58%
= Net Event Revenue	\$1,030,156	34%	\$2,982,341	42%
- Operating Expenses	\$1,128,027	37%	\$3,249,571	46%
- Administration Expenses	\$365,834	12%	\$1,303,754	18%
= Operating Income	(\$463,705)	(15%)	(\$1,570,984)	(22%)
+ Other Income	\$270	0%	\$1,303,137	18%
- Other Expenses	\$0	0%	\$623,269	9%
= Surplus (Deficit) Before Capital Projects	(\$463,435)	(15%)	(\$891,116)	(13%)
- Capital Project Reserve	\$0	0%	\$74,887	1%
= Surplus (Deficit)	(\$463,435)	(15%)	(\$816,229)	(12%)
- Depreciation			\$493,925	7%
= Net Loss as in Financial Statements			(\$1,310,154)	(18%)

**Restated from Audited Annual Report FY 2001-02.*
***Fiscal Year runs from July 1 through June 30.*
Source: Coronado Theatre

As shown in the table, Coronado Theatre generates one-third of the net event revenue and incurs 33 percent of operating expenses (27 percent before restatement). Before restating the financial revenues and expenses and allocating a larger portion of the expenses to the Theater, the facility incurs a deficit at 26 percent of overall deficit. In addition to adding more points of sale to increase per capita sales, the Authority should investigate more favorable vendor relationships or, potentially, self operation of food and beverage. After expenses are allocated on per facility basis, the theatre accounts for 57 percent of the Authority's overall deficit, which confirms the need to improve its business model, but also speaks to the impact of taking on operating responsibility without additional resource support.

Johnson Consulting interviewed selected theater tenants and stakeholders, and reviewed their business relationship with CentreEvents. In addition, we interviewed promoters that have booked events into the theater or are active in the Midwestern marketplace. Based on these interviews, we made the following observations:

- From the onset, the Coronado has been plagued by an inconsistent business model that waivers between a civic-use facility, and that of a true performing arts center, which relies on heavy volume of rotating national shows and exceptional dedication to the development of subscriber programs that allow the facility to generate stable, but substantial cash flow. Under ideal circumstances, during the period the Coronado was being renovated, resources would have been accrued to make a bold entry into the regional theater market and demonstrate to promoters and producers that Rockford was capable of supporting a variety of programming.
- The Coronado's initial business plan and performance calendar attempted to be "all things to all people." Instead of focusing on the development of a specific market niche and identity, the Coronado offered an array of events ranging from dance to comedy to classical music. While this is common in theaters that are publicly subsidized or operated, the financial demands of a theater require a more sophisticated understanding of the market and the interests of potential patrons. For the Coronado, more events that are culturally accessible will draw in additional users.
- Advance ticket sales for a series is an important format for maintaining stable operations. Series sales contribute to consistent cash flows and produce resources that can be used for advance marketing. Relying on per show ticket sales restricts flexibility and adds considerable uncertainty to daily operations of the facility. The eight show Broadway series developed by CentreEvents was a modest success, attracting approximately 1,800 subscribers. This effort should be followed up with several series representing multiple genres, in order to grow the local and regional audience.
- Based on the quality of the restorative work, the Coronado should have a specialized maintenance program and designated "caretaker." Going forward, CentreEvents and other interested parties such as the Friends of the Coronado may want to contemplate the creation of a fund that would allow for the funding of such position.

Organizational Structure

Over the last three years, the operating environment for CentreEvents has been in flux, due to significant events that have impacted relationships among tenants, facilities, and event promoters. Among them:

- After more than a decade under the leadership of the same general manager, CentreEvents is now on its third general manager in as many years. While

the current leadership has begun to stabilize the operation, administrative issues from previous management continue to hinder operations:

- Limited (and ineffective) internal controls - for instance, clear and consistent contracts were not always executed for events and individual departments did not prepare and submit budgets. The lack of formality in the organization made transition to new management especially challenging. More importantly, it exposed the organization to financial and liability risks. This situation is being addressed, but substantial progress remains to be made.
 - Lack of management tools - past performance statements, settlement sheets, contracts, and other documents were not effectively archived. This has made it very difficult to gauge performance on a year-to-year to basis using tools other than the consolidated operating statement. In addition, the lack of automation in the center makes it very difficult to track or review even the most basic historical information, including attendance.
 - Limited long-range planning and investment - while reserves were being set aside, there was neither a clear, nor regularly executed preventive maintenance program in place. As such, certain building elements deteriorated to the point where appropriations or other non-recurring infusions of capital were required to address needs.
- CentreEvents assumed management and booking responsibility for the Coronado Theatre, under an MOU with the City of Rockford. This structure was resisted by several theater advocates in the community due, in large part, to their perception of the capabilities of CentreEvents. This perception was shaped by CentreEvents lackluster stewardship of the MetroCentre, and further reinforced by the emotional attachment that many individuals had developed for the Coronado. In both instances, the feelings and perceptions were not unwarranted. With the change in management, however, the time has come to set aside those issues and coalesce around a single vision for realizing the strong potential of the Coronado.
 - CentreEvents assumed responsibility for the Coronado without a concurrent increase in resources to effectively market or maintain the structure. While this was compounded by the fact that a sound business plan or programming strategy was not in place for the Coronado, it exacerbated the previous financial limitations of the CentreEvents and increased the annual operating deficit of the Authority substantially.
 - Compared to many other multi-facility complexes around the country, which incur annual operating deficits in excess of \$500,000, CentreEvents is

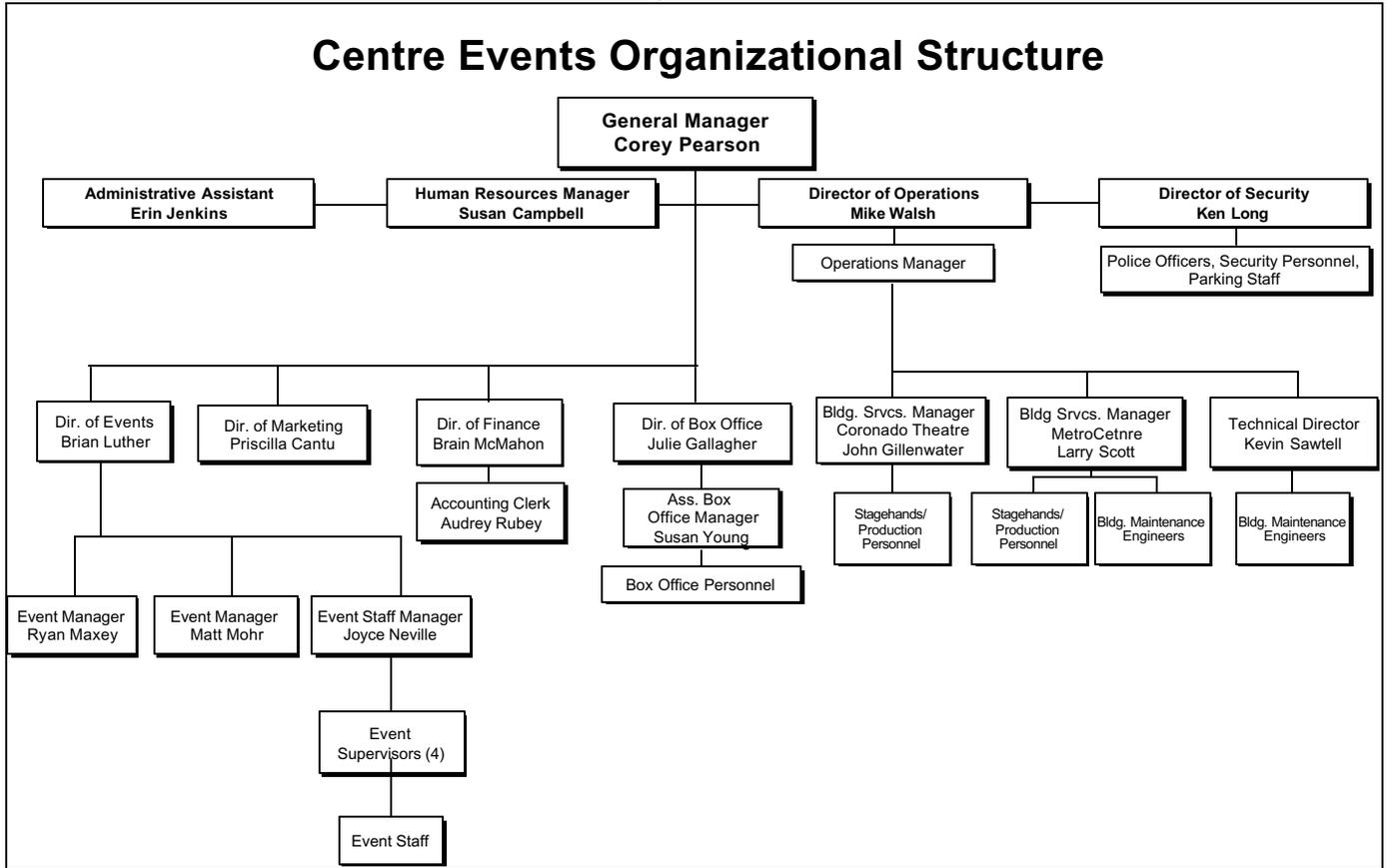
performing below average. Although the City of Rockford does its part to provide an operating subsidy, it is not enough to ensure financial vitality. While the facilities have a strong calendar of events, which management attributes to the market's unique ability to draw talent, patrons, and events from central Illinois and a larger area, very few produce the volume of revenue necessary to successfully support operations. CentreEvents could perform at a higher level if it had a full array of modern revenue producing features available.

- The decentralized nature of properties makes operations a challenge and fails to breed movement throughout downtown Rockford. The creation of physical, architectural, and pedestrian-oriented connections between these centers for activity, as well as the area around the Museum Campus, should be a high priority. Among the primary objectives of the Authority is to draw users into downtown Rockford.
- Management, box-office, and technical staff are appropriately invested in ensuring CentreEvents succeeds. To this end, they work hard, but are not able to overcome the physical and other limitations of the building or the lack of programming resources for the Coronado.
- Based on improvement in regional facility offerings, including new arena facilities in Moline, DeKalb, and Madison, it will be increasingly difficult for CentreEvents to market its venues against better facilities with more modern amenities. To date, this has not had a substantive impact on operations, but it is starting to show in the event calendar as touring shows will appear in more than one arena in the regional marketplace in a short period of time, but pass on Rockford.
- While CentreEvents has been progressive in forging and maintaining relationships, particularly with promoters, they have not been as effective in the use of technology to develop a stronger following in the regional market. More innovative use of database technology, capturing of user preferences based on ticket buying patterns, and other strategies could be used to enhance market penetration. In addition, CentreEvents should partner with local media firms (e.g. radio, newspaper) on research and market development.
- The economics of large, multiple venue facilities require revenue from every possible source to achieve positive cash flow and funding for expansion. More modern facilities are able to draw on revenue from luxury suites, expanded concessions, event services fees, a larger volume of food service through banquets and pre-function events, to accomplish this task. Due to the age of the facilities, CentreEvents is not able to draw on these sources which limit management's ability to grow revenues.

- The performance and instability of the Lightning have negatively impacted the financial wherewithal of the Authority. Not only did the Lightning suspend operations in the MetroCentre in 2001-02, depriving the facility of more than two dozen event days, upon their return they have averaged approximately 1,100 attendees per game. At this level of attendance, the opportunity cost of maintaining the Lightning results in loss of income for the MetroCentre as it must forgo more lucrative events in order to host the team.
- The current fiscal challenges being faced by the City and the State have placed additional pressure on CentreEvents to operate efficiently. However, without competitive facilities, the ability of the organization to respond to this need is limited. Davis Park and the MetroCentre are now at the point where they can not perform at a higher level unless they are physically redeveloped and equipped to generate more revenue and, in turn, attract higher quality events.
- Because the facilities are outdated, event promoters are often burdened with extra costs associated with performances. In Davis Park, for instance, the lack of permanent infrastructure requires equipment rental and set up for major events. This often deters higher quality entertainment events from booking in Rockford.

Over the last 12 months, the existing general manager of CentreEvents has been working to update the structure and efficiency of the organization. His efforts to date should be applauded as he has introduced processes that should have long since been institutionalized. Figure 5-3 shows the current organizational structure for CentreEvents.

Figure 5-3



As the chart shows, CentreEvents is organized into department by functional responsibility, which is both logical and appropriate. Due to budget constraints, the number of employees has decreased over the last two years, but this has not appeared to negatively impact the capacity of the facility, as the remaining employees are capable. In addition, with the change in leadership in the organization, there has been a concerted effort to attract professional managers with previous industry experience. In the area of events management, this shift is especially positive. In other areas, however, the organization is still not availing itself of current best practices and needs to evolve. Among the recommended changes in this respect:

- Require the General Manager to develop a two year “business and strategic plan” - for much of its history, CentreEvents has been a reactive organization, rather than an organization that clearly outlined its vision and pursued growth. In order to change this paradigm, the Board of should require the General Manager to develop a comprehensive plan that articulates the growth and performance objectives of this organization. This

guide could then, in turn, serve as a management tool for both the General Manager and Board to evaluate performance.

- Require the development of five year capital improvements plan – Rockford’s public assembly facilities should be viewed as (and cared for) as civic jewels. In order to do this, additional reserves should be set aside (five percent of revenues), and a clear, consistent maintenance program developed for each of facilities under the management of CentreEvents. This strategy will also allow for more effective budgeting, and ensure the standard set by the Coronado is maintained.
- Enhance the role of the Finance Department – this is an area of tremendous weakness in the current operations of CentreEvents. The historical method of maintaining the chart of the accounts for the organization is neither in keeping with industry standards, nor automated to the extent that financial performance can be effectively tracked. While a new finance manager has been very active in reviewing needs in this area, this department requires an immediate investment in new hardware and software that will allow the organization to a) report performance by individual facility, b) develop a deeper understanding of cost and revenue centers within the organization, and c) provide regular reporting to the Board that allows for more aggressive monitoring of financial performance.
- Create a Business Development Department – among the most pressing needs of CentreEvents is to maximize non-event revenue sources such as sponsorship and advertising. Doing so will require a complete redefinition of the existing marketing functions of the organization, and increased sophistication in pursuing or development of cooperative marketing campaigns. In creating such a department, the objective is to signal that the role of marketing is to grow the resource the base of CentreEvents, to use research and data tools such as ticket purchase patterns to target media buying, and to constantly communicate the value (and success) of CentreEvents through regular web-site updates, press releases, etc.
- Eliminate the MetroCentre Police – while the costs of maintaining this function are not excessive, the functions performed are duplicative of the role that can, and should be played the Rockford Police Department. In addition, in the event that something should happen, the presence of an officer on site creates a level of liability that CentreEvents can not materially support without turning to the City of Rockford.
- Develop new programming strategies for the MetroCentre, Coronado Theatre, and Davis Park - in order to enhance the contribution of these

facilities, additional event volume is critical. However, in order to achieve that event volume, CentreEvents will need increase its investment in attracting products to the marketplace. The primary strategy for doing this should be the development and packaging of subscription/season tickets that draw on “effective” ticket pricing. Under this scenario, a five to eight performance series is developed, but only three to four of the shows rely on higher cost or “marquee” acts, with the balance comprised of less expensive shows. The appeal of the marquee acts allows CentreEvents to sell subscriptions and ensure cash flows, the use of the less expensive shows ensures volume.

Implications for Rockford and CentreEvents

Even though the MetroCentre, Coronado Theatre, and Davis Park are currently providing for a level of event activity that attracts more than 700,000 visitors to downtown Rockford, their role and impact has been limited by myriad physical and operating challenges. While investment in the physical improvement of these facilities is a bold step, it represents only a portion of the investment required to establish Rockford as a regional center for event activity. Equally important will be the ongoing improvement of CentreEvents as the manager and steward of these events. As the operating profile in this section indicated, CentreEvents requires stronger, more consistent leadership. Through the execution of the recommendations outlined above, both the Board and the General Manager would be more effectively positioned to ensure stronger leadership becomes reality.

**VI. METROCENTRE, DAVIS PARK, AND THE CORONADO
THEATRE COMPETITIVE POSITION ANALYSIS**

METROCENTRE, DAVIS PARK, AND THE CORONADO THEATRE COMPETITIVE POSITION ANALYSIS

The recent trend to improve public assembly facilities such as arenas and theaters has not been limited to major cities with high profile professional sports franchises or reputations as national centers for the arts. Over the last decade, mid-sized cities and suburbs in Illinois and throughout the Midwest have renovated or developed new facilities. In these markets, the facilities have been viewed as assets that not only contribute to the quality of life in a community, but also serve as an economic anchor that attracts visitors to an area, and generates support for private businesses.

The enhancement of these facilities has occurred with an expansion in the array of products that use these facilities as events such as professional wrestling and touring Broadway-style shows have developed mainstream audiences. This product expansion has, in turn, made it possible for mid-sized markets to support multiple venues, if they are properly configured, maintained, efficiently operated, and constantly working to cultivate ever broader audiences.

As the market analysis in Section 4 indicated, Rockford exhibits many of the characteristics required to develop an identity as a regional center for event activity: an immediate market area population in excess of 370,000, an emerging relationship with the encroaching western and northern suburbs of Chicago which more than doubles the potential market base, an historical identity as a commercially independent market capable of attracting and supporting major national retailers, to name but a few. What Rockford is lacking, however, is an appropriate collection of public assembly facilities that have the capacity to contribute to the overall evolution of the market by attracting the volume of events (and the associated level of visitation) required to make them a meaningful component in the community's ongoing efforts to revitalize.

Davis Park, the MetroCentre, and Coronado Theatre do present a foundation on which to build, if the appropriate competitive profile can be established for each facility. The Coronado exhibits an exceptional physical profile in terms of seating and quality, but continues to struggle because its business model did not distinguish it from its regional peers. The MetroCentre has been focused on the appropriate core activities such as sports and concerts, but its physical condition and lack of revenue producing features have made it a less appealing (and profitable) venue in relation to its regional competitors.

In order to ensure the Rockford's facilities are positioned at a level that allows them to be readily distinguished from their peers and achieve a competitive advantage in

the regional market, Johnson Consulting conducted an analysis of the respective offerings in the state and region. This analysis, in combination with the actual performance of national and regional facilities that exhibit characteristics similar to those contemplated for Rockford were then used to inform the demand projections for the MetroCentre, Davis Park, and the Coronado Theatre. As the analysis of the convention center market requires a different methodology, the results of that analysis appear in Section 6 of this report.

MetroCentre Review and Options

Given the age of the MetroCentre, it is reasonable to expect the facility to be outmoded and exhibit some signs of physical deterioration. However, the state of disrepair and deferred maintenance for the MetroCentre increasingly makes the facility unattractive, and initially led the Consulting Team to question both the value and feasibility of redeveloping the MetroCentre. These issues were compounded by the fact that from its inception, the facility was restricted in its functionality by selected design choices. For instance, the placement of the concourses one level above the street makes it difficult to find cost-effective strategies for improving circulation, or adding restrooms and concession areas. The fact the MetroCentre occupies virtually the entirety of its site, makes expansion impossible without street closing.

For a 5,100 permanent-seat arena located in a mid-sized market to be successful, the facility and its management must avail themselves of every conceivable opportunity to attract lucrative events, and generate non-event revenue. For instance, the facility must be equipped to capture revenues beyond ticket-sales (e.g. premium seating, concessions, etc.) in order to achieve operating margins that allow management to present products of sufficient quality to attract attendees. Equally important, the facility must have a balanced, but aggressive events calendar. Without the presence of primary tenants such as a sports franchise or an appealing music series, it is difficult to host the number of events required to achieve a reasonable ratio of expenses to revenues.

In April 2003, CentreEvents initiated a capital improvements program intended to keep the MetroCentre functional and operational until a more comprehensive redevelopment program could be developed. Among the items to be addressed through this three million dollar effort are façade repairs, seat replacements, and improvement of the fire safety system. In addition to the items included in this effort, CentreEvents also maintains an informal list of 'wish-list' improvements with an estimated cost of \$7.5 to \$10 million. Review of this list indicates many of the items represent maintenance or equipment that would typically be addressed through a routine maintenance and purchasing programs. Based on the degree of deterioration to some highly visible building elements such as the façade and

C.H. JOHNSON CONSULTING, INC.

EXPERTS IN CONVENTION, SPORT AND REAL ESTATE CONSULTING

exterior access stairs, it is evident that a regular program to address these needs was not in place.

In well maintained facilities, ongoing capital improvement programs and other strategies for improving the facility are part of the regular operating effort. In the MetroCentre, however, the physical condition was allowed to deteriorate to the point where the facility lost its ability to effectively compete for events. The impact now is that funding that could have been used for program changes that could enhance the operations of the facility must now be used just to keep the building open. In the future, the Authority should require an annual reserve contribution equal to five percent of building revenues, and the development of a five-year capital improvements program (CIP).

With the input of facility management, community leaders, sports community representatives, and other stakeholders, the Consulting Team has developed a matrix to illustrate the MetroCentre's current physical limitations, and establish priorities for redevelopment based on the perceived order of importance by demand segment. The matrix appears in Table 6-1.

Table 6-1

Identified Redevelopment Priorities for the MetroCentre			
Priority Areas	Concerts / Shows	Sports Events	Public Use
1 Exterior Appearance/Landscaping	1	1	1
2 Integration with Downtown	1	1	1
3 Lobby/Entrance	1	1	1
4 Concourse Width/Circulation	1	1	1
5 Additional Restrooms	1	1	1
6 Food & Beverage Points of Sale	1	1	1
7 Food & Beverage Quality	1	1	1
8 Merchandise Outlets	1	1	2
9 Premium and Luxury Seating	1	1	2
10 Loading Areas and Truck Access	1	1	1
11 Additional/Expanded Storage Areas	1	1	3
12 Scoreboards/Promotional Boards	3	2	3
13 Acoustical Treatments/Sound System	1	2	1
14 Parking	3	3	2
15 Building Systems/Mechanicals	2	2	2
16 Administrative Space	3	3	3
18 Locker Rooms	3	2	3
19 Training Facilities	3	2	3

Legend	
Critical	1
Important	2
Not Important	3

Source: Johnson Consulting, Conventional Wisdom, and HOK S+V+E

As the table indicates, the list of identified priorities for the MetroCentre is extensive. The highest priorities appear to twofold: First, to improve the external appearance of the structure, enhance its appeal, and more effectively integrate it into the downtown area in order to maximize its contribution to the area. Second, discrete improvements that will enable the facility to generate additional revenues for the Authority and its tenants as well as ties that will enhance the fan experience. Among the improvements that should be contemplated:

- In today's sporting event/concert market, fans expect venues that are inviting, comfortable, and which accommodate their needs. For the MetroCentre to meet these expectations, its public areas need to become more spacious, more attractive and more accommodating. The lobby and concourses need more width and where practical, more height. The entrance to the facility needs to be updated to present an exciting, inviting façade to the downtown. Fans need to be able to buy food, drinks, and merchandise and use restrooms in a timely manner or their experience will not be one they wish to repeat.
- Specific recommendations for the MetroCentre include the development of additional concession areas, if the structure permits, which will allow it to be used by arena and Davis Park patrons alike.
- Any efforts to improve the facility will require the MetroCentre be brought into compliance with the Americans with Disabilities Act. In association with these improvements, additional restrooms should be added.
- The Authority's revenue potential can be increased by offering premium seating options for that segment of today's fans that desire a more comfortable viewing experience. Eight luxury suites and 80 club seats are recommended. These fans will pay a higher ticket price for the use of a club lounge, luxury suite, or for in-seat food and beverage service.
- Another potential revenue stream could be created by adding an event-themed restaurant/lounge, open before, during and after scheduled events (and even on non-event days in conjunction with Davis Park). Addressing functional deficiencies such as the substandard truck loading/marshalling area can improve the profit gained from concert events.

MetroCentre Programming Review and Options

The MetroCentre currently has two sports tenants, the Rockford IceHogs and the Rockford Lightning. Typically, the inherent value in a franchise provides a consistent presence that can be used build the identity of the arena and a vehicle for managing the efficiency of the property through sustained cash flows derived from ticket sales, rental charges, etc. The sports season allows corporate stakeholders access to a venue and an annually repeating season-long activity with multiple dates for entertaining clients, rewarding employees, and maintaining a strong local presence.

The presence of a sports franchise, however, is not the only tenant-based element for a mid-sized venue in market such as Rockford. An additional, and equally important consideration, is the ability of the market/facility to attract and host entertainment events such as concerts, family shows, and special events. Even with

C.H. JOHNSON CONSULTING, INC.

EXPERTS IN CONVENTION, SPORT AND REAL ESTATE CONSULTING

two franchises, the sports calendar will only fill the MetroCentre for 70 to 90 events per year, leaving 50 -100 dates for other activities. In the past, the MetroCentre has been restricted in its ability to attract these events based on the need to host tradeshow and consumer shows such as the RV and Camping Expo. With the potential development of the convention center, these events will move out of the building. Reloading the event calendar will be among the most immediate and significant challenges for CentreEvents. To the extent possible, these dates should be replaced with family shows and concerts, which will draw larger audiences, produce additional revenue, and encourage visitation into the downtown area.

The Rockford IceHogs – currently play in the MetroCentre under a seven year lease with the Authority. The IceHogs are part of the United Hockey League (UHL), which was comprised of ten teams during the 2002-03 season, but will add an eleventh franchise (in Columbus, Ohio) for the 2003-04 season. Attendance and performance in the UHL varies widely among franchises, and more than 20 cities have hosted teams in the last five years. Table 6-2 summarizes the UHL's attendance by franchise for the last years.

Table 6-2

2001-02 UHL Team-by-Team Average Attendance					
Team	1998-'99	1999-2000	2000-'01	2001-'02	2002-'03
Adirondack	-	3,211	2,455	2,952	2,965
Asheville	3,362	3,036	2,604	2,382	-
BC	-	-	2,873	2,938	-
Binghamton	3,073	2,962	-	-	-
Elmira	-	-	3,013	3,869	3,802
Flint	3,037	3,150	2,847	2,964	2,637
Fort Wayne	-	5,641	5,882	6,365	7,221
Kalamazoo	-	-	2,384	2,793	2,213
Knoxville	-	3,002	3,006	2,444	-
Madison	1,896	2,395	-	-	-
Missouri	-	5,906	4,128	3,262	3,565
Mohawk Valley	2,223	3,308	-	-	-
Muskegon	3,638	3,400	3,264	3,036	2,837
New Haven	-	-	2,574	2,070	-
Ohio	-	2,184	-	-	-
Port Huron	2,632	2,594	1,443	1,718	1,991
Quad City	8,418	8,042	7,679	6,628	5,601
Rockford	-	3,880	3,707	3,239	3,667
Saginaw	2,354	-	-	-	-
Thunder Bay	2,176	-	-	-	-
Winston-Salem	1,949	-	-	-	-
Average	3,160	3,765	3,419	3,333	3,650

Source: United Hockey League

While the league has experience considerable movement among franchise locations, the four-year run of the Ice Hogs indicates their relatively stability. Each year since 1998-99, overall league attendance has consistently averaged 3,100 attendees. In each of the last four years, the IceHogs have exceeded the league attendance average. The top drawing franchise in the league plays at the Mark, in Moline (part of the Quad Cities).

Typically, the UHL franchises play in small to mid-sized publicly owned facilities. Table 6-3 summarizes various characteristics of UHL arenas and their markets, for the teams that competed in the 2002-03 season, which is the league's last complete season.

Table 6-3

Summary of UHL Arenas and Markets									
Team	Arena	Built	Capacity	Naming Rights/Yr (\$)	Long-Term Luxury Suites			Club Seats	
					#	Low Price (\$)	High Price (\$)	#	Price (\$)
Adirondack Ice Hawks	Glen Falls Civic Center	1979	4,806	-	-	-	-	-	-
Columbus Stars *	Ohio Expo Center Coliseum	1928	5,676	-	-	-	-	28	na
Elmira Jackals	Coach USA Center	2000	3,974	100,000	-	-	-	-	-
Flint Generals	IMA Sports Arena	1967	4,021	-	-	-	-	-	-
Fort Wayne Komets	Allen County War Memorial Coliseum	1952	8,000	-	-	-	-	-	-
Kalamazoo Wings	Wings Stadium	1974	5,595	-	-	-	-	-	-
Missouri River Otters	Family Arena	1999	10,000	-	44	15,000	30,000	296	\$888
Muskegon Fury	LC Walker Arena	1960	6,396	-	-	-	-	-	-
Port Huron Beacons	McMorran Arena	1962	3,150	-	-	-	-	-	-
Quad City Mallards	Mark of the Quad Cities	1992	9,600	-	15	22,000	28,600	-	-
Rockford Ice Hogs	MetroCentre	1981	7,669	-	-	-	-	120	\$600
Average		1972	6,262	\$100,000	30**	\$18,500	\$29,300	148**	\$744

* The Stars will not begin play until the 2003-04 season.
 ** Average of facilities with such offerings
 Source: Revenues from Sports Venues, Johnson Consulting

As the table shows, many of the facilities in the UHL play in older venues, which has been a competitive disadvantage for the league in terms of promoting corporate identity and sponsorship opportunities. The newest arena, Coach USA Center in Elmira, New York was built in 2000. The average capacity is approximately 6,200. Few of these facilities offer the modern day revenue generators such as luxury suites, club seats, and naming rights. These amenities are critical to the success of the facility as they provide ancillary revenue to the arena and/or franchise owners. Only the Family Arena and the Mark of the Quad Cities offer premium seating opportunities, and the Coach USA Center, is the league franchise with a naming rights contract, at an average annual value of approximately \$100,000.

The Rockford Lightning – are part of the eight team CBA. While the CBA traces its roots to 1956, the recent history of the CBA has been traumatic as the league suspended operations (and ultimately declared bankruptcy) during the 2000-01 season. The suspension of the league left several arenas, including the MetroCentre with numerous dates to fill. The league was revived in time for the 2001-02 season, when rights for eight franchises were purchased out bankruptcy protection.

Table 6-4 displays the CBA’s average attendance for last four seasons.

C.H. JOHNSON CONSULTING, INC.

EXPERTS IN CONVENTION, SPORT AND REAL ESTATE CONSULTING

Table 6-4

CBA Annual Attendance	
1999-2000	2,577
2000-'01 ¹	2,373
2001-'02	2,768
2002-'03	3,304
Average	2,756
¹ Shortened Season	
Source: CBA	

As the table indicates, league-wide attendance over the last four years has averaged approximately 2,700, with an increase to approximately 3,300 fans per game last year. By comparison, the Lighting attracted just 1,916 attendees per game last year during a 31-home game schedule.

Table 6-5 summarizes characteristics of the eight arenas with CBA franchises in 2003-03.

Table 6-5

Summary of CBA Arenas and Markets								
Team	Arena	Built	Capacity	Long-Term Luxury Suites			Club Seats	
				#	Low Price (\$)	High Price (\$)	#	Price (\$)
Dakota Wizards	Bismarck Civic Center Arena	1969	9,000	-	-	-	-	-
Gary Steelheads	Genesis Convention Center Arena	1979	6,900	-	-	-	-	-
Grand Rapids Hoops	Van Andel Arena	1996	11,500	44	25,000	25,000	1,800	858
Great Lakes Storm	Birch Run Expo Center	1997	2,500	-	-	-	-	-
Idaho Stampede	Idaho Centre	1997	7,773	28	6,500	6,500	-	850
Rockford Lightning	MetroCentre	1981	7,669	-	-	-	120	600
Sioux Falls Sky Force	Sioux Falls Arena	1961	6,400	23	7,464	7,464	132	1,000
Yakima Sun Kings	Yakima Sun Dome	1990	5,300	-	-	-	-	-
Average		1984	7,130	32*	\$12,988	\$12,988	684*	\$827

* Average of facilities with such offerings
Source: Revenues From Sports Venues, AudArena Stadium Guide

As the table shows, the average CBA arena was built in 1984 and has a seating capacity of approximately 7,100. While half of the teams are playing in facilities that were built after 1990, only three of eight feature premium or luxury seating options. For these three facilities, the average lease rate is approximately \$13,000 and \$827 per season, respectively.

Despite the increase in attendance for the most recently completed year, the future of the CBA remains uncertain. Given the uncertainty of the league, as well as the poor attendance record of the Lightning, CentreEvents should weigh the costs and benefits of continuing to host the Lightning. The Lightning currently use the arena more than 30 times per year, but they generate fewer attendees and fewer revenues per capita than virtually all other events that use the facility. Moreover, with just over 1,900 attendees per game, the MetroCentre is too large a facility for the Lightning. Based on the financial obligations of operating the arena, there is a significant opportunity cost associated with continuing to serve as the home venue for the Lightning. Not only does their presence restrict the ability of the arena to host more lucrative events that would make a greater contribution to the bottom line, the limited appeal also impacts the number of visitors into the downtown area.

If the decision is made to retain the Lightning as a primary tenant, appropriate protections should be put in place to limit the financial exposure of CentreEvents in the event the CBA or franchise suspends operations.

Additional Programming Options

Despite the performance of the Lightning, Rockford remains a potential expansion market for other sports leagues and franchises based on its combination of appealing demographics and the fact the market does not play host to a college or university with a major sports program. Further, with the development of the Convocation Center at Northern Illinois University, the prospect for potential scheduling conflicts with a college program have been eliminated. Among the leagues that may consider Rockford an appealing option are the National Basketball Development League (NBDL), and the arenafootball2 league (af2) indoor football league.

Founded in 2001, **NBDL** is the official development league of the National Basketball Association. From its inception, the NBDL achieved instant credibility based largely on its association with the NBA, which has provided resources, prestige, marketing prowess, and broadcast contracts to the NBDL. However, during the NBDL's two year existence, the eight teams in that league have averaged less than 2,000 attendees per game over a 50 game season.

Founded in 1987, the 16-team Arena Football League (AFL) currently has seven expansion franchises in the works and recently signed a multi-year broadcast contract with NBC. Unfortunately, the MetroCentre does not meet the size requirements of this league under its current figuration, but the facility would make an excellent site for a franchise from the affiliated af2 league.

C.H. JOHNSON CONSULTING, INC.

EXPERTS IN CONVENTION, SPORT AND REAL ESTATE CONSULTING

Building on the popularity of indoor football, the af2 recently began its third season. Target af2 markets are mid-sized cities and many of the initial franchises are located in the communities in the southeast or midwest with arenas comparable in size to the MetroCentre, and many af2 franchises share arenas with minor league hockey teams. A prototype city that provides similar market conditions to Rockford is Peoria. The Peoria Civic Center’s Carver Arena is a 10,000-plus seat arena that is home to the af2 Peoria Pirates and the ECHL Peoria Rivermen. The Pirates are consistently among the top drawing franchises in the league, attracting more than 5,000 fans per game for the 2002 season. The 18-week af2 season runs from April through August, which provides only minimal conflict with the hockey season. This helps to maintain a consistent base of event demand at an arena throughout the year and avoids scheduling competition between the hockey and football teams.

Table 6-6 shows historical AFL attendance, as well as the three-year history of af2 attendance.

Table 6-6

Historical AFL and af2 Average Attendance				
	AFL		af2	
	Average Attendance	% Change	Average Attendance	% Change
1987	11,279	--		
1988	8,513	-25%		
1989	5,706	-33%		
1990	8,875	56%		
1991	12,813	44%		
1992	12,270	-4%		
1993	11,524	-6%		
1994	10,757	-7%		
1995	12,233	14%		
1996	10,788	-12%		
1997	10,928	1%		
1998	10,586	-3%		
1999	10,047	-5%		
2000	9,846	-2%	7,239	--
2001	9,827	0%	5,342	-26%
2002	9,957	1%	4,994	-7%

Source: Arena Football League

Arena Football attendance, with the exception of 1989, has averaged between 8,500 and 12,800 each year since 1987. By comparison, the af2 has seen attendance fall from 7,200 to approximately 5,000 in its three years. While overall af2 attendance decreased significantly in 2001, this trend is not expected to continue over time, although average attendance may not return to 2000’s level.

General Entertainment Opportunities - Since the early 1980's, there has been an expansion of arena-sized entertainment events. This growth in product has proceeded in tandem with the development of new arenas in mid-sized and suburban markets. Where this segment of the arena demand once consisted primarily of the occasional circus event or the appearance of the Harlem Globetrotters, it now can be broken down by circuit and categorized according to the target audience segment.

Arena-based entertainment events can roughly be categorized as concerts, family shows, and non-franchise sports. Concerts represent everything from touring musical acts to highly-stylized, large-scale theatrical productions to comedy acts. Family shows consist of events such as Disney on Ice, Sesame Street Live, and Bear in the Blue House. Non-franchise sports are professional wrestling, monster-trucks, and emerging sports festivals such as the highly successful "Tony Hawk's Boom Boom Jam," which paired skateboarding, freestyle BMX, and moto-cross in a festival atmosphere.

According to statistics reported by *Amusement Business*, events such as these, in facilities between 5,000 and 10,000-seats can often achieve gross per show revenues in excess \$1 million, which underscores their economic appeal and makes a strong statement about the contribution of the operating environment of a mid-sized venue. In fact, two of the venues in the US that consistently achieve among the highest per seat yields are the Mark in the Quad Cities and Van Andel Arena in Grand Rapids, Michigan, both of which are markets with some similarities to the MetroCentre.

The circuits consist of touring shows which move from one large market arena to another large market arena, making fewer stops, but seeking to place product in environments with the highest yield. An example of this would be a U2 tour, which might move from the United Center in Chicago to the Savvis Center in St. Louis to the Pepsi Center in Denver. In each case, the promoter is seeking to draw an audience from a large geographic area, while the arena owner offers a facility that allows for maximize revenue capture based on merchandising opportunities, suite rental, and corporate sponsorship. While Rockford would not be considered a destination for a show of this magnitude, there are numerous products below the level of U2 that might consider Rockford an option based on its proximity to the Chicago market.

In addition, over the last decade a clear second-tier circuit has that is focused almost entirely on suburban and secondary markets. In this instance, an act such as Disney on Ice may circulate from Rockford to a suburban market in order to be accessible to families and maintain a lower ticket price for their shows. Another example of the

C.H. JOHNSON CONSULTING, INC.

EXPERTS IN CONVENTION, SPORT AND REAL ESTATE CONSULTING

second tier is an act that may make a make a second stop in an area at the backend of a tour, as has been the case with the current Cher "Farewell" tour. A year ago, she was appearing at the United Center in Chicago and other major arenas, and now she is touring to market's such as Rockford and Des Moines. In each case, venue quality, market coverage, and achievable ticket sales are the critical factors.

The ability of the MetroCentre to attract Cher is a positive reinforcement that promoters and performers recognize the potential of the market. However, despite this success, unless the facility is upgraded or replaced, it is unlikely that it can consistently attract these shows based on its limited revenue capacity.

Regional Peer Facilities

In order to establish Rockford's competitive profile, Johnson Consulting reviewed the physical and operating environments of the existing arenas in the state and regional market. Table 6-7 lists these facilities.

Table 6-7

Arena's in Comparable Regional Markets									
Facility	Location	Population	Perm Seats	Population per Arena Seat	Capacity				
					Sporting Event	Center Stage Event	End Stage Event	Luxury Suites	Club Seats
United Center	Chicago, IL	2,900,000	25,000	116.0	17,975	19,000	na	212	3,100
Illinois State University Red Bird Arena	Bloomington-Normal, IL	105,000	11,500	9.1	10,200	na	na	0	0
University of Illinois Assembly Hall	Champaign, IL	67,500	17,200	3.9	17,000	17,600	11,700	0	0
UIC Pavilion	Chicago, IL	2,900,000	10,122	286.5	8,500	10,075	9,136	0	0
NIU Convocation Center	DeKalb, IL	39,000	10,000	3.9	8,700	9,000	8,000	0	0
Iowa Events Center, Wells Fargo Arena ¹	Des Moines, IA	198,700	17,170	11.6	15,585	17,170	16,498	36	600
Five Flags Center Arena ²	Dubuque, IA	57,600	5,200	11.1	5,000	2,400	5,200	0	0
University of Wisconsin Kohl Center	Madison, WI	208,000	17,142	12.1	14,000	17,000	15,000	36	0
Alliant Energy Center, Vet. Mem. Col.	Madison, WI	208,000	9,762	21.3	9,131	9,563	9,662	0	0
The Mark of the Quad Cities	Moline, IL	43,800	12,000	3.7	9,600	10,500	10,000	15	0
Peoria Civic Center Arena	Peoria, IL	113,000	12,150	9.3	9,919	10,000	11,200	0	0
MetroCentre	Rockford, IL	150,000	5,126	29.3	7,669	9,700	7,500	0	0
Allstate Arena	Rosemont, IL	4,200	19,200	0.2	18,500	19,000	16,082	40	0
<i>Median</i>		<i>113,000</i>	<i>12,000</i>	<i>11</i>	<i>9,919</i>	<i>10,288</i>	<i>10,000</i>	<i>-</i>	<i>-</i>

¹ Iowa Events Center scheduled to open in 2004.
² A 1,000-seat expansion is expected to be completed by January 2005.
Source: AudArena Stadium 2002 International Guide, 2002 Revenues From Sports Venues, Johnson Consulting

As the table shows, the regional market is home to a number of arenas, representing a range of quality and sizing options. In relation the competitive set median, Rockford has high proportion of people per seat. This proportion is deemed in balance with the market. This ratio, combined with the adjacent Chicago marketplace population, should make this facility appealing. Among the other observations drawn for the competitive positioning analysis:

- The large-venue niche in the regional market is dominated by the United Center in Chicago. Based on its size, amenities, and location, this arena is positioned to attract the highest profile, most lucrative events.
- The Allstate Arena in Rosemont is a high volume venue that features few amenities, but enjoys an exceptional location that is easily accessible to the affluent western and northern suburban markets. This facility annually hosts more than 175 events, making it one of the busiest arenas in the country. To the extent that Rockford can continue to penetrate the DuPage and Kane Counties markets, it will compete with this facility for family show and concert products. However, based on the relatively short distance between Rosemont and Rockford, promoters will not offer the same product at both venues on the same tour, except in unusual circumstances.
- The mid-sized venue niche is represented by the Quad Cities and Peoria. As indicated earlier, the Mark consistently demonstrates some of the highest yields in the arena industry, based on its combination of amenities, effective rental rates, and relatively isolated geographic location. In the case of the Peoria Civic Center, promoters report that despite the fact that Central Illinois does not offer optimal demographics and facility quality, management at the existing facility works hard to attract events. Based on these factors, promoters are interested in putting products in these two markets. If Rockford can improve its venues, expand its regional appeal, and act aggressively to secure acts, it should emerge as a strong competition in this market-niche.
- There are also a number of university-based facilities such as the Kohl Center in Madison, and NIU Convocation Center in DeKalb. While the mission and operations of these arenas are driven by the sporting activities of the university, they will compete with Rockford for a limited number of concert events. Further, when they choose to compete for product, these facilities can typically draw on student programming and other resources, making it difficult for other public facilities to match the guarantee they can offer to a promoter.

In order to be successful as a venue, the MetroCentre does not have to expand in size, but must modernize its physical plant to incorporate the amenities that fans, promoters, and franchise owners have come to expect as standard. Given the existing physical condition of the MetroCentre, however, the facility Authority has little choice but to address its capital needs or watch the facility useful life expire.

Comparable Facility Performance

In order to evaluate the potential performance of a renovated MetroCentre, Johnson Consulting reviewed the demand calendars of four arenas that have comparable

C.H. JOHNSON CONSULTING, INC.

EXPERTS IN CONVENTION, SPORT AND REAL ESTATE CONSULTING

capacities to those contemplated for Rockford. The facilities are briefly described below.

The Peoria Civic Center Arena, Peoria, Illinois – built at the same time as the MetroCentre, the Peoria Civic Center is a multi-venue facility situated in downtown Peoria. The facility features an arena with a capacity of 12,150 seats that is privately managed by SMG. The other facilities that are part of the Civic Center include the convention center with 64,000 square feet of exhibit space and a 2,200-seat theater. The Civic Center is currently debating a proposed \$73.7 million plan to be completed in two phases. Those plans include an exhibit hall expansion, a 15,000-square-foot ballroom on a new third floor, more meeting room space, 12 luxury arena suites, and a new arena food court among other things.

The Mark of the Quad Cities – is a 7,684-seat arena and meeting facility that opened in 1993. It also includes a conference center component with 31,000 square feet of function space, located under the seating bowl. The Mark, built in 1992 and owned by the Quad Cities Civic Center Authority, is located in Moline, Illinois, part of the Quad Cities metro area. The Quad Cities are situated adjacent to one another along the Mississippi River.

The Family Arena, St. Charles, Missouri – is a secondary arena in a major market, competing directly and indirectly with the Savvis Center in St. Louis. Although it suffers from poor locational qualities and initially poor oversight from its governmental sponsors, it has been able to generate good event and attendance figures. The 10,000-seat Family Arena, located near the banks of the Missouri River in suburban St. Charles opened in October 1999 at a cost of \$35.4 million. St. Charles County publicly financed the majority of the facility. The arena is also supported by a \$300,000 annual subsidy from the City, if it hosts 115 or more annual events. The county owns and operates the arena.

Tullio Arena, Erie, Pennsylvania – is located downtown Erie, and has a capacity of 7,500. The Arena is part of the Erie Civic Center Complex, which also features the 6,000-seat Jerry Uht Ballpark and the 2,500-seat Warner Theater. The complex is owned and managed by the Erie Civic Center Authority. The Erie Civic Center began operation in late 1970s when the Authority took over Warner Theater, which originally opened in 1931. The arena was added to the complex in 1983, and the ballpark opened in 1995. The facilities' initial costs of construction were funded entirely by the Commonwealth of Pennsylvania. Local parties are currently investigating the renovation of Tullio Arena. Among the potential renovation items are premium seating, lounges, better restroom facilities, and improved concession areas.

Table 6-8 shows the demand characteristics for each of the facilities listed above.

Table 6-8

Comparison of Arena Performance						
	The Family Arena - St. Charles, MO	The Mark of the Quad Cities	Peoria Civic Center Arena - Peoria, IL	Tullio Arena - Erie, PA	MetroCentre - Rockford, IL	Average
Total Capacity	10,100	12,000	12,150	7,500	10,000	10,350
Events						
Convention/Trade Shows	0	12	2	10	11	7
Meetings	0	3	0	0	4	1
Concerts	25	23	12	9	6	15
Family Events	15	26	7	4	5	11
Sporting Events	50	86	74	66	70	69
Other	40	30	0	9	23	20
Total Events	130	180	95	98	119	124
Attendance						
Convention/Trade Shows	-	5,276	12,470	70,138	63,169	37,763
Meetings	-	36,170	-	-	12,854	24,512
Concerts	99,633	143,984	43,923	24,499	22,971	67,002
Family Events	45,322	86,420	57,094	19,998	15,647	44,896
Sporting Events	193,741	481,287	403,361	153,375	183,602	283,073
Other	124,331	11,094	-	18,128	64,910	54,616
Total Attendance	463,027	764,231	516,848	286,138	363,153	478,679
Average Attendance						
Convention/Trade Shows	-	440	6,235	7,014	5,743	4,858
Meetings	-	12,057	-	-	3,214	7,635
Concerts	3,985	6,260	3,660	2,722	3,829	4,091
Family Events	3,021	3,324	8,156	5,000	3,129	4,526
Sporting Events	3,875	5,596	5,451	2,324	2,623	3,974
Other	3,108	370	-	2,014	2,822	2,079

Source: Respective facilities, Johnson Consulting

As the table shows, each of the facilities perform well in certain market segments, based on the strength of the facility's offering in terms of capacity and quality programming. In comparison to this set, the MetroCentre is hosting an equivalent volume of events, but is attracting far fewer attendees overall attendees in certain categories. The performance of these facilities offers the following implications for demand in Rockford:

- The Mark shows that facilities can overcome market limitations if they are appropriately positioned and showcase products that are appropriate for their market.
- The Family Arena in St. Charles illustrates that a less than ideal product can be successful by using a varied programming strategy that effectively leverages its market demographics to attract sporting activities, family shows, and concerts.
- Tullio Arena provides an excellent example of a facility that recognizes that it has been effective in cultivating an audience, but can not get the next level

of performance, let alone provide a substantive impact to its community without improving its quality and amenities.

Demand Projections for the MetroCentre

In FY 2001-02 (the base year), the MetroCentre hosted 122 events, generating 366,300 attendees. The events included 11 trade shows and consumer shows, four conferences and meetings, 11 concerts and entertainment events, 77 sporting events, and 19 other events. Upon the arena improvements and the opening of the convention center, it is recommended that all trade shows, consumer shows, conferences, and meeting events be hosted in the new convention center. Instead, the Arena should host more concerts, entertainment events, and family shows.

Table 6-9 compares the historical and projected event demand and attendance (in stabilized year after arena improvements).

Table 6-9

MetroCentre		
Historical and Projected Event Demand and Attendance		
	FY 01-02 (7/01-5/02)	Stabilized Year After Improvements
Number of Events		
Trade Shows/ Consumer Shows	11	0
Conferences and Meetings	4	0
Concerts	4	10
Entertainment Events	2	12
Family Shows	5	8
Sporting Events	77	75
Other Events	19	20
Total	122	125
Attendance		
Trade Shows/ Consumer Shows	63,169	0
Conferences and Meetings	12,854	0
Concerts	12,927	37,000
Entertainment Events	10,044	69,600
Family Shows	15,647	28,800
Sporting Events	226,964	255,000
Other Events	24,667	26,000
Total	366,272	416,400

Source: CentreEvents, Johnson Consulting

As shown in the above table, in its stabilized year after improvements, MetroCentre is projected to host 125 events. There will be few if any trade shows, consumer shows, conferences, and meetings – they will be accommodated in the convention center. Most of the demand increase is projected in show categories: 10 concerts, 12 entertainment events (such as professional wrestling, Tough Man competitions, monster trucks), and eight family shows (such as Disney On Ice, Sesame Street Live, and the Ringling Bros. Circus, and special events such as figure skating tours). Sporting event demand is projected to be at approximately the same level – there will be more hockey events and high school sporting events, but is possible that some of the basketball events will be lost if the Lightning do not survive. Other events are also projected to be at the same level.

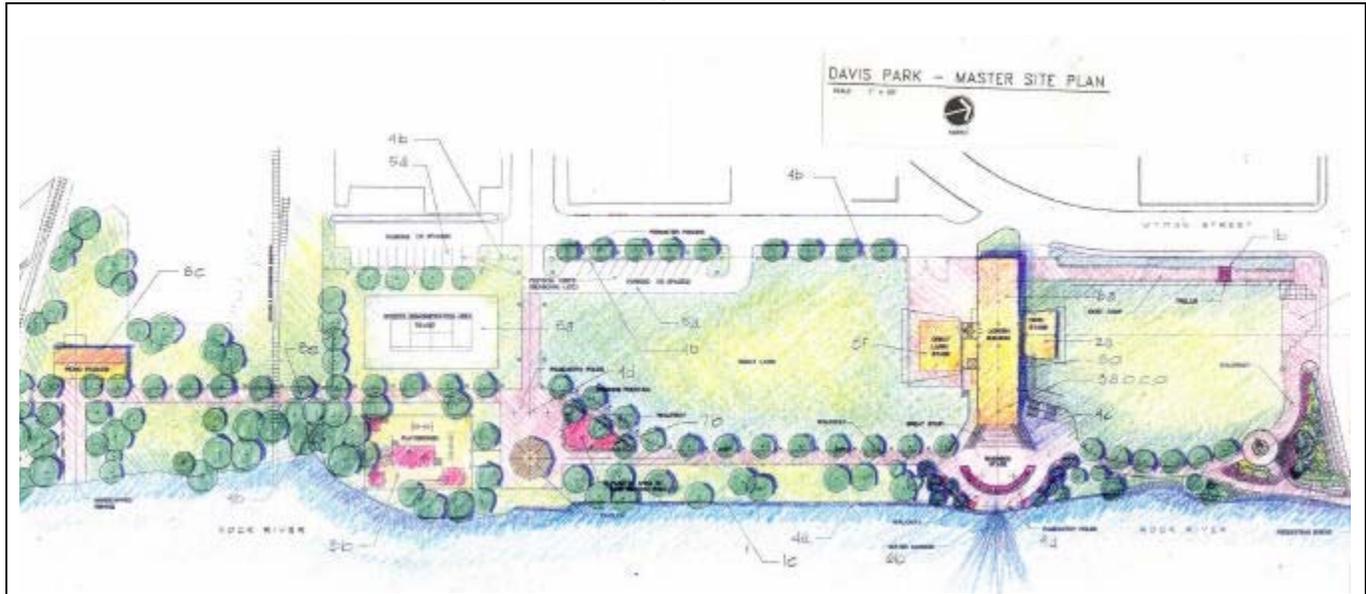
With the improved quality, it is expected that the average attendance will increase by 12 percent upon the arena improvements (except for “other” events). As a result, total attendance is projected to be 416,400 people.

Davis Park Review and Options

Davis Park at Founders Landing occupies approximately seven acres on the western bank of the Rock River in downtown Rockford. Development of the site began in 1991 with an initial \$1 million gift from the Davis family, a \$1.6 million investment from the City of Rockford, with the balance of the \$6.9 million project costs coming from the Rockford Park District, State of Illinois Tourism and Transportation Departments, and various Rockford area foundations and corporations.

The initial plan called for six permanent performing areas, indoor restrooms, storage, exhibition facilities, and a great lawn for 10,000 spectators. Figure 6-1 shows the initial renderings for Davis Park.

Figure 6-1



As the image conveys, the original concept shows a single permanent structure in the middle of the park, surrounded by well conceived spaces and a dramatic, recreation focused river front. While the two lawn areas of Davis Park have been realized, they exist in scaled down form and are not supported by the amenities required to make the area appealing. In addition, as there are no permanent performing areas, very limited storage, and no restrooms, the area is not heavily used, except for festivals. The building in the middle of Davis Park is known as the Landing. While incremental investment has added some infrastructure to this former industrial property, the Landing was limited in capacity from the onset by its forbidding form and awkward location.

To increase the utilization of Davis Park, a second improvement program was developed in 1996. This project called for a permanent staging area on both the north and south sides, a staging area inside the Landing, a Great Steps staging area on the east side of the Landing, a children's recreation area, amenities for events such as a kitchen and restroom facilities, and other improvements. Due to funding limitations and other hurdles, the majority of this project was never executed. As a result, Davis Park has several physical and operational issues that limit its appeal as performance venue, including the following:

- The site has no permanent event infrastructure. This has a major negative impact on events and operating costs, as each event requires rented equipment, extensive labor and production commitments, and multi-day set up and tear down.

- High event costs effectively inhibit use for anything but festivals or multi-performer events that for amortization of costs across acts, or for high priced shows.
- Due to the absence amenities such as restrooms and concession areas, the venue has limited appeal for promoters, who lament the lack of revenue opportunities, and attendees, who desire a comfortable venue if they are going to repeatedly pay for high profile acts.
- The expansive site makes site control very difficult. This in turn makes it hard to manage everything from security to ticket tickets to tracking attendance, and
- The Authority is facing future liabilities and capital cost need by maintaining the Lorden Building. Currently, deteriorate the upper floors are not in use, and maintenance is neglected. As a result, roof leaks and pigeon infestation are emerging issues.

Regional Peer Facilities

In order to evaluate the types and volume of amenities that should be contemplated for Davis Park, Johnson Consulting reviewed the inventory existing amphitheaters in the regional market.

Table 6-10 provides an inventory of the regional amphitheaters.

Table 6-10

Regional Amphitheaters				
Facility	Location	Population	Fixed Seating	Total Capacity
Alpine Valley Music Theatre	East Troy, WI	3,625	7,500	40,000
Tweeter Center	Tinley Park, IL	48,401	10,000	28,000
Ravinia Festival Park - Pavilion	Highland Park, IL	31,365	3,500	20,000
Verizon Wireless Music Center	Noblesville, IN	28,590	6,200	18,000
Starlight Theater, Rock Valley College ¹	Rockford, IL	150,000	1,110	1,600
Skyline Stage - Navy Pier	Chicago, IL	2,900,000	1,500	1,500
Median		39,883	4,850	19,000

¹ In the process of a 3 phase \$8 million renovation to be completed in June 2003.
 Source: AudArena Stadium 2002 International Guide, Johnson Consulting

As the table shows, the existing inventory of facilities in the region range in size from 1,100 to 10,000 permanent seats. With the inclusion of lawn seating, some of these venue can accommodate up to 40,000 attendees. As a result of the large population base in the Chicago-Milwaukee market, the area has several larger

C.H. JOHNSON CONSULTING, INC.

EXPERTS IN CONVENTION, SPORT AND REAL ESTATE CONSULTING

venues such as Alpine Valley, Tweeter Center, and Verizon Wireless Music Center. In contrast to the arena concert market, in the amphitheater and festival grounds market, facility users are accustomed to driving up to 90 miles for events, which are often more festival-like and may be multi-day.

Within the competitive set, there are no facilities with permanent seating between 4,000 and 6,000, which indicates the opportunity for the development of a facility in this range of the market. However, in order to attract the higher-end events, and compete with other regional venues, Davis Park will need to provide a permanent seating structure that is located within the concert shell. The more formal amphitheater style will position Rockford to capture better revenue producing events and generate more attendees from outside the local market.

Many of the facilities in the table are not direct competitors of Davis Park, as their size orients them towards different types of events or distance orients them to different markets. The premier facility in the regional market is Ravinia, which is the summer home of the Chicago Symphony Orchestra, and also approximately 50 concerts and performances each summer, including pop artists, blues, jazz, and ballet. Alpine Valley, Tweeter Center, and Verizon Wireless Music Center primarily host top touring concerts and popular music events.

The Starlight Theatre usually hosts performing arts, cultural events, and some symphony concerts. As stated in the market analysis section of this report, Rock Valley College is in the midst of finishing a three-phase, \$8 million renovation project that updated the Starlight Theatre. The project is adding 500 seats, a 150-foot proscenium stage house, and a hexagonal dome roof. Rock Valley also has a "Great Lawn" area that is bermed and well landscaped and located directly west of the Starlight. The total 'campus' area can hold approximately 4,500 people and will host a variety of outdoor concerts.

Although not listed in the table, Milwaukee, Wisconsin annually hosts Summerfest, one of the largest music festivals in the Midwest. The 11-day event, held at Henry Maier Festival Park, has drawn more than one million people in each of the last two years. The festival boasts 13 stages and attracts talent from across the music spectrum. The Marcus Amphitheater is the largest venue on the grounds with a capacity of 18,000 and hosts top-tier music concerts every year during the festival. Tickets must be purchased separately for concerts at the Marcus Amphitheater. However, concerts at all other venues in the festival grounds are included with the price of an admission ticket.

Davis Park has the opportunity to utilize the regional market by marketing towards the musical acts that already play at Ravinia and the Summerfest grounds. Rockford fits naturally into the routing scheme of any touring act that performs at either one

of these venues. However, in order to strategically position the venue to attract these acts, Rockford must modernize the infrastructure at Davis Park so that it lends itself to the appropriate events program.

Comparable Facility Performance

In order to evaluate the demand potential for Davis Park, Johnson Consulting reviewed the operating characteristics of several amphitheaters in urban, suburban, and secondary markets around the country. The facilities included in this analysis appear in Table 6-11.

Table 6-11

Amphitheater's in Comparable National Markets				
Facility	Location	Population	Fixed Seating	Total Capacity
Riverbend Music Center	Cincinnati, OH	331,000	5,600	20,000
Merriweather Post Pavilion	Columbia, MD	88,000	5,042	17,500
Fiddler's Green Amphitheatre	Englewood, CO	32,000	6,823	17,000
Red Rocks Amphitheater	Denver, CO	555,000	9,450	9,450
Scene Pavilion	Cleveland, OH	477,000	4,838	5,584
Median		331,000	5,600	17,000

Source: AudArena Stadium 2002 International Guide, Johnson Consulting

As the table shows, these facilities feature a median fixed seating capacity of 5,600, with total capacity ranging from approximately 5,600 to 20,000. Most of these venues have been successful based on their location, however the infrastructure is also an important element in the revenue potential. Rockford has similar potential, but needs to actively upgrade the facilities provided at Davis Park in order to lure better events, which will generate higher revenues.

In addition, these facilities draw more event demand than the Davis Park. Table 6-12 shows that demand.

Table 6-12

Event Demand - National Amphitheaters			
Facility	Location	# of Events	Total Attendance
Merriweather Post Pavilion	Columbia, MD	30	600,000
Riverbend Music Center	Cincinnati, OH	25	426,000
Fiddler's Green Amphitheatre	Englewood, CO	25	425,000
Red Rocks Amphitheater	Denver, CO	42	350,000
Scene Pavilion	Cleveland, OH	28	77,309
Average		30	375,662

Source: AudArena Stadium 2002 International Guide, Johnson Consulting

As the table shows, the comparable facilities host an average of 30 events annually and draw an approximate attendance of 375,700. In comparison, Davis Park currently hosts approximately six events per year and generates the majority of its demand from locally run festivals that generate minimal revenue. Similar to Davis Park, most of these venues are not open year-round, with their season being during summer months.

The comparable facility information shows how these communities located outside of major metropolitan areas have effectively managed their facilities in order to maximize their event days and produce large attendance figures. As the success of amphitheaters in East Troy, Highland Park, Tinley Park, and others indicate, with quality programming and the proper infrastructure, a facility can generate event demand that will enhance the quality of life in a region and bring vitality and distinction to the market. Rockford, like these markets, has the potential, but now needs to structurally enhance Davis Park and create a quality program schedule.

Based on consideration and analysis of the factors required to support a better performing Davis Park, the Consulting Team recommends the following improvements as detailed in Table 6-13.

Table 6-13

Davis Park Redevelopment					
Existing Davis Park			Davis Park Upgrade		
Area	Capacity	Area	Capacity		
North End		Amphitheater			
Village Green	2,000	Permanent Seats	4,000	-	5,000
South End		Lawn Seating	5,000	-	6,000
Great Lawn	10,000				
The Building	384	Total			11,000
Total	12,384				
		Required Land			5 to 7 acres

Source: HOK S+V+E, Conventional Wisdom, Johnson Consulting

As the table shows, the Consulting Team recommends decreasing the total capacity of Davis Park, but adding enhanced revenue producing items such as permanent seats. The redevelopment program calls for the removal of “the Landing” building located in the middle of the Park. This will create a connection between the areas and facilitate the free-flow of pedestrian traffic throughout the grounds. The program also calls for the creation of 4,000 to 5,000 permanent amphitheater seats. The permanent structures will help generate higher ticket prices for the venue and enhance the overall event experience.

Comparable Facility Performance

In order to evaluate the potential performance of a renovated Davis Park, Johnson Consulting reviewed the demand calendars of four facilities that have comparable sizes to those contemplated for Rockford. The four facilities are briefly described below.

Mud Island Amphitheater, Memphis, Tennessee – is owned by the City of Memphis and features 5,000 seats rising up the bank of the Island from a stage set near the Mississippi River. The venue is situated in Mud Island River Park, which features a scale-model flowing replica of the Mississippi River complete with topographical details of cities, sandbars, and river system tributaries. Also located within the Park are the River Museum, River Terrace Restaurant, and a tram and pedestrian walkway to Mud Island.

Scene Pavilion, Cleveland, Ohio – opened in 1987, the Scene Pavilion is located in the Flats Entertainment District on the Cuyahoga River, which draws approximately 2.5 million visitors per year. The facility recently underwent a \$4.6 million renovation and also added the House of Blues as the exclusive promoter and manager. The

renovation of the facility included a dramatic tensile style cover, box suites, permanent rest rooms, and additional concession stands in addition to increasing its capacity to 5,000 seats.

Table 6-14 shows the demand characteristics for each of the amphitheaters listed above.

Table 6-14

Comparison of Amphitheater Performance			
	Mud Island Amphitheatre - Memphis, TN	Scene Pavilion - Cleveland, OH	Average
Total Capacity	5,100	4,834	4,967
Total Events	10	28	19
Total Attendance	25,634	77,309	51,472
Average Attendance	2,563	2,761	2,662

Source: Respective facilities, Johnson Consulting

As the table shows, the volume of events varies markedly by facility, but the private facility (Scene) is far more aggressive in its programming than the public facility (Mud Island). Nonetheless, each venue has developed a strong identity in their marketplace, and, if properly programmed, there is no reason to believe Davis Park would not evolve to the same level.

Demand Projections for Davis Park

In FY 2001-02, Davis Park hosted six events (concerts and festivals), generating approximately 200,000 attendees. However, as attendance was not strictly tracked, this figures are rough estimates. Through the execution of the masterplan, however, the event volume is expected to increase markedly, as attendance will be more accurately tracked. Table 6-15 compares the historical and projected event demand.

Table 6-15

Davis Park		
Historical and Projected Event Demand and Attendance		
	FY 01-02 (7/01-5/02)	Stabilized Year After Improvements
Number of Events		
Festivals*	6	1
Concerts	-	10
Other Events	0	6
Total	6	17
Attendance		
Festivals*	200,000	233,300
Concerts	-	65,000
Other Events	-	19,800
Total	200,000	318,100
<i>*Festival and Concert are attendance are currently aggregated</i>		
<i>Source: CentreEvents, Johnson Consulting</i>		

As shown in the above table, in its stabilized year after the facility improvements, Davis Park is expected to host one major festivals (On the Waterfront), ten concerts, and up to six other events (smaller festivals, a farmers markets, artisans fairs, etc). Average attendance for festivals is expected to increase by slightly less than 15 percent, while concerts are expected to average approximately 6,500 attendees, with other events attracting 50 percent of concert attendance. As a result, is anticipated that Davis Park will generate approximately 318,000 attendees. Under this scenario, it is presumed that CentreEvents would operate the facility for concerts, but festivals and events such as artisans’ fairs would be operated by other groups.

Coronado Theatre Options

In contrast to the MetroCentre, the issues facing the Coronado Theatre are not physical, but are operational instead. While the renovation of the facility was well conceived and executed, the process associated with that effort benefited from a shared set of ideals about the physical potential of the facility. Unfortunately, the business plan for the theater did not receive the same care and attention. However, with minor improvements to the business model and investment in additional programming (and marketing) the potential for the Coronado remains exceptional.

In FY 2001-02, Coronado Theater hosted 16 events, including 25 performances, eight concerts, 33 resident company performances, 22 resident company rehearsals, 16 not-for-profit events, and two other events. As indicated earlier, the primary need

C.H. JOHNSON CONSULTING, INC.

EXPERTS IN CONVENTION, SPORT AND REAL ESTATE CONSULTING

for the Coronado is to increase the volume of revenue generating events. In order to do so, rehearsal dates in the theater must be restricted.

As a strategy for increasing the volume of events, the Coronado should invest in the development of three programming series. Each series would be targeted to different market segments and rely on a combination of high and low cost products/talent to create a balanced scheduled. The use of the higher profile, higher cost acts should drive subscription sales and ensure a steady level of demand for the lower cost events. In addition, the pre-sales aspect of the subscription series will allow for more stable cash flows which can, in turn, help to mitigate the costs of future subscriptions series. For the first series under this approach, CentreEvents should also derive its potential ticket price based on the effective ticket costs (e.g. product costs should be spread across all performances) to create the opportunity to market the entire series at a price point that is appropriate for the local market.

Table 6-16 illustrates the cash flow and potential of adopting a volume based pricing structure.

Table 6-16

Coronado Theatre Subscription Series Targets					
Performance Series	Number of Series	Subscription Price	Price per Ticket	Number of Subscribers	Gross Season Ticket Revenue
Broadway/ Theater	8	\$175	\$21.90	5,000	\$875,000
Comedy	8	\$140	\$17.50	2,500	\$350,000
General Interest	8	\$125	\$15.60	2,500	\$312,500
					\$1,537,500

Source: Johnson Consulting

As shown in the table, if CentreEvents adopts a structure that relies on a volume based approach, the potential cash flows from the three series are in excess of \$1.5 million, but effective ticket prices never exceed \$21.90. Through the employment of this model, the Coronado would generate 24 events, without even factoring in community-based productions such as the symphony.

Table 6-17 compares the historical and projected event demand and attendance.

Table 6-17

Coronado Theatre		
Historical and Projected Event Demand and Attendance		
	FY 01-02 (7/01-5/02)	Stabilized Year After Improvements
Number of Events		
Performances	25	36
Concerts	8	12
Resident Company Performances	33	35
Resident Company Rehearsals	22	8
Not-For-Profit	16	20
Other Events	2	5
Total	106	116
Attendance		
Performances	56,163	72,000
Concerts	18,877	24,000
Resident Company Performances	42,830	52,500
Resident Company Rehearsals	2,865	800
Not-For-Profit	13,400	20,000
Other Events	303	1,000
Total	134,438	170,300
<i>Source: CentreEvents, Johnson Consulting</i>		

As the table shows, the Consulting Team has strong expectations regarding the future of the Coronado. The initial need is to develop programs that generate revenues and attendance. As the reputation of the Coronado is established in the promotions community, civic-use and local productions can be used to balance the schedule. As the facility's operations stabilize, it is anticipated the theatre will host approximately 116 events on annual basis. While this not represent a dramatic increase in event totals, the major distinction in the rests in the number of actual productions that will be presented in the theater, as opposed to the current calendar which relies larger on special events, receptions, and rehearsals.

VII. CONVENTION CENTER DEVELOPMENT: OPPORTUNITY AND OPTIONS

CONVENTION CENTER DEVELOPMENT: OPPORTUNITY AND OPTIONS

Over the last three decades, there has been a trend in communities throughout the country to develop dedicated use facilities for conventions and meeting activity. This trend represents a marked departure from the public assembly facility design strategies of the 1970's and early 1980's, when communities built one facility that was, at a conceptual level, capable of hosting multiple event types. In attempting to serve many audiences, however, these facilities typically did not serve any of them particularly well. The multi-purpose facilities were often poorly configured, inefficient to operate, and lacking in key amenities required to support growth or changes in industries as distinct as tradeshow and minor league hockey. The MetroCentre is typical of this vintage and has evolved as the only venue to fill the City's exhibition space need, though poorly designed to meet this demand.

For two decades, it has served as the only major events facility in the region with the physical capacity to host a boat show and an arena sized concert. The inefficiency in its operations, however, confirms that it does not serve either audience particularly well. As indicated in previous sections of this report, the impact of not having a dedicated exhibition facility in Rockford is that events are bypassing the area in favor of communities that have invested in dedicated facilities. This fact deprives the Rockford area of substantial economic activity, ranging from the loss of hotel room nights and visitor spending to the loss of six to ten major concerts or shows per year based on date conflicts in the MetroCentre.

In order to provide an understanding of the activities and factors that are shaping the future of the convention, tradeshow, and consumer show markets, the balance of this section provides an overview of the exhibition industry, evaluates the market opportunity for the introduction of a dedicated exhibition/convention center facility in Rockford, analyzes the potential to retrofit the Ingersoll Building to serve this purpose, and identifies the development and event potential for a well conceived and located facility within the market.

Industry Overview

Conventions, exhibitions, trade shows, and consumer shows are utilized for the purposes of exchanging information, conducting business transactions, and for educational, cultural, and social enrichment. The economics associated with staging these events provide considerable impact to the host locations through increased visitation, restaurant and retail sales, employment, and higher occupancy in local hotels, among other factors. Despite the recent uncertainty in the US economy, the

C.H. JOHNSON CONSULTING, INC.

EXPERTS IN CONVENTION, SPORT AND REAL ESTATE CONSULTING

meetings industry has remained fairly strong, and new and expanded facilities continue to be planned.

Despite the relative uncertainty in the global economy based on war in the Middle East and Severe Acute Respiratory Syndrome (SARS), these events are not anticipated to discourage the long-term fundamentals of the convention industry in the United States. Subsequent to periods of similar uncertainty in the past (including the 1991 Gulf War), the industry continued to develop and refine itself.

Table 7-1 shows the growth in exhibition events, attendance, exhibitors, and net square feet used since 1990.

Table 7-1

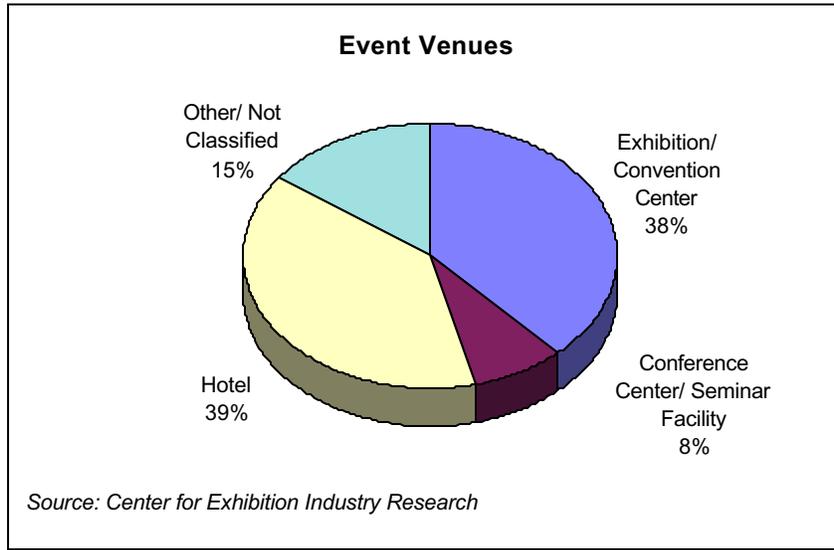
Cumulative Exhibition Growth				
Year	Exhibition Events	Attendees (millions)	Exhibiting Companies (millions)	Net Square Feet Used (millions)
1990	3,738	75	1.10	330
1991	3,887	71	1.20	331
1992	4,066	77	1.20	366
1993	4,172	73	1.20	387
1994	4,316	85	1.30	400
1995	4,380	116	1.30	448
1996	4,400	101	1.25	448
1997	4,336	110	1.26	445
1998	4,291	110	1.40	438
1999	4,503	102	1.51	514
2000*	4,781	112	1.50	550
Annual Average Growth	1.8%	5.9%	3.2%	3.7%

**Estimated by CEIR based on a partial year projection*
Source: Center for Exhibition Industry Research

As the table shows, the number of exhibition events, exhibitors, and net square feet increased markedly between 1990 and 2000, as did attendee growth. As national and international economic growth rates slowed toward the end of the decade, the growth rate in all sectors of the convention industry leveled off, but still maintained an upward pace. While larger economic conditions will continue to impact the convention industries, there will remain an ongoing demand because manufacturers and other exhibitors typically view conventions and tradeshow as a cost effective marketing tool for highly targeted audiences.

Figure 7-1 shows the distributions of event venues in 2000. A total of 77 percent of events were held in exhibition or convention centers and hotels, while another eight percent were held in conference centers or seminar facilities.

Figure 7-1



Demand for meeting and exhibition space allowed many communities in the United States to develop dedicated convention and trade show facilities during the 1970's and 1980's. Public sector involvement in these developments was motivated primarily by the desire to capture the economic benefits of the events they accommodate in their communities. In the 1990's, major metropolitan areas increased their supply of exhibit and meeting space primarily through expansions, retrofits, and additions of meeting space at existing facilities. From 1990 through 1999, the supply of meeting space at convention centers and hotels in the U.S. increased from 45.1 million square feet of exhibit space to 55.7 million. Table 7-2 summarizes this data.

Table 7-2

Growth of Available U.S. Exhibition Space			
Year	Convention Center Space (millions of SF)	Hotel Space (millions of SF)	Total Space (millions of SF)
1990	40.4	4.7	45.1
1991	42.7	5.1	47.8
1992	43.4	5.3	48.7
1993	45.4	5.3	50.7
1994	48.0	5.4	53.4
1995	50.0	5.7	55.7
1996	49.1	6.5	55.6
1997	50.8	5.4	56.2
1998	50.8	5.7	56.5
1999	50.4	5.3	55.7
Annual Average Growth	2.5%	1.7%	2.4%

Source: *Tradeshaw Week's Major Exhibit Hall Directory*

Although the total amount of exhibit space has remained relatively stable since 1995, the average growth rate from 1990 through 1999 was 2.4 percent. In addition to the growth in the last decade, projections estimate that communities will add over 17 million square feet of meeting and exhibit space in the upcoming years.

Regional Analysis

Table 7-3 displays data on exhibit space and the number of events held in the United States, by region. This comparison demonstrates whether a region provides the amount of exhibit space that is proportionate to the number of events it hosts. For the purpose of this analysis the states considered part of the Great Lakes region are Ohio, Indiana, Michigan, Illinois, and Wisconsin. The analysis of market penetration by region shows that the Great Lakes is home to a share of exhibit space that is proportionate to the number of events held in the region.

Table 7-3

Regional Comparisons: Percent Share of Total		
Region	Gross Exhibit Space ¹	Trade Show Events ²
Southeast	24.4%	22.3%
Far West	22.4%	19.3%
Great Lakes³	16.5%	16.4%
Mid Atlantic	12.4%	17.3%
Southwest	11.6%	10.1%
Plains	6.4%	6.7%
New England	3.0%	5.3%
Rocky Mountain	3.4%	2.7%

¹ Source: Exhibit Hall Directory
² Source: Trade Show Week Data Book
³ Including Illinois, Indiana, Michigan, Ohio, and Wisconsin.

Although the specific figures reflect exhibit space and events from 1996, the current mix between U.S. regions is considered to have remained stable. However, based on the presence of a strong manufacturing sector, the Great Lakes region is underperforming in the trade and consumer show market as the region largely fails to capitalize on its home region industries. In a manufacturing intense region such as Northern Illinois, this is an important factor as the need to attract buyers and sellers that support core industries helps to rationalize the development of a convention center facility.

Types of Meetings and Facility Needs

The meeting industry includes a variety of meeting types, ranging from large trade and exhibition events to corporate meetings and conferences to consumer shows that display new home products. As the table above indicates, the Great Lakes region has a number of existing facilities, which underscores the need of a market such as Rockford to identify a potential niche and then develop a competitive product with which to compete. Each type of event has unique facility needs, with some requiring large amounts of contiguous space and others requiring many smaller meeting rooms. As they currently exist, local products such as the MetroCentre or the Clock Tower Resort do not have the capacity or flexibility to meet the needs of many of these events.

Often a single meeting will use many different types of space, including exhibit halls, banquet facilities, and breakout meeting rooms. Well-designed convention facilities offer the proportions of different types of space that are appropriate for their market. In addition, they offer the flexibility to host multiple events at one time. For instance, the banquet hall may be in use for a wedding while an exhibition hall is hosting a boat show.

Table 7-4 summarizes the key attributes of various types of meetings, and shows the existing capacity to meet these needs in the Rockford metro area.

Table 7-4

Meeting Types and Related Facility Requirements					
Meeting Type	Attendance Range	Primary Purpose	Major Facility Requirement	Typical Facility Used	Rockford's Current Capacity to Host
Corporate & Other Meetings	Less than 100	Training and information exchange	Meeting space (minimal)	Hotels; Conference Centers; Convention Center Meeting Rooms	Average
Conferences	50 to 2,000	Information exchange	Meeting space and banquet space	Hotels; Conference Centers; Convention Center Meeting Rooms	Below Average
Conventions	500 to 5,000	Information exchange	Meeting space and banquet space	Hotels; Conference Centers; Convention Centers	Poor
Conventions with Exhibits	2,000 to 20,000	Information exchange and sales	Exhibition, breakout meeting space, and banquet space	Convention Centers	None
Tradeshows	2,000 to 50,000	Sales	Exhibition and breakout meeting space for some events	Convention Centers; Trademarts; Fairgrounds	None
Consumer Shows	10,000 to 150,000	Advertising and sales	Exhibition Space	Convention Centers; Trademarts; Fairgrounds	Below Average
Combination Shows*	10,000 to 150,000	Advertising and sales	Exhibition Space	Convention Centers; Trademarts; Fairgrounds	Below Average
Assemblies	5,000 to 50,000	Information exchange	Stage, seating, breakout meeting rooms	Convention Centers; Arenas; Stadiums; Fairgrounds	Below Average

**A tradeshow with private access is followed by a consumer show with public access.
Source: Johnson Consulting*

As the table shows, Rockford is poorly positioned in virtually every category of use. While facilities such as Cliffbreakers and the Clock Tower provide some capacity, there is not an appropriately designed facility in the entire Northern Tier of Illinois with the capacity to host medium-sized tradeshows or consumer shows, outside of the MetroCentre. Further, Rockford also has a very limited ability to host large assemblies such as military reunions or religious festivals. This issue is already impacting the efforts of the RACVB to attract and stage multi-day sports festivals, as there are limited options for awards ceremonies and banquets.

The various types of meeting events are described below:

Conventions/Trade Shows – Associations, professional groups, and other membership organizations hold conventions and trade shows, with attendance ranging from 300 to 50,000 attendees. The larger of these meetings take place in convention centers with exhibit halls of 100,000 square feet, but as the Center for Exhibition Industry Research (CEIR) data has indicated, the average event uses 25,000 square feet. Conventions and trade shows may feature a single meeting, but they usually offer a number of concurrent meetings and exhibitions. Facility needs requirements for these events include assembly space for general sessions and displays, banquet facilities, and numerous breakout-meeting rooms. Sixty-seven percent of all trade shows use exhibit space as a means to communicate ideas and to display products. Conventions/trade shows typically attract a large number of attendees, who originate from outside the host city but tend to have a shorter average stay than convention attendees. Meeting programming is increasing as trade show exhibitors attempt to educate buyers about products.

If Rockford had a suitable event venue, the convention and tradeshow market has potential in Winnebago County and the balance of the metro area. The closest facilities are the Stephens Center in Rosemont and Pheasant Run in St. Charles, both of which are focused on different markets than a prospective facility in Rockford. In addition, Schaumburg has initiated development of an integrated convention center, hotel, and performing arts complex. The convention center, which should be completed in mid-2005, will initially feature 200,000 of square feet of exhibit space and is expected to feature Class A space that will target high end conventions and tradeshow, which is a substantially different market than what is contemplated for Rockford.

Table 7-5 displays the most frequent event categories for conventions with exhibits and trade shows.

Table 7-5

Top Event Categories- Conventions with Exhibits and Tradeshows	
Aerospace & Aviation	Home & Garden Furnishings & Supplies
Agriculture & Farming	Libraries
Apparel & Fashion	Manufacturing & Industrial
Art & Architecture	Medical & Health Care
Associations	Military
Building & Construction	Ocean Supplies & Equipment
Business & Finance	Police & Fire Fighters
Chemicals	Printing & Graphics
Communications	Radio, TV & Cable
Computers & Computer Applications	Religious
Education	Safety & Security
Electrical & Electronics	Sanitation & Waste Management
Energy & Mining	Science
Facilities, Engineering & Maintenance	Stores & Store Fittings
Food & Beverage	Textiles
Forest Products	Transportation
Funeral Industry	Travel Industry
Government	Veterinary

Source: Tradeshows Week Data Book

As the table shows, many of the event categories that use exhibition facilities have a strong presence in the Rockford area economy, including aerospace, agriculture, and transportation.

Consumer Shows - Consumer shows are public, ticketed events featuring exhibitions of merchandise for sale or display. Consumer shows provide a means of product distribution and advertising. Some, such as auto and boat shows, have a recreational and entertainment function as well. Consumer shows range in size from small local and specialized shows with a few hundred attendees to large shows with many thousands of attendees. The larger consumer shows may occur in convention centers, shopping malls, fairgrounds, and other public-assembly facilities with large exhibition areas. The majority of attendees are local, but exhibitors often come from out of town. Site selection considerations for consumer shows are the size and income of the local population, availability of facilities, and the number of competitive shows in the market. With no competing venue in the market, the MetroCentre has hosted several consumer shows in recent years and, according to event promoters, the Rockford market could support additional activity in this industry segment. However, the need to use the concourses of the MetroCentre for spillover space limits the attractiveness and functionality of the facility. Table 7-6 displays a summary of the most prevalent types of consumer shows.

Table 7-6

Top Event Categories- Consumer Shows	
Antique	Jewelry & Gem
Art	Jobs, Career & College
Auto	Motorcycle
Boat	Outdoor Sports
Computer	Pets
Ethnic	RV & Camping
Film	Sewing & Needlework
Flower	Sporting Goods & Guns
Gift & Craft	Super Sale
Golf	Toys & Hobbies
Health & Beauty	Travel
Holiday	Weddings
Home & Garden	Woodworking

Source: Johnson Consulting

Corporate and Other Meetings - Corporate meetings include training seminars, professional and technical conferences, incentive trips, and management meetings. Attendance ranges from 10 to 100, with an average of fewer than 50. These meetings are held in high quality hotels, specially-designed conference centers and resort hotels. Corporate meeting planners and attendees demand high-quality facilities. Rockford is poorly represented in this category, and state-based events typically choose to meet in the Chicago-area market instead.

Conferences - Conferences are meetings typically held by associations, professional groups, and other membership organizations. Educational institutions also host conferences, which attract an average of 300 attendees. These events do not usually require exhibit space, but otherwise their facility demands are similar to conventions—meeting space for general sessions, food service facilities, and breakout rooms. Hotels and conference centers typically serve as venues for conferences. The associations market in Illinois and throughout the Midwest is very robust. Many associations require their events to rotate locations throughout various portions of the state in order to broaden appeal and attract local members. At this time, Springfield, the western and northern suburbs of Chicago, and downtown Chicago dominate this market. However, based on interviews and surveys conducted with meeting planners, it appears there is a potential market for a cost-effective facility in the Rockford area.

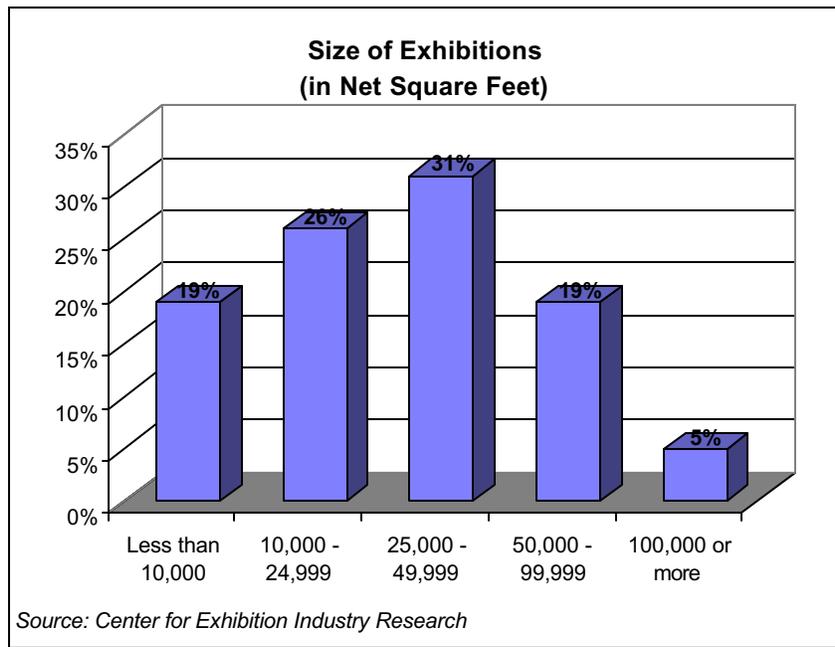
Assemblies/SMERF - Assembly events are social, military, educational, religious, and fraternal events. They attract larger numbers of people and require a limited

amount of exhibition space, but substantial meeting space, as well as a large source of nearby hotel rooms as many attendees originate from outside the host city.

Size of Events

The majority of convention and tradeshow events are held in facilities with moderate space capacity. Figure 7-2 shows the distributions of event size. Mega-events which take up 100,000 net square feet of exhibit space make up only five percent of events, while 51 percent of events are held in facilities with 10,000 to 49,999 square feet of space. This indicates that there is a substantial opportunity for a well managed mid-sized or above facility in a community with the market reach of Rockford.

Figure 7-2

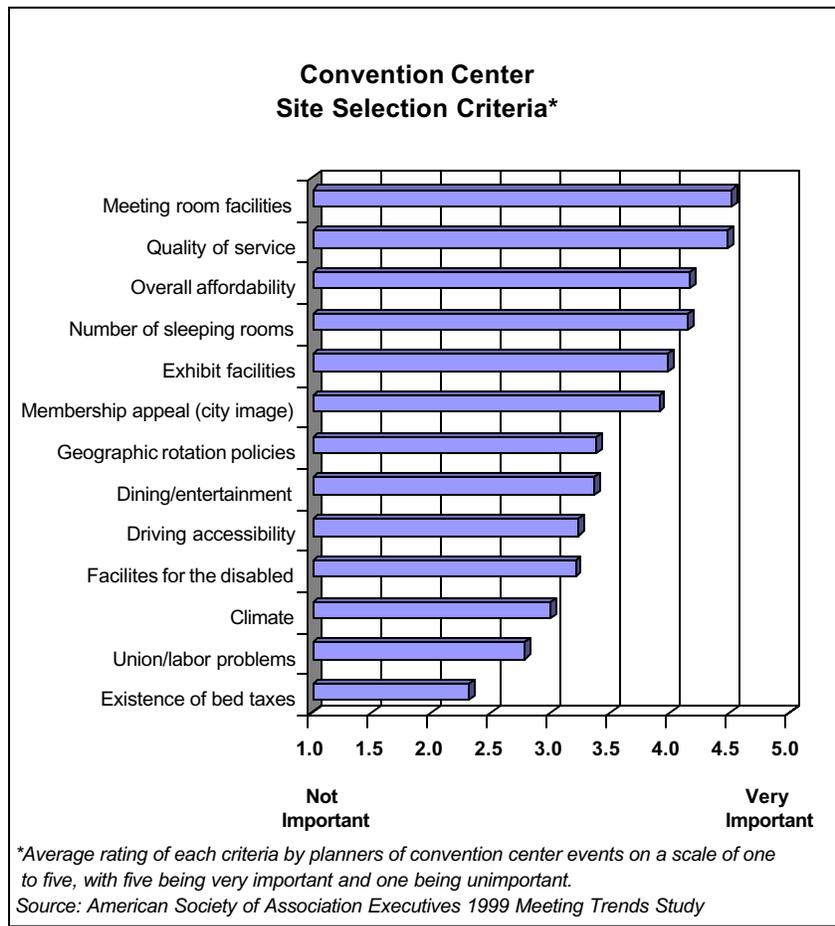


An additional factor in show size is the attendance levels that correspond to each category. Typically, the more square feet a show uses, the greater the attendance. With dedicated exhibit space larger than the MetroCentre has to currently offer, Rockford would not only have the capacity to host more events, its events would likely attract more attendees. The larger attendance would provide more economic impact through activities such as hotel room nights, meals, and other consumer spending.

Event Selection Criteria and Urban Planning Requirements

The American Society of Association Executives surveyed its members regarding their criteria for selecting a convention center destination. These executives are responsible for selecting the destination for a variety of events, from small meetings to large exhibitions. Figure 7-3 illustrates the average responses of members who placed events in convention centers.

Figure 7-3



Survey respondents gave a high level of importance to 1) the availability of meeting room and exhibit facilities, 2) quality of service, 3) overall affordability, 4) the number of available sleeping rooms, and 5) destination appeal or a city’s ability to attract attendees. Meeting planners considered the presence of a hotel/motel (bed) tax the least important factor.

Implications and Opportunity for Rockford

In recent years, the growth rate in demand for exhibition space has been exceeding the rate of increase in the supply of exhibition space. Primary and secondary population centers throughout the country have added dedicated meeting facilities to meet the increasing demand. In the case of Rockford, the success of a potential convention center will be deeply rooted in the planning and positioning of a facility:

- The trends and data detailed above point to long-term growth for regional exhibition facilities that are effective in carving out a market niche. As a community that has not cultivated an identity as a convention/tradeshow destination, Rockford will need to be aggressive in defining its industry niche, and cultivating a market.
- The importance of facility amenities, service quality, and overall affordability were all scored as motivating factors for meeting planners when deciding on a location for an event. As Rockford has already demonstrated to be an affordable market, it should leverage this fact. When it comes to facility amenities and service quality, Rockford will have the ability to design the facility to meet the needs of its target markets, which should enable the facility to distinguish itself from its peers.
- Except for a legacy of older buildings and the Rock River, downtown Rockford has no clear image and no hotel rooms. While the long-term success of this area could be buoyed by a convention center, a center will not be successful unless hotel rooms and entertainment options are developed concurrently. In addition, visibility and transportation access to this area will present considerable challenges.
- Conversely, the State Street/I-90 corridor is easily accessible and already has an existing hotel room inventory of just under 2,200 rooms as well as dining options. This will make a convention center more cost-effective to develop in the short-term, but the detraction to this area is the relative lack of entertainment options that are unique to the Rockford area. The absence of a focus, theme, or distinction provide no unique selling propositions and, on a long-term basis will require investment in the area to make the general aesthetic appeal of the area less antiseptic.

Overall, as the market analysis in Section 3 indicates, there is an appeal and need for Rockford to offer a convention center facility. This need was supported by interviews with meeting planners and tradeshow promoters. The facility should serve as a regional venue for the Northern Tier, and serve the local businesses and cultural, sports and entertainment sectors, as well as targeting rotating conventions and tradeshows.

C.H. JOHNSON CONSULTING, INC.

EXPERTS IN CONVENTION, SPORT AND REAL ESTATE CONSULTING

In order to develop an identity as a location for convention, tradeshow, and meeting activity, Rockford will not only need to invest in a facility that signals its commitment to attracting these activities, it will also need to ensure that it is effectively positioned in relation to its regional peers. The underlying objective is that to be successful, Rockford must help grow the size of the 'pie' by attracting activities that are not already occurring in the region, rather than competing for a piece of the existing 'pie.'

The following sub-sections compare Rockford to other markets and identifies positioning strategies in relation to competitors. Table 7-7 displays a summary of exhibit hall space and hotel rooms in the region. While many of these facilities would not compete directly with Rockford, they represent the universe of facilities that compete for events and attention in the region.

Table 7-7

Exhibit Hall Space in Comparable Regional Markets								
Facility	Location	Population	Primary Convention Facility				Proximate Hotel Rooms ¹	Rooms/SF of Ex. Sp.
			Meeting Space (SF)	Exhibit Space (SF)	Ballroom (SF)	Class/Quality		
Iowa Events Center, Hy-Vee Hall ²	Des Moines, IA	198,700	15,000	100,000	na	A	1,700	58.8
Alliant Energy Center	Madison, WI	208,000	25,000	150,000	na	C +	519	289.0
Peoria Civic Center	Peoria, IL	113,000	17,000	64,000	na	B +	800	80.0
Pheasant Run	St. Charles, IL	42,000	26,000	38,000	12,000	A +	473	80.3
Mississippi River Conf. Center	Dubuque, IA	60,000	12,000	30,000	12,300	A	528	56.8
Monona Terrace Convention Center	Madison, WI	208,000	12,000	40,000	14,000	A +	813	49.2
Prairie State Convention Center	Springfield, IL	113,000	19,800	44,000	10,500	B	na	na
Crown Plaza Springfield ³	Springfield, IL	113,000	4,800	34,800	15,000	C	302	115.2
Kalahari Resort ³	Wisconsin Dells, WI	2,500	11,546	17,200	17,000	B-	378	45.5
Average		117,578	15,905	57,556	13,467		689	96.9

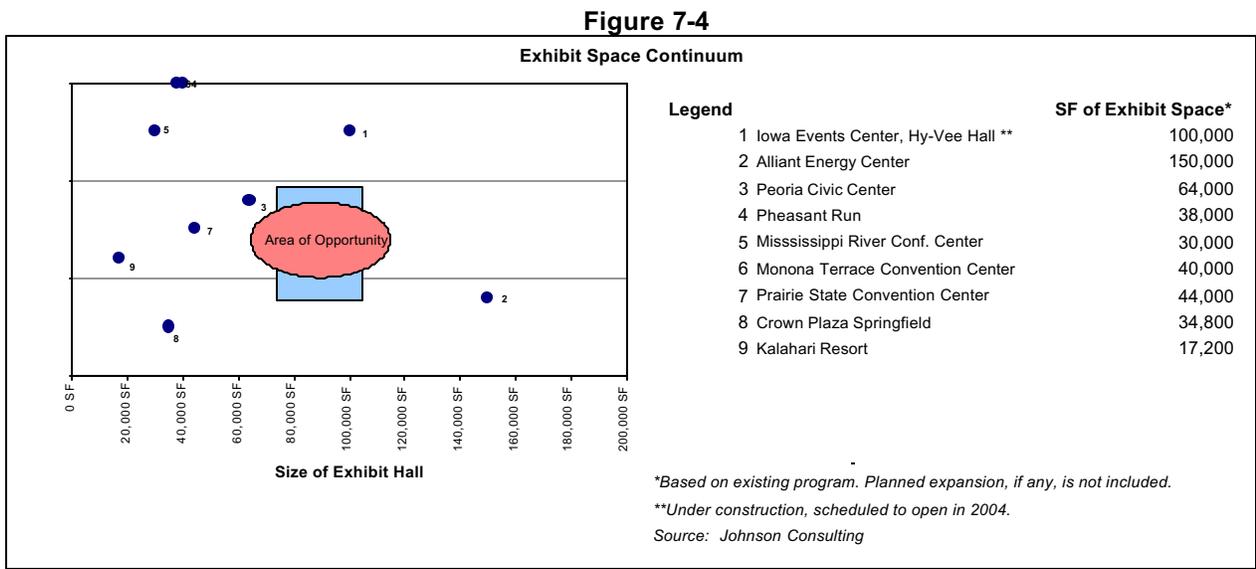
¹ The convention center hotel rooms are located within an 8-block radius of the convention center.
² Iowa Events Center scheduled to open in 2004.
³ Hotel Rooms include only those offered by the hotel.
Source: Major Exhibit Hall Directory 2002, MPoint, Johnson Consulting

As the table shows, there a number of exhibition and meeting facilities in second-tier cities throughout Illinois and the regional market place. The spectrum of facilities in this market niche ranges from facilities of exceptional quality (Pheasant Run, Monona Terrace) that are focused on state and regional associations and corporate meetings to lower quality facilities that time has effectively passed by (Prairie State Convention Center). There are also new facilities in markets that have never been competitive in the regional convention market (Des Moines and Dubuque), but are looking to enter with aggressively-sized facilities complemented by high quality hotel offerings. In addition, in markets such as Peoria, Schaumburg, and the Wisconsin Dells, efforts are underway to enhance the competitive profile of their proven facilities through expansion and quality upgrades. The Kalahari Resort in the Wisconsin Dells is planning to more than double the size of its convention center from 45,000 square feet to 125,000 square feet. In Peoria, a planned expansion

will provide a total of 105,000 square feet of space and Schaumburg will enter the market in 2005 with 100,000 square feet of exhibit space.

Regardless of geographic location, all regional facilities are in environments with adjacent hotel rooms, influencing the long-term success of its respective convention center. Within the peer set, the typical facility is complemented by approximately 800 hotel rooms. This indicates that for Rockford to enter the market at a competitive level, it must offer a similar number of hotel rooms. The only place where these exist currently is in the I-90 corridor.

Figure 7-4 displays the state and regional peer set graphically.



As the graphic illustrates, from a size standpoint, there is no clear entry point in the market that would bestow an immediate distinction or advantage on a new facility in Rockford. Instead, entry into the market will require a careful balance of quality and size. From a quality perspective, the continuum is represented by Monona Terrance in the mid-sized market, Pheasant Run at the low-to-mid-sized market, and Iowa Events Center at the larger end. At the mid quality spectrum, the Alliant Energy Center, which is part of a fairgrounds complex provides a mid-sized venue and the Prairie State Convention Center participates in the lower end small size market.

The graphic does reveal that a market opportunity rests in both the middle of the size and quality spectrums - with a B-plus to A-minus facility featuring 60,000 to 100,000 square feet of exhibit space. Such a facility is consistent with Rockford's size as well as with a strategy to become a greater force in the Northwest Chicago

market, with the ability to serve as the most prominent center in the Northern Tier of Illinois. Such a facility would target consumer shows and tradeshow, sports competitions, and price sensitive state, regional, and occasionally national conventions. Such a facility would also have the ability to attract association events that require exhibit space.

Building Program Recommendation

Based on consideration and analysis of the factors required to support a successful convention center in Rockford, the Consulting Team identified a three phase masterplan for the development of a convention center in Rockford. The sizing for each phase is displayed in Table 7-8.

Table 7-8

Rockford Convention Center New Facility Building Program					
Proposed Phase I		Proposed Phase II		Proposed Phase III	
Space	Net SF	Space	Net SF	Space	Net SF
Exhibition	80,000	Exhibition	150,000	Exhibition	200,000
Ballroom	15,000	Ballroom	15,000	Ballroom	30,000
Meeting	15,000	Meeting	30,000	Meeting	45,000
Total	110,000	Total	195,000	Total	275,000
Exhibit: Meeting	5.3 : 1	Exhibit: Meeting	5 : 1	Exhibit: Meeting	4.4 : 1
Required Land Area 30 Acres					
<i>Source: Johnson Consulting, Conventional Wisdom</i>					

The initial development program calls for an 80,000 net square foot exhibition hall, 15,000 net square feet of meeting space, and a 15,000 net square foot ballroom. The contemplated quality of the facility would be competitive but not a high end facility, which would allow it to be built cost-effectively and, in turn, attract price sensitive events. As demand increases and the Rockford market matures, the facility should be expandable up to 200,000 square feet of exhibit space. In order to accommodate the long-term needs of the masterplan, the required site should contain approximately 30 acres or contemplate a more dense and expensive development approach. Giv

Given the land needs, it may be difficult to site the facility in the downtown area. In addition, the number of hotel rooms required to meet the needs of a facility of this size would require substantial additional investment if targeted for downtown. It is anticipated that the hotel supply in Rockford will expand over time. Table 7-9 shows the hotel inventory that should evolve near the center over time. Some of these rooms could exist, depending on the site selected, but a cluster of this size

should be targeted using zoning policies, tax strategies, and community initiatives. To target this number of rooms in the downtown area is unrealistic unless some major event, such as gaming, a major corporate relocation, a Metra train connection, or other event(s) occur that would immediately reposition the downtown area.

Table 7-9

Rockford Convention Center Hotel Growth Scenario			
Phase	Ex Hall Size	Minimum Threshold	Target
Phase I	80,000	400	533
Phase II	150,000	750	1,000
Phase III	200,000	1,000	1,333
Room Inventory			
Location	Existing	Surplus/Gap	Surplus/Gap
I-90/State Street	2,193	1,793	1,660
Downtown	0	(400)	(1,000)
<i>Source: Johnson Consulting, Conventional Wisdom</i>			

As the table shows, the existing concentration of proximate hotel rooms along the East State Street/I-90 corridor provides an immediate complement of hotel rooms that would position the center to be competitive with the peer set. Conversely, if located in the downtown area, it would take a minimum of 400 rooms to meet the baseline threshold.

Consideration of the Ingersoll Building

The City recently purchased the former Ingersoll manufacturing building on the east bank of the Rock River and asked the consultants to evaluate it for possible adaptive re-use into a convention and exhibition facility. Conventional Wisdom Corp. was charged with evaluating the convention aspects of the existing MetroCentre in downtown Rockford and physical re-use of the Ingersoll Building.

As part of that effort and upon completion of a physical evaluation, the Consulting Team explored alternatives to renovating and expanding either or both of those facilities to improve the City’s position relative to marketing conventions and trade shows. This type of review and analysis of these types of existing facilities generally includes a comparison at the budget level to a comparable new facility as a form of reality check. This alternative uses an idealized mathematical model based on the recommended function space with an appropriate mix of service and support space on an unidentified and undeveloped site with the requisite vehicle parking.

Urban Planning Issues and Needs

To be successful in a competitive market, exhibition and meeting space cannot be considered as stand-alone elements. The physical facility will be evaluated by potential users as part of the larger hospitality infrastructure – with the availability of hotel rooms, quality restaurants, entertainment venues, parking, access to highways, and the availability of labor and technical services – necessary to host a particular event.

The location of the MetroCentre on the west side of the Rock River suffers from the lack of adjacent hospitality support. The current site is isolated from the City's highest concentration of hotel rooms, which is near the East State/I-90 corridor. However, some of the related venues that would benefit from expanding the MetroCentre include several smaller restaurants on the eastern side of the river and the budding nearby theater district.

A number of cities around the country are struggling with downtown revitalization issues similar to what Rockford is facing. Feedback from user surveys indicates there is a need to establish a strong, unique identity that celebrates the city's history, traditions, and community values. Infrastructure investment to modernize and enhance Davis Park will help create a place for outdoor concerts, festivals, and special events. Improved lighting and security will make this area more attractive to all, and induce residential redevelopment that will help to make the area active during the evenings and support the cultural and entertainment venues.

While less than optimal, the existing MetroCentre currently serves as Rockford's only flat-floor exhibition and tradeshow space. There is one large, divisible meeting room on the basement level, but it suffers from a low ceiling, lack of modern power and telecommunication services, and limited access via stairs and a single elevator. Using the center of the arena for tradeshows suffers from restricted loading access, extending move-in/out times, and increasing labor costs. Also, because net-leasable booth space is low relative to the total building, incremental utility operating costs are very high for exhibition uses relative to concert events.

Adaptation and/or conversion of the MetroCentre for convention uses are restricted because of its site-constrained location and adjacent development (or lack thereof). City blocks are small relative to the site required to provide the recommended 80,000 square-foot exhibit hall, requiring potential closing of existing roads, increasing the cost of land, and complicating the access and parking conditions. Even if such expansion could be completed economically, the marketability of such convention facilities would be made much more difficult until an appropriate supply of hotel rooms, restaurants, and other entertainment venues emerged.

C.H. JOHNSON CONSULTING, INC.

EXPERTS IN CONVENTION, SPORT AND REAL ESTATE CONSULTING

In the case of the Ingersoll Building, the Consulting Team's analysis indicates the investment required to prepare this for public assembly use would be considerable. However, the purchase of the site was a wise investment move on the part of the City, as it preserves the site for future development that is consistent with the long-term vision for downtown. Such options might include future light industrial use, residential development, mixed-use commercial and entertainment space. In each instance, the long-term value (property taxes, etc) of returning the property to productive use exceeds the value of a parcel that remains undeveloped.

In terms of the existing structure, significant upgrades are needed to site infrastructure and surrounding areas that include creating a new traffic pattern that fits into the City grid, allowing for semi-trailers, shuttle buses, emergency response vehicles, and a large volume of private autos with the parking and drive areas to accommodate them. Waterfront enhancements will be necessary both for personal safety and for securing the facility during non-event days.

Figure 7-5



East side of Ingersoll Building looking north

Renovations to the building exterior will require at least a partial re-facing to meet user expectations and establish an image more appropriate for a "public building." New service and support facilities such as public entrances, registration lobbies, and restrooms must be constructed, with elevators and escalators required for satisfying Americans with Disabilities Act (ADA) design criteria.

Recommended modifications to the building interior will include removing and/or building partitions over utility services located along perimeter walls that were left by the original users; extending electrical service through trenches, floor boxes or overhead buss ducts for temporary exhibit use; and developing service and support spaces such as storage areas, workshops, and other staff areas. Telecommunication services should explore the possibility of using a secure wireless system with Voice

over IP (VoIP). We estimate the cost of these impacts to range from \$8 to \$15 million.

Figure 7-6



Interior of Ingersoll Building looking north

Figure 7-7



Property to East of Ingersoll Building

Given the cost of the enhancements listed above, the City may be tempted to stretch the temporary-use nature into a semi-permanent exhibition facility. Limitations for extended use of the Ingersoll Building are noteworthy:

- The ideal facility configuration has loading docks and service areas along one face of the building to facilitate the hosting of multiple events. The river

restricts the addition of both public lobbies and service areas on opposite sides of the building.

- Building codes require public assembly facilities to have multiple, remote fire exits. The river restricts acceptable exit widths and may exceed allowable travel distances.
- Significant changes in elevation occur as visitors move from east to west through the proposed renovated building, increasing the project cost to install elevators and escalators for ADA compliance.

Considerations for Alternate Sites

As mentioned earlier in this section, this Consulting Team's evaluation compares the cost of an idealized model convention center that meets the market demand analysis to the renovation and conversion alternatives under consideration. In this case, we believe the better long-term infrastructure investment is a new stand-alone facility that combines proximity to area's highest concentration of hotel rooms with ready access to transportation, which allows for higher regional visibility. At this time, the only geographic area that offers this combination is the East State Street/I-90 corridor.

Additional strengths of this corridor is that the access to I-90 will be more immediately marketable to meeting/event planners and regional travelers, and it will minimize vehicular traffic through the inner-city for the semi-trailers that service tradeshow. While other areas in the Rockford MSA may offer advantages such as readily available land or a small number of hotel rooms, they do not offer a comparable level of access, visibility, or the volume of hotel rooms required to adequately support a center of this size. One of the many objectives in developing a convention center is to generate activity for as many properties and businesses as possible. A location in this area offers that opportunity.

Finally, as indicated in Section 3 of this report, Rockford must begin to consider strategies for repositioning sections of East State Street that have not been able to adapt to changes in the retail and entertainment sectors. The area between Fairview and Mumford is one such area. By introducing a new economic development activity into this area, the longevity and vitality of the entire East State Street corridor could be extended.

Further, by making the enhancements to Davis Park, the RiverDistrict and other areas, the community is establishing a strong downtown theme and/or identity. While a convention center would be complementary addition to this mix, it also offers the greatest latitude in its location, but requires the most ancillary support and investment. In maintaining a vision of downtown that relies on entertainment

and cultural activity, the community is not detracting from the success of a convention center, but is, instead broadening the overall appeal of the community. This enhanced appeal will, in turn, actually help to attract more users to the prospective convention center, regardless of location.

Operating Potential and Projections

In order to evaluate the potential performance of a convention center in the Rockford marketplace, Johnson Consulting reviewed the demand calendars of four facilities that have comparable exhibit hall sizes to those contemplated for Rockford. The four facilities are briefly described below.

The Peoria Civic Center, Peoria, Illinois – built at the same time as the MetroCentre, the Peoria Civic Center is a multi-venue facility situated in downtown Peoria. Currently, the facility features a convention center with 64,000 square feet of exhibit space, an arena with approximately 10,000 seats, and a 2,200-seat theater. These venues are connected by a common enclosed concourse. Based on its success over the last 20 years, the facility's governing Authority is currently developing a financing strategy to update the quality of the Civic Center and expand the existing exhibit hall to 105,000 square feet. For the purposes of this analysis, however, the existing convention center size/event volume has been used.

Northern Kentucky Regional Convention Center (NKRCC), Covington, Kentucky – is located on the banks of the Ohio River, directly across from downtown Cincinnati. The \$29 million NKRCC opened in July 1998 as the second largest convention facility in the Greater Cincinnati area after Cincinnati's Alfred Sabin Convention Center. The facility has three components: a 46,200-square foot exhibit hall, a 22,800-square foot ballroom, and a total of 13,300 square feet of meeting rooms.

Spokane Ag Trade Center and Convention Center, Spokane Center – was completed in 1974 and expanded in the early 1990's. The center features the 39,000 square foot Spokane Ag Trade Center exhibit hall and the Spokane Convention Center, an 18,500 square foot meeting and ballroom complex. The site is also home to the adjacent 2,700-seat Opera House. The complex is located in downtown Spokane and is near several hotels. Under a \$72 million expansion program that will be funded through a voter approved sales tax program, the Ag Center and Convention Center will be combined and expanded to include approximately 100,000 square feet of exhibit space, as well as new ballroom and meeting space. As part of the redevelopment project, these assets, which are currently owned by the City of Spokane, will be transferred to a regional authority that currently manages the Spokane Arena. As part of the exchange, the City will provide an annual operating contribution as well as transfer revenues from the hotel/motel tax to the authority.

C.H. JOHNSON CONSULTING, INC.

EXPERTS IN CONVENTION, SPORT AND REAL ESTATE CONSULTING

Charleston Area Convention Center Complex, North Charleston, South Carolina - features an arena that opened in 1993 and a convention center and performing arts center that opened in 1999. The Complex features 80,000 square feet of exhibit space, nearly 13,000 square feet of meeting space, and a 25,000-square foot ballroom. In addition to the convention center's space, the arena's floor contains an additional 30,000 square feet. A performing arts center features another 2,300 seats, and the convention center is attached, via skyway, to a 256-room Embassy Suites hotel.

Table 7-10 shows the demand characteristics for each of the convention center facilities listed above.

Table 7-10

Comparison of Convention Center Performance					
Event Type	N. KY	Spokane	Peoria	North Charleston	Average
Prime Exhibit Hall Space (SF)	46,080	39,000	64,000	80,000	57,270
Events					
Conventions/Tradeshows	29	43	62	9	36
Consumer Shows	22	17	5	17	15
Other Events	165	127	126	16	109
Total Events	216	187	193	42	160
Attendance					
Conventions/Tradeshows	na	101,000	160,840	16,100	92,647
Consumer Shows	na	107,000	-	141,100	124,050
Other Events	na	51,000	12,470	26,950	30,140
Total Attendance	170,000	259,000	173,310	184,150	196,615
Average Attendance					
Conventions/Tradeshows	na	2,349	2,594	1,789	2,244
Consumer Shows	na	6,294	-	8,300	7,297
Other Events	na	402	99	1,684	728

Source: Respective facilities, Johnson Consulting

As the table shows, each of the facilities perform well in certain market segments, based on the strength of the center's offering in terms of exhibit space, ballroom space, or meeting space. Other factors that appear to impact performance include positioning in the regional market and facility quality. However, the performance of these facilities offers the following implications for demand in Rockford:

- These examples demonstrate that facilities not located in major metropolitan areas can attract state and regional conventions that may have a sensitivity

to price, or an attraction to the market for another reason, such as the presence of a major manufacturer.

- Northern Kentucky demonstrates that proximity to a high profile urban location (in their case Cincinnati) can be used as a marketing advantage, and attract events that may be looking for a lower profile location in a bigger market region. This facility also demonstrates the importance of ballroom/banquet function, as illustrated by the high number of “other events.”
- Spokane demonstrates the depth of business that can be generated by a secondary population center that is far removed from the major population in a state and region. While Rockford would not directly face this issue, the fact that Spokane is now pursuing a facility expansion indicates the long-term potential of convention facilities, once a market has been developed.

Projected Demand for a Convention Center in Rockford

Based on execution of Phase I of the Convention Center building program, the Consulting Team projects that a well designed, effectively marketed, and appropriately supported convention center in Rockford would be able to perform at the following level:

Table 7-11

Rockford Convention Center Projected Event Demand and Attendance	
	Stabilized Year of Operation
Number of Events	
Consumer Shows	10
Conventions and Trade Shows	14
Conferences and Meetings	12
Concerts and Entertainment Events	6
Banquets and Social Events	18
Other Events	12
Total	72
Attendance	
Consumer Shows	12,000
Conventions and Trade Shows	14,000
Conferences and Meetings	28,800
Concerts and Entertainment Events	15,600
Banquets and Social Events	5,400
Other Events	6,000
Total	81,800

Source: Johnson Consulting

As the table shows, in the first stabilized year of operations, a facility with an 80,000 square foot exhibit hall, 15,000 square feet of meeting space, and a 15,000 square foot ballroom could reasonably be expected to host 72 total events, attracting 82,000 attendees to the facility. In relation to some of its peer facilities, the Rockford center would have a higher proportion of consumer shows, which is a direct reflection of the fact that Rockford will not be able to attract a high volume of conventions/tradeshows until it demonstrates its success as a destination.

These projections also assume:

- The RACVB, in conjunction with the convention center, would support in the marketing and sales effort of the new facility.
- The Center is located in an attractive setting with an appropriate complement of hotel rooms. That location could be downtown or along East State Street, so long as the surrounding environment in either location is upgraded. In downtown, hotel rooms must also be attracted, which in the short term due to the absence of demand generators, appears unrealistic without substantial support from public sources.

- Rockford continues to make progress on its overall revitalization with continued investment of the types of attractions that appeal to convention goers and meeting planners, such as the Museum Campus.

VIII. OPERATING PROJECTIONS AND NAMING RIGHTS ANALYSIS

OPERATING PROJECTIONS

The previous sections of this report have detailed the operating profiles and facility improvement recommendations for each of the facilities. In this section we present the operating projections for the MetroCentre, Davis Park, the Coronado Theatre, and a potential convention center facility. Critical to the overall improvement of these assets has been the exploration of strategies that can be used to not only increase demand, but also generate additional revenues that can be used to attract higher quality events, maintain the facilities at a higher standard, and decrease the operating support provided by the City of Rockford.

Additional Revenue Opportunities

More than 250 major sports, arts, convention, and entertainment facilities have been developed in the United States over the last decade at a price of more than \$20 billion. Furthermore, the United States Department of Commerce predicts that by 2008 there will be 251 million annual convention and trade show attendees at 5,970 exhibitions, using 912 million square feet of exhibit space. The rapid development and facility renovation can be partially attributed to cities' desire to attract these events to their locales. However, the funding of the projects and the future revenue potential is an integral component in the decision-making.

Modern facilities are now designed as diverse entertainment and activity centers in order to attract the increasing event demand. While the facilities were once financed entirely through public funds, they now require strategic public/private partnerships where the public sector supplies land, infrastructure, and investment capital. The private sector funding usually comes in the form of direct financial participation, premium seat revenue, naming rights, and other sponsorships. According to Harrow Sports Ventures, more than \$4.5 billion was spent on corporate naming and branding of stadiums, arena, convention centers, performing arts centers, and other infrastructure between 1993 and 2000. This report has already detailed the revenue opportunities that luxury and premium seating can provide from the private sector. This section explains the additional revenue opportunities associated with naming rights and sponsorships before projecting the operating revenues from the various venues.

For Rockford, the enhanced revenue opportunities can be viewed as a chance to re-energize the venues, increase facility and market name recognition, and exposure. Several options exist in order to maximize the income potential. The facilities probably would be most effectively marketed separately, although if there is a way to market them together as an entertainment district, that could happen too. By

selling them separately, each facility can be presented to more companies with different sized budgets. In addition, naming rights typically have longer sales cycles than sponsorships.

Naming Rights/Sponsorship

Naming rights agreements and sponsorship packages are not a new phenomenon, but the escalated visibility over the last decade or so is a result of the economics of the entertainment industry. As operating costs have risen, along with event costs, promoter expenses, and sports salaries, facility owners and management needed strategies to generate additional revenue. This trend has been coupled with the expectation on the part of spectators for a more comfortable environment that offers a more enriched, or entertaining, experience. The most visible mechanisms have been emergence of revenue generating amenities such as food courts, luxury suites, club seats, or private function areas to host receptions, or special events like “meet the artist.” As these features have become more commonplace, they have forced an evolution in the business model for public assembly facilities that, in effect, requires their presence to ensure that a facility remains competitive and appealing to spectators, promoters, and sports franchises.

In addition to the physical strategies, the evolving economics of the industry have also given rise to revenue growth strategies that leverage inherent traits of venues such as the MetroCentre and the Coronado, including media exposure and attendance. Among the strategies in this regard are naming rights, corporate underwriting of performances or theater series, exclusive sponsorship programs, and pouring rights for soft drinks. The real value in these revenue streams lies in the fact that they are often multi-year contracts, which allows management to more effectively control cash flows over a longer horizon, thus providing additional stability to the operation. Further, the multi-year nature of these revenue streams also allows for their use in funding capital improvements or servicing debt.

CentreEvents, as a result of the repositioning of its assets, will have an enhanced capacity to cultivate these revenue sources. The fact CentreEvents manages multi-venues will also allow for certain economies to be pursued if opportunities are packaged around multiple venues, performance series, or programs. The narrative below presents an overview of the considerations associated with developing and naming rights and sponsorship programs, and quantifying their market value.

Subsequent to this discussion, an operating pro-forma is presented for each of the Authority’s existing and potential assets. In each pro-forma, Johnson Consulting estimates the revenue potential in each of these realms within the greater Rockford market area. The pro-forma is presented on individual basis to allow for clear evaluation of the operating performance of each venue. Going forward, Johnson

Consulting recommends the Authority continue to present its financial statements in this manner, to provide for more direct monitoring of the performance of its individual assets. This represents a marked departure from the current reporting format, which aggregates revenue and expense data, making it very difficult to provide for a clear assessment of the MetroCentre, Coronado Theatre, or Davis Park as individual products or cost centers.

How to Evaluate Naming Rights and Sponsorship Opportunities

There are myriad factors and considerations that must be contemplated in order to develop a naming rights or sponsorship package that communicates the value of the opportunity, and produces the maximum return to the facility, as well as the client. Value (price) is directly affected by the contents of the package as a whole, which varies based on the local market and the nature of the venue (e.g. types of events, media coverage for those events, etc.)

For venue owners/managers setting the price of a naming right or sponsorship package is typically not as difficult as it is for the rights holder to evaluate the benefits associated with the arrangement. Facility financial needs and the total value of the individual components of the package may be used to determine the price, assuming the market will tolerate the cost. Base components of a naming rights deal include luxury suites, tickets to events, preferred parking at the venue, and use of the venue for business purposes. The majority of arrangements also include not only the name of the venue, but an understanding that the name will be used in association with the facility at all times by management and tenants. Sponsorship types vary greatly, so the elements included can range greatly from the actual signage to tickets, merchandise, and media spots.

The quantity and location of facility signage also emerges as a significant component of the negotiations. Ideally, sponsors desire to see their name and logos located in the "heart of the action" locations. Another negotiable element commonly found within these agreements is the "extended" use of the rights holder's name, which could include logos on employee uniforms, napkins, plates, trashcans, letterhead, and drinking cups. In addition, the quantity and quality of events to be held at the venue will impact the cost of the deal.

How to Market These Opportunities

In traditional mediums for promotion or advertising, it is difficult for a company to stand out. The selling point to a potential corporate partner is that a naming right or sponsorship deal will ensure that their brand will stand out from the clutter of other advertisers. While analysts and observers are unable to quantify the extent that these deals boost a company's profile, no one questions that businesses are getting

tangible value for their investment. The key here for the MetroCentre, is to allow the corporate partners to get involved as soon as possible, even before a potential renovation begins. This allows the corporate name to be associated with the facility immediately and provides added value in terms of name recognition.

Corporations engaging in facility naming rights and sponsorship arrangements have pursued a variety of objectives. The two most important are direct marketing and community goodwill. Facility entitlement allows a corporation to leverage event access and maximize the marketing opportunities by using the facility and the facility name and title as a marketing platform to:

- Integrate attributes that are unique to the venue,
- Embody values and integrity of both the marketer and venue,
- Capitalize on the long-term benefits and value of such, and
- Extend sizeable investments.

In terms of selling, the factors that enhance these arrangements include:

- Making sure the sponsor's brand is a logical fit for such a facility,
- Being the first to put a corporate name on the facility,
- Providing a full slate of other activities such as concerts throughout the year to give the sponsor maximum visibility and opportunities to use the facility,
- Offering a direct sales component or other product showcase or exhibition areas on-site, and
- Providing hospitality opportunities on-site for the sponsor's key clients.

Naming Rights Deal by Venue Type

Table 8-1 provides a comparative analysis of venues that are similar in size and location to the MetroCentre and the Coronado Theatre.

Table 8-1

Venue Naming Rights					
Facility Name	Term (years)	Compensation	\$/Year	Capacity	Location
Theaters:					
ARL Amphitheater	20	\$60,000	\$3,000	5,000	Moon Park, PA
BellSouth Acuff Theater at Opryland	5	na	na	1,800	Nashville, TN
Cadillac Palace Theater	5	na	na	2,300	Chicago, IL
FleetBoston Pavilion	15	na	na	5,000	Boston, MA
Norigen Stage	10	\$1,000,000	\$100,000	1,500	Toronto, ON
Oscar Mayer Theatre	na	na	na	2,200	Madison, WI
Proctor & Gamble Hall	na	na	na	2,719	Cincinnati, OH
Roy Thomson Hall	Infinite	\$3,000,000	na	2,800	Toronto, ON
Times-Union Center for the Performing Arts	Infinite	\$3,000,000	na	1,800	Jacksonville, FL
Wells Fargo Pavilion for the Music Circus	10	\$1,275,000	\$127,500	2,200	Sacramento, CA
Verizon Wireless Theater	7	na	na	2,400	Houston, TX
Average	10	\$1,667,000	\$76,833	2,702	
Arenas:					
BancorpSouth Center	12	\$2,500,000	\$208,333	8,000	Tupelo, MS
Bi-Lo Center	10	\$3,000,000	\$300,000	8,504	Greenville, SC
Budweiser Events Center at Larimer County Fairgrounds	20	\$1,500,000	\$75,000	5,200	Windsor, CO
CenturyTel Center	10	\$5,000,000	\$500,000	12,500	Bossier City, LA
Dunkin' Donuts Center	10	\$7,000,000	\$700,000	12,993	Providence, RI
Ford Center	20	\$7,200,000	\$360,000	18,170	Oklahoma City, OK
Pepsi Coliseum	5	\$650,000	\$130,000	8,200	Indianapolis, IN
Ricoh Coliseum	10	\$1,000,000	\$100,000	10,050	Toronto, ON
Sovereign Center ¹	5	\$2,000,000	\$400,000	7,200	Reading, PA
Average	11	\$3,316,667	\$308,148	10,091	

¹ Includes rights to the refurbished Rajah Theatre, now known as the Sovereign Performing Arts Center with a seating capacity of 1,821.
Source: Johnson Consulting

As the table shows, naming rights deals for theaters and arenas are very different in value. The theaters in the competitive set above average approximately \$77,000 annually while the arenas average \$308,000 annually. The difference is attributed to the size of the venues and the amount of exposure a company receives from an arena as opposed to a theater.

Additional Considerations

Prior to attaching corporate identity to any sport facility, either in terms of naming rights or sponsorship inventory, the following questions should be raised:

- What will be the public's reaction to a corporately named publicly financed facility?
- Are there alternatives to renaming the entire facility?
- Is it possible for corporate and public/political names to coexist without jeopardizing any party (e.g. Guinness/Davis Park)?
- How will a corporate identity impact the facility image?
- What are the renewal opportunities at contract expiration?

- What are the implications of a future change in name rights holder?
- How is the prospective rights holder viewed within the community?
- What are the motives/objectives of the prospective rights holder?
- How does the procurement of a naming rights holder or sponsorship partner affect other facility capabilities?

Implications

As stated above, putting a dollar value on the sale of naming rights and sponsorship inventory provides a challenge, as no one deal is alike. However, certain factors can affect the value of certain inventory. In the case of Rockford, CentreEvents has the ability to sell the naming rights to the MetroCentre, but not Davis Park or the Coronado Theatre. However, Davis Park may have the opportunity to find a title sponsor for a summer concert series and the Coronado could do the same for its subscription series. In addition, the MetroCentre and Davis Park may be able to parlay a re-opening ceremony or event into a title sponsorship opportunity. Whatever the inventory ends up being, the following factors will influence the value of a potential deal:

- **Visibility.** The MetroCentre is located in the center of downtown, which provides a good location for both pedestrian and automobile traffic. This should ensure a corporate partner with a more efficient number of regional “eyeball hits,” or impressions, than a local television or newspaper advertisement spot.
- **Number of events.** The MetroCentre is home to two minor league sport franchises and a host of other entertainment events that generate approximately 120-130 events per year. While the types of events currently hosted by the MetroCentre will not intrigue a corporate partner, a new and improved program should provide a lucrative audience for a corporate branding campaign. However, neither sport franchise has any television contracts, which limits the national and regional reach of a corporate partner. The Coronado Theatre is expected to host 100 or more events each year. For this venue, the value lies in the quality of the product and opportunities should be valued passed on the products presented in the theater, rather than on the venue itself. Davis Park, which is expected to host a dozen or more, should also be valued in this context. The convention center, by contrast, will be a heavily used regional amenity, but its visibility and media appeal are limited, which is why few convention centers have naming rights programs.

- **Timing.** Entering into a deal before a potential renovation even begins will result in a higher valuation than a deal that is completed once the facility has re-opened. However, the MetroCentre is already more than 20 years old, which can also negatively impact on the value of a deal, as many people will struggle to use a new name.
- **Market Size and Location.** Rockford is the second largest city in Illinois with a strong media reach in the northwest part of the state.
- **Media.** The events that take place at the MetroCentre are not major-league events and do not receive national attention. In addition, Rockford does not have a national print media. These are elements that may negatively impact the value of a potential agreement. However, the venues control the media market in the area, which will guarantee a corporate partner a means into the newspapers and local news reports on both radio and television.
- **New name.** As stated above, a major concern for the corporate partner is whether the local populace will have a smooth transition to a new facility name. For Rockford, as the MetroCentre is more than 20 years old, this may present a problem and could diminish the value of the naming rights deal. The best solution may be to simply have a title sponsor of the building.
- **What inventory is included.** The value of a deal is intrinsically dependent on what is included as part of the package. Obviously signage will automatically be a component, but other amenities such as a luxury suite, club seats, television or radio advertisements, use of the facility, joint promotions with facility tenants, pouring rights, and other items can all increase the cost.
- **Category Exclusivity.** This is more critical in terms of sponsorship agreements than naming rights, as all naming rights agreements would include category exclusivity. If a corporate partner wants to be the only company of that product type associated with the venue, the price of the agreement would be higher because it restricts the venue's ability to obtain more partners.

Operating Projections of Improved Rockford Public Facilities

Johnson Consulting projected the operating proformas of each individual facility: the MetroCentre, Coronado Theatre, Davis Park, the prospective Convention Center, in its stabilized year of operation (after improvements and/or opening). For the arena, theater, and amphitheater, the projected operating proforma is compared to the FY 2001-02 proforma so that the incremental benefit associated with physical and operating improvements can be illustrated.

C.H. JOHNSON CONSULTING, INC.

EXPERTS IN CONVENTION, SPORT AND REAL ESTATE CONSULTING

The balance of this section describes the operating projections, as well as the underlying assumptions and methodology used to estimate the financial performance of each of the four facilities. These projections are presented by facility and include only operating revenues received by the facility and operating expenses paid by the facility. The projections do not include debt service and non-cash expenses (such as depreciation).

MetroCentre

Operating projections for the MetroCentre are based on the estimated event demand and attendance as shown previously in Section 5. In its stabilized year after improvements, the MetroCentre is projected to host a total of 125 events, including 30 concerts, entertainment events, and family shows, 75 sporting events, and 20 other events. These events are projected to generate a total of 416,400 attendees. In addition, higher quality and increased efficiency from the arena improvements are expected to increase its appeal and revenue potential. New sources of revenue include naming rights, added food court area, as well as luxury suites and club seating leases.

Table 8-2 shows the current and projected operating revenues and expenses for the MetroCentre.

C.H. JOHNSON CONSULTING, INC.

EXPERTS IN CONVENTION, SPORT AND REAL ESTATE CONSULTING

Table 8-2

MetroCentre			
Projected Operating Proforma (\$000's, in Constant Dollars)			
<i>Line</i>	FY 01-02 (Restated)	Stabilized Year After Improvements	Incremental Benefit
Event Revenue			
2 Ticket Sales	\$2,951	\$3,664	\$713
3 Food and Beverage Services	575	829	254
4 Novelties	58	83	25
5 Luxury Suite and Club Seat Lease	0	210	210
6 Box Office Commission	121	158	37
7 Advertising Revenue	136	166	30
8 Naming Rights	0	250	250
9 Parking	90	125	35
10 Facility Charge	0	135	135
11 City Amusement Tax	106	131	26
12 Total Event Revenue	\$4,036	\$5,752	\$1,716
13 Talent/ Promoter Expense	\$2,084	\$2,665	\$581
14 Net Event Revenue	\$1,952	\$3,087	\$1,135
Operating Expenses			
15 Marketing	\$265	\$400	\$135
16 Box Office	263	333	70
17 Parking	38	50	12
18 Security	290	230	(61)
19 Engineering	394	437	43
20 Maintenance	282	325	43
21 Insurance	0	180	180
22 Ushering	64	75	11
23 Production	491	550	59
24 Food and Beverage Expenses	33	331	299
25 Total Operating Expenses	\$2,122	\$2,911	\$790
Administration Expenses			
26 Payroll and Benefits	incl.	\$800	na
27 Office Supplies and Other	incl.	300	na
28 Total Administrative Expenses	\$938	\$1,100	\$162
29 Operating Income	(\$1,107)	(\$924)	\$183
30 Other Income	\$1,303	\$1,498	\$195
31 Other Expenses	(623)	(686)	(62)
32 Reserve for Replacement	0	(135)	(135)
33 Surplus (Deficit) Before Capital Projects	(\$428)	(\$247)	\$181

Source: Johnson Consulting

The assumptions for the revenue projections are shown in Table 8-3.

Table 8-3

Rockford Public Facilities: MetroCentre Existing and Projected Effective Rates for Revenues				
	Unit	Existing Rate	Projected Rate	% Increase
Event Revenue				
Space Rental	per prefunction event			
Ticket Sales	per attendee	\$8.06	\$8.80	9.0%
Food and Beverage Services	per attendee	1.57	1.90	20.0%
Additional Food Court Revenues	per SF	0.00	15.00	na
Novelties	per attendee	0.16	0.20	15.0%
Luxury Suite and Club Seat Lease				
Luxury Suite Rental	per suite	0.00	5,000	na
Luxury Suite Sale per Event	per suite	0.00	500	na
Club Seat Lease	per seating box	0.00	2,000	na
Box Office Commission	per attendee	0.33	0.38	15.0%
Advertising Revenue	per year	135,828	165,700	22.0%
Naming Rights	per year	0	250,000	na
Parking	per attendee	0.25	0.30	15.0%
Facility Charge	per ticketed attendee	0.00	1.00	na
City Amusement Tax	% of ticket sales	3.6%	3.6%	na

Source: CentreEvents, Johnson Consulting

Among the assumptions listed in the Table 8-3 above, new sources of revenues for the MetroCentre include the following:

- **Food and Beverage Services** – in addition to the 20 percent increase in the per cap revenue, food and beverage revenues also include the potential income from the expanded food court area and additional points of sales. The projections assume \$15 of sales per square foot for 2,500 square feet of added food court area.
- **Luxury Suits and Club Seat Leases** – includes revenues from eight luxury suites, four of which are rented out, for which the MetroCenter captures \$5,000 per suite per year, and the other four are rented for \$500 per suite per sporting event, as well as revenues from 20 club seating boxes, rented for \$2,000 per box per year.
- **Naming Rights** – is assumed to be \$250,000 per year.
- **Facility Charge** – is earmarked for Reserve for Replacement Fund. It is based on a \$1.00 charge per ticketed attendee.

Table 8-4 shows the assumptions for the expense projections.

Table 8-4

Rockford Public Facilities: MetroCentre Existing and Projected Effective Rates for Expenses				
	Unit	Existing Rate	Projected Rate	% Increase
Talent/ Promoter Expense	per attendee	\$5.69	\$6.40	12.0%
Operating Expenses				
Marketing	per year	\$279,853	\$400,000	43.0%
Box Office	per attendee	0.76	0.80	10.0%
Parking	per attendee	0.11	0.12	10.0%
Security	per year	306,432	229,800	-25.0%
Engineering	per year	416,052	436,900	5.0%
Maintenance	per event	2,439	2,600	5.0%
Insurance	per year	0	180,000	na
Ushering	per event	552	600	10.0%
Production	per event	4,251	4,400	3.0%
Food and Beverage Expenses	% of F&B Revenue	6%	40%	na
Administration Expenses	per year	\$1,073,650		
Payroll and Benefits	per year		\$800,000	na
Office Supplies and Other	per year		\$300,000	na
Other Income	per year	1,302,867	1,498,300	15.0%
Other Expenses	per year	623,269	685,600	10.0%
Reserve for Replacement	equal to Facility Charge			

Source: Rockford Metropolitan Exposition, Auditorium, and Office Building Authority, Johnson Consulting

Among those listed in the above table, key expense assumptions include the following:

- **Marketing** - As discussed in the previous section, the MetroCentre has a potential to capture the market surrounding the primary market area. In order to do that, it is estimated that a marketing budget of \$400,000 per year would be sufficient for an efficient promotion efforts.
- **Security** - It is recommended that CentreEvents outsource the administration of the security functions, which could save the security expense by approximately 25 percent.
- **Production** - is expected to be at the same level as the labor intensive trade shows are moving out to the new Convention Center, but are being replaced by concerts, entertainment shows, and family shows.
- **Food and Beverage Expenses** - is assumed to be 40 percent of the food and beverage revenues.
- **Administration Expenses** - It is recommended that Administration Expenses be broken down into Staff Payroll and Benefits, and Office Supplies and

C.H. JOHNSON CONSULTING, INC.

EXPERTS IN CONVENTION, SPORT AND REAL ESTATE CONSULTING

Other. It is estimated that such expenses will be \$800,000 and \$300,000, respectively.

- **Reserve for Replacement** - is funded entirely from the Facility Charge of \$1.00 per ticketed attendee shown on the revenue side.

As shown previously in the Table 8-2, based on the above revenue and expense assumptions, in its stabilized year of operation after the improvements, the MetroCentre is projected to generate nearly \$3.1 million (net of talent/ promoter expense), representing an increase of \$1.1 million. Operating and administration expenses are projected to amount to \$4.0 million. After other income, other expenses, and reserve for replacement, the MetroCentre is projected to have a deficit of \$247,000. This level of deficit represents an improvement of \$181,000 at the bottom-line.

Coronado Theatre

Operating projections of the Coronado Theatre are based on the projected event demand and attendance as shown previously in Section 5. In its stabilized year after improvements, the theater is projected to host a total of 116 events, including 48 concerts and performances, 43 resident company rehearsals and performances, 20 not-for-profit events, and five other events. These events are projected to generate a total of 170,300 attendees. In addition, the new proposed business model is expected to increase the theater's income potential, including a new revenue source from naming rights.

Table 8-5 shows the current and projected operating revenues and expenses of the Coronado Theatre.

C.H. JOHNSON CONSULTING, INC.

EXPERTS IN CONVENTION, SPORT AND REAL ESTATE CONSULTING

Table 8-5

Coronado Theater			
Projected Operating Proforma (\$000's, in Constant Dollars)			
<i>Line</i>	FY 01-02 (Restated)	Stabilized Year After Improvements	Incremental Benefit
Event Revenue			
1 Space Rental	\$0	\$175	\$175
2 Ticket Sales	2,791	4,240	1,450
3 Food and Beverage Services	42	85	43
4 Novelties	21	34	13
6 Box Office Commission	119	174	55
7 Advertising Revenue	39	45	6
8 Series Sponsor	0	50	50
9 Parking	40	68	28
10 Facility Charge	0	149	149
11 City Amusement Tax	0	152	152
12 Total Event Revenue	\$3,052	\$5,173	\$2,120
13 Talent/ Promoter Expense	\$2,022	\$2,810	\$788
14 Net Event Revenue	\$1,030	\$2,363	\$1,333
Operating Expenses			
15 Marketing	\$258	\$347	\$89
16 Box Office	165	204	39
17 Parking	25	34	9
18 Security	66	65	(1)
19 Engineering	251	248	(4)
20 Maintenance	87	93	5
21 Insurance	0	100	100
22 Ushering	26	28	2
23 Production	248	603	355
24 Food and Beverage Expenses	1	26	25
25 Total Operating Expenses	\$1,128	\$1,747	\$619
Administration Expenses			
26 Payroll and Benefits	incl.	\$450	na
27 Office Supplies and Other	incl.	150	na
28 Total Administration Expenses	\$366	\$600	\$234
29 Operating Income	(\$464)	\$16	\$479
30 Other Income	\$0.27	\$0.30	\$0.03
31 Other Expenses	0.00	0.00	0.00
32 Reserve for Replacement	0.00	(149.30)	(149.30)
33 Surplus (Deficit) Before Capital Projects	(\$463)	(\$133)	\$330

Source: Johnson Consulting

The assumptions for the revenue projections are shown in Table 8-6.

Table 8-6

Rockford Public Facilities: Coronado Theater Existing and Projected Effective Rates for Revenues				
	Unit	Existing Rate	Projected Rate	% Increase
Event Revenue				
Space Rental	per prefunction event	\$0.00	\$800	na
Ticket Sales	per attendee	\$20.76	\$24.90	20.0%
Food and Beverage Services	per attendee	0.31	0.50	50.0%
Novelties	per attendee	0.16	0.20	25.0%
Box Office Commission	per attendee	0.89	1.02	15.0%
Advertising Revenue	per year	38,895	44,700	15.0%
Series Sponsor	per year	0	50,000	na
Parking	per attendee	0.30	0.40	20.0%
Facility Charge	per ticketed attendee	0.00	1.00	na
City Amusement Tax	% of ticket sales	0.0%	3.6%	na

Source: CentreEvents, Johnson Consulting

Among those listed in the table above, key revenue assumptions for the Coronado Theatre include the following:

- **Space Rental** - includes revenue from occasional rental of the pre-function space. It is based on an estimated rental rate of \$800 per day, assuming an annual occupancy rate of 60 percent.
- **Series Sponsor** - There is a potential for the Coronado Theater to generate sponsor for its performance series. Such revenue is estimated to reach \$50,000 per year.
- **Facility Charge** - Similar to the MetroCentre, Facility Charge is earmarked for Reserve for Replacement Fund. It is based on a \$1.00 charge per ticket.

Table 8-7 shows the assumptions for the expense projections.

Table 8-7

Rockford Public Facilities: Coronado Theater Existing and Projected Effective Rates for Expenses				
	Unit	Existing Rate	Projected Rate	% Increase
Talent/ Promoter Expense	per attendee	\$15.04	16.50	10.0%
Operating Expenses				
Marketing	per year	\$231,159	\$346,700	50.0%
Box Office	per attendee	1.10	1.20	10.0%
Parking	per attendee	0.17	0.20	10.0%
Security	per year	58,984	64,900	10.0%
Engineering	per year	225,005	247,500	10.0%
Maintenance	per event	740	800	10.0%
Insurance	per year	0	100,000	na
Ushering	per event	220	240	10.0%
Production	per event	2,099	5,200	150.0%
F&B Expenses	% of F&B Revenue	1%	30%	na
Administration Expenses	per year	\$230,104		
Payroll and Benefits	per year		\$450,000	na
Office Supplies and Other	per year		\$150,000	na
Other Income	per year	270	300	15.0%
Reserve for Replacement	equal to Facility Charge			

Source: Rockford Metropolitan Exposition, Auditorium, and Office Building Authority, Johnson Consulting

Among those listed in the above table, key expense assumptions include the following:

- **Marketing** – It is recommended that the marketing budget be increased by 5-percent to \$346,700 per year to fund a more aggressive and efficient marketing efforts.
- **Insurance** – is estimated to be \$100,000 per year.
- **Production** – It is necessary for the Coronado Theatre to host higher quality show productions. For this purposes, it is recommended that production budget be increased from \$2,099 per event to \$5,200 per event.
- **Administration Expenses** – It is recommended that Administration Expenses be separated into Payroll and Benefits, and Office Supplies and Other. It is estimated that such expenses amount to \$450,000 and \$150,000 per year, respectively.
- **Reserve for Replacement** - is funded entirely from the Facility Charge of \$1.00 per ticketed attendee shown on the revenue side.

C.H. JOHNSON CONSULTING, INC.

EXPERTS IN CONVENTION, SPORT AND REAL ESTATE CONSULTING

As shown previously in Table 8-5, based on the above assumptions, in its stabilized year after implementation of the new business plan, the Coronado Theatre is projected to generate approximately \$2.4 million (net of talent/ promoter expense), representing an increase of \$1.3 million over FY '01-02 net event revenue level. Operating and administration expenses are projected to amount to \$2.3 million. After other income, other expenses, and reserve for replacement, the Coronado Theatre is projected to have a deficit of \$133,000, representing an improvement of \$330,000 at the bottom-line.

Davis Park

Operating projections of the Davis Park are based on the projected event demand and attendance as shown previously in Section 7. In its stabilized year of operation after the improvements, the amphitheater is projected to host a total of seven events, including a major festival, ten concerts, and six other events. These events are projected to generate a total of 318,100 attendees.

In addition, improvements and new operating strategy for the amphitheater are expected to increase its income potential. For example, by hosting concerts and other events, the amphitheater will generate higher ticket sales and concession revenues per attendee.

Currently, Davis Park is now assigned its own financial proforma. For the new operating strategy, it is recommended that the Davis Park has its own chart of accounts. Table 8-8 shows the current and projected operating revenues and expenses of the Davis Park.

C.H. JOHNSON CONSULTING, INC.

EXPERTS IN CONVENTION, SPORT AND REAL ESTATE CONSULTING

Table 8-8

Davis Park			
Historical and Projected Operating Proforma (\$000's, in Constant Dollars)			
<i>Line</i>	FY 01-02	Stabilized Year After Improvements	Incremental Benefit
Revenue			
1 Space Rental	\$0	\$26	\$26
2 Ticket Sales	138	816	678
3 Concessions	21	493	471
4 Merchandise	0	254	254
5 Facility Fee	0	297	297
6 Service Charge	0	38	38
7 Sponsorships	0	200	200
8 Naming Rights	0	0	0
9 Facility Charge	0	85	85
10 Total Revenue	\$159	\$2,183	\$2,023
Operating Expenses			
11 Production	\$145	\$473	\$328
12 Operation	0	51	51
13 Advertising	0	289	289
14 Insurance	0	10	10
15 Maintenance	0	153	153
16 Security	0	50	50
17 Equipment	0	100	100
18 Utilities	0	15	15
19 Total Operating Expenses	\$145	\$1,141	\$996
Administration Expenses			
20 Staff Payroll and Benefits	\$0	\$500	\$500
21 Office Supplies and Other	0	320	320
22 Total Administrative Expenses	\$0	\$820	\$820
23 Operating Income	\$14	\$222	\$208
24 Other Income	\$0	\$109	\$109
25 Other Deficit	0	(98)	(98)
26 Reserve for Replacement	0	(85)	(85)
Surplus (Deficit) Before Capital			
27 Projects	\$14	\$148	\$134

Source: Johnson Consulting

The assumptions for the revenue projections are shown in Table 8-9.

Table 8-9

Rockford Public Facilities: Davis Park Existing and Projected Effective Rates for Revenues			
	Unit	Davis Park	
		Existing Rate	Projected Rate
Revenue			
Space Rental	per event	na	\$1,500
Ticket Sales			
Festivals	per attendee	\$0.34	\$0.50
Concerts	per attendee	na	10.00
Special Events and Others	per attendee	na	2.50
Concessions			
Festivals	per attendee	\$0.05	\$0.10
Concerts	per attendee	na	6.00
Special Events and Others	per attendee	na	4.00
Merchandise	per concert and other attendee	na	3.00
Facility Fee	per concert and other attendee	na	3.50
Service Charge	per concert and other attendee	na	0.45
Sponsorships	per year	na	200,000
Naming Rights	per year	na	0
Facility Charge	per concert and other attendee	na	1.00

Source: CentreEvents, Johnson Consulting

Among those listed in the table above, key revenue assumptions for the Davis Park include the following:

- **Space Rental** – includes revenue from the rental of the stage area at the amphitheater. It is based on an estimated rental rate of \$1,500 per event.
- **Ticket Sales** – is based on \$0.50 per festival attendee, \$10.00 per concert attendee, and \$2.50 per other event attendee.
- **Concessions** – is based on \$0.10 per festival attendee, \$6.00 per concert attendee, and \$4.00 per other event attendee.
- **Sponsorships** – is estimated to be \$200,000 per year.
- **Facility Charge** – is earmarked for Reserve for Replacement Fund. It is based on a \$1.00 charge per attendee.

Table 8-10 shows the assumptions for the expense projections.

Table 8-10

Rockford Public Facilities: Davis Park			
Existing and Projected Effective Rates for Expenses			
	Unit	Davis Park	
		Existing Rate	Projected Rate
Operating Expenses			
Production	per event	\$24,176	\$27,800
Operation	per event	na	3,000
Advertising	per event	na	17,000
Insurance	per event	na	600
Maintenance	per event	na	9,000
Security	per year	na	50,000
Equipment	per year	na	100,000
Utilities	per year	na	15,000
Administration Expenses			
Staff Payroll and Benefits	per year	na	500,000
Office Supplies and Other	per year	na	320,000
Other Income	% of total revenues	na	5.0%
Other Expenses	% of total expenses	na	5.0%
Reserve for Replacement	equal to Facility Charge		

Source: CentreEvents, Johnson Consulting

Among those listed in the above table, key assumptions for the expense projections include the following:

- **Production** – expenses are related to event set-up and include lighting, sounds, and others. Such expenses is expected to increase from the current level of \$24,200 to \$27,800 per event.
- **Operation** – expenses are related to various costs of holding an event, such as event security, and are projected to be \$3,000 per event.
- **Advertising** – expenses are incurred for the promotion of events, which is based on \$17,000 per event.
- **Insurance** – is for liquor liability insurance and is projected to be \$600 per event.
- **Maintenance** – expense is related to the general upkeep and routine repairs. It is estimated to be \$9,000 per event.
- **Administration Expenses** – is assumed to include \$500,000 per year for staff payroll and benefits and \$320,000 per year for office supplies and other administrative needs.

- *Reserve for Replacement* - is funded entirely from the Facility Charge of \$1.00 per ticketed attendee shown on the revenue side.

As shown in Table 8-8, based on the above assumptions, in its stabilized year operation after improvements and implementation of new strategy, Davis Park is projected to generate approximately \$2.1 million of revenue. Operating expenses are projected to amount to \$2.0 million. After other income, other expenses, and reserve for replacement, the amphitheater is projected to generate approximately \$148,000 of surplus.

Rockford Convention Center

Operating projections of the new Convention Center are based on the projected event and attendance as shown previously in Section 6. In its stabilized year of operation, the convention center is projected to host a total of 78 events, including ten consumer shows, 14 conventions and trade shows, 12 conferences and meetings, six concerts and entertainment events, 24 banquet and social events, and 12 other events. These events are projected to generate a total of 83,600 attendees.

In addition, the operating projections of the convention center is based on comparable facilities' operations, the unique characteristics of the local market area and the proposed surrounding development, and trends that are likely to affect the facility in the future.

Table 8-11 shows the projected operating revenues and expenses of the convention center.

C.H. JOHNSON CONSULTING, INC.

EXPERTS IN CONVENTION, SPORT AND REAL ESTATE CONSULTING

Table 8-11

Rockford Convention Center	
Projected Operating Proforma (\$000's, in Constant Dollars)	
<i>Line</i>	Stabilized Year of Operation
Event Revenue	
1 Space Rental	\$1,912
2 Equipment Rental	719
3 Event Services	574
4 Food and Beverage Services	988
5 Ticket Sales	340
6 Advertising Revenue	150
7 Naming Rights	0
8 Parking	61
9 Facility Charge	68
10 City Amusement Tax	20
11 Total Event Revenue	\$4,831
Operating Expenses	
12 Contract Services	\$455
13 Utilities	427
14 Building Maintenance and Repair	213
15 Supplies	142
16 Insurance	121
17 Marketing and Promotion	250
18 Food and Beverage Expenses	642
19 Total Operating Expenses	\$2,250
Administration Expenses	
20 Staff Payroll and Benefits	\$2,400
21 Office Supplies and Other	600
22 Total Administration Expenses	\$3,000
23 Operating Income	(\$419)
24 Other Income	\$242
25 Other Expenses	(68)
26 Reserve for Replacement	(68)
27 Surplus (Deficit) Before Capital Projects	(\$313)

Source: Johnson Consulting

The assumptions for the revenue projections are shown in Table 8-12.

Table 8-12

Rockford Public Facilities: Rockford Convention Center Revenue Assumptions		
	Unit	Projected Rate
Event Revenue		
Space Rental		
Exhibit Hall	per NSF show day*	\$0.18
Ballrooms	per NSF show day	\$0.35
Meeting Rooms	per NSF show day	\$0.30
Equipment Rental	per NSF show day	\$0.10
Event Services	% of rental revenues	30%
Food and Beverage Services		
Consumer Shows	per attendee	\$3.00
Conventions and Trade Shows	per attendee	\$8.00
Conferences and Meetings	per attendee	\$24.00
Concerts and Entertainment Events	per attendee	\$5.00
Banquets and Social Events	per attendee	\$18.00
Other Events	per attendee	\$3.00
Ticket Sales	per ticketed attendee	\$5.00
Advertising Revenue	per year	\$150,000
Parking	per attendee	\$0.50
Facility Charge	per ticketed attendee	\$1.00
City Amusement Tax	per ticketed attendee	\$0.30

*Rates for move in/out days are 65% of show day rate
Source: Conventional Wisdom, Johnson Consulting

Among those listed in the above table, key revenue assumptions for the convention center operating projections include the following:

- **Space Rental** – is based on an assumed rate per net square foot of show day. For the exhibit hall, ballroom, and meeting rooms, the rental rate is \$0.18, \$0.35, and \$0.30 per net square foot of show day, respectively. Rental rate for move in/out days is assumed to be 65 percent of show day rate.
- **Food and Beverage Services** – is based on an estimated revenue per attendee: \$3 for consumer shows, \$8 for conventions and trade shows, \$24 for conferences and meetings, \$5 for concerts and entertainment events, \$18 for banquet events, and \$3 for other events.
- **Ticket Sales** – is based on an average of \$5.00 charge per ticketed attendee.
- **Parking** – is based on an average of \$0.50 parking charge per attendee.

- **Facility Charge** – is earmarked for Reserve for Replacement Fund. It is based on a \$1.00 charge per ticketed attendee.

The assumptions for the expenses projections are shown in Table 8-13.

Table 8-13

Rockford Public Facilities: Rockford Convention Center Expense Assumptions		
	Unit	Projected Rate
Operating Expenses		
Contract Services	per thousand GSFD	\$32.00
Utilities	per thousand GSFD	\$30.00
Building Maintenance and Repair	per thousand GSFD	\$15.00
Supplies	per thousand GSFD	\$10.00
Insurance	per attendee	\$1.00
Marketing and Promotion	per year	\$250,000
Food and Beverage Expenses	% of gross F&B revenues	65%
Administration Expenses		
Staff Payroll and Benefits	per year	\$2,400,000
Office Supplies and Other	per year	\$600,000
Other Income	% of total revenue	5%
Other Expenses	% of total expenses	3%
Reserve for Replacement	equal to Facility Charge	--

Source: Conventional Wisdom, Johnson Consulting

Among those listed in the above table, key assumptions for the convention center operating projections include the following:

- **Marketing and Promotion** – is estimated to be \$250,000 per year.
- **Food and Beverage Expenses** – is estimated to be 65 percent of food and beverage revenue.
- **Administration Expenses** – Based on the comparable facilities, staff payroll and expenses are projected to amount to \$2.4 million per year. Office supplies and other administrative expenses are projected to amount to \$600,000 per year.
- **Reserve for Replacement** – is funded entirely from the Facility Charge of \$1.00 per ticketed attendee shown on the revenue side.

As shown in Table 8-11, based on the above assumptions, Rockford Convention Center is projected to generate approximately \$4.8 million of revenue. Operating

C.H. JOHNSON CONSULTING, INC.

EXPERTS IN CONVENTION, SPORT AND REAL ESTATE CONSULTING

and administration expenses are projected to amount to \$5.3 million. After other income, other expenses, and reserve for replacement, the convention center is projected to have approximately \$313,000 of operating deficit, which is common to same-sized convention facilities.

Rockford Public Facilities Combined

Table 8-14 shows the combined operating proforma of the MetroCentre, Coronado Theatre, Davis Park, and Rockford Convention Center.

Table 8-14

Rockford Public Facilities					
Operating Projections in Their Stabilized Year of Operation (In \$000's, in Constant Dollars)					
	MetroCentre	Coronado Theatre	Davis Park	Rockford Convention Center	Combined Facilities
Total Event Revenue	\$5,752	\$5,173	\$2,183	\$4,831	\$17,938
Talent/ Promoter Expense	2,665	2,810	0	0	5,475
Net Event Revenue	\$3,087	\$2,363	\$2,183	\$4,831	\$12,464
Operating Expenses	\$2,911	\$1,747	\$1,141	\$2,250	\$8,049
Administration Expenses	1,100	600	820	3,000	5,520
Operating Income	(\$924)	\$16	\$222	(\$419)	(\$1,106)
Other Income (Expenses) and Reserve	\$677	(\$149)	(\$73.70)	\$106	\$561
Surplus (Deficit) Before Capital Projects	(\$247)	(\$133)	\$148	(\$313)	(\$545)
<i>Baseline Surplus (Deficit) in FY 2001-02</i>	(\$428)	(\$463)	\$14*	na	(\$891)
<i>Improvement to Bottom-Line</i>	\$181	\$330	\$148	(\$313)	\$346

**Assumed to be included in the complex proforma*
 Source: Johnson Consulting

As shown in the above table, upon the facilities improvements and the convention center opening, the MetroCentre, Coronado Theatre, Davis Park, and Rockford Convention Center combined are projected to operate at a \$545,000 deficit. That is an increase of \$346,000 to the bottom-line.

IX. ECONOMIC AND FISCAL IMPACT ANALYSIS

ECONOMIC AND FISCAL IMPACT ANALYSIS

This section analyzes the incremental benefit that would be derived based on the implementation of the masterplan program. This analysis measures contributions at three levels – demand, operational, and economic. While all of the improvements are warranted, if a hierarchy is needed, this benefit analysis provides that framework. The current operations of the Authority’s Facilities, the market situation review, the capital and facility enhancement recommendations, data on comparable facilities, and the Consulting Team’s experience with similar facilities provide a basis for measuring the contributions of new and enhanced facilities.

As the analysis in the previous sections articulated, through the execution of this masterplan the existing and proposed assets cultural, convention, entertainment, and theater facilities under the direction of the Authority can be positioned to a central role in the ongoing evolution of the Rockford area. Not only can these facilities enrich the lives of Rockfordians through their event offerings, but they also have the potential to attract hundreds of thousands visitors to Rockford and Northern Illinois, providing a critical, and sustainable, method of support for the local economy. Moreover, through targeted investment, selective enhancement, and the introduction of convention center, the Authority can play a vital role in inducing private development into the market.

Johnson Consulting has recently completed operating projections, economic impact assessments, or contributions analyzes for new or expanded public assembly facilities in Peoria, Illinois; Osceola County, Florida; and St. Charles, Missouri. These cities and counties have been or are using Johnson Consulting’s projections as their basis for making public policy and facility improvement decisions, as well as securing capital project financing.

For the economic and fiscal impact analysis, Johnson Consulting focused on event demand, attendance, and activities in the MetroCentre, Coronado Theater, Davis Park Amphitheater, and the prospective Rockford Convention Center. For the purpose of this analysis, impact totals are discussed in terms of the Rockford area economy. The levels of impacts are described as follows:

- ***Direct impacts*** - are an expression of the spending that occurs as a direct result of the events and activities that occur in the convention center, arena, theater, and Davis Park. For example, an arena attendee’s expenditures on hotel rooms and meals are a direct economic impact.
- ***Indirect impacts*** - consist of re-spending of the initial or direct expenditures, or, the supply of goods and services resulting from the initial direct

spending in these facilities. For example, an arena attendee's direct expenditure on a restaurant meal causes the restaurant to purchase food and other items from suppliers. The portion of these restaurant purchases that are within the local, regional, or state economies is counted as an indirect economic impact.

- ***Induced impacts*** – represent changes in local consumption due to the personal spending by employees whose incomes are affected by direct and indirect spending. For example, a waiter at the restaurant may have more personal income as a result of the convention attendee's visit. The amount of the increased income the waiter spends in the local economy is considered an induced impact.
- ***Personal income*** – measures increased employee and worker compensation related to the events being analyzed. This figure represents increased payroll expenditures, including benefits paid to workers locally. It also expressed how the employees of local businesses share in the increased outputs.
- ***Employment impact*** – measures the number of jobs supported in the study area related to the spending generated as a result of the events occurring in the convention center, arena, theater, and Davis Park. Employment impact is stated in a number of full-time equivalent jobs.

This analysis differentiates impacts from spending by people coming from out of town and by local residents, defined as follows:

- ***Net New Spending*** - is spending by out-of-town attendees, exhibitors, and other visitors who come from outside the subject area, (i.e., City, County, metro area, and State of Illinois), which represents the amount of "new dollars" that flow into the respective economies.
- ***Transfer Spending*** - Spending by those who live in market area represents "transfer" spending. For example, a resident of the City of Rockford who attends an event would transfer income from one sector of the City's economy to another, and therefore is not bringing new dollars into the City economy. Nevertheless, they are part of the economic activities generated by the Rockford Public Facilities.

Therefore, the analysis will present total impacts of the Rockford Public Facilities, as expressed through net new spending (to the City, County, metro area, and State of Illinois) and transfer spending.

Summary of Findings

Table 9-1 summarizes the findings of the economic impact analysis for the Rockford Public Facilities.

Table 9-1

Impact Contribution of Rockford Public Facilities (Stabilized Year of Operation)						
	Economic Impact (\$Millions)					Gross Total
	From Transfer Spending by Locals	Net New to City	Net New to County	Net New to MSA	Net New to State	
MetroCentre Arena						
Direct, Indirect, and Induced Spending	\$17.5	\$17.4	\$11.6	\$7.5	\$2.2	\$34.8
Personal Income	\$3.5	\$3.5	\$2.3	\$1.5	\$0.5	\$7.1
Employment (in FTE)	188	189	127	82	15	377
Coronado Theatre						
Direct, Indirect, and Induced Spending	\$7.6	\$8.8	\$6.2	\$4.2	\$2.1	\$16.4
Personal Income	\$1.5	\$1.7	\$1.2	\$0.8	\$0.4	\$3.2
Employment (in FTE)	83	94	66	44	16	177
Davis Park Amphitheater						
Direct, Indirect, and Induced Spending	\$5.9	\$16.9	\$10.5	\$6.2	\$3.7	\$22.9
Personal Income	\$1.2	\$3.4	\$2.1	\$1.2	\$0.8	\$4.6
Employment (in FTE)	64	180	112	66	29	244
Rockford Convention Center						
Direct, Indirect, and Induced Spending	\$8.6	\$11.1	\$8.5	\$6.5	\$5.5	\$19.8
Personal Income	\$1.9	\$2.3	\$1.8	\$1.3	\$1.1	\$4.2
Employment (in FTE)	88	111	84	65	38	198
Total Rockford Public Facilities						
Direct, Indirect, and Induced Spending	\$39.7	\$54.2	\$36.8	\$24.4	\$13.4	\$93.9
Personal Income	\$8.1	\$10.9	\$7.4	\$4.8	\$2.8	\$19.0
Employment (in FTE)	422	574	389	256	98	996

Source: Johnson Consulting

In the first stabilized year of operations, it is estimated the collective facilities under the control of the Authority will generate approximately \$93.9 million in spending, \$19.0 million in earnings, and supported 996 jobs. On a per facility basis, the MetroCentre is projected to generate \$34.8 million in spending, the Coronado Theatre \$16.4 million, Davis Park \$22.9 million, and the prospective Rockford Convention Center \$19.8 million, respectively. On a net new basis, the MetroCentre, Coronado Theatre, Davis Park, and Convention Center are estimated to make individual contributions of approximately \$17.4 million, \$8.8 million, \$16.9 million, and \$11.1 million, respectively.

Table 9-2 summarizes the findings of the fiscal impact analysis.

Table 9-2

Estimates of Annual Incremental Fiscal Impact in Stabilized Year of Operation					
	Total Tax Revenues (In \$000's)				Total
	Metro Centre	Coronado Theatre	Davis Park	Convention Center	
General Sales Tax	\$955	\$398	\$631	\$524	\$2,507
Hotel/Motel Tax	66	52	42	123	284
Food and Beverage Tax	423	167	249	209	1,047
Auto Rental Tax	22	9	17	26	73
Admission (Ticket) Tax	160	108	93	26	388
State Income Tax					
Personal Income	\$212	\$95	\$137	\$126	\$571
Corporate Income	335	158	220	190	901
Total	\$2,172	\$987	\$1,389	\$1,224	\$5,772

Source: CentreEvents, Johnson Consulting

As shown in the table, the enhanced facilities and new convention center are projected to generate approximately \$5.8 million in annual aggregate fiscal benefits.

Table 9-3 shows the projected economic and fiscal impacts from the renovation and construction activity.

Table 9-3

Estimated Impacts of Expansion and Construction Activity			
	Economic and Fiscal Impact (in \$000's)		
	Davis Park	Metro Centre	Convention Center
Economic Impact			
Total Spending	\$3,975	\$34,033	\$95,654
Personal Income	\$1,095	\$9,373	\$26,343
Employment (in FTE)	16	139	390
Fiscal Impact (Sales Tax)	\$288	\$2,467	\$6,935

Source: Johnson Consulting

As shown in the above table, the improvement of Davis Park is projected to generate approximately \$4.0 million of total spending, \$1.1 million of increased earnings, and generate enough activity to support 16 jobs. The MetroCentre renovation is projected to generate approximately \$34 million of total spending, \$9.4 million of increased earnings, and 139 jobs. The construction of the convention

center is projected to generate approximately \$95.7 million of total spending, \$26.3 million of increased earnings, and 390 jobs. The estimated fiscal impacts (from sales tax) are \$288,000 from Davis Park, \$2.5 million from MetroCentre renovation, and \$6.9 million from Convention Center construction.

Rockford Facilities Event Statistics

In their stabilized year of operation after redevelopment, the four venues under the control of the Authority are projected to host a total of 336 events, generating more than one million attendees. Table 9-4 summarizes the event demand by venue.

Table 9-4

Rockford Public Facilities Event Demand and Attendance (Stabilized Year)		
	# of Events	Attendance
MetroCentre	125	416,400
Coronado Theatre	116	170,300
Davis Park	17	318,100
Rockford Convention Center	78	121,400
Total	336	1,026,200

Source: Johnson Consulting

As indicated in the table, in its stabilized year after improvement, the MetroCentre is projected to host 125 events, generating 416,400 attendees. The Coronado Theatre is projected to host 116 events, generating 170,300 attendees. Davis Park Amphitheater is projected to host 17 events, generating a total of 318,100 attendees. The new Rockford Convention Center is projected to host 78 events, generating 121,400 attendees.

The number of days that an attendee spends in the market (person-days) serves as the basis of the economic impact estimate. Based on the attendance figures presented above, Johnson Consulting estimated the number of person-days that resulted from the activities hosted on the facilities. Table 9-5 below shows the assumptions of visitor origin, which is derived from actual data (for concerts, entertainment events, family shows, and sporting events), and experience in similar facilities.

Table 9-5

Rockford Public Facilities Attendee Origin Assumptions						
Average Event Length	% from City	% from Outside City	% from Outside County	% from Outside MSA	% from Outside State	
(a)	(b)	(c)	(d)	(e)	(f)	
MetroCentre Arena						
Concerts	1.0	31%	69%	48%	26%	6%
Entertainment Events	1.0	17%	83%	69%	56%	14%
Family Shows	1.0	35%	65%	50%	31%	7%
Sporting Events	1.0	73%	27%	11%	4%	1%
Other Events	1.0	39%	61%	44%	29%	7%
Coronado Theater						
Performances	1.0	36%	64%	40%	23%	7%
Concerts	1.0	22%	78%	65%	47%	11%
Resident Company Performances	1.0	70%	30%	23%	17%	13%
Resident Company Rehearsals	1.0	80%	20%	15%	11%	8%
Not-For-Profit	1.0	80%	20%	15%	11%	8%
Other Events	1.0	29%	71%	52%	35%	9%
Davis Park Amphitheater						
Festivals	1.0	25%	75%	45%	27%	16%
Concerts	1.0	31%	69%	48%	26%	6%
Special Events and Others	1.0	25%	75%	45%	27%	16%
Rockford Convention Center						
Consumer Shows	3.0	60%	40%	30%	23%	17%
Conventions and Trade Shows	3.0	30%	70%	53%	39%	30%
Conferences and Meetings	3.0	50%	50%	38%	28%	21%
Concerts and Entertainment Events	1.0	24%	76%	58%	41%	10%
Banquets and Social Events	1.0	60%	40%	30%	20%	10%
Other Events	1.0	60%	40%	30%	23%	17%
<i>Notes:</i>						
<i>Column (b) represents the percentage of event attendees who are City residents.</i>						
<i>Column (c) represents the percentage of event attendees who are out-of-City visitors.</i>						
<i>Column (b) plus Column (c) equals 100 percent.</i>						
<i>Column (d) is a subset of Column (c). It expresses the percentage of all out-of-County visitors.</i>						
<i>Column (e) is a subset of Column (d). It expresses the percentage of all out-of-MSA visitors.</i>						
<i>Column (f) is a subset of Column (e). It expresses the percentage of all out-of-State visitors.</i>						
<i>Source: Johnson Consulting</i>						

The numbers of attendees in combination with the length of stay in the local market are two of the primary indicators of event impacts. Accordingly, Johnson Consulting, with support from CentreEvents, the RACVB, meeting planners, event promoters, and historical data summarized actual per event attendance and used the data to develop estimates of exhibitors and press, non-local person days and non-local hotel room nights. Table 9-6 summarizes these estimates.

C.H. JOHNSON CONSULTING, INC.

EXPERTS IN CONVENTION, SPORT AND REAL ESTATE CONSULTING

Table 9-6

Estimate of Person-Days and Room Nights								
	# of Persons (a)	Average Length of Stay (b)	# of Person-Days					# of Room Nights (h)
			Local (c)	From Outside City (d)	From Outside County (e)	From Outside MSA (f)	From Outside State (g)	
MetroCentre Arena								
Concerts	37,000	1.0	11,327	25,673	17,665	9,701	2,072	1,027
Entertainment Events	69,600	1.0	12,140	57,460	48,112	39,158	10,059	2,298
Family Shows	28,800	1.0	10,119	18,681	14,329	8,828	2,066	747
Sporting Events	255,000	1.0	185,820	69,180	28,475	9,309	1,460	2,767
Other Events	26,000	1.0	10,144	15,856	11,556	7,591	1,807	634
Total	416,400		229,549	186,851	120,137	74,587	17,464	7,474
Coronado Theatre								
Performances	72,000	1.0	25,811	46,189	28,956	16,226	5,157	2,771
Concerts	24,000	1.0	5,226	18,774	15,520	11,296	2,581	1,196
Resident Company Performances	52,500	1.0	36,750	15,750	11,813	8,859	6,645	1,418
Resident Company Rehearsals	800	1.0	640	160	120	90	68	14
Not-For-Profit	20,000	1.0	16,000	4,000	3,000	2,250	1,688	360
Other Events	1,000	1.0	288	712	524	348	90	64
Total	170,300		84,715	85,585	59,933	39,070	16,228	5,823
Davis Park Amphitheater								
Festivals	233,300	1.0	58,325	174,975	104,985	62,991	37,795	3,500
Concerts	65,000	1.0	19,899	45,101	31,033	17,042	3,639	902
Special Events and Others	19,800	1.0	4,950	14,850	8,910	5,346	3,208	297
Total	318,100		83,174	234,926	144,928	85,379	44,642	4,699
Rockford Convention Center								
Consumer Shows	50,000	1.0	30,000	20,000	15,000	11,250	8,438	1,733
Conventions and Trade Shows	21,000	2.8	17,325	40,425	30,319	22,739	17,054	9,555
Conferences and Meetings	14,400	2.3	7,200	7,200	5,400	4,050	3,038	1,053
Concerts and Entertainment Events	18,000	1.0	4,325	13,675	10,518	7,423	1,805	889
Banquets and Social Events	12,000	1.0	7,200	4,800	3,600	2,400	1,200	312
Other Events	6,000	1.0	3,600	2,400	1,800	1,350	1,013	156
Total	121,400		69,650	88,500	66,637	49,212	32,547	13,698
Total	1,026,200		467,088	595,862	391,634	248,249	110,880	31,694

Notes:

Column (c) represents the estimated person-days from attendees who are City residents.

Column (d) represents the estimated person-days from attendees who are out-of-City visitors.

Column (e) is a subset of Column (d). It expresses the estimated person-days from out-of-County visitors.

Column (f) is a subset of Column (e). It expresses the estimated person-days from out-of-MSA visitors.

Column (g) is a subset of Column (f). It expresses the estimated person-days from out-of-State visitors.

Source: Peoria Civic Center, Johnson Consulting

As shown in the table, events at the four facilities are estimated to generate approximately 467,100 local person-days and 595,900 person-days from out-of-City visitors, including 391,600 person-days from out-of-County visitors, 248,200 person-days from out-of-MSA visitors, and 110,900 person-days from out-of-State visitors. These visitors are estimated to generate 31,700 room nights. The number of person-days by type is determined by the number of projected attendees (in column a), the

C.H. JOHNSON CONSULTING, INC.

EXPERTS IN CONVENTION, SPORT AND REAL ESTATE CONSULTING

average length of stay (in column b), and their origin (as shown previously in Table 9-5).

Room nights were estimated using two significant assumptions. First, many of the events are only one day long and therefore it is estimated that only a small percentage of the out-of-town visitors would stay overnight in the area and require lodging accommodations (e.g., between five percent and 15 percent for the MetroCentre, Coronado Theatre, Davis Park, and most of the Convention Center events). Second, the average room occupancy is 1.5 people per hotel room.

Economic Impact Analysis

As the basis for direct spending estimates for the economic impact analysis, Johnson Consulting used the average daily spending per attendee by type of events as shown in Table 9-7. The average daily spending assumptions are derived from a Rockford travel study by the University of Illinois at Urbana-Champaign, actual per cap data from FY 2001-02 proforma, and experience in similar projects. The spending amounts below are shown in 2003 dollars.

Table 9-7

Average Daily Spending per Attendee (in 2003 Dollars)						
	Conventions/ Trade Shows	Consumer Shows/ Specialty Expo	Conferences/ Meetings/ Banquets	Sporting Events	Concerts and Entertainment Events	Other Events
Type of Spending						
Tickets/ Entertainment	\$4.90	\$3.10	\$0.00	\$6.10	\$23.40	\$6.30
Transportation	37.00	14.80	14.80	7.00	7.00	7.00
Eating and Drinking	18.30	14.00	30.00	14.00	14.00	10.00
Lodging	75.00	75.00	75.00	75.00	75.00	75.00
Shopping	16.40	11.80	12.10	11.80	11.80	10.00
Other	7.30	4.50	5.20	4.50	4.50	5.20
Total- Day-Trip	\$83.90	\$48.20	\$62.10	\$43.40	\$60.70	\$38.50
Total- Overnight	\$158.90	\$123.20	\$137.10	\$118.40	\$135.70	\$113.50

Source: CentreEvents, University of Illinois at Urbana-Champaign, Johnson Consulting

As the table shows, convention and trade show attendees have the highest estimated spending levels, with an average of approximately \$84 per day (excluding lodging). In comparison, an attendee to a sporting event is estimated to spend approximately \$13 per day. Spending on shopping and "other" includes general retail spending (e.g., necessities and tourism-activity related), but does not include "automobile sales." For attendees that incur lodging, that expenditure is estimated to be \$75 per room night. Published rack rates of hotels in Rockford range from \$69

to \$225 per night, as shown in Table 9-8. Based on these rates, an daily estimate of \$75 per night was selected for the analysis.

Table 9-8

Range of Published Rates - Rockford Hotels	
	Published Rates per Night
Sleep Inn Rockford	\$69 - \$114
Ramada Suites and Rockford Conference Cent	\$75 - \$125
Quality Suites Rockford	\$75 - \$225
Courtyard by Marriott Rockford	\$97 - \$104
Holiday Inn Rockford	\$82 - \$99
Hampton Inn Rockford	\$84 - \$94
Best Western Colonial Inn	\$79 - \$109

Source: mpoint.com, Respective Facilities

Table 9-9 shows the estimated economic impact of the Facilities events. Johnson Consulting utilized the IMPLAN input-output model to estimate indirect and induced impacts. IMPLAN is a nationally recognized model commonly used to estimate economic impacts. An input-output model analyzes the commodities and income that normally flow through the various sectors of the economy. The indirect and induced spending and employment effects represent the estimated changes in the flow of income and goods caused by the direct spending associated with the enhanced facilities.

Table 9-9

Rockford Public Facilities - Stabilized Year of Operation						
	Economic Impact (\$Millions)					Gross Total (f)
	From Transfer Spending by Locals (a)	Net New to City (b)	Net New to County (c)	Net New to MSA (d)	Net New to State (e)	
	MetroCentre Arena					
Direct Spending	\$10.7	\$10.7	\$7.3	\$4.7	\$1.1	\$21.4
Indirect Spending	2.8	2.7	1.8	1.1	0.4	5.6
Induced Spending	3.9	3.9	2.5	1.6	0.6	7.9
Total	\$17.5	\$17.4	\$11.6	\$7.5	\$2.2	\$34.8
Personal Income	\$3.5	\$3.5	\$2.3	\$1.5	\$0.5	\$7.1
Employment (in FTE)	188	189	127	82	15	377
Coronado Theater						
Direct Spending	\$4.8	\$5.5	\$4.0	\$2.7	\$1.1	\$10.3
Indirect Spending	1.2	1.4	1.0	0.7	0.4	2.6
Induced Spending	1.7	1.9	1.3	0.9	0.6	3.5
Total	\$7.6	\$8.8	\$6.2	\$4.2	\$2.1	\$16.4
Personal Income	\$1.5	\$1.7	\$1.2	\$0.8	\$0.4	\$3.2
Employment (in FTE)	83	94	66	44	16	177
Davis Park Amphitheater						
Direct Spending	\$3.6	\$10.4	\$6.6	\$3.9	\$1.9	\$14.0
Indirect Spending	0.9	2.7	1.7	1.0	0.8	3.7
Induced Spending	1.3	3.8	2.3	1.4	1.0	5.2
Total	\$5.9	\$16.9	\$10.5	\$6.2	\$3.7	\$22.9
Personal Income	\$1.2	\$3.4	\$2.1	\$1.2	\$0.8	\$4.6
Employment (in FTE)	64	180	112	66	29	244
Rockford Convention Center						
Direct Spending	\$5.0	\$6.6	\$5.1	\$4.0	\$2.7	\$11.5
Indirect Spending	1.6	2.0	1.5	1.1	1.3	3.5
Induced Spending	2.1	2.6	1.9	1.5	1.5	4.7
Total	\$8.6	\$11.1	\$8.5	\$6.5	\$5.5	\$19.8
Personal Income	\$1.9	\$2.3	\$1.8	\$1.3	\$1.1	\$4.2
Employment (in FTE)	88	111	84	65	38	198
Total Rockford Public Facilities						
Direct Spending	\$24.1	\$33.2	\$22.9	\$15.2	\$6.8	\$57.3
Indirect Spending	6.5	8.8	5.9	3.9	2.9	15.3
Induced Spending	9.0	12.3	8.0	5.3	3.8	21.3
Total	\$39.7	\$54.2	\$36.8	\$24.4	\$13.4	\$93.9
Personal Income	\$8.1	\$10.9	\$7.4	\$4.8	\$2.8	\$19.0
Employment (in FTE)	422	574	389	256	98	996

Notes:
 Column (a) represents economic impact from spending by City residents.
 Column (b) represents economic impact from spending by all out-of-City visitors.
 Column (c) is a subset of Column (b). It expresses economic impact from spending by all out-of-County visitors.
 Column (d) is a subset of Column (c). It expresses economic impact from spending by all out-of-MSA visitors.
 Column (e) is a subset of Column (d). It expresses economic impact from spending by all out-of-State visitors.
 Column (f) represents total economic impact from spending by locals and non-locals.
 Column (f) = Column (a) + Column (b).
 Source: Johnson Consulting

As shown in the table, Johnson Consulting projects, that in their stabilized year of operation, the new or improved facilities are estimated to generate approximately \$93.9 million in total direct, indirect, and induced spending, \$19 million in earnings, and 996 jobs, including impacts from both transfer spending and net new spending. Total (gross) economic impact of the MetroCentre events is approximately \$4.8 million of spending, \$7.1 million in increased earnings, and 377 jobs. Total economic impact of the Coronado Theatre events is approximately \$16.4 million of spending, \$3.2 million of increased earnings, and 177 jobs. Total economic impact of the Davis Park events is approximately \$22.9 million in spending, \$4.6 million in increased earnings, and 244 jobs. The prospective Rockford Convention Center, in its stabilized year of operation, is projected to generate \$19.8 million in spending, \$4.2 million in increased earnings, and 198 jobs.

Table 9-9 also shows the proportion of each measured impacts that represented new activity at the City, County, MSA, and State levels, as summarized on columns (b) through (e). When viewed as a collective unit, the four venues' net new impact to the City of Rockford is projected to be approximately \$54.2 million in spending, \$10.9 million in increased earnings, and 574 jobs. For Winnebago County, the net new impacts were approximately \$36.8 million in spending, \$7.4 million in increased earnings, and 389 jobs. For the Rockford MSA, the figures were approximately \$24.4 million in spending, \$4.8 million in increased earnings, and 256 jobs. On a statewide level, the events at the four venues are projected to generate approximately \$13.4 million in net new spending, \$2.8 million in increased earnings, and 98 jobs.

Fiscal Impact Analysis

Fiscal impacts are tax revenues that result from the spending and income related to the activities at the improved Rockford Public Facilities. This analysis estimates fiscal impacts for the governmental units that levy taxes in the jurisdiction. Like the annual spending estimates on which they are based, fiscal impacts are based on event demand and attendance in their stabilized year of operation.

The fiscal impacts are the public sector's return of investment. Fiscal impacts provide a partial offset to the capital and operating expenditures required to support the development of the facility. Although the incremental tax revenues cannot be expected to pay for a publicly-funded project in full, fiscal impacts are important because they improve the ability of the public sector to pay for the project. The overall economic impacts, including the fiscal impacts, provide a rationale for public participation in a project.

Based on the gross spending shown in Table xx, Johnson Consulting estimated the fiscal impacts from five major categories of tax revenues that are directly affected by

C.H. JOHNSON CONSULTING, INC.

EXPERTS IN CONVENTION, SPORT AND REAL ESTATE CONSULTING

event attendees' activity: general sales tax, hotel tax, food and beverage tax, auto rental tax, admission tax, and income tax from the incremental increase in personal and corporate income. Applicable tax rates include the following:

- **General Sales Tax** - As of July 2003, the local sales tax rate increases from 6.25 percent to 7.25 percent, which includes a 5.0 percent State tax, 1.25 percent County tax, and 1.0 percent Rockford City tax.
- **Hotel Occupancy Tax** - is 12 percent of hotel room sales, including 6 percent State tax and 6 percent City tax.
- **Food and Beverage Tax** - is 7.25 percent of food and beverage sales.
- **Auto Rental Tax** - is 5.0 percent of auto rentals.
- **Admission Tax** - is 3.0 percent of ticket sales.
- **State Income Tax** - includes the following:
 - **State Personal Income Tax** - The personal income in Illinois is 3.0 percent.
 - **State Corporate Income Tax** - Corporate income tax rate in Illinois is 4.8 percent.

Property tax has not been estimated and arguably, some of the values of retail establishments are attributable to spending outside the improved and new facilities.

Table 9-10 summarizes the fiscal impact estimates.

Table 9-10

Estimates of Annual Incremental Fiscal Impact in Stabilized Year of Operation										
	Tax Rate	Taxable Spending				Total Tax Revenues (In \$000's)				Total
		Metro Centre	Coronado Theatre	Davis Park	Convention Center	Metro Centre	Coronado Theatre	Davis Park	Convention Center	
General Sales Tax	7.25%	\$13,168	\$5,486	\$8,700	\$7,223	\$955	\$398	\$631	\$524	\$2,507
Hotel/Motel Tax	12.00%	551	437	352	1,027	66	52	42	123	284
Food and Beverage Tax	7.25%	5,830	2,297	3,441	2,877	423	167	249	209	1,047
Auto Rental Tax	5.00%	437	179	334	517	22	9	17	26	73
Admission (Ticket) Tax	3.00%	5,332	3,612	3,116	875	160	108	93	26	388
State Income Tax										
Personal Income	3.00%	\$7,061	\$3,179	\$4,572	\$4,213	\$212	\$95	\$137	\$126	\$571
Corporate Income	4.80%	6,969	3,286	4,573	3,952	335	158	220	190	901
Total		\$39,348	\$18,476	\$25,088	\$20,684	\$2,172	\$987	\$1,389	\$1,224	\$5,772

Source: CentreEvents, Johnson Consulting

As the table shows, direct spending generated by events at the facilities are projected to result in approximately \$5.8 million in tax revenues. On a per facility basis, the MetroCentre is projected to generate approximately \$2.2 million,

Coronado Theatre \$987,000, Davis Park \$1.4 million, and the Convention Center \$1.2 million.

The City/County is likely to incur expenses related to providing services to the improved facilities that are not estimated in this analysis. These expenses include police, fire protection, emergency medical services, traffic control, street maintenance, sanitation, and other ongoing operating expenses required to maintain the environment around the facility. While many of these costs are charged back to facility users, inevitably these costs would, to some extent, decrease the overall fiscal benefit to the public sector.

Construction Impact

In addition to the ongoing impacts from the operation of the facilities, the renovation of the MetroCentre and Davis Park as well as construction of the Convention Center would create a one-time influx of spending. The construction spending also results in employment in many sectors of the local economy.

Table 9-11 displays the estimated capital costs for the execution of the masterplan on a per facility basis. These costs are preliminary estimates developed on a per square foot basis and based, in part, on the Consulting Team's experience with previous projects. Actual costs may vary based on local conditions and final design solutions. All costs are presented in today's dollars with no provision incorporated for escalation over time. In addition, these costs are limited in scope and do not include code or compliance reviews, environmental surveys or remediation, geotechnical surveys, site acquisition, legal costs, or deep foundation work. They also do not include currently budgeted capital improvement estimates under consideration for the complex.

Table 9-11

Rockford Public Facilities Preliminary Budget for Improvements*			
	Unit	\$/Unit or %	Budget
Davis Park			
Construction Cost	n/a	n/a	\$1,786,000
Professional Fees, Soft Costs		15%	268,000
Furniture, Fixture, and Equipment		10%	179,000
Project Contingency		10%	179,000
Total Cost			\$2,412,000
MetroCentre			
Selective Building Demolition (Portion of MetroCentre)	6,000 SF	\$40	\$240,000
Luxury Suites, Lounge, and Support	8 suites	n/a	1,720,000
Club Seats	20 boxes	n/a	70,000
New Lobby, ADA Restrooms, Ticket Office and Concession Stands	16,100 SF	\$200	3,220,000
Food Court and New Concession Stands	2,500 SF	\$150	375,000
Other Improvements	n/a	n/a	9,672,000
Total Construction Cost			\$15,297,000
Professional Fees, Soft Costs		15%	2,295,000
Furniture, Fixture, and Equipment		10%	1,530,000
Project Contingency		10%	1,530,000
Total Cost			\$20,652,000
Rockford Convention Center			
Exhibit Hall	80,000 SF	\$160.00	\$12,800,000
Ballrooms	15,000 SF	250.00	3,750,000
Meeting Rooms	15,000 SF	100.00	1,500,000
Other	155,150 SF	varies	24,945,000
Total Construction Cost	265,150 SF	\$162.15	\$42,995,000
Professional Fees, Soft Costs		15%	6,449,000
Furniture, Fixture, and Equipment		10%	4,300,000
Project Contingency		10%	4,300,000
Total Cost			\$58,044,000
Total Improvement Cost			\$81,108,000
<i>*Excluding demolition of the building north of the arena and re-opening of Main Street between Elm and Mulberry Source: Conventional Wisdom, HOK, Johnson Consulting</i>			

Table 9-12 shows the total direct spending and the estimated indirect and induced impacts that the renovation and construction of the amphitheater, arena, and convention center would generate to the local economy.

Table 9-12

Estimated Impacts of Expansion Activity			
	Economic and Fiscal Impact (in \$000's)		
	Davis Park	Metro Centre	Convention Center
Economic Impact			
Direct Construction Spending	\$2,412	\$20,652	\$58,044
Indirect Spending	952	8,151	22,908
Induced Spending	611	5,231	14,702
Total Spending	\$3,975	\$34,033	\$95,654
Personal Income	\$1,095	\$9,373	\$26,343
Employment (in FTE)	16	139	390
Fiscal Impact			
General Sales Tax			
State Sales Tax	\$199	\$1,702	\$4,783
County Sales Tax	50	425	1,196
City Sales Tax	40	340	957
Total Sales Tax	\$288	\$2,467	\$6,935

Source: Johnson Consulting

As shown on the table, the proposed Davis Park renovation is projected to account for total direct, indirect, and induced spending of nearly \$4.0 million, increased earnings of \$1.1 million, and 16 jobs. The MetroCentre renovation is projected to account for total direct, indirect, and induced spending of \$34 million, increased earnings of \$9.4 million, and 139 jobs. The construction of the Convention center is projected to account for total direct, indirect, and induced spending of \$95.7 million, increased earnings of \$26.3 million, and 390 jobs. Because construction is a one-time event rather than an ongoing operation, these jobs are counted in “job-years” each representing one-year of work for one person. The estimated fiscal impact from the 7.25 percent sales tax applied to the total spending is approximately \$288,000, \$2.5 million, and \$6.9 million for the amphitheater, arena, and convention center, respectively.

Conclusion

The economic and fiscal impacts generated by the Authority’s assets confirm the value of the facilities to the community. Based on the level of impacts, it is evident that the each venue is far more than a venue for entertainment or meeting activity, but should instead be viewed as a significant contributor to the local economy that not only supports jobs, but also provides an important source of revenue for the City, County, and State.

C.H. JOHNSON CONSULTING, INC.

EXPERTS IN CONVENTION, SPORT AND REAL ESTATE CONSULTING

The preceding analysis supports the recommendations in the masterplan that the MetroCentre and Davis Park facility should be modernized and repositioned and a convention center should developed. In so doing, not only will the community realize more active facilities, it will also benefit from increased economic and fiscal capacity.

An equally important consideration is the level of return the facility is providing to various levels of government. Based on the tax structure in the Rockford market, the State realizes a significant amount of revenue from these facilities, without sharing in the capital or operational obligations. As repositioning and redevelopment are pursued, the exploration of legislation that would provide for a return (or rebate) of those tax resources to the community for facility development or improvement should be evaluated.