



FEASIBILITY STUDY

JUNE 05, 2023

Convention Center Hotel - Port St. Lucie, FL

PORT ST. LUCIE, FLORIDA



SUBMITTED TO:

Ms. Linda McCarthy
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June 05, 2023

Ms. Linda McCarthy
MIDFLORIDA Credit Union Event Center
121 Southwest Port Saint Lucie Boulevard
Port Saint Lucie, Florida 34984

Re: Convention Center Hotel - Port St. Lucie, FL
Port St. Lucie, Florida

Dear Ms. McCarthy:

Attached is our Market Analysis and Feasibility Study of the Convention Center Hotel - Port St. Lucie, FL. We have inspected the real estate and analyzed the hotel market conditions in the Port St. Lucie, Florida, area. We have studied the proposed project, and the results of our fieldwork and analysis are presented in this report. We have also reviewed the proposed improvements for this site.

We certify that we have no undisclosed interest in the property, and our employment and compensation are not contingent upon our findings. This study is subject to the comments made throughout this report and all assumptions and limiting conditions set forth herein.

It has been a pleasure working with you. Please let us know if you have any questions.

Sincerely,
HVS Convention, Sports & Entertainment Facilities Consulting

A handwritten signature in black ink that reads 'Thomas Hazinski'.

Thomas Hazinski, MPP
Managing Director

A handwritten signature in black ink that reads 'Brian Harris'.

Brian Harris
Senior Director



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Appendix A – MIDFLORIDA Credit Union Event Center
Market and Feasibility Study

1. Executive Summary

Subject of the Feasibility Study

The City of Port St. Lucie (the “City”) engaged HVS Convention, Sports, and Entertainment Facilities Consulting (“HVS”) to conduct a Feasibility Study of the Convention Center Hotel - Port St. Lucie, FL (“Proposed Hotel”). The Proposed Hotel’s site is located in Port St. Lucie, Florida, adjacent to the MIDFLORIDA Credit Union Event Center (“MFEC”).

For this study, HVS considered a range of hotel development options and focused our analysis on a high-quality property appropriate for a meeting and group-focused hotel with function space and food service. HVS assumes the Proposed Hotel would open on January 1, 2026, as a 100-room select-service hotel in the Upscale Class as defined by Smith Travel Research (“STR”), an independent research firm that compiles proprietary data on the lodging industry. HVS prepared a second 150-room hotel option with the same features as the Proposed Hotel, which increased proportionately to the larger room count.

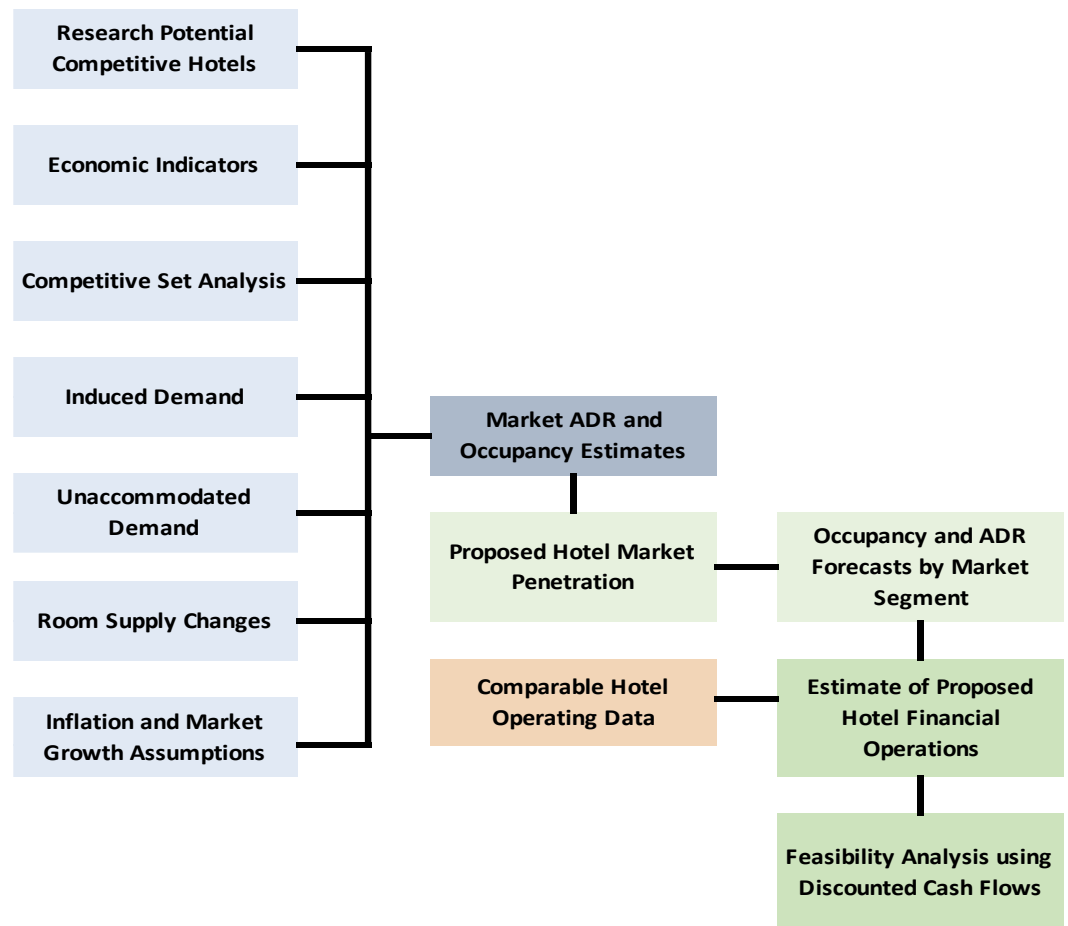
In addition to the guestrooms, the property would feature a restaurant, lounge, and 1,500 square feet of meeting space. Additional features include a pool, whirlpool, business center, fitness center, and market pantry. The hotel’s design would also include the back-of-the-house space necessary to support hotel operations.

The Proposed Hotel’s national brand affiliation, overall property quality, ample meeting space, restaurant, lounge, and location adjacent to the MFEC would make it attractive to the commercial, meeting and group, and leisure market segments. Hotel guests would include independent travelers willing to pay a higher rate for a new product, groups looking for room blocks and banquet space, and leisure travelers seeking high-quality rooms and recreational activities on weekends and when discounted room rates become available. Targeting these market segments will generate the Proposed Hotel’s room night demand and average daily rate (“ADR”).

Methodology

We have employed the methodology illustrated in the figure below in the study.

**FIGURE 1-1
HOTEL FEASIBILITY STUDY METHODOLOGY**



In accordance with the Hotel Supply and Demand Analysis section of our Scope of Work, HVS performed the following tasks:

- 1) Analyzed the historical performance of a competitive set of hotels,
- 2) Estimated the amounts of induced and unaccommodated demand in the market, and
- 3) Researched potential changes in room supply.

Based on these hotel market trends and economic and demographic indicators of future changes in hotel demand, HVS projected the future performance of a competitive set of hotel properties in the local market.

Through a market penetration analysis, HVS estimated the Proposed Hotel's ADR and occupancy in three market segments—commercial, meeting and group, and leisure. The estimate of ADR and occupancies generated a projection of room revenues, which yields a ten-year estimate of financial operations when combined with the operating data on comparable hotels. These projections and assumptions allow us to evaluate the potential financial performance of the Proposed Hotel.

This feasibility analysis is based on the forecasted earnings before interest, tax, depreciation, and amortization less FF&E reserve ("EBITDA less Replacement Reserve") (formerly referred to as "net operating income") for the first ten years of operations. It then assumes the hotel will be sold after ten years of operation. The estimated EBITDA less Replacement Reserve forecasted for the eleventh year is used to calculate the hotel's sale value, less the estimated sale cost. The forecasted earnings and sale value are then discounted to a net present value at the time of the hotel's opening based on the parameters for the debt and equity components of the financing.

The methodology used to develop this study is based on market research and valuation techniques set forth in the textbooks authored by Hospitality Valuation Services for the American Institute of Real Estate Appraisers and the Appraisal Institute, entitled *The Valuation of Hotels and Motels*,¹ *Hotels, Motels and Restaurants: Valuations and Market Studies*,² *The Computerized Income Approach to Hotel/Motel Market Studies and Valuations*,³ *Hotels and Motels: A Guide to Market Analysis, Investment Analysis, and Valuations*,⁴ and *Hotels and Motels – Valuations and Market Studies*.⁵ All information was collected and analyzed by the staff of HVS Convention, Sports & Entertainment Facilities Consulting. HVS sought out reliable sources and deemed information obtained from third parties to be accurate.

¹ Stephen Rushmore, *The Valuation of Hotels and Motels*. (Chicago: American Institute of Real Estate Appraisers, 1978).

² Stephen Rushmore, *Hotels, Motels and Restaurants: Valuations and Market Studies*. (Chicago: American Institute of Real Estate Appraisers, 1983).

³ Stephen Rushmore, *The Computerized Income Approach to Hotel/Motel Market Studies and Valuations*. (Chicago: American Institute of Real Estate Appraisers, 1990).

⁴ Stephen Rushmore, *Hotels and Motels: A Guide to Market Analysis, Investment Analysis, and Valuations* (Chicago: Appraisal Institute, 1992).

⁵ Stephen Rushmore and Erich Baum, *Hotels and Motels – Valuations and Market Studies*. (Chicago: Appraisal Institute, 2001).

Pertinent Dates

The effective date of this study is June 5, 2023. Brian Harris inspected the site for the Proposed Hotel on 14-Mar-23. All projections are expressed in inflated dollars, 4.00% in 2023, 3.00% in 2024, and 3.00% thereafter.

Definitions of ADR, Occupancy, and RevPAR

Average daily room rate ("ADR") is the annual hotel room sales revenues divided by the number of paid occupied room nights. Occupancy is a percentage calculated by dividing the annual number of occupied room nights by the annual number of available room nights. Revenue per available room ("RevPAR") is a common hotel industry metric calculated by multiplying the occupancy rate by ADR and provides a combined measure of rate and occupancy.

MIDFLORIDA Credit Union Event Center

The MFCE features a 13,501 square-foot ballroom, which can be divided into five rooms, and a 5,790 square-foot ballroom, which can be divided into five rooms. The City is considering a major renovation and expansion of the MFCE, which includes:

- Moving the existing parks and recreation facility to another location in or off the city center district ("City Center District") site,
- Turning the former parks and recreation space into a new exhibit hall with a loading dock and back-of-house space,
- Expanding the size of the primary ballroom in the facility to 20,000 square feet, and
- Adding a 10,000-square-foot block of meeting rooms that can support the new exhibit hall and ballroom.

The existing 5,790-square-foot ballroom would be incorporated into other spaces as part of the expansion program. After the expansion, the MFEC would have 75,000 square feet of function space. The expansion of the MFEC would be necessary to support the generation of meeting and group room nights at the Proposed Hotel. Overall, the renovation and expansion of the MFEC would enhance the facility's appeal and make it an attractive destination for events and meetings in the Port St. Lucie area. See Appendix A for additional information concerning the plans for the renovation and expansion of the MFEC.

Market Area Analysis

Port St. Lucie has an expanding economy with a strong focus on the healthcare, education, and retail sectors. It has become a popular destination for retirees and families. Various attractions, including the PGA Village, MLB Mets spring training, the St. Lucie River, and the nearby Hutchinson Island, provide visitors with opportunities for leisure activities such as golf, boating, fishing, and nature exploration.

The market area is experiencing growth in population, median household income, retail sales, and food and beverage sales, which is faster than the national average. The area's largest employers are in the education and healthcare sectors, and the healthcare and accommodations sectors are projected to grow the fastest in the next five years. As a result, the Port St. Lucie market area continues to offer opportunities for growth and development within the hospitality industry.

Despite these strong market indicators, the market has not been supported by growth in meeting space availability. The proposed expansion of the MFEC will provide much-needed convention and meeting facilities to the City, which is expected to increase the demand for hotel rooms in the meeting and group segments. Due to its location adjacent to the MFEC, the Proposed Hotel is poised to benefit significantly from the increased meeting and group market demand. With convenient access to the event center, hotel guests participating in conferences, exhibitions, and other events will find it easier to attend and network with fellow attendees.

Site

The Proposed Hotel's site is in Port St. Lucie, Florida. See page 2-1 for a detailed description of the site.

**Ownership and
Management**

The ownership structure for the Proposed Hotel remains undetermined as of the date of this study. Once the development plan is finalized, a management agreement would need to be negotiated. HVS included a market-appropriate management fee of 3.0% of gross operating revenues.

Franchise

HVS recommends that the developer of the Proposed Hotel obtains a national brand affiliation and operates as an Upscale Class, select-service hotel. The franchise affiliation would be determined as part of the future hotel project. HVS assumes a franchised operation with a franchise fee of 6.00% of gross room revenues, plus a 2.00% of gross room revenues program fee included in the expenses of operation. A program fee generally pays for various programs to benefit the franchise system, including (a) advertising, promotion, publicity, public relations, market research, and other marketing programs; (b) developing and maintaining directories and Internet sites for Brand Hotels; (c) developing and maintaining the Reservation Service systems and support; (d) quality assurance programs; and (e) administrative costs and overhead related to the administration or direction of these projects and programs. Any charges related to the affiliation, such as frequent guest programs, would be reflected in the appropriate departmental expenses, consistent with the Uniform System of Accounts for the Lodging Industry ("USALI").

Examples of select-service hotels in the Upscale Class, as defined by STR, would include AC Hotel by Marriott, Courtyard by Marriott, Crowne Plaza by IHG, DoubleTree by Hilton, Hilton Garden Inn, Hyatt Place, Radisson, and Wyndham. Due

to the brand's popularity, Courtyard and Hilton Garden Inn are most often either attached to smaller convention centers or located near larger convention centers. Chain Scale segments are grouped primarily according to actual average room rates. Examples of hotels by Chain Scale segment: Luxury – Ritz Carlton and Four Season, Upper Upscale – Hilton and Marriott, Upscale – Courtyard and Hilton Garden Inn, Upper Midscale – Hampton Inn and Holiday Inn, Midscale – Best Western and Ramada, Economy – Days Inn and Motel 6, and Independent.

The brand affiliation is expected to be maintained throughout a ten-year holding period. To retain this affiliation, the hotel must comply with the brand's standards, encompassing service, cleanliness, and overall guest experience. The hotel must also be in good condition, with all building systems functioning properly. Any required refurbishments or renovations should be executed promptly and in line with the brand's specifications, ensuring the property consistently delivers a quality guest experience.

Impact of the COVID-19 Pandemic

In December 2019, a novel coronavirus known as SARS-CoV-2 ("COVID-19") was first identified in China, with the first case in the United States reported in late January 2020. The World Health Organization (WHO) officially declared COVID-19 a global pandemic on March 11, 2020, and the United States declared the outbreak a national emergency on March 13, 2020. Following these declarations, governments implemented lockdowns and social-distancing measures to slow the spread of the virus. These measures proved effective, and infection rates decreased significantly during summer. However, cases increased again in mid-year 2021 and early 2022, attributed to the Delta and Omicron variants, respectively. Since early 2022, cases have declined substantially, and the introduction of adult boosters and child vaccinations has helped reduce the severity of recent cases.

In the second quarter of 2020, non-essential businesses were closed in most of the nation, resulting in a 31.4% drop in GDP. However, as states began easing or lifting restrictions during the summer of 2020, the economy started to recover. By the first quarter of 2021, GDP exceeded pre-pandemic levels and continued to grow throughout the year. Significant government support contributed to this rebound; the \$1.9-trillion funding bill (passed in March 2021), and the \$550-billion infrastructure bill (passed in November 2021). GDP then slowed in the first half of 2022, attributed primarily to a decline in inventory investment and government spending. Modest GDP growth returned in the third and fourth quarters of 2022.

The hospitality industry experienced significant challenges during the pandemic, with travel sharply declining and restrictions on group sizes leading to the cancellation of meetings, conventions, festivals, and sporting events. Business and group travel saw a considerable drop, while leisure travel was less affected. Leisure remains the most robust demand segment, and group events have shown a strong

increase throughout much of 2022. Business travel has been improving more slowly.

A full recovery of business transient and meeting/group demand is anticipated by 2024. Notably, monthly 2022 RevPAR levels exceeded 2019, largely driven by ADR increases. ADR in 2022 was 13.4% higher at \$148.83 versus \$131.23 in 2019. The occupancy rate was 5.0% lower in 2022 at 62.7% versus 66.0% in 2019. Hotel owners, operators, and investors maintain a cautiously optimistic outlook for 2023. Demand is expected to continue strengthening, while ADR gains are likely more modest than those achieved in 2022.

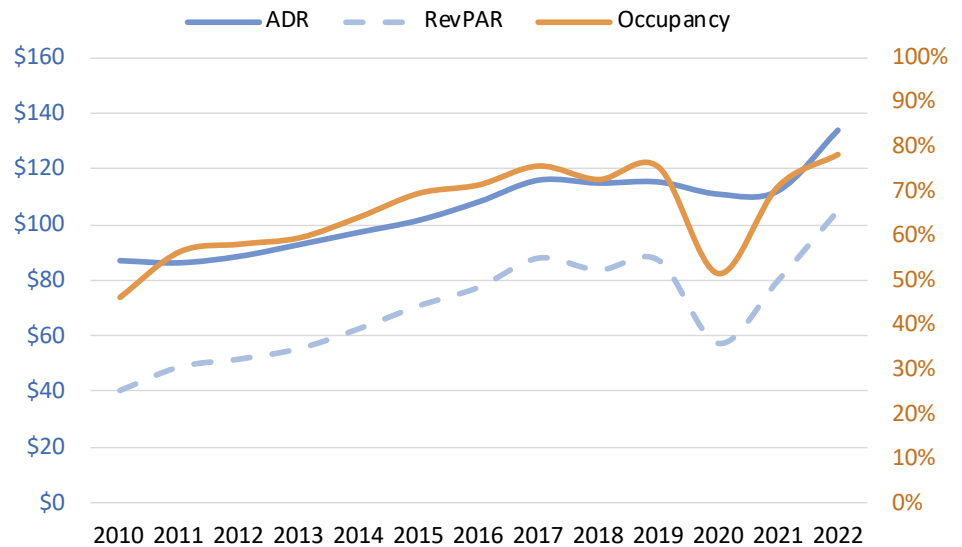
Summary of Hotel Market Trends

HVS analyzed the supply of hotels in the Port St. Lucie market to identify hotels that would compete with the Proposed Hotel. Based on factors such as occupancy, rate structure, market orientation, location, facilities, amenities, reputation, and quality, as well as feedback from management representatives, HVS identified five properties as primary competitors and four properties as secondary competitors, totaling nine competitive hotels ("Competitive Hotels" or "Competitive Set"; see page 4-5, Figure 4-2).

Primary competitors, due to their location, brand quality, and service levels, directly compete for the same customers and are 100% competitive with the Proposed Hotel. Secondary competitors have partially overlapping customer bases, and their competitiveness with the Proposed Hotel is weighted at less than 100%. A detailed discussion of the weighting of secondary competitors can be found in Section 4 of this study, Supply and Demand Analysis.

The following figure on supply and demand trends for Competitive Hotels reveals the significant impact of the COVID-19 pandemic on the hospitality industry and the subsequent rapid pace of recovery. HVS obtained the data from STR, a well-regarded industry source of data on lodging supply, demand, and price. From 2010 to 2019, the market exhibited strong growth with increases in both ADR and occupancy. However, in 2020, travel restrictions and lockdowns caused a sharp decline in hotel demand and revenue. ADR and occupancy rates gradually improved as the market began recovering in 2021. By the end of 2022, Competitive Hotels had experienced a full recovery in both ADR and occupancy.

FIGURE 1-2
COMPETITIVE HOTELS HISTORICAL ADR, OCCUPANCY, AND REVPAR TRENDS



Source: STR

In 2022, the Competitive Hotels' performance improved significantly, as shown in the above figure. The ADR increased by 19.5%, and demand rose by 20.0%. This increase in demand, combined with the growth in available room nights of 9.0%, caused the occupancy rate to increase to 78.2% from 71.1% in 2021. As a result of these factors, RevPAR increased by 31.6% to \$105.16, demonstrating the overall strong performance of the Competitive Hotels in 2022.

The following figure reflects HVS's estimates of the Competitive Hotels operating data for 2020 through 2022. Section 4-5 of this report provides descriptions of the Competitive Hotels.

FIGURE 1-3
WEIGHTED HISTORICAL SUPPLY, DEMAND, OCCUPANCY, ADR, & REVPAR
OF THE COMPETITIVE HOTELS (2020 - 2022)

Year	Room Night Supply	Room Night Demand	Competitive Hotels Occupancy	Competitive Hotels ADR	Competitive Hotels RevPAR
2020	236,000	112,000	47.4%	\$113.40	\$53.77
2021	252,000	177,000	70.2%	\$114.26	\$80.18
2022	280,000	218,000	77.9%	\$134.86	\$105.00
Percent Change					
2020 to 2021	6.8%	58.0%	48.0%	0.8%	49.1%
2021 to 2022	11.1%	23.2%	11.0%	18.0%	31.0%
2020 to 2022	18.6%	94.6%	64.2%	18.9%	95.3%

Source: STR & HVS

Competitive Hotels have experienced a strong recovery over the past two calendar years. The recovery from the COVID-19 pandemic started in 2021, with room night demand increasing 58% and ADR increasing 0.8% from the depressed levels in 2020. Since 2020, accommodated room nights have increased by 94.6%, while the room supply has expanded by 18.6%, resulting in a 64.2% increase in the occupancy rate. Concurrently, ADR has grown by 18.9% since 2020. The combined effect of these changes in occupancy and ADR has led to a 95.3% growth in RevPAR over the three-year period, demonstrating the strong recovery in the Competitive Hotels.

Monthly Room Night Demand

HVS analyzed changes in the Competitive Hotels over the last 12 months as reported to STR, as shown in the figure below.

FIGURE 1-4
UNWEIGHTED HISTORICAL 12-MONTH COMPETITIVE HOTELS DEMAND

Month	Occupied Room Nights	Prior Year	Difference	Change in Demand	
Mar-22	24,069	18,300	5,769	31.5%	
Apr-22	21,821	19,907	1,914	9.6%	
May-22	20,720	18,570	2,150	11.6%	
Jun-22	20,026	19,281	745	3.9%	
Jul-22	21,751	21,496	255	1.2%	
Aug-22	21,753	18,764	2,989	15.9%	
Sep-22	19,658	18,182	1,476	8.1%	
Oct-22	24,683	19,507	5,176	26.5%	
Nov-22	23,357	19,517	3,840	19.7%	
Dec-22	22,967	20,962	2,005	9.6%	
Jan-23	24,510	22,326	2,184	9.8%	
Feb-23	24,007	20,846	3,161	15.2%	
12 Month Total	269,322	237,658	31,664	13.3%	

Source: STR

Over the last 12 months, demand within the Competitive Hotels grew by 13.3%. The primary driver of this growth has been the continuing recovery from the negative impact of the COVID-19 pandemic, characterized by substantial increases in leisure travel. As treatments and vaccinations became more readily available, travel and tourism rebounded, leading to a surge in consumer demand for hotel accommodations and increased willingness to pay higher room rates.

Summary of Forecast Occupancy and Average Rate

HVS separately analyzed three hotel market demand segments: commercial, meeting and group, and leisure. This enabled us to forecast the Proposed Hotel's occupancy by identifying historical growth rates in demand and estimating future growth trends for each market segment. HVS projected that the Proposed Hotel would over-penetrate the meeting and group market segment due to its location adjacent to the MFEC. This location advantage is expected to attract customers who attend events or meetings at the MFEC.

The following figure summarizes accommodated room night demand estimates by market segment, assuming the Proposed Hotel begins operation on a calendar year starting January 1, 2026.

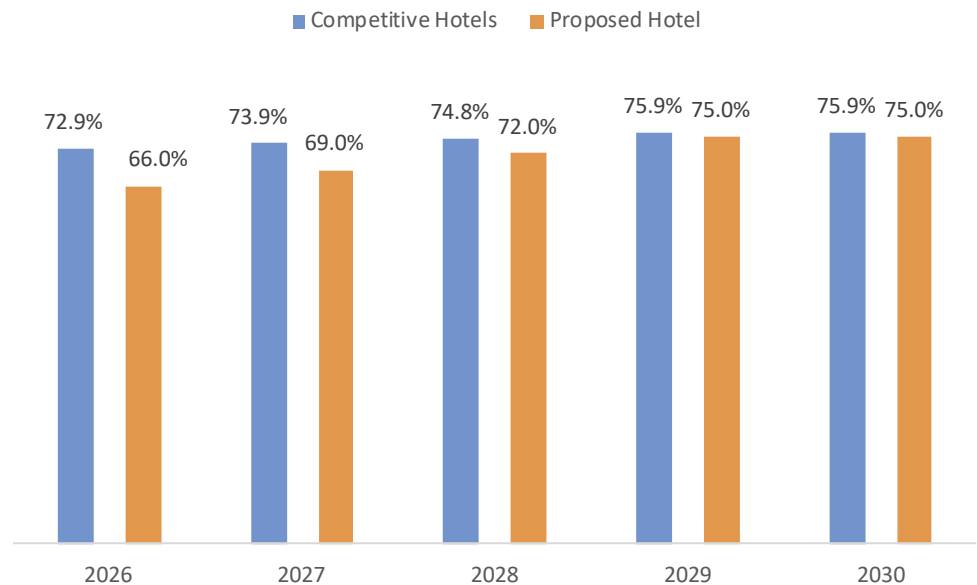
**FIGURE 1-5
PROPOSED HOTEL OCCUPANCY FORECAST**

Calendar Year	2026	2027	2028	2029	2030
Available Room Nights	36,500	36,500	36,500	36,500	36,500
Absorption by Segment					
Commercial	7,600	8,000	8,300	8,300	8,300
Meeting and Group	8,900	9,100	9,700	10,500	10,500
Leisure	7,500	7,900	8,400	8,400	8,400
Total Absorption	24,000	25,000	26,400	27,200	27,200
Projected Occupancy	66%	69%	72%	75%	75%
Percent Segmentation					
Commercial	32%	32%	31%	31%	31%
Meeting and Group	37%	36%	37%	39%	39%
Leisure	31%	32%	32%	31%	31%

The Proposed Hotel is forecast to open on January 1, 2026, and for this analysis, HVS assumes four years until the property stabilizes in the market. Based on our analysis presented in Section 5, Projection of Occupancy and Average Rate, the property could absorb room nights and achieve an occupancy level of 75% in a stabilized year of demand.

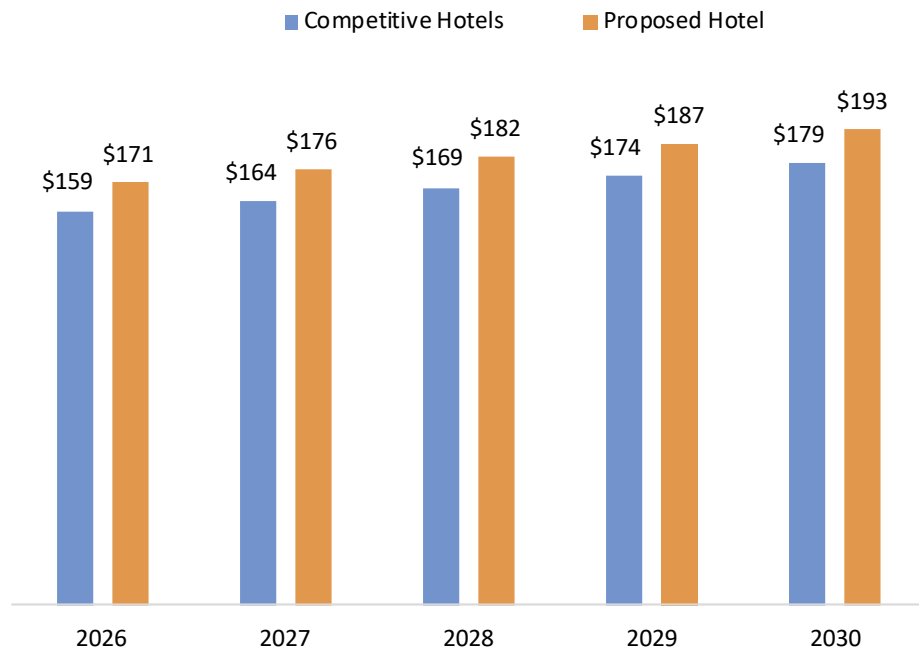
The following figure compares the projected occupancy of the Proposed Hotel with Competitive Hotels for five calendar years starting 2026.

**FIGURE 1-6
OCCUPANCY FORECAST**



The Proposed Hotel's forecast occupancy is slightly lower than the Competitive Hotels due to a location farther from Interstate 95 and the expanding areas of the City. The Proposed Hotel's location does offer a unique advantage due to its proximity to the expanded MFEC and the upcoming City Center District development. These two projects are expected to generate significant meeting and group room night demand and improve the area around the Proposed Hotel, which will help boost the occupancy rate.

HVS has considered a range of factors in positioning the ADR for the Proposed Hotel, including the ADR of Competitive Hotels and the proposed hotel's location, brand, and quality. As a context for the average rate growth factors, HVS applied an inflation rate of 4.00% in 2023, 3.00% in 2024, and 3.00% thereafter throughout our projection period. The following figure compares the estimated ADR of the Proposed Hotel with the ADR of Competitive Hotels for five calendar years starting 2026.

**FIGURE 1-7
AVERAGE RATE FORECAST**

HVS positioned the Proposed Hotel's ADR in the base year 2022, growing by 8.0% in 2023 and 3.0% thereafter. The ADR is higher than the Competitive Hotels due to the Proposed Hotel's new construction, select-service product, meeting space, and a location adjacent to the MFEC and the future City Center District development. This rate would grow with inflation and in proportion to the growth rate in the Competitive Set. The positioned ADR is discounted by 3.0% in 2026 and 1.0% in 2027, which reflects typical management practices during the years before the hotel stabilizes in the market.

Summary of Forecast Income and Expense Statement

HVS supports its revenue and expense level estimates using its comprehensive database of operating statements of comparable hotels. Comparable income statement data is adjusted to reflect factors specific to this market that would influence the level of revenue and expense in the Proposed Hotel. The following figures present a forecast of EBITDA Less Replacement Reserve for the first stabilized year of 2029.

FIGURE 1-8
FINANCIAL OPERATIONS IN THE STABILIZED YEAR 2029

STATISTICS		
Number of Rooms	100	
Occupied Room Nights	27,375	
Occupancy	75%	
Average Rate	\$186.99	
RevPAR	\$140.24	
	\$000	% Gross
Operating Revenue		
Rooms	\$5,119	86.5%
Food	510	8.6%
Beverage	170	2.9%
Other Operated Departments	85	1.4%
Miscellaneous Income	34	0.6%
Total Operating Revenues	\$5,918	100%
Departmental Expenses*		
Rooms	\$1,075	21.0%
Food & Beverage	544	80.0%
Other Operated Departments	47	55.0%
Total Department Expenses	\$1,666	28.1%
Departmental Income	\$4,252	71.9%
Undistributed Operating Expenses		
Administrative & General	\$473	8.0%
Marketing	355	6.0%
Franchise Fee	410	6.9%
Prop. Operations & Maint.	225	3.8%
Utilities	192	3.2%
Info & Telecom Systems	59	1.0%
Total Undistributed Operating Expenses	\$1,714	29.0%
Gross House Profit	\$2,538	42.9%
Management Fee	\$178	3.0%
Income Before Non-Opr. Inc. & Exp.	\$2,360	39.9%
Non-Operating Income & Expenses		
Property Taxes	\$322	5.4%
Insurance	104	1.7%
Reserve for Replacement	237	4.0%
Total	\$662	11.2%
EBITDA Less Replacement Reserve	\$1,698	28.7%

*Departmental expense ratios are calculated as a percentage of departmental revenue.

Our analysis projects a profitable hotel operation. Please refer to Section 6 of this study for a detailed explanation of the methodology used in deriving our forecast of financial operations.

Pro Forma Conclusion

The Proposed Hotel's stabilized revenues primarily come from room rental and food and beverage sales. Other income sources contribute only a relatively small portion of the revenues.

On the cost side, departmental expenses are projected to total 28.1% of revenue in a stabilized year, while undistributed operating expenses are forecast to total 29.0% of total revenues. We assumed the competent operation of the hotel by a third-party manager. After a 3.0% of total revenues management fee and 11.2% of total revenues in non-operating expenses, an EBITDA Less Replacement Reserve of 28.7% (\$1.70 million) is forecast by 2029 first stabilized year of operations for the Proposed Hotel.

After stabilization, the EBITDA less Replacement Reserve is forecasted to grow at the inflation rate. The Proposed Hotel has a positive EBITDA less Replacement Reserve in each of the first ten years of operation that would be available to pay debt service and provide a return on equity to investors.

Estimated Value of the Proposed Hotel

The conversion of the Proposed Hotel's forecasted EBITDA Less Replacement Reserve into an estimate of value is based on the premise that investors typically leverage their real estate investments to enhance their equity yield. HVS surveyed historical hotel transactions and trends in the market to determine the debt-equity splits, yield requirements, and capitalization rates adjusted for the impact of increased interest rates. This information was then used to make financing assumptions for a Proposed Hotel, which reflect current credit market conditions for hotel financing,

The debt and equity allocation of the forecast EBITDA less Replacement Reserve, as shown in the following figure, is based on a 30-year mortgage at a rate of 6.25%, an equity rate of 16.0%, and a terminal cap rate of 9.00%, assuming debt to equity ratio of 65/35. The estimate of value includes calculating a reversionary value of the hotel after ten years of operations. The reversionary value is estimated by dividing the eleventh year of operating income by a capitalization rate and subtracting transaction costs of 2.0% as if the hotel were sold. These parameters produce a total property yield of approximately 10.50%, resulting in a value of \$18.1 million.

To determine if the value of the Proposed Hotel was sufficient to fund the project, HVS gathered data on the costs of 26 recently developed Upscale Class hotel projects from 2019 through 2023. Project costs were reported by the respective developers. They may include hard construction costs, site improvements, furniture fixtures and

equipment (“FF&E”), pre-opening and working capital, soft costs, site costs, land, and development fees. HVS selected properties of similar, properties with function space, and a national brand. Based on the average cost of the recently developed hotels surveyed, adjusted for inflation, a range of potential costs for the Proposed Hotel was developed, as shown in the following figure.

**FIGURE 1-9
PRELIMINARY ASSESSMENT OF FEASIBILITY**

Assumptions	
Rooms	100
Loan-To-Value Ratio	65%
Blended Yield Senior and Mezz.	6.25%
Equity Yield	16.00%
Transaction Costs for Sale	2.00%
Sale End of Year	10
Terminal Capitalization Rate	9.00%
Total Yield/Discount Rate	10.50%
Estimated Value at Opening January 1, 2026	
Mortgage Component	\$11,761,000
Equity Component	6,333,000
Estimated Value of the Proposed Hotel	\$18,100,000
Value per Room	\$181,000
Assumptions Range of Costs +/- 10%	
\$182 thousand per Room	\$18,240,000
\$203 thousand per Room	\$20,265,000
\$223 thousand per Room	\$22,290,000
Possible Funding Surplus (Gap)	
\$182 thousand per Room	(\$140,000)
\$203 thousand per Room	(\$2,165,000)
\$223 thousand per Room	(\$4,190,000)

A 100-room select-service hotel would have a value of approximately \$18.10 million or \$181,000 per room at opening. Rough approximations of development costs could range from \$182,000 to \$223,000 per room. Consequently, the funding gap could range from \$0.1 million to \$4.2 million.



**Summary of Forecast
Income and Expense
Statement for a 150-
Room Hotel**

In addition to the 100-room Proposed Hotel, HVS forecasted the feasibility of a 150-room hotel option. The following figures present a forecast of EBITDA Less Replacement Reserve for the first stabilized year of 2029.

FIGURE 1-10
FINANCIAL OPERATIONS IN THE STABILIZED YEAR 2029

STATISTICS		
Number of Rooms	150	
Occupied Room Nights	39,968	
Occupancy	73%	
Average Rate	\$184.41	
RevPAR	\$134.62	
	\$000	% Gross
Operating Revenue		
Rooms	\$7,370	86.3%
Food	744	8.7%
Beverage	248	2.9%
Other Operated Departments	124	1.5%
Miscellaneous Income	50	0.6%
Total Operating Revenues	\$8,536	100%
Departmental Expenses*		
Rooms	\$1,548	21.0%
Food & Beverage	794	80.0%
Other Operated Departments	68	55.0%
Total Department Expenses	\$2,410	28.2%
Departmental Income	\$6,126	71.8%
Undistributed Operating Expenses		
Administrative & General	\$683	8.0%
Marketing	512	6.0%
Franchise Fee	590	6.9%
Prop. Operations & Maint.	324	3.8%
Utilities	277	3.3%
Info & Telecom Systems	85	1.0%
Total Undistributed Operating Expenses	\$2,472	29.0%
Gross House Profit	\$3,654	42.8%
Management Fee	\$256	3.0%
Income Before Non-Opr. Inc. & Exp.	\$3,398	39.8%
Non-Operating Income & Expenses		
Property Taxes	\$483	5.7%
Insurance	149	1.8%
Reserve for Replacement	341	4.0%
Total	\$974	11.4%
EBITDA Less Replacement Reserve	\$2,424	28.4%

*Departmental expense ratios are calculated as a percentage of departmental revenue.

**Estimated Value of the
150-Room Hotel
Option**

Our analysis projects a profitable hotel operation. Please refer to Section 6 of this study for a detailed explanation of the methodology used in deriving our forecast of financial operations. The 150-room hotel option has a lower occupancy and ADR as compared to the 100-room Proposed Hotel.

The debt and equity allocation of the forecast EBITDA less Replacement Reserve, as shown in the following figure, is based on a 30-year mortgage at a rate of 6.25%, an equity rate of 16.0%, and a terminal cap rate of 9.00%, assuming debt to equity ratio of 65/35. The estimate of value includes calculating a reversionary value of the hotel after ten years of operations. The reversionary value is estimated by dividing the eleventh year of operating income by a capitalization rate and subtracting transaction costs of 2.0% as if the hotel were sold. These parameters produce a total property yield of approximately 10.50%, resulting in a value of \$18.1 million.

To determine if the value of the Proposed Hotel was sufficient to fund the project, HVS gathered data on the costs of 26 recently developed Upscale Class hotel projects from 2019 through 2023. Project costs were reported by the respective developers. They may include hard construction costs, site improvements, furniture fixtures and equipment ("FF&E"), pre-opening and working capital, soft costs, site costs, land, and development fees. HVS selected properties of similar, properties with function space, and a national brand. Based on the average cost of the recently developed hotels surveyed, adjusted for inflation, a range of potential costs for the Proposed Hotel was developed, as shown in the following figure.

**FIGURE 1-11
PRELIMINARY ASSESSMENT OF FEASIBILITY**

Assumptions	
Rooms	150
Loan-To-Value Ratio	65%
Blended Yield Senior and Mezz.	6.25%
Equity Yield	16.00%
Transaction Costs for Sale	2.00%
Sale End of Year	10
Terminal Capitalization Rate	9.00%
Total Yield/Discount Rate	10.48%
Estimated Value at Opening January 1, 2026	
Mortgage Component	\$16,868,000
Equity Component	9,083,000
Estimated Value of the Proposed Hotel	\$25,900,000
Value per Room	\$172,667
Assumptions Range of Costs +/- 10%	
\$180 thousand per Room	\$27,360,000
\$201 thousand per Room	\$30,082,500
\$221 thousand per Room	\$33,435,000
Possible Funding Surplus (Gap)	
\$180 thousand per Room	(\$1,460,000)
\$201 thousand per Room	(\$4,182,500)
\$221 thousand per Room	(\$7,535,000)

A 150-room select-service hotel would have a value of approximately \$25.90 million or \$173,000 per room at opening. Rough approximations of development costs could range from \$180,000 to \$221,000 per room. Consequently, the funding gap could range from \$1.5 million to \$7.5 million.

The 100-room Proposed Hotel has a lower funding gap when compared to the 150-room hotel option.

Our analysis is based on assumptions and market conditions at the time of the study. It does not address unforeseeable events that could alter the financial performance of the Proposed Hotel and the market conditions reflected in the analyses. HVS assumes no significant changes, other than those anticipated and explained in this study, would occur from the date of this study. Our findings are subject to all the assumptions and limiting conditions described herein. After reading this report, the reader should contact the authors with any questions.

Planning for Future Growth

The expanded MFEC would attract additional events and generate greater room night demand if supported by a larger adjacent room supply. However, the anticipated demand levels in the corporate and leisure market segments do not support a larger hotel by its expected opening date. As the various developments in the City Center surrounding the hotel site attain maturity and stabilization, they will increase corporate and leisure room night demand. Moreover, the City's rising population is anticipated to boost the demand for leisure accommodations. Projected population growth and corporate expansion in St. Lucie County and Martin County will increase leisure, corporate, & meeting and group room night demand. Over time, this growing demand, and the anticipated increase in room night demand from additional events at the expanded MFEC due to increased accommodations could enable the expansion of the Proposed Hotel or the construction of a new hotel. As a part of the City Center Master Plan, the City should consider designating a site suitable for adding approximately 100 rooms, whether by expanding the Proposed Hotel or constructing a new hotel. The City Center Master Plan should include an alternative use for the site should the additional hotel rooms not be feasible.

Public/Private Partnerships

A public/private partnership ("P3") is an economic development tool gaining popularity in the hospitality industry. This type of partnership involves the public and private sectors collaborating to finance, develop, and manage a project. Despite positive market indicators and demand potential, some hotel projects do not create the necessary financial performance to support their feasibility. Public incentives can help bridge the feasibility gap and encourage private development of high-impact projects. Many local governments have entered a P3 with a developer to overcome a funding gap in the development budget for a convention center hotel.

The amount of public support required to finance a convention center hotel through a P3 will depend on the gap between the capital cost of the project and the amount of debt and equity that can be raised in the capital markets. P3s in hotel developments are more frequently used for projects where a reasonable public equity investment can make the difference between a feasible and infeasible project. Overall, the decision to pursue a P3 partnership in hotel development will depend on a range of factors, including the availability of private financing, the level of public support required, and the project's potential economic benefits to the local community.

The following figure summarizes typical deal terms in a P3.

FIGURE 1-12
SUMMARY OF P3 DEAL TERMS

Issue	Terms
Ownership	A privately-owned single purpose entity, typically a limited liability corporation ("LLC") holds title to the hotel. The owner is responsible for engaging the developer and operator.
Operations	The hotel may be managed by a hotel brand company (e.g. Marriott, Hilton, Hyatt, Intercontinental, Lowes) or the hotel may be operated by a third party with a franchise agreement to brand the property. Compensation of the manager is typically based on a percentage of gross revenue, net operating income or both.
Financing	Privately-owned hotels are typically financed with a mix of debt and equity. In the current markets, lenders will lend 65% to 70% of the value of the project and equity investors or mezzanine lenders provide the balance of the funding. Typically the developer obtains a variable rate construction loan, which is later replaced with permanent financing when hotel operations stabilize. Equity investment is obtained by selling stock in the LLC and the development group may have a controlling interest in the LLC. In public/private partnerships, a governmental entity may also provide an equity contribution to the project with little or no expectation of obtaining a return on their equity investment.
Cost of Funds	Interest rates on permanent debt may range from 5% to 6% in the current financial markets. Private equity investors may require 15% to 20% return on equity due. These parameters vary depending on credit market conditions and the availability of capital for hotel investment.
Forms of Public Subsidies	Public subsidies may take the form of land contributions, infrastructure and parking development, tax abatements, tax turn-backs, tax-sharing agreements, and cash subsidies. Public subsidies must be tied to the public benefits the project will deliver.
Project Income Sharing	The investors in the LLC usually claim the residual project income from operations and the sale of the asset. Municipalities may negotiate a share of project income in exchange for providing public subsidies. Developers often negotiate a "preferred return," which gives the developer a first claim on income.

The financial feasibility of the Proposed Hotel depends on several factors, including:

- construction costs,
- estimated net operating income of the Proposed Hotel,
- interest rate levels,

- availability of equity,
- seasonality and volatility of the local hotel market, and
- other factors that affect the allocation of investment risk and return.

The most frequently used methods of public incentive for a P3 have included:

- Project Generated Revenues
 - Abatement of lodging taxes collected on the property or redirecting those taxes to the project.
 - Abatement of the property tax or subordination of the property taxes to return on equity investment in the project.
 - Turn back or abatement of sales taxes generated by the project.
 - Imposition of project-specific taxes such as a higher lodging tax.
- Local Government Participation
 - A pledge of city-wide or special district lodging taxes to support the project. Less frequently, public entities fund their contribution to the project using:
 - food and beverage tax revenues generated by the property or from a special district, or
 - general sales taxes or sales taxes from a special district.
 - The use of tax-exempt financing for the conference center and/or hotel.
 - Credit enhance all or a portion of the debt required to fund the project to obtain a lower interest rate.
 - Reduce or eliminate governmental development-related fees and permits on the project.
 - Grant to fund a portion of the project.
 - Increase the lodging tax to fund a portion of the project.

- Infrastructure improvements, including roadway improvements, parking lots and decks, and other supporting developments.
 - Marketing support for the project.
- State Participation
 - A grant or rebate of certain project relates state taxes, such as sales taxes.
 - Sales taxes generated at the project or within a district to support the project.

Public agencies may choose from a wide variety of options to provide public support for a convention center hotel project. Whatever forms public support may take, it must be tied to the public benefits the project would incur for the local community.

The incentives local governments utilize in P3s for similar projects may include providing the site, abatement of property taxes for a specified time, and the local government's portion of the hotel occupancy tax generated. The project generates property and hotel occupancy taxes, limiting the local government's financial exposure. If the City could offer a similar package of incentives, a P3 for the project should be offered through a Request for Qualifications and Proposals ("RFQ/P") process to determine if a developer would be interested in the project.

An alternative would be for the City to finance the convention center hotel using municipal debt and enter into a long-term management agreement with the developer. Due to government ownership, the hotel is often exempt from property taxes under this structure, and the City may be able to utilize tax-exempt financing for a lower interest rate. Project-generated revenues, such as the lodging tax generated by the hotel, could fund a portion of the debt required to finance the conference center. The City may be able to capture the increase in property taxes from the hotel in a tax increment financing district ("TIF") or downtown development district to fund a portion of the debt. The management agreement may be able to make the developer responsible for any operating deficits and maintenance, reducing the long-term exposure of the City. The management agreement may also be able to require the marketing of the conference center to include a focus on larger events that create room night demand for other hotels in the City.

State and local law will dictate the forms of allowable public participation. Next steps may include the following.

- The City should identify which funding sources it is willing and legally able to use to develop the Proposed Hotel.
- Preparation of an RFQ that would be sent to potential developers.
- Discussion with the State concerning assistance to the project.

Extraordinary Assumptions

An extraordinary assumption is one which relates directly to the Proposed Hotel development and which, if found to be false, could alter our opinions or conclusions. Extraordinary assumptions presume, as fact, otherwise uncertain information about physical, legal, or economic characteristics of the Proposed Hotel, or about conditions external to the property such as market conditions or trends, or about the integrity of data used in an analysis. An extraordinary assumption may be used in the analysis if it is required to develop credible options and conclusions, a reasonable basis exists for the assumption, and the use of the extraordinary assumption results in a credible analysis.

Our extraordinary assumptions include the following.

- The Developer of the Proposed Hotel can enter into a successful public-private partnership with the City to fund the project.
- The City contributes the site for the project.
- The City completes the renovation and expansion of the MFEC by the opening date of the Proposed Hotel.

Our analysis does not address unforeseeable events that could alter the financial performance of the proposed project and the market conditions reflected in the analyses. HVS assumed that no significant changes, other than those anticipated and explained in this study, would occur from the date of HVS' site visit or the date of this study. Our findings are subject to all the assumptions and limiting conditions described herein. After reading this report, the reader should contact the authors with any questions.

Conclusion

The design of the Proposed Hotel was not finalized, and the developer had not been selected at the time of this study. For purposes of this feasibility study, the information presented is based on assumptions about the size and features of the hotel, including the room count, meeting space, and support. The final development plan will vary from the information presented in this study, with a resulting positive or negative impact on occupancy and ADR.

Because of the Proposed Hotel's location, new construction, and strong brand, the property would be popular with commercial, group, and leisure customers. Overall, the property would provide an important addition to the lodging inventory in Port St. Lucie and provide needed room inventory for the MFEC.

Benefits to the City from a convention center hotel may include increased tourism, job creation, local economic development, and a boost in the city's reputation as a destination for conventions and large-scale events. The project can lead to the growth of local businesses by attracting more visitors to the area, generating additional revenue streams, and contributing to the overall economic vitality of the City.

A successful expansion of the MFEC and adjacent convention center hotel can have a multiplier effect. Increased tourism and event attendance can drive demand for other local services such as restaurants, retail, and entertainment venues. This, in turn, can foster the development of new businesses in the mixed-use City Center District and encourage nearby businesses to expand, resulting in a more vibrant and diverse local economy. Moreover, the increased visibility of the City as a convention destination can attract additional investments in infrastructure and public services, improving the quality of life for residents.

2. Description of the Site and the Proposed Hotel

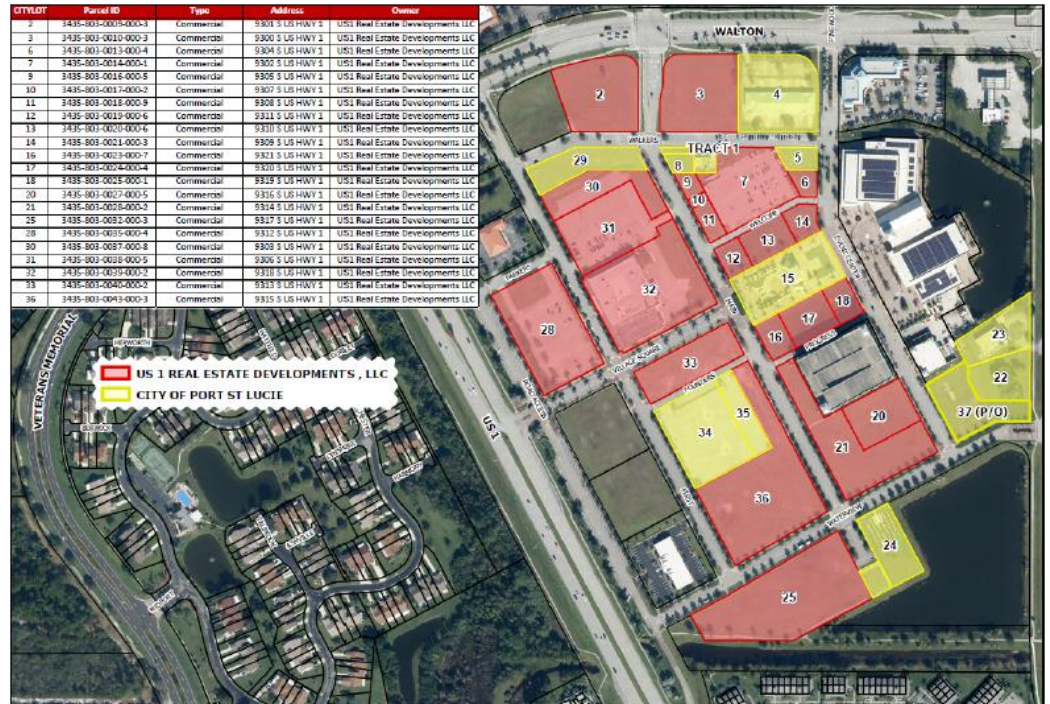
The suitability of land for the development of a hotel is an important consideration affecting its economic viability. The key site characteristics that affect the viability of a hotel property include its capacity to accommodate the project, accessibility, visibility, and supporting road and utility infrastructure. The quality of a lodging facility's physical improvements directly influences marketability, occupancy, and average room rate. The design and functionality of the structure can also affect operating efficiency and overall profitability.

Site

The City's recent acquisition of 21 acres of property presents a unique opportunity to create a comprehensive mixed-use City Center District around the MFEC. The master plan for the City Center District aims to incorporate the expansion of the MFEC and the construction of the Proposed Hotel, ensuring that these developments complement and enhance the overall vision for the area.

The City controls the parcels shown in yellow and red, which are the City Center District's site, as shown in the figure below.

CITY CENTER DISTRICT MASTER PLAN PARCELS



Source: City

This property has a complex history, with its initial assembly in 2005 by real estate developer De Guardiola, who intended to create a shopping plaza accompanied by 1,000 residential units, retail, and office spaces. The project encountered significant challenges and ultimately faced foreclosure. In 2015, Lily Zhong acquired the property intending to develop it; however, she was later found guilty of defrauding investors, which led to the Securities and Exchange Commission (SEC) taking ownership of the land.

The SEC struggled to find a suitable buyer for the property due to substantial back taxes and assessments owed on the land. Recognizing the potential for the site, the City negotiated reductions in back taxes and successfully purchased the property in 2022. The acquisition not only presents an opportunity to revitalize the area but also allows the City to shape the development of the City Center District in a way that aligns with its long-term goals and vision.

The two site options are part of the City Center District, as shown in the figure below.



Site option one is located on Walton Road, which provides the Proposed Hotel with good street visibility. Site option two is closer to the planned expansion of the meeting space at the MFEC and the existing parking garage.

Topography and Site Utility

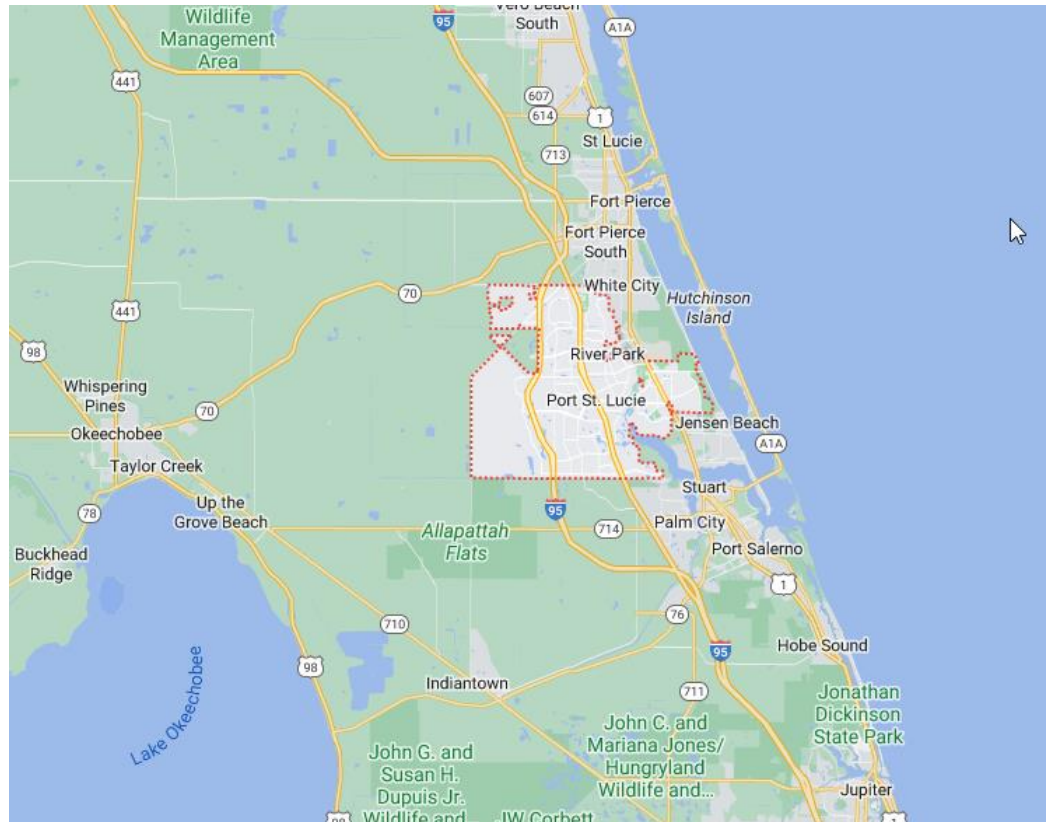
The site's topography is generally flat, and the shape permits efficient use of the site for building and site improvements, including ingress and egress. The site will not contain any significant portion of undeveloped land that could be sold, entitled, and developed for alternate use. The site will be fully developed with building and site improvements.

Access and Visibility

Regional and local transportation routes to the site have a direct impact on the performance of the Proposed Hotel, as illustrated in the following map. Interstate 95, the Florida Turnpike, and U.S. Route 1 ("US 1") provide the primary north/south

access. The Crosstown Parkway and St. Lucie West Boulevard provide the primary east/west access.

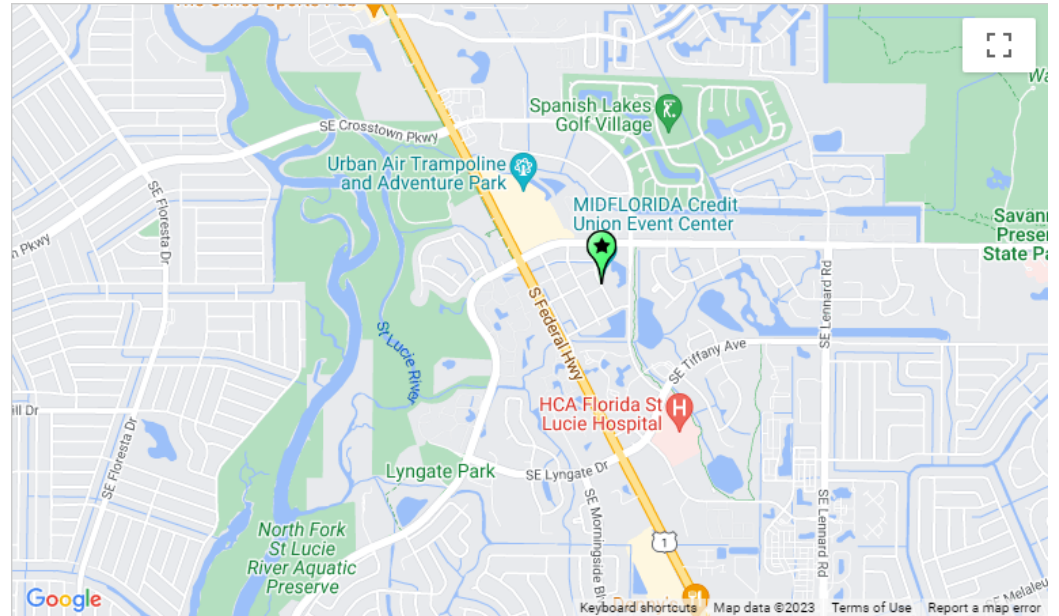
REGIONAL ROADS SYSTEM



Neighborhood

The neighborhood surrounding a lodging facility impacts a hotel's status, image, class, style of operation, and sometimes its ability to attract and properly serve a particular market segment. US 1 provides the primary north/south access to the Proposed Hotel, and the Crosstown Parkway provides the primary east/west access.

NEIGHBORHOOD



Within the immediate proximity of the site and the MFEC, land use is primarily commercial along U.S. Highway 1, the major road in the area. Businesses include HCA Florida St. Lucie Hospital, Butterfield Pharmacy and Medical Supplies, StayDry Med Centers Port St. Lucie, Caring Hearts Family Medical Center, CVS Drug Store, Walgreens, and Wells Fargo Bank. The East Port Plaza is a hub for shopping, entertainment, and various business establishments. It features a Publix Super Market for grocery needs and the Urban Air Trampoline and Adventure Park, which offers family-friendly recreational activities. Dining options include Perkins Restaurant & Bakery, Taco Bell, Popeyes Louisiana Kitchen, Burger King, and Dairy Queen Gill and Chill.

Utilities

The site would reportedly be served by all necessary utilities.

Soil and Subsoil Conditions

Geological and soil reports were not provided to us or made available for our review during the preparation of this report. We are not qualified to evaluate soil conditions other than by visually inspecting the surface; no extraordinary conditions were apparent.

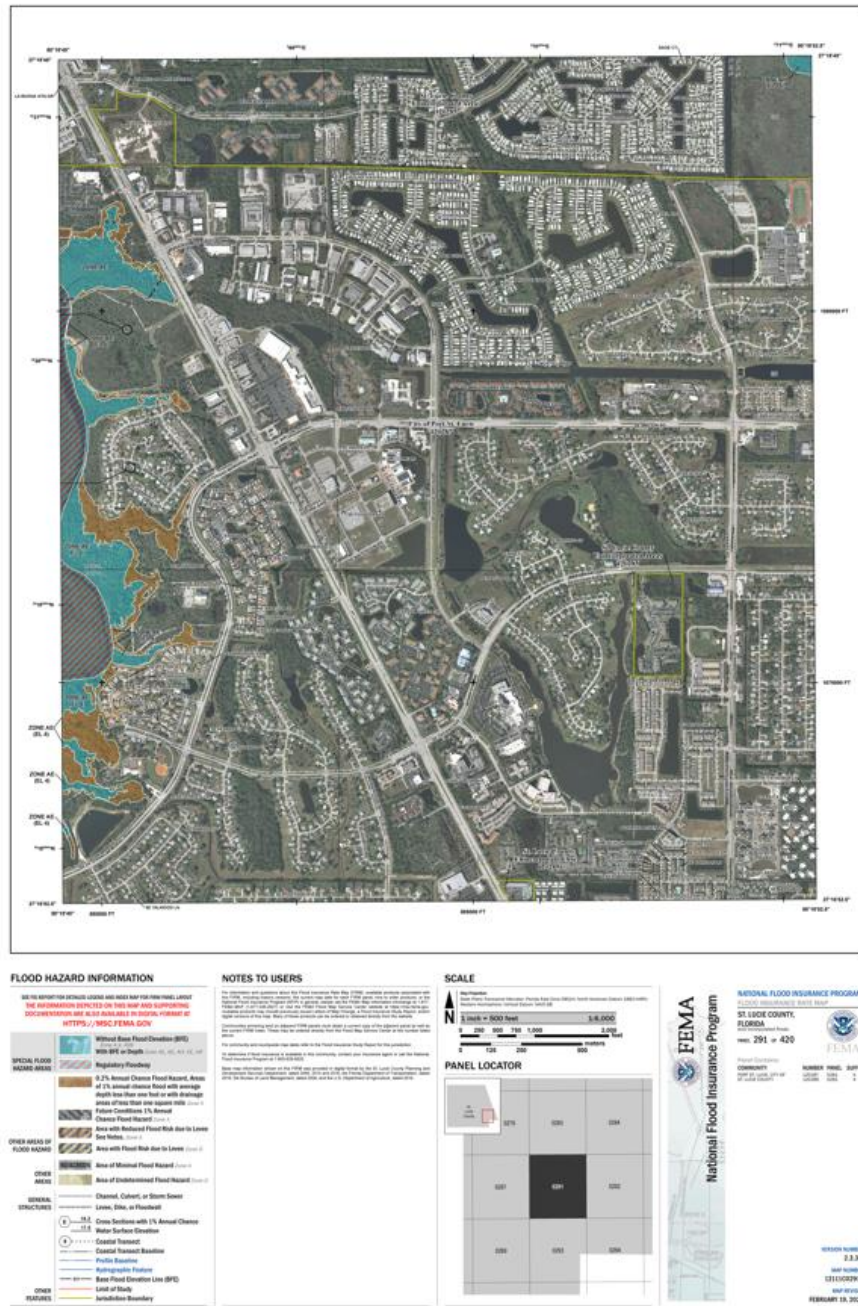
Nuisances and Hazards

HVS was not informed of any site-specific nuisances or hazards. Because HVS is not an expert in this field, we do not warrant the absence of hazardous waste and urge the reader to obtain an independent analysis of these factors.

Flood Zone

The Federal Emergency Management Agency map is illustrated below.

COPY OF FLOOD MAP

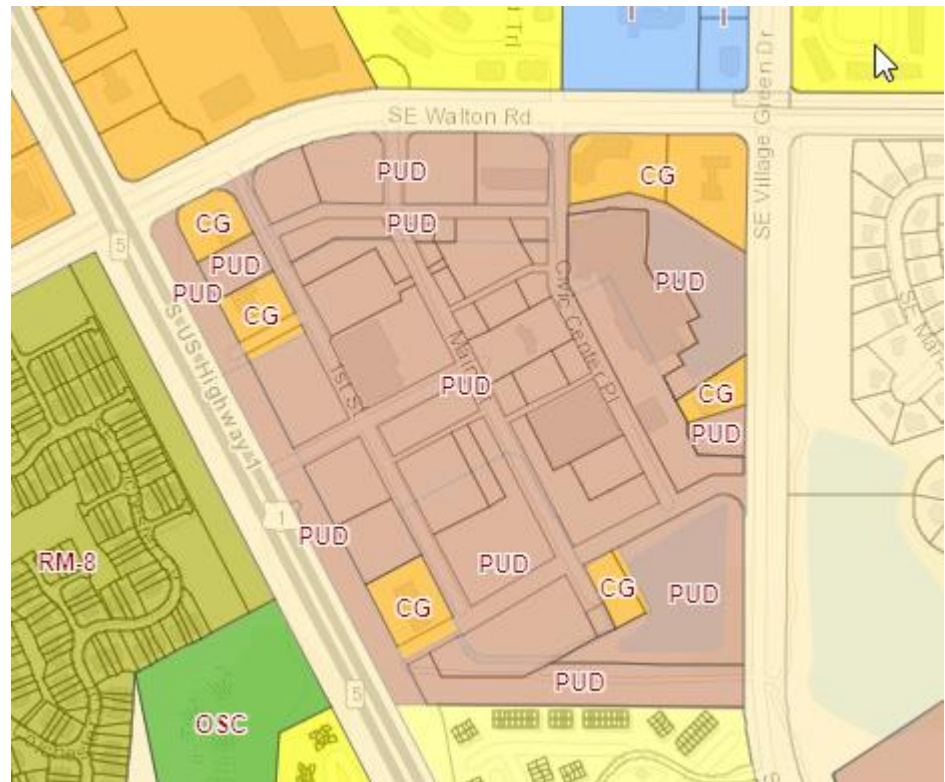


The flood zone definition for the X designation is as follows: areas outside the 500-year flood plain; areas of the 500-year flood; areas of the 100-year flood with average depths of less than one foot or with drainage areas less than one square mile, and areas protected by levees from the 100-year flood.

Zoning

According to the local planning office, the site has a zoning code of Planned Urban Development and is zoned as Planned Unit Development ("PUD").

COPY OF ZONING MAP



Source: City

The PUD permits hotel development, and the City currently owns the sites.

Easements and Encroachments

HVS is unaware of any easements attached to the property that would significantly affect the site's utility or marketability of this project.

Description of the Proposed Hotel

The quality of a lodging facility's physical improvements directly influences marketability, attainable occupancy, and ADR. The design and functionality of the structure can also affect operating efficiency and overall profitability.

For the purposes of this study, HVS assumes that the hotel would be a select-service hotel in the Upscale Class, as classified by STR, conforming to the brand-specific guidelines, including construction and operational brand standards. Our forecast assumes that the property would be maintained in a competitive condition, undergoing regular renovations of soft goods and case goods funded primarily by a reserve for replacement.

The following figure shows the features of the Proposed Hotel and the 150-room hotel option.

**FIGURE 2-1
PROPOSED HOTEL FACILITIES**

	100-Room	150-Room
Guestroom Configuration	Keys	
King	44	66
Queen/Queen	50	75
One-Bedroom Suite	6	9
Total (ADA-Compliant Rooms per Local Code)	100	150
Food & Beverage Facilities	Seating Capacity	
Restaurant	35	53
Lounge	15	23
Total Food and Beverage Capacity	50	75
Indoor Meeting & Banquet Facilities	Square Feet Combined	
Meeting Space	1,500	2,250
Amenities & Services		
Pool	Fitness Center	Business Center
Whirlpool	Market Pantry	
Infrastructure		
Parking Spaces	100	150
Elevators	2 Guest	2 Guest

The lobby would be appropriate for a select-service hotel focusing on the meeting and group market segment. The Proposed Hotel would offer a restaurant and lounge. The property would also feature a pool, whirlpool, business center, fitness center, and market pantry. The hotel would feature standard and suite-style guestroom configurations. Guestroom bathrooms would be standard-sized, with a

shower-in-tub, commode, and single sink with a vanity area featuring a stone countertop. A surface parking lot would provide ample parking at site option one. The existing garage would provide ample parking at site option two.

The Proposed Hotel's meeting space would allow the property to host smaller events. Larger events would utilize the MFEC.

FIGURE 2-2
PROPOSED HOTEL MEETING SPACE CAPACITY

Function Space	Square Feet)	Approximate Guest Capacity		
		Banquet	Classroom	Reception
Meeting Space	1,500	90	100	110

HVS assumed the Proposed Hotel would include the following:

- The Proposed Hotel could open on January 1, 2026.
- A well-designed, functional layout of support areas, restaurant & lounge, meeting space, and guestrooms.
- The hotel staff would be adequately trained to allow for a successful opening.
- Pre-marketing efforts would have introduced the product to major local accounts at least six months before opening.
- The property would comply with all pertinent codes and brand standards.
- The Proposed Hotel would be fully open and operational on the assumed opening date and meet all local building codes.
- Construction would not create any environmental hazards.
- The Proposed Hotel would fully comply with the Americans with Disabilities Act.

Ownership and Management Assumptions

The ownership structure was not determined as of the date of this study. The management agreement would need to be negotiated after a development plan for the Proposed Hotel has been finalized with a developer. HVS included a market-appropriate management fee of 3.0% of gross operating revenues.

Franchise

HVS recommends that the Proposed Hotel operates as a select-service hotel in the Upscale Class, as classified by STR. A specific franchise affiliation would be determined as part of a future hotel project. HVS assumed that the Proposed Hotel would obtain a national brand and retain its brand affiliation throughout the ten-year holding period. Inherent in this assumption is the expectation that the property

would be operated by brand standards, including requirements for services and cleanliness; that the hotel would be maintained in good condition, with all building systems in good working order; and that any necessary refurbishments or renovations would be completed in a timely manner and in accordance with the requirements of the brand. Other charges related to the affiliation, such as frequent guest programs, are reflected in the appropriate departmental expenses, consistent with the Uniform System of Accounts for the Lodging Industry ("USALI").

Development Cost

Without a concept plan, the Proposed Hotel development costs can only be approximately estimated using information on comparable hotel developments. Such estimates do not consider site conditions, type of construction, or other significant factors that may affect development costs.

Capital Expenditures

After its opening, the Proposed Hotel would require ongoing upgrades and periodic renovations to maintain its competitive level in this market and to remain compliant with brand standards. The forecasted reserve for replacement should adequately fund these costs if the management employs a successful, ongoing maintenance program.

Conclusion

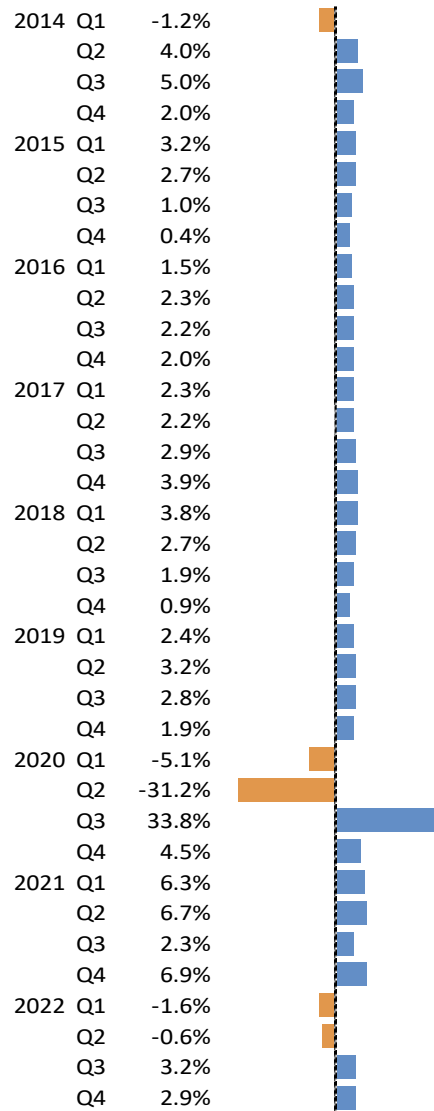
The site is well suited for future hotel use, with adequate access, zoning, visibility, and topography for effective operation.

3. Port St. Lucie Market Overview

HVS explored economic and demographic factors that affect the level of lodging demand in the market, including population, income, employment, retail sales, business presence, major tourist attractions, and transportation access. HVS relied on third-party data sources to review historical trends and provide forecasts of the local economy's growth rate or decline. HVS also assessed whether the neighborhood surrounding the site would support the development of the Proposed Hotel. This market overview provides a framework for projections of lodging demand and revenue growth in the local market.

National Economic Trends

Our analysis of the outlook for this specific market also considers the broader context of the national economy. The U.S. economy expanded at an overall rate of 2.3% in 2019, a decline from the 2.7% level achieved in 2018. For the eight quarters leading up to 2020, GDP quarterly growth ranged between 0.9% and 3.8%, reflecting moderate economic expansion. The slowdown and impact of COVID-19 became more evident in the first quarter of 2020, when GDP declined by 5.1%. As shutdowns halted major components of the U.S. economy from mid-March through May, and partial, halting re-openings continued to dampen business activity, the U.S. economy contracted by an annualized rate of 31.2% in the second quarter, the largest such decline in U.S. history. The decline affected virtually every corner of the economy, with major decreases in personal consumption, exports, private inventory investment, residential and nonresidential fixed investment, and state and local government spending.

FIGURE 3-1
UNITED STATES GDP GROWTH RATES

Source: Bureau of Economic Analysis

The U.S. economy expanded at an overall rate of 2.3% in 2019, a decline from the 2.9% level achieved in 2018. For the eight quarters leading up to 2020, GDP quarterly growth ranged between 0.9% and 3.8%, reflecting moderate economic expansion. The slowdown and impact of COVID-19 became more evident in the first quarter of 2020, when GDP declined by 5.1%. As shutdowns halted major components of the U.S. economy from mid-March through May, and partial, halting

re-openings continued to dampen business activity, the U.S. economy contracted by an annualized rate of 31.2% in the second quarter, the largest such decline in U.S. history.

The GDP decline during the second quarter of 2020 was offset by a significant rebound in economic activity in the third quarter of 2020, greatly moderating the overall impact for the year. The U.S. economy grew by 33.8% on an annualized basis in the third quarter, followed by more modest gains in the five quarters that followed through the end of 2021 (GDP surpassed the pre-pandemic peak by the first quarter of 2021). In the first two quarters of 2022, GDP contracted 1.6% and 0.6%, respectively. Third- and fourth-quarter GDP then increased by 3.2% and 2.9%, respectively, as employment expanded and consumer spending remained strong, although slowing. In the final quarter of 2022, spending was also higher in the government sector and private inventory investment. However, high inflation persists, and the recent and expected increases in the federal funds rate are slowing most sectors of the economy. Hotel investors remain optimistic about the long-term outlook for the industry, based primarily upon the strong results achieved in 2022, citing factors such as the rebound in travel, rising hotel performance levels, and opportunities to generate significant returns.

Global Considerations

The hospitality industry has been, and continues to be, affected by various external factors that influence the lodging and investment markets. The following paragraphs outline the global factors that are the most impactful to the lodging industry as of the effective date of this report.

The COVID-19 pandemic began in early 2020 and significantly impacted the world and the respective economies. The hospitality industry was severely affected as travel declined sharply, and restrictions on group sizes resulted in the cancellations of meetings, conventions, and events. With the availability of vaccines and lifting restrictions, conditions generally improved in 2021, although the Omicron variant slowed the recovery in the latter part of the year. The peak impact of the pandemic on the travel industry is well behind us. While group meetings and events have resumed, business travel remains below pre-pandemic levels, given that more widespread remote work options have affected office occupancy and work-related travel. Travel patterns have shifted to include more leisure demand, anticipated to comprise a greater proportion of lodging demand in the future. While ADR and RevPAR have surpassed 2019 in most markets, our research reflects a general expectation that lagging occupancy levels will recover by 2024; the timing and pace of recovery for individual markets will vary.

Exacerbated by rising oil and gas prices in the wake of the Russia-Ukraine conflict, the inflationary trends that first emerged during the pandemic have continued. Driven by supply-chain disruptions and pent-up consumer demand during the

pandemic, prices for most goods and services increased substantially. The Federal Reserve is combating inflation through successive interest rate hikes (seven in 2022 and two in 2023), with some initial success, as inflation and job growth have decelerated. However, further increases are possible through the first part of this year. The risk of a recession has also emerged as a concern, affecting the stock market, debt availability, and consumer confidence. The ongoing international conflicts have also contributed to economic uncertainty, continued supply disruptions, and increased energy costs. As a result, the near-term outlook is unclear, and investors are taking an increasingly cautious approach, which, combined with the recent increases in interest rates, has put downward pressure on real estate values. As of the second quarter of 2023, inflation levels are anticipated to remain elevated in the near term, albeit below peak levels. Over the longer term, inflation is expected to return to more normalized levels as the economy moves through the current cycle.

By its nature, the hospitality industry is a major employer and thus heavily reliant on the cost and availability of labor. Following the onset of the pandemic, roughly 33.0% of jobs were lost across the hotel industry between February 2020 and January 2021, according to Tourism Economics. While many of these jobs have returned, the workforce has not kept pace with the increased employment opportunities, and many hotels continue to report labor shortages. The industry has responded to this issue through wage increases, additional benefits, flexible schedules, the implementation of cross-training and job sharing, and increased use of technology. In response to the pandemic, many hotels revised, downsized, or eliminated some services, particularly in the food and beverage (F&B) and housekeeping departments. Given the ongoing labor shortages, operators are retaining some aspects of these solutions, which should somewhat offset rising labor costs. Nevertheless, notable increases in labor costs are anticipated to continue in the near term.

In preparing this report, we have considered the impact of these factors on the lodging and investment markets to the best of our ability, inclusive of the subject of this report. However, our analysis only considers what is known at the time of the report's effective date, and there is a high degree of uncertainty currently influencing the market and the economy.

Florida

Located in the southeastern U.S., Florida spans approximately 58,560 square miles. The Atlantic Ocean borders the state to the east, Georgia and Alabama to the north, and the Gulf of Mexico to the west. Sunshine is one of the state's most important resources, as Florida's comfortable climate has lured vacationers for over a century. An interstate highway system exists throughout the state, providing easy access along inter-coastal areas and coastline cities.

Tallahassee is the capital of Florida. It is located in the northern part of the state, roughly midway between Pensacola and Jacksonville. Florida's many metro cities include Orlando (central), Miami (south), and Daytona Beach (central). Historically, agriculture and tourism have provided much of the economic influence throughout Florida. Since World War II, Florida's economy has become more diverse. Tourism, cattle, citrus, and phosphate have been joined by several new industries that have greatly expanded the numbers of jobs in the state. Despite occasional winter freezes, the citrus industry continues to prosper, and tourism also remains important, bolstered by large capital investments. Florida attractions, such as the large theme parks in the Orlando area, bring millions of visitors to the state from across the U.S. and worldwide.

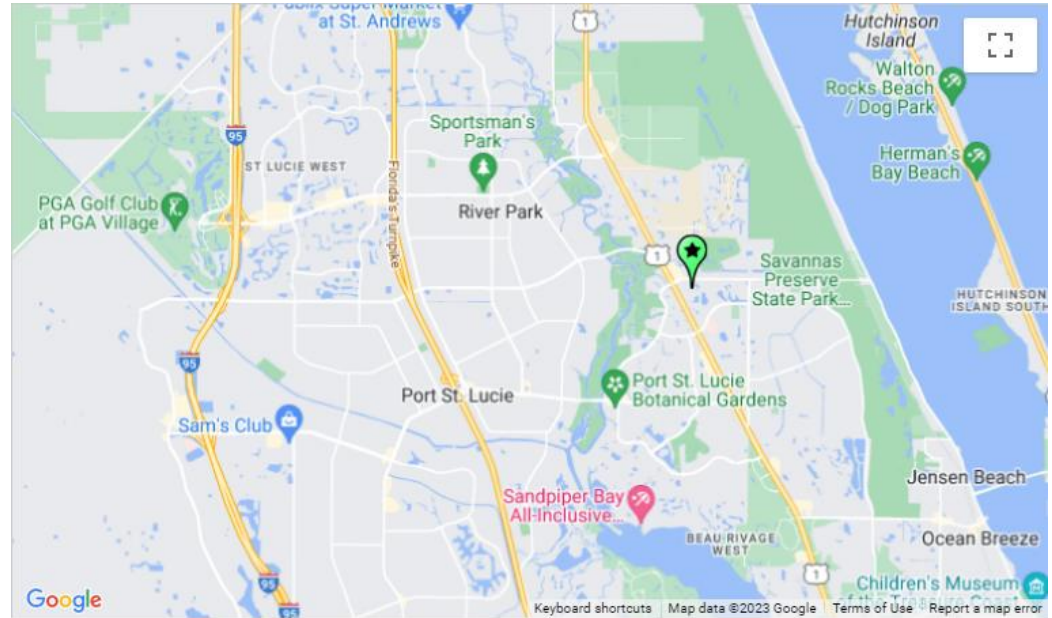
Port St. Lucie

Incorporated in 1961, Port St. Lucie serves as the county seat for St. Lucie County. Historically a fishing camp and farmlands, Port St. Lucie became one of the fastest-growing cities in the country in 2005 and has since established itself as a center for biotech research and life sciences. Port St. Lucie is home to Clover Park, where Major League Baseball's Spring Training for the New York Mets is held. This facility also hosts two minor league teams affiliated with the New York Mets. Port St. Lucie is also home to the PGA Village, which ranks among the nation's top golf facilities. This premier destination attracts golf enthusiasts and professionals worldwide, bolstering the city's reputation as a hub for sports and recreation.

Market Area Definition

The market area consists of the geographical region that offers transportation access, lodging, and other amenities to users of the Proposed Hotel. The market area includes Port St. Lucie, Florida, and the surrounding area, as illustrated in the following map.

MAP OF MARKET AREA



Primary regional access through the area is provided by north/south Interstate 95, which extends to the city of Melbourne to the north and has its southern terminus just south of Miami. This key artery provides convenient access to various cities along Florida's eastern coast. East/west State Highway 70 provides access to cities such as Okeechobee and Bradenton to the west, terminating with Fort Pierce to the east. Florida's Turnpike, a toll road, traverses the state from northwest Orlando to Miami Gardens, allowing for efficient travel between major urban centers in Florida.

Economic and Demographic Review

HVS used the *Complete Economic and Demographic Data Source* published by Woods & Poole Economics, Inc., a well-regarded forecasting service based in Washington, D.C., as a source of economic and demographic data. Using a database containing more than 900 variables for each county in the nation, Woods & Poole employs a sophisticated regional model to forecast economic and demographic trends. Census data and information published by the Bureau of Economic Analysis provide the basis for historical statistics. Woods & Poole formulates the projections, and all dollar amounts have been adjusted for inflation, thus reflecting real change. The following figure summarizes this data.

FIGURE 3-2
ECONOMIC AND DEMOGRAPHIC DATA SUMMARY

Economic Indicator/Area	Beginning Amount	2010	2020	2022	2030	Ending Amount	Estimated Annual Compound Change 2022 to 2030
Resident Population (millions)							
St. Lucie County	0.28					0.40	1.8%
Port St. Lucie, FL MSA	0.43					0.58	1.5%
Miami-Port St. Lucie-Fort Lauderdale, FL CSA	6.2					7.5	1.0%
State of Florida	18.85					24.14	1.1%
United States	309.33					352.07	0.7%
Per-Capita Personal Income* (thousands)							
St. Lucie County	\$32.26					\$46.9	1.8%
Port St. Lucie, FL MSA	\$40.93					\$63.0	1.6%
Miami-Port St. Lucie-Fort Lauderdale, FL CSA	\$45.29					\$71.4	1.8%
State of Florida	\$40.59					\$58.9	1.7%
United States	\$42.50					\$61.1	1.6%
W&P Wealth Index							
St. Lucie County	\$79.87					\$78.33	0.1%
Port St. Lucie, FL MSA	\$104.09					\$107.81	-0.1%
Miami-Port St. Lucie-Fort Lauderdale, FL CSA	\$112.06					\$121.36	0.1%
State of Florida	\$100.04					\$100.30	0.0%
United States	\$100.00					\$100.00	0.0%
Food and Beverage Sales* (billions)							
St. Lucie County	\$0.26					\$0.61	3.5%
Port St. Lucie, FL MSA	\$0.52					\$1.18	3.1%
Miami-Port St. Lucie-Fort Lauderdale, FL CSA	\$10.97					\$22.95	2.6%
State of Florida	\$30.50					\$65.39	2.8%
United States	\$475.34					\$905.83	2.3%
Total Retail Sales* (billions)							
St. Lucie County	\$3.81					\$5.96	2.2%
Port St. Lucie, FL MSA	\$6.47					\$10.36	1.9%
Miami-Port St. Lucie-Fort Lauderdale, FL CSA	\$103.10					\$165.37	1.4%
State of Florida	\$285.34					\$490.11	1.6%
United States	\$4,385.18					\$6,816.94	1.1%

* Inflation Adjusted

Source: Woods & Poole Economics, Inc.

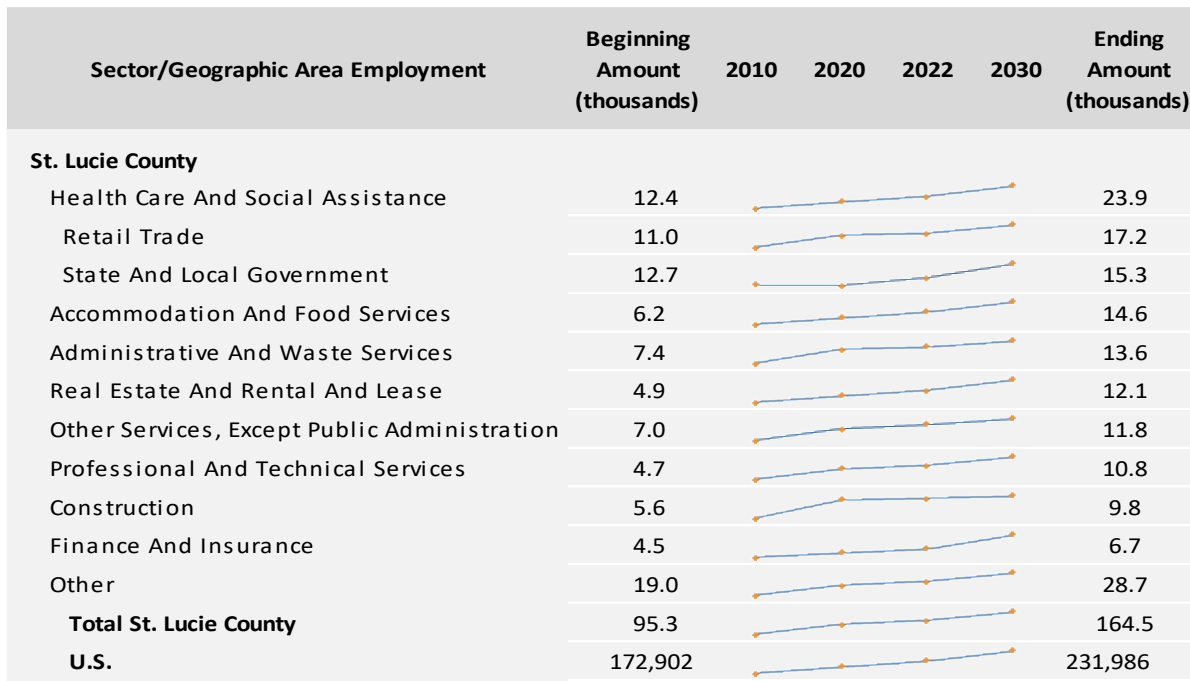
The population, per capita income, wealth index food and beverage sales, and total retail sales in St. Lucie County are all growing at rates above the state and national averages. Per capita income and the wealth index are projected to grow marginally faster than the state and national averages. The population, food and beverage, and retail sales growth rates are more than 1% above the national average.

Workforce Characteristics

The characteristics of an area's workforce indicate the type and amount of transient visitation likely to be generated by local businesses. Sectors such as finance, insurance, and real estate ("FIRE"); wholesale trade; and services produce a considerable number of visitors who are not particularly rate sensitive. The government sector often generates transient room nights, but per-diem reimbursement allowances often limit the accommodations selection to budget and mid-priced lodging facilities. Contributions from manufacturing, construction, transportation, communications and public utilities ("TCPU") employers can also be important, depending on the company type.

The following figure shows the estimated change in employment in the top ten sectors in the St. Lucie County workforce distribution by the various business sectors in 2010, 2020, 2022, and a forecast for 2030.

FIGURE 3-3
TOP TEN EMPLOYMENT SECTORS IN ST. LUCIE COUNTY



Source: Woods & Poole Economics, Inc.

Healthcare and social assistance is the largest employment sector in St. Lucie today. Retail trade and state and local government comprise the next two largest sectors, followed by accommodation and food services. The county's population is estimated to grow by 53,000 and employment by more than 28,000 jobs by 2030. Real Estate

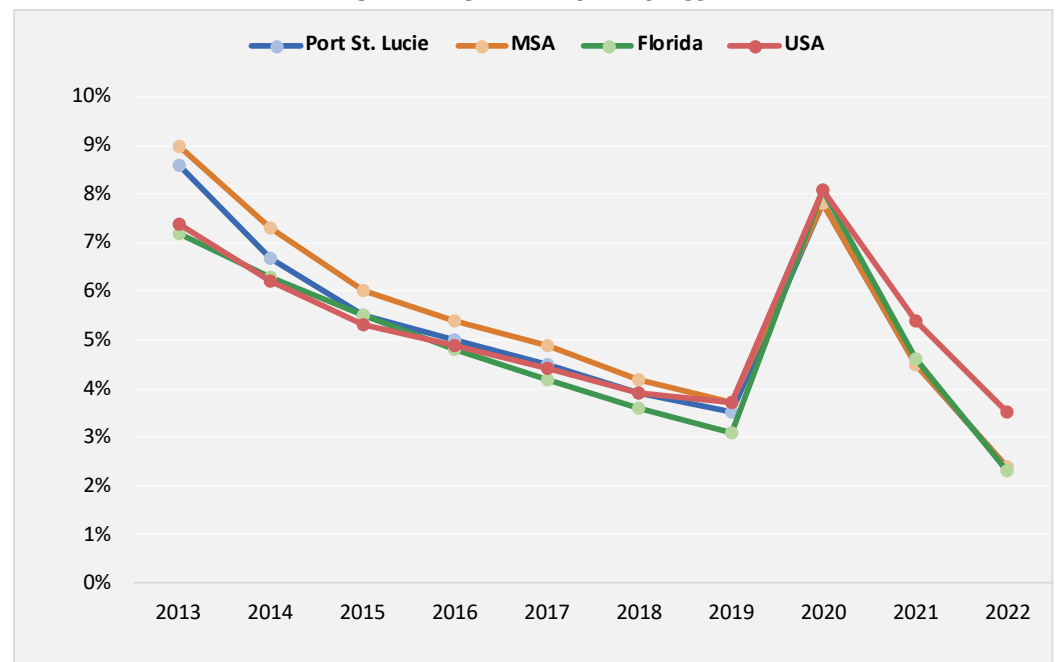
Unemployment Statistics

And Rental And Lease are expected to expand fastest among the top ten employment sections, with a projected increase of 38.9%.

Before the pandemic, U.S. unemployment levels were firmly below the 4.6% level recorded in 2006 and 2007, the peak years of the economic cycle prior to the Great Recession. The unemployment rate for February 2020 was 3.5%. The unemployment rate has remained in the 3.5% to 3.7% range since April 2019, reflecting a trend of stability and strength in the U.S. economy. However, in April 2020, unemployment rose to 14.7%, and employment dropped by 20.7 million because of the COVID-19 pandemic. Steady declines in unemployment have been registered since April 2020; most recently, the national unemployment rate was 3.5% in December 2022. A 263,000-, 256,000-, and 223,000-person rise in employment was registered in October, November, and December 2022, respectively. In December, the most significant gains were reported in the leisure and hospitality, healthcare, construction, and social assistance sectors.

The following figure presents historical unemployment rates for Orleans Parish, the MSA, the State of Florida, and the USA.

FIGURE 3-4
UNEMPLOYMENT STATISTICS



Source: U.S. Bureau of Labor Statistics

Like the rest of the country, St. Lucie County experienced a spike in unemployment in 2020 due to the COVID-19 pandemic. However, 2021 showed a significant improvement in unemployment, although not to pre-pandemic levels. The unemployment in St. Lucie County was slightly above the state and national levels pre-pandemic. Since 2020, unemployment in St. Lucie County has been equal to the state and national levels. In Port St. Lucie, the unemployment rate was 2.4% in 2022; for this same area, in 2021, the unemployment rate was registered at 4.5%.

Major Business and Industry

The following figure shows the largest employers in the region.

**FIGURE 3-5
TOP EMPLOYERS**

Rank	Major Employers	Number of Employees
1	St. Lucie Public Schools	5,564
2	Indian River State College	2,338
3	Lawnwood Regional Medical Center & Health	1,615
4	Teleperformance	1,600
5	City of Port St. Lucie	1,164
6	Walmart Distribution Center	890
7	Cleveland Clinic Martin Health	850
8	St. Lucie Medical Center	850
9	St. Lucie County	797
10	Florida Power & Light Co.	772

Source: Economic Development Council of St. Lucie County

Education and healthcare companies make up the majority of the list of the largest employers in St. Lucie County. The public school district and Indian River State College are the two largest employers, although more than 1,500 positions at Indian River State College are part-time. The healthcare sector is represented by Lawnwood Medical Center, the Cleveland Clinic, and St. Lucie Medical Center.

The region's economy and major employers include the following:

- Clover Park, formerly known as Tradition Field, is a major tourism draw and economic generator for the market. This facility hosts the spring training activities for Major League Baseball's New York Mets; it is also home to the Class A minor league team, the St. Lucie Mets, and the rookie league Gulf Coast Mets. Tradition Field became known as Clover Park in 2020 due to a naming rights agreement that runs until 2027, seats more than 7,100 attendees, and offers multiple baseball fields, administrative buildings, and training facilities. During the spring training season, which spans from

January through the end of March, the market enjoys an influx of trainers, players, visitors, and media personnel.

- Tradition Florida, an 8,300-acre master-planned, mixed-use community in St. Lucie County, is a Development of Regional Impact (DRI). It was founded in 2003 and continues to be developed. The concept behind Tradition Florida was to create a sustainable, walkable community that offered its residents a high quality of life. The community was designed with a mix of residential, commercial, and office spaces and parks, schools, and other amenities. It is located along a five-mile stretch just west of the Port St. Lucie city limits. It is currently permitted to include more than 7,000 residences, 675,500 square feet of retail space, 1,295,500 square feet of office space, 300 hotel rooms, and a 300-bed hospital. Businesses in the community include Tradition Medical Center (2013), Keiser University (2015), Center State Bank (2016), Publix Super Market (2017), HCA East Florida Division (2018), HCA Primary Care (2019), and Longevity Health (2021). The community has attracted a diverse mix of residents and businesses and has helped to spur economic growth in St. Lucie County.
- The Professional Golf Association (PGA) maintains the PGA Village in Port St. Lucie. This complex features the PGA Golf Club, the PGA Center for Golf Learning and Performance, the PGA Museum of Golf, the PGA of America Golf School, and the PGA Country Club. In total, the village includes 54 public golf holes across three courses, as well as an 18-hole private course associated with the PGA Country Club. Notable golf designers Jim Fazio, Sr., Tom Fazio, and Pete Dye designed the courses. The PGA Village is one of the primary training facilities for amateur golfers and is the only facility that certifies golfers for PGA membership. The village has an approximate economic impact of \$50 million on St. Lucie County and employs 250 people.

Port St. Lucie's economy has experienced significant growth in recent years, with job opportunities increasing across various income levels and sectors such as tourism, construction, and technology. The opening of the Treasure Coast Research Park and Tradition Center for Innovation has fostered the development of a knowledge-driven sector in the region. The robust economy has led to a resurgence in building activity and housing. The Economic Development Council ("EDC") has been actively working on attracting corporate relocations, successfully bringing Tamco's headquarters to the area. Market interviews with the EDC suggest that further development is anticipated in the coming years, further strengthening the region's economic vitality. Among the proposed developments are the construction of a VA Hospital and expansions in the healthcare sector. These projects are expected to boost medical tourism in the area, creating additional opportunities for

growth and investment. Overall, the ongoing economic expansion and development in Port St. Lucie bode well for its future.

Airport Traffic

Palm Beach International Airport (PBI) is the gateway to Palm Beach County, just two and a half miles west of West Palm Beach, Florida. The 600,000-square-foot terminal includes a concession mall that extends the length of the building and features a putting green, spa, and kids' play area. In 2010, the terminal underwent a \$7.5-million renovation, including new flooring throughout the structure and a complete overhaul of the restaurants and stores. In 2016, construction was completed on a \$42-million overhaul of the baggage handling and security systems. Other areas of the airport, such as the flooring, alarm systems, passenger terminal, and restaurants, are also being renovated as part of the master plan. Moreover, the local Treasure Coast International Airport & Business Park is undergoing a \$19-million master-plan development project to improve multiple areas, including terminals, taxiways, parking lots, and hangars.

FIGURE 3-6
AIRPORT PASSENGERS
PALM BEACH INTERNATIONAL AIRPORT

Year	Passenger Traffic	Annual Percentage Change
2013	5,691,747	
2014	5,886,384	3.4%
2015	6,265,530	6.4%
2016	6,264,397	0.0%
2017	6,322,452	0.9%
2018	6,513,943	3.0%
2019	6,899,919	5.9%
2020	3,085,200	-55.3%
2021	5,260,748	70.5%
2022	6,640,043	26.2%
YTD through January		
2022	532,000	
2023	705,000	32.5%

Source: Palm Beach International Airport

Pre-pandemic air traffic at Palm Beach International had increased year over year from 2012-2019, except for an incremental decrease in 2016. The pandemic shut down most air travel in 2020, and in 2021 air traffic returned to approximately 75% of what it was in 2019. The recovery in air traffic continued in 2022 to

approximately 96% of 2019, the highest travel year. Year-to-date 2023 (January), passenger traffic has grown to 705,000 from 532,000, an increase of 32.5%.

MFEC

The MFEC is owned and operated by the City. The City's events center department is responsible for managing the facility, and it operates under the leadership of Linda McCarthy, a City employee. The center was initially called the Port Saint Lucie Civic Center when it was built in 2007. It officially opened its doors to the public in December 2008, during the initial stages of the Great Recession. The MFEC features a 13,501 square-foot ballroom, which can be divided into five rooms, and a 5,790 square-foot ballroom, which can be divided into five rooms.

In December 2019, MIDFLORIDA Credit Union acquired the naming rights to the facility for five years at the cost of \$195,000 per year. This agreement also included an option to extend the naming rights for an additional five years if desired. The facility has since been called the MFEC.

The MFEC shares its building with the Parks and Recreation department, which operates various sports and fitness facilities on one side of the building. The Parks and Recreation facilities include basketball courts, racquetball courts, a fitness center, and multiple activity rooms for various recreational and community events.

In addition to these amenities, the lobby area between the MFEC and the Parks and Recreation area is home to the Florida Sports Hall of Fame. This attraction highlights the achievements of Florida's most celebrated athletes, coaches, and sports personalities, adding to the venue's appeal.

The City is considering a major renovation and expansion of the MFEC, which includes:

- Moving the existing parks and recreation facility to another location on or off the City Center District site,
- Turning the former parks and recreation space into a new exhibit hall with a loading dock and back-of-house space,
- Expanding the size of the primary ballroom in the facility to 20,000 square feet, and
- Adding a 10,000-square-foot block of meeting rooms that can support the new exhibit hall and ballroom.

The existing 5,790-square-foot ballroom would be incorporated into other spaces as part of the expansion program. After the expansion, the MFEC would have 75,000

square feet of function space. The expansion of the MFEC would be necessary to support the generation of meeting and group room nights at the Proposed Hotel. Overall, the renovation and expansion of the MFEC would enhance the facility's appeal and make it an attractive destination for events and meetings in the Port St. Lucie area. See Appendix A for additional information concerning the plans for the renovation and expansion of the MFEC.

Tourist Attractions

The market benefits from a variety of tourist and leisure attractions in the area. The peak season for tourism in this area is December to April. During other times of the year, weekend demand comprises travelers passing through to other destinations, visiting friends or relatives, and other similar weekend demand generators. Primary attractions in the area include the following.

- Tradition Field is one of the top attractions in the area. The park hosts the New York Mets during Major League Baseball's spring training and other minor league teams. The presence of these teams and their games at Tradition Field attracts many fans to the region, particularly during the spring months. This influx of visitors contributes to the local economy and further enhances the area's appeal as a sports and entertainment destination.
- The Everglades, the largest subtropical wilderness area in the United States, is a unique and diverse ecosystem spanning central and southern Florida. Home to an array of wildlife, including alligators, panthers, and manatees, the Everglades is a critical habitat for many endangered and threatened species. Recognizing its ecological importance and unique biodiversity, the United Nations Educational, Scientific and Cultural Organization (UNESCO) has designated the Everglades as a World Heritage Site. The Everglades attracts visitors worldwide for its natural beauty, wildlife viewing opportunities, and various recreational activities, further contributing to the tourism industry.
- Golf is a significant attraction in the Port St. Lucie area, with the PGA Village serving as a major hub for golf enthusiasts. The village features three public courses designed by renowned golf course architects Jim Fazio, Sr., Tom Fazio, and Pete Dye. These courses and the facilities and services offered at the PGA Village make the location a popular destination for local and visiting golfers. Golf's prominence in the area adds to the region's appeal as a sports and leisure destination.
- The Port St. Lucie Botanical Gardens was built in 2009 on a former residential development site. It offers 20 acres of gardens, fountains, walkways, a pavilion, and a gift shop.

- The Port project, currently under construction, aims to enhance a 9.75-acre tract of land immediately south of the Port St. Lucie Botanical Gardens. Planned improvements for this area include a range of amenities and attractions designed to enrich the visitor experience. These improvements will feature paved parking, a riverfront stage for performances and events, a public event open space, public seating areas, historic homes, a waterfront restaurant, and a children's playground. Once completed, the Port project will contribute to the region's appeal as a vibrant destination for locals and tourists.
- The area provides nearly 21 miles of white sand beaches that draw visitors for swimming and sunbathing. In addition to beaches, the area's rivers and the Atlantic Ocean are popular with anglers and other eco-tourists. The diverse aquatic ecosystems offer many opportunities for fishing, kayaking, boating, and exploring the rich flora and fauna. The combination of beaches and abundant waterways contributes to the region's appeal as a destination for outdoor enthusiasts and vacationers.

CLOVER FIELD, PORT ST. LUCIE



Conclusion

The Port St. Lucie market area has been experiencing rapid growth, outpacing the national average in key metrics such as population, median household income, retail sales, and food and beverage sales. The largest employers in the region are primarily in the education and healthcare sectors. The employment sectors projected to experience the fastest growth over the next five years include healthcare and accommodations. Despite these positive market indicators and economic growth, there has been a notable lack of development in meeting space availability and meeting and group-focused hotel projects.

4. Supply and Demand Analysis

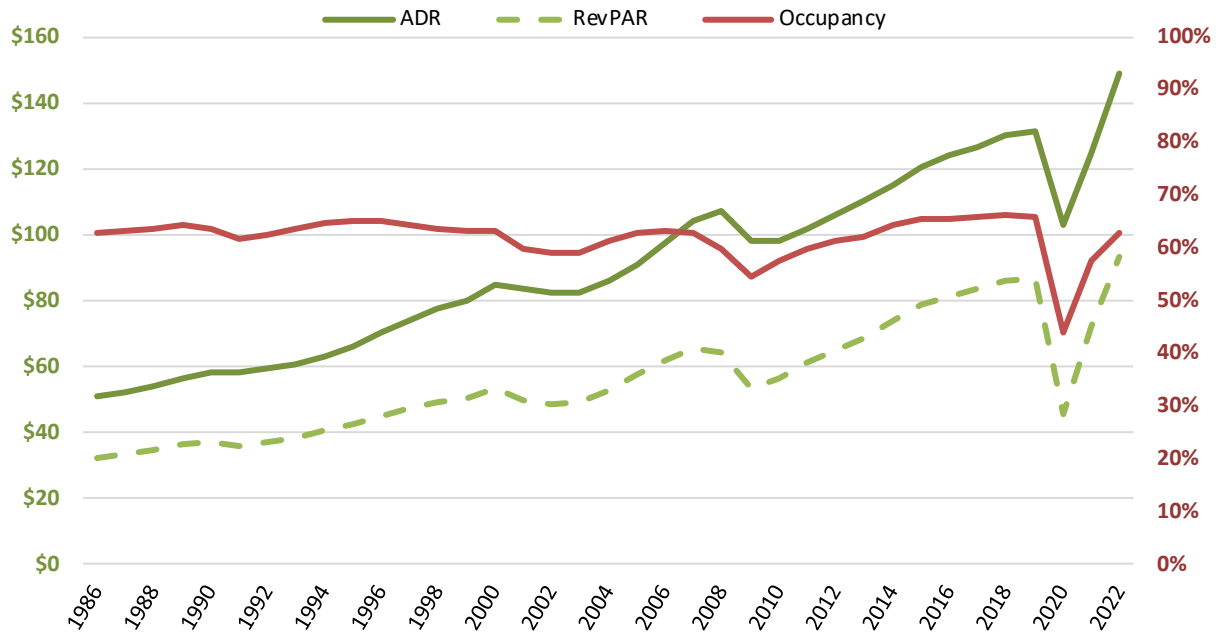
The relationship between price, demand, and supply is complex and interconnected in the lodging industry. Price typically varies directly with demand, meaning prices tend to rise as demand increases. However, this relationship is not proportionate, as other factors, such as competition, seasonality, and the overall economic climate, can influence pricing. Conversely, price usually varies inversely with supply. As the supply of guestrooms increases, prices tend to decrease, but again, not proportionately, due to the influence of other external factors. The interplay between supply and demand drives the market towards equilibrium, resulting in a prevailing price or average daily room rate (“ADR”). The purpose of this section is to investigate current supply and demand trends, as indicated by the current competitive market, and to set forth a basis for the projection of future supply and demand growth.

National Hotel Market Trends

Changes in the national lodging market indirectly affect local markets. HVS reviewed national lodging trends to provide context for the forecast of the supply and demand for the Proposed Hotel’s Competitive Set.

The figure below presents annual hotel occupancy, ADR, and revenue per available room (“RevPAR”) data for the U.S. since 1986. RevPAR, the product of occupancy and average rate, provides a combined measure of rate and occupancy.

FIGURE 4-1
U.S. OCCUPANCY, AVERAGE RATE, AND REVPAR TRENDS



Source: STR

The preceding chart illustrates the impact of the recessions of the early 1990s, 2000s, the financial crisis of 2008/09, and the recent pandemic on the U.S. lodging industry. In each case, the downturn caused lodging demand to drop, resulting in an occupancy decline. The aggregate ADR also fell as hoteliers used price as a marketing tool to attract demand and support occupancy levels. As occupancy recovered, ADR growth resumed, although the ADR recovery lagged somewhat behind occupancy levels, as price discounts contributed to the initial demand recovery. Following the financial crisis of the Great Recession, occupancy fell by over eight points, and ADR declined by 5.9%, resulting in an 18.3% decrease in RevPAR. The market recovered steadily thereafter, with occupancy surpassing the 65.0% mark in 2015 and ADR consistently growing, albeit at a decelerating pace.

The onset of the COVID-19 pandemic in March 2020 severely impacted the lodging industry, causing occupancy, ADR, and RevPAR to decline by unprecedented levels. The impact on the national lodging industry peaked mid-April; for the week ending April 11, 2020, STR reported that national RevPAR was 83.6% lower than the level recorded for the same week in 2019. By the conclusion of 2020, occupancy had declined 22 points, with ADR decreasing by roughly \$28.00, resulting in a RevPAR loss of 48.0% (rounded). The sharp downturn in travel caused by COVID-19

continued into early 2021, as the months of January and February 2020 had not been notably affected by the pandemic.

Hotels that traditionally derive a significant component of their demand from the larger group and convention subsegment were the hardest hit by the pandemic, followed by properties in markets with a high proportion of business and international travel. For this reason, the major metropolitan areas reported deep RevPAR declines through the first half of 2021. Hotels in locations that depend primarily on automobile traffic have fared better (including drive-to leisure destinations). The extended-stay category has also outperformed the national average, fueling the illustrated 2021 recovery. Gaining traction in the summer of 2021, group demand began showing signs of recovery, albeit at a slower pace. Accordingly, by the end of 2021, nationwide occupancy had rebounded to nearly 58.0%, with ADR reaching roughly \$125, representing a RevPAR gain of 58.0% (rounded).

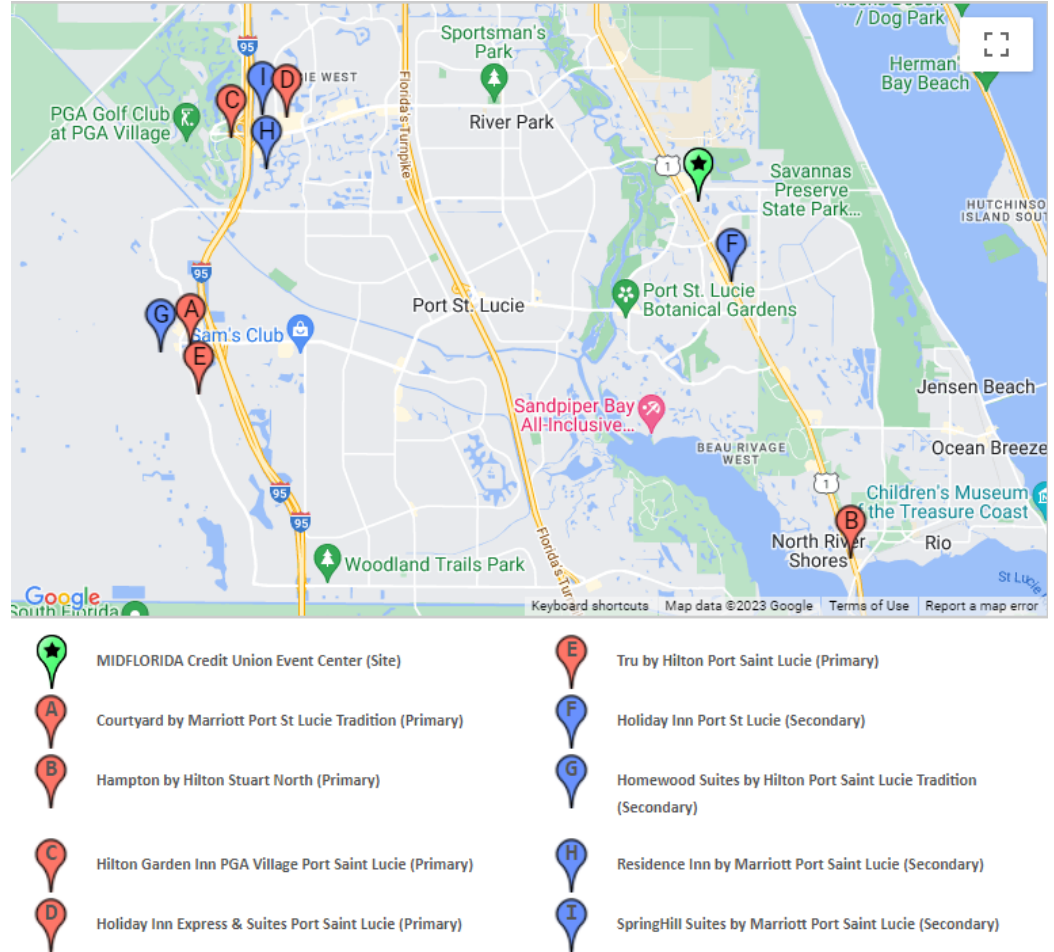
Many corporations and institutions have begun to return to offices, at least in some capacity. Group travel is recovering at an accelerating pace, as participants feel increasingly comfortable gathering in larger numbers. Leisure demand, which led the recovery in many markets, remains strong, with ADR levels in most destinations surpassing historical levels. By year-end 2022, nationwide occupancy had gained five additional points, reaching 62.7%, and ADR had increased by nearly 21.0% to roughly \$149. With a significant portion of the recovery now behind us, and a more cautious economic outlook as of early 2023, hotel owners, operators, and investors generally expect less-significant gains in 2023 than those achieved in 2021 and 2022. Job growth and employment levels remain strong, and the return of group travel in 2022 boded well for the industry. However, the inflation rate remains elevated, and the related increases in the federal funds rate may impact the degree of continued growth this year.

Defining the Competitive Set

HVS selected hotels that would compete on a primary or secondary basis with the Proposed Hotel. The primary competitors are hotels with similar features to the Proposed Hotel. The secondary competitors are properties that only partially compete with the Proposed Hotel because of location, market orientation, service level, or quantity of meeting space. HVS selected five properties that would compete with the Proposed Hotel on a primary basis and four properties on a secondary basis for a total of nine competitors. HVS weighted the room count of each secondary competitor based on its projected competitiveness with the Proposed Hotel. Additional hotels under development would become competitive with the Proposed Hotel.

The following map illustrates the Proposed Hotel's locations and primary and secondary competitors.

MAP OF PRIMARY AND SECONDARY COMPETITION



HVS relied on STR data and market research to determine the room count of each hotel. The weighted Competitive Set currently includes 491 rooms in primary competitors and 481 rooms in secondary competitors, with a weighted room count of 323. As shown in the figure below, the total number of primary and weighted secondary competitive rooms is 814.

FIGURE 4-2
THE WEIGHTED COMPETITIVE SET AT YEAR-END 2022

Hotel	Number of Rooms	Competitive Level	Weighted Room Count
Primary Competitors			
Courtyard by Marriott Port St Lucie Tradition	84	100%	84
Hampton by Hilton Stuart North	102	100%	102
Hilton Garden Inn PGA Village Port Saint Lucie	130	100%	130
Holiday Inn Express & Suites Port Saint Lucie	93	100%	93
Tru by Hilton Port Saint Lucie	82	100%	82
Five Primary Competitors	491	100%	491
Secondary Competitors			
Holiday Inn Port St Lucie	142	60%	85
Homewood Suites by Hilton Port Saint Lucie Tradition	111	70%	78
Residence Inn by Marriott Port Saint Lucie	125	70%	88
SpringHill Suites by Marriott Port Saint Lucie	103	70%	72
Four Secondary Competitors Total/Weighted	481	67%	323
Nine Primary & Secondary Competitors Total/Weighted	972	84%	814

Sources: STR and HVS

The following figure shows the age of Competitive Hotels.

FIGURE 4-3
THE AGE OF COMPETITIVE HOTELS

Property	STR Classification	Years Old	Rooms
Holiday Inn Port St Lucie	Upper Midscale Class	34.4	142
SpringHill Suites Port St Lucie	Upscale Class	24.7	103
Hilton Garden Inn PGA Village Port St Lucie	Upscale Class	16.3	130
Hampton by Hilton Inn & Suites Stuart-North	Upper Midscale Class	14.5	102
Residence Inn Port St Lucie	Upscale Class	14.1	125
Holiday Inn Express & Suites Port St Lucie West	Upper Midscale Class	13.9	93
Homewood Suites by Hilton Port St Lucie Tradition	Upscale Class	13.3	111
Courtyard Port St Lucie Tradition	Upscale Class	1.7	84
Tru by Hilton Port St. Lucie	Midscale Class	0.6	82

Sources: STR and HVS

The Competitive Hotels contain seven hotels older than 10, including two older than twenty years. Two hotels have recently opened.

The Proposed Hotel would offer modern design features and meeting space unavailable at some Competitive Hotels. The Proposed Hotel would be adjacent to the expanded MFEC, a feature not shared with any Competitive Hotel.

Our survey of the local market shows a range of lodging types and facilities. HVS evaluated all of the Competitive Hotels.

Primary Competitors

The primary competitors consist of five hotels with 491 rooms. The following figure summarizes the operating performance of the primary competitors for the past two years.

FIGURE 4-4
PERFORMANCE OF THE PRIMARY COMPETITORS

Property	Number of Rooms	Estimated 2021			Estimated 2022		
		Occ.	ADR	RevPAR	Occ.	ADR	RevPAR
Courtyard by Marriott Port St Lucie Tradition	84	55 - 60 %	\$115 - \$120	\$70 - \$75	75 - 80 %	\$130 - \$140	\$105 - \$110
Hampton by Hilton Stuart North	102	70 - 75	125 - 130	90 - 95	75 - 80	140 - 150	105 - 110
Hilton Garden Inn PGA Village Port Saint Lucie	130	55 - 60	110 - 115	65 - 70	70 - 75	140 - 150	105 - 110
Holiday Inn Express & Suites Port Saint Lucie	93	70 - 75	105 - 110	75 - 80	75 - 80	125 - 130	100 - 105
Tru by Hilton Port Saint Lucie	82	—	—	—	65 - 70	120 - 125	80 - 85
Total	491	67.6%	\$114	\$77	77.3%	\$136	\$105

Sources: STR and HVS

A description of each primary competitor follows.

Courtyard by Marriott
Port St Lucie Tradition
 10251 Southwest
 Innovation Way
 Port Saint Lucie, FL

PRIMARY COMPETITOR #1 - COURTYARD BY MARRIOTT PORT ST LUCIE TRADITION



FIGURE 4-5
ESTIMATED HISTORICAL OPERATING STATISTICS

Year	Occupancy	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Est. 2021	55 - 60%	\$115 - \$120	\$70 - \$75	80 - 85%	85 - 90%
Est. 2022	75 - 80%	\$130 - \$140	\$105 - \$110	100 - 110%	100 - 110%

This 84-room hotel benefits from its recent date of construction, which was completed in July 2021, and its location in Tradition, a master-planned, mixed-use community. The hotel also has the advantage of its Marriott brand affiliation and participation in the Marriott BonVoy rewards program, which is popular with leisure and commercial travelers.

Hampton by Hilton
Stuart North
1150 Northwest
Federal Highway
Stuart, FL

PRIMARY COMPETITOR #2 - HAMPTON BY HILTON STUART NORTH



FIGURE 4-6
ESTIMATED HISTORICAL OPERATING STATISTIC

Year	Occupancy	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Est. 2020	40 - 45%	\$130 - \$140	\$55 - \$60	90 - 95%	110 - 120%
Est. 2021	70 - 75%	\$125 - \$130	\$90 - \$95	100 - 110%	110 - 120%
Est. 2022	75 - 80%	\$140 - \$150	\$105 - \$110	100 - 110%	100 - 110%

This 102-room hotel benefits from its proximity to Interstate 95 and Clover Park. The hotel benefits from its free breakfast, a popular brand, and participation in the Hilton Honors reward program, popular with leisure and commercial travelers.

**Hilton Garden Inn PGA
Village Port Saint Lucie**
8540 Commerce Centre
Drive
Port Saint Lucie, FL

PRIMARY COMPETITOR #3 - HILTON GARDEN INN PGA VILLAGE PORT SAINT LUCIE



**FIGURE 4-7
ESTIMATED HISTORICAL OPERATING STATISTICS**

Year	Occupancy	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Est. 2020	25 - 30%	\$130 - \$140	\$35 - \$40	50 - 55%	60 - 65%
Est. 2021	55 - 60%	\$110 - \$115	\$65 - \$70	80 - 85%	80 - 85%
Est. 2022	70 - 75%	\$140 - \$150	\$105 - \$110	95 - 100%	100 - 110%

This 130-room is in the PGA Village, Interstate 95, and Clover Park. The hotel benefits from its exclusive relationship with the PGA Village, food and beverage offerings, recently completed 2021 renovation, brand, and participation in the Hilton Honors reward program, which is popular with leisure and commercial travelers.

**Holiday Inn Express &
Suites Port Saint Lucie**
1601 Northwest
Courtyard Circle
Port Saint Lucie, FL

PRIMARY COMPETITOR #4 - HOLIDAY INN EXPRESS & SUITES PORT SAINT LUCIE



FIGURE 4-8
ESTIMATED HISTORICAL OPERATING STATISTICS

Year	Occupancy	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Est. 2020	40 - 45%	\$100 - \$105	\$45 - \$50	90 - 95%	80 - 85%
Est. 2021	70 - 75%	\$105 - \$110	\$75 - \$80	100 - 110%	95 - 100%
Est. 2022	75 - 80%	\$125 - \$130	\$100 - \$105	100 - 110%	95 - 100%

This 93-room hotel benefits from its location proximate to Interstate 95 and Clover Park; however, it is somewhat disadvantaged by its lack of recent renovation, as a comprehensive renovation of the property has not been executed since 2017. The hotel also has the advantage of its brand affiliation, free breakfast, and participation in the IHG One Rewards program, which is popular with leisure and commercial travelers.

**Tru by Hilton Port Saint
Lucie**11560 Southwest
Village Parkway
Port Saint Lucie, FL**PRIMARY COMPETITOR #5 TRU BY HILTON PORT SAINT LUCIE**

FIGURE 4-9
ESTIMATED HISTORICAL OPERATING STATISTICS

Year	Occupancy	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Est. 2022	65 - 70%	\$120 - \$125	\$80 - \$85	85 - 90%	75 - 80%

This 82-room hotel benefits from its recent date of construction, which was completed in August 2022, and its location in Tradition, a master-planned, mixed-use community. The hotel also has the advantage of its Hilton brand affiliation and participation in the Hilton Honors rewards program, which is popular with leisure and commercial travelers.

HVS ranked the primary competitors and the Proposed Hotel on four criteria related to the property's attractiveness to potential customers.

1. Access – the ease with which customers can gain vehicular or pedestrian access to the property. Simple and direct access routes are rated higher than more complicated routes.
2. Visibility – particularly important to hotels that attract walk-in customers who do not have prior reservations. Signage and building facades typically provide visibility.
3. Neighborhood – means the quality of the surrounding neighborhood, the compatibility of adjacent land uses, and the perceived safety of the neighborhood.
4. Physical condition – refers to the physical state of the hotel. HVS rated the physical condition of each hotel in comparison to other hotels of a similar scale or class.

Each criterion was rated from one to five, with one indicating extremely poor compliance with the criteria and five meaning excellent compliance. The following figure summarizes the results of the rankings for each criterion and shows an aggregate rating that is the average of all criteria.

FIGURE 4-10
RANK OF PRIMARY COMPETITORS ON CUSTOMER SELECTION CRITERIA*

Access	Access	Visibility	Neighborhood	Physical Condition	Aggregate Rating
Holiday Inn Express & Suites Port Saint Lucie	4	4	4	4	4.00
Hampton by Hilton Stuart North	4	4	4	4	4.00
Convention Center Hotel - Port St. Lucie, FL	3	4	4	5	4.00
Tru by Hilton Port Saint Lucie	4	4	4	3	3.75
Hilton Garden Inn PGA Village Port Saint Lucie	4	4	4	3	3.75
Courtyard by Marriott Port St Lucie Tradition	4	4	4	3	3.75

*Ranked on a Scale of 1 to 5 where: 1 = Very Poor, 2 = Poor, 3 = Average, 4 = Good, 5 = Excellent

Based on customer selection criteria, aside from access, the Proposed Hotel ranks superior to or equal to all primary competitors. While anticipated to be highly visible, the Proposed Hotel's location at the MFEC is somewhat distant from the local intersections with Interstate 4, limiting its ability to pick up drive-by traffic. The Proposed Hotel would have superior physical conditions due to brand requirements for a select-service hotel in the Upscale Class and new construction. The Proposed Hotel ranks high in neighborhood due to its unique location adjacent to the MFEC and expected future development in the City Center District.

**Secondary
Competitors**

HVS reviewed other area lodging facilities to determine whether they would compete with the Proposed Hotel on a secondary basis. The room count of each secondary competitor has been weighted based on its assumed degree of competitiveness in the future with the Proposed Hotel. By assigning degrees of competitiveness, HVS can assess how the Proposed Hotel and its future competitors may react to various changes in the market. These changes include changes to demand generators, new supply, renovations, and brand or franchise changes to existing supply.

HVS identified four hotels with 481 rooms and a weighted room count of 323 that would compete with the Proposed Hotel on a secondary basis. The following figure sets forth the pertinent operating characteristics of the secondary competitors.

FIGURE 4-11
RECENT PERFORMANCE OF THE SECONDARY COMPETITIVE SET

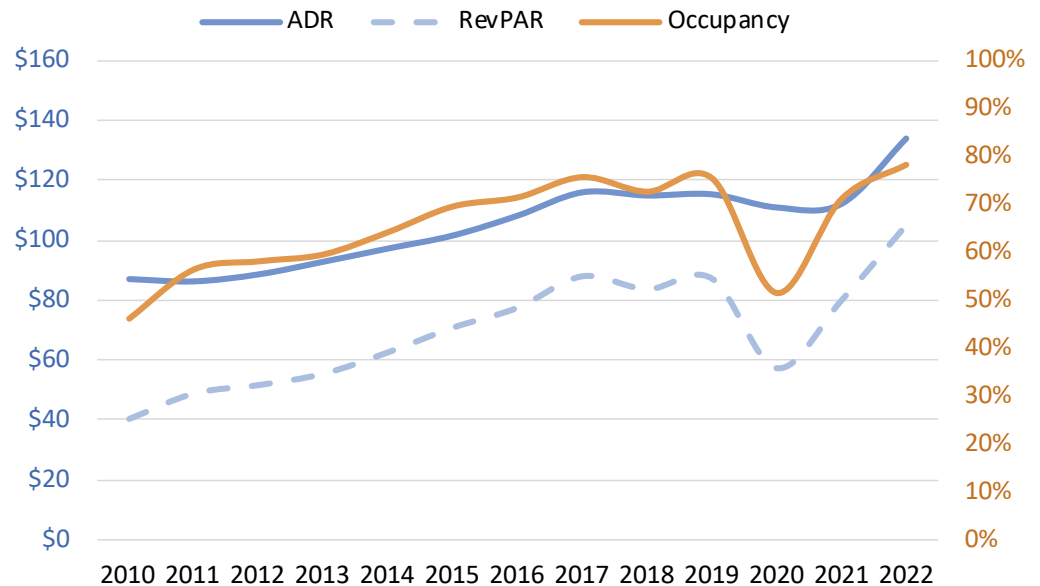
Property	Secondary Competitors			Estimated 2022		
	Number of Rooms	Competitive Weight	Weighted Rooms	% Occupancy	ADR	RevPAR
Holiday Inn Port St Lucie	142	60%	85	60 - 65	\$115 - \$120	\$70 - \$75
Homewood Suites by Hilton Port	111	70%	78	80 - 85	140 - 150	115 - 120
Residence Inn by Marriott Port Saint	125	70%	88	85 - 90	130 - 140	115 - 120
SpringHill Suites by Marriott Port	103	70%	72	80 - 85	130 - 140	110 - 115
Total	481		323	78.5%	\$133	\$105

**Historical Market
Performance**

STR data has certain limitations. Hotels are occasionally added to or removed from the sample, and not every property reports data consistently and timely. These factors can influence the overall quality of the information. These inconsistencies may also cause the STR data to differ from the results of our competitive survey. Nonetheless, STR data provide the best indication of aggregate growth or decline in existing supply and demand. Thus, our analysis considers these trends.

The following figure shows the aggregate historical performance of the Competitive Hotels, including the occupancy rates, ADR, and RevPAR.

FIGURE 4-12
COMPETITIVE HOTELS
HISTORICAL OCCUPANCY, ADR, AND REVPAR



Sources: STR and HVS

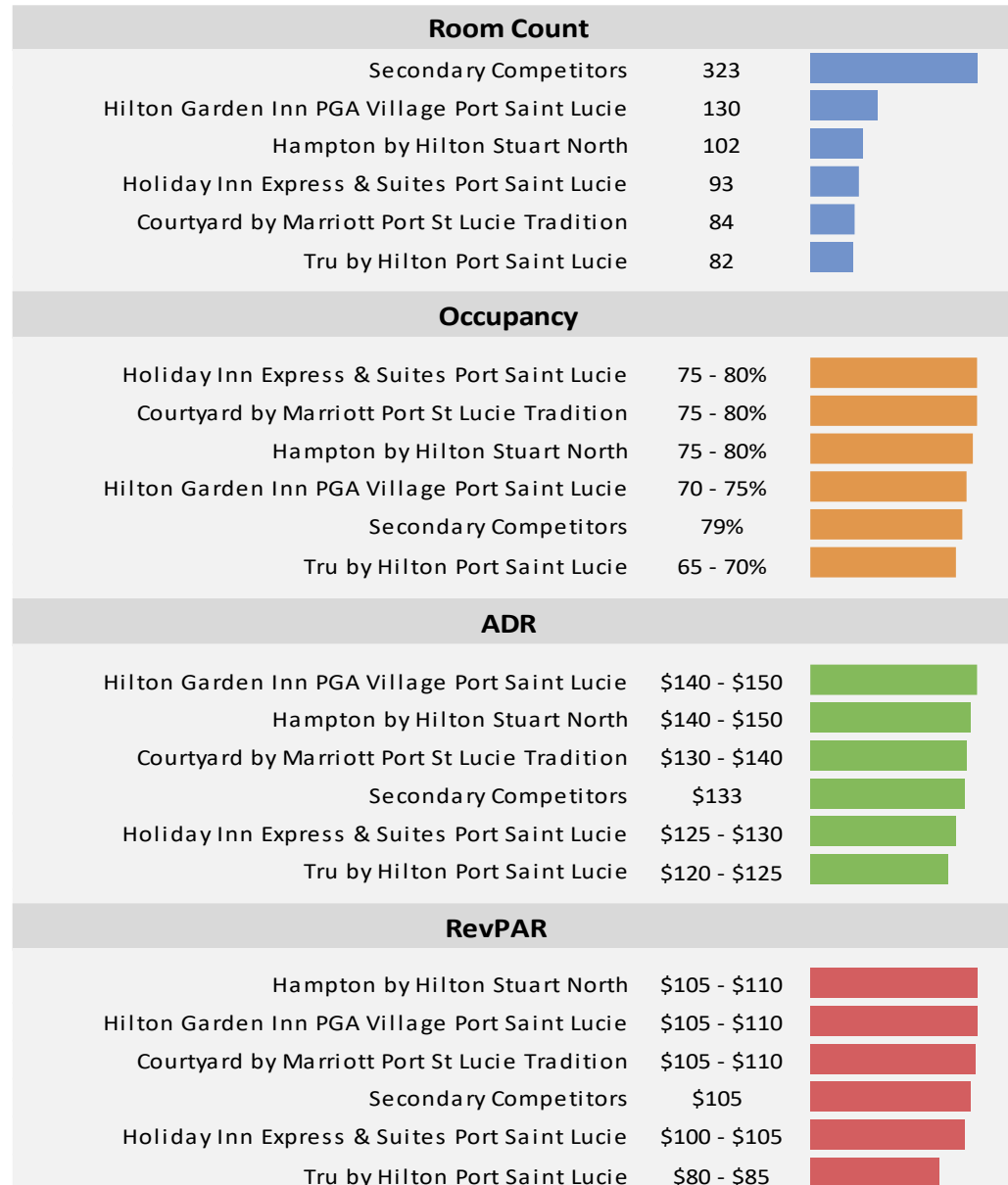
Occupancy rates from 2010 through 2022 have ranged from a low of 51% to a high of 78%, with an average occupancy rate of 69%. The occupancy rate decreased in 2020 to 51% due to the negative impact of the COVID-19 pandemic. Occupancy recovered to 71% in 2021 and then increased to 78% in 2022, a new high.

Average rates have fluctuated from a low of \$93 to a high of \$134 from 2010 to 2022. The Competitive Hotel's average daily rate increased to \$134, a new high in 2022 from \$112 in 2021.

Historical Supply and Demand Data

Since 2022 was the most recent complete year of available data at the time of this study, HVS used it as the base year of our analysis. Performance analyses include guest room count, occupancy rate, average daily room rate ("ADR"), and revenue per available room ("RevPAR"). RevPAR, a common hotel industry performance metric, is the product of occupancy rate and ADR. The following figure summarizes aggregate Competitive Set performance in the base year.



FIGURE 4-13
2022 PERFORMANCE OF
THE PRIMARY COMPETITORS AND WEIGHTED SECONDARY COMPETITORS



Sources: STR and HVS

The following figure shows year-to-date through February occupancy and average daily room rates compared to the prior year for Competitive Hotels.

FIGURE 4-14
COMPETITIVE HOTELS
CURRENT YEAR UNWEIGHTED DEMAND, OCCUPANCY, ADR, AND REVPAR

Year-to-Date Through February				
	2022	2023	Percent Change	
Room Night Demand	43,172	48,517	12.4%	
Available Room Nights	52,510	57,348	9.2%	
Occupancy	82.2%	84.6%	2.9%	
ADR	\$152.38	\$173.21	13.7%	
RevPAR	\$125.28	\$146.54	17.0%	

Source: STR

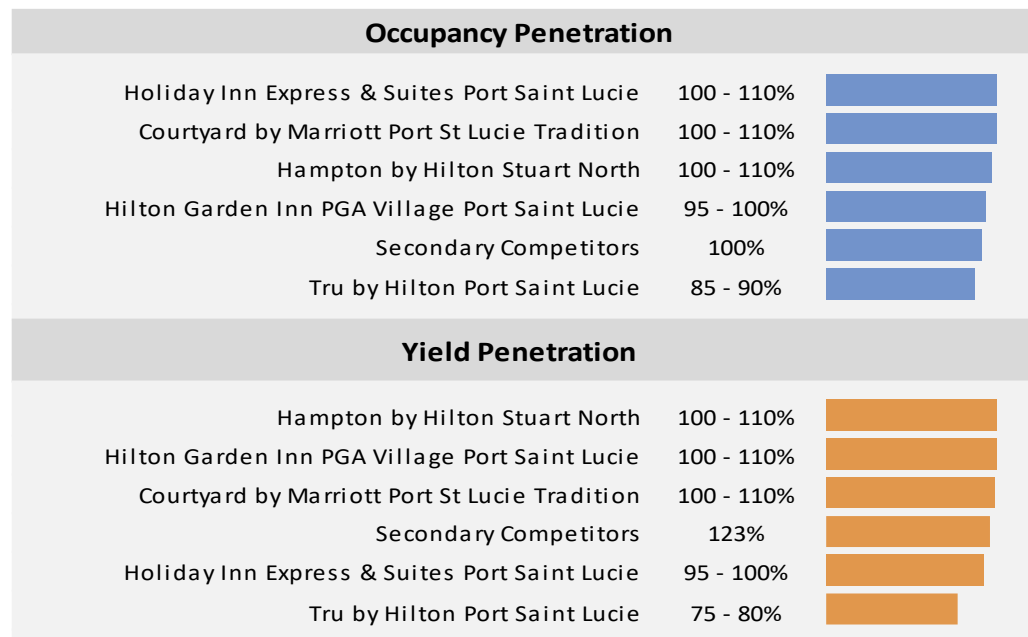
The Competitive Hotels' occupancy increased, and ADR increased from 2022 levels for the same period, resulting in a higher RevPAR. The competitive hotels are continuing to recover from the negative impact of the COVID-19 pandemic.

Occupancy and Yield Penetration

Market penetration measures how an individual hotel property performs compared to the market. A penetration factor greater than one indicates a property performs better than the market. In contrast, a penetration factor of less than one indicates that a property is underperforming in the market.

Occupancy penetration is the occupancy of the hotel divided by the market occupancy. A higher occupancy penetration indicates that the hotel is capturing a greater share of the market demand compared to its competitors. Yield penetration is the RevPAR of a hotel divided by the RevPAR of the market. A higher yield penetration indicates that the hotel generates more revenue per available room than its competitors. The following figure shows the occupancy and yield penetrations of the hotels in the Competitive Set.

FIGURE 4-15
COMPETITIVE HOTEL'S OCCUPANCY AND YIELD PENETRATION IN 2022

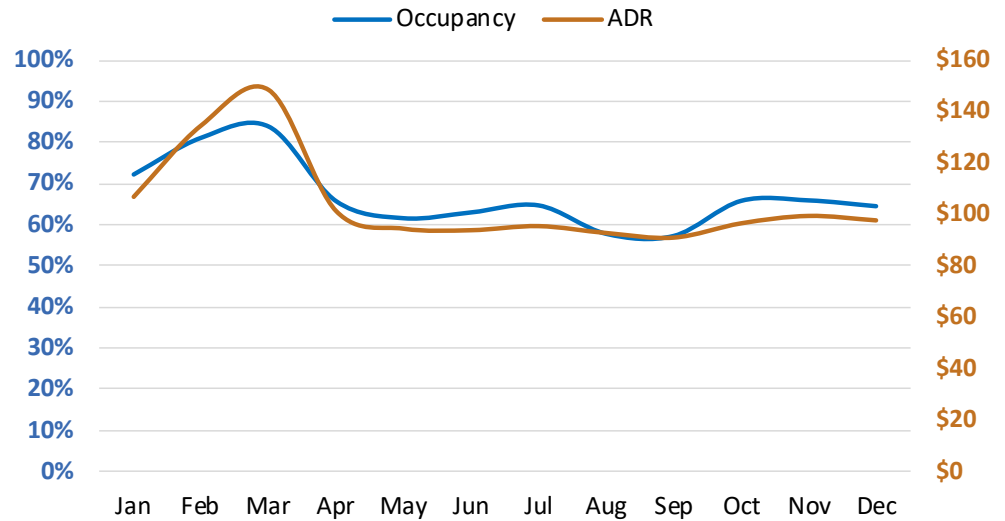


Sources: STR and HVS

Seasonality

The Competitive Hotels show significant seasonal variation, as shown in the figure below. March displays the highest ADR, indicating that hotels in the Competitive Set can command higher rates during this period. March also has the highest occupancy, suggesting that hotel room demand is particularly strong this month. With the lowest ADR and occupancy in September, hotels in the Competitive Set struggle to attract guests during this period. They must adjust their pricing strategies or implement other promotional efforts to boost demand.

FIGURE 4-16
AVERAGE SEASONALITY OF THE UNWEIGHTED COMPETITIVE SET 2010-2022

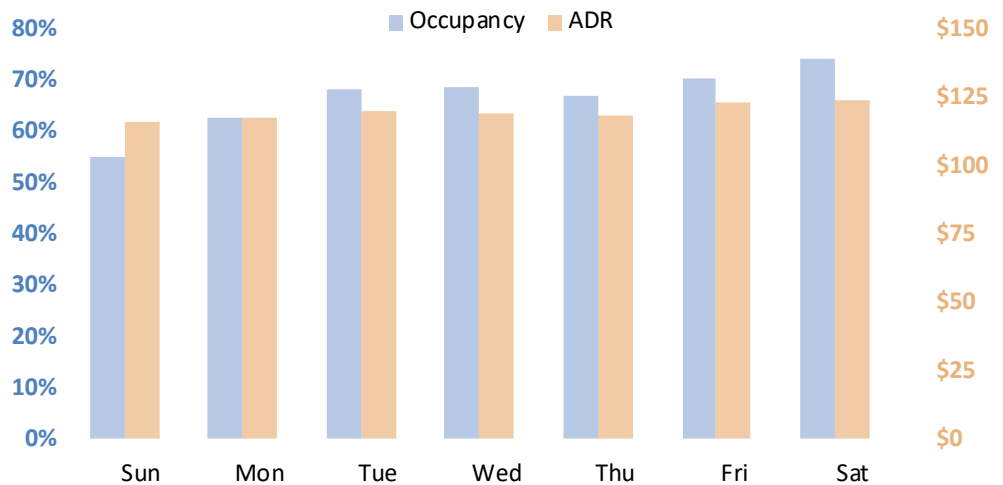


Source: STR

Weekly Patterns of Lodging Demand

A review of the trends in occupancy and average rate by the night of the week over the past three years provides some insight into the impact of the current economic conditions on the competitive lodging market. The figure below shows the data provided by STR.

FIGURE 4-17
OCCUPANCY AND AVERAGE RATE BY DAY OF WEEK (AVERAGE 2019 THROUGH 2021)



Source: STR

Understanding the demand patterns of distinct types of travelers is an important consideration in forecasting the financial performance of the Proposed Hotel. The Competitive Hotels report strong demand on Tuesday, Wednesday, and Thursday nights because many business travelers prefer to schedule remote work, meetings, and events during the middle of the week. Saturday nights generated a peak average occupancy rate of 74%, and Saturday nights generated a peak ADR of \$124, indicating that the Competitive Hotels can attract a significant number of leisure travelers and groups on weekends.

The following figure shows the daily and monthly occupancy rates. Green-shaded areas indicate above-average occupancy rates, and red-shaded areas indicate below-average occupancy rates.

FIGURE 4-18
DAY-OF-WEEK OCCUPANCY BY MONTH

Month	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Total Month
Mar - 22	75.9%	83.5%	87.1%	88.2%	88.7%	92.3%	94.4%	87.2%
Apr - 22	65.6%	77.4%	85.2%	83.3%	79.1%	86.8%	91.1%	81.7%
May - 22	60.3%	68.9%	77.5%	80.4%	72.6%	81.7%	88.8%	75.1%
Jun - 22	56.7%	76.2%	80.5%	77.3%	73.1%	79.5%	81.6%	75.0%
Jul - 22	70.2%	75.4%	82.0%	82.4%	78.9%	78.5%	85.2%	78.8%
Aug - 22	55.8%	72.8%	76.5%	75.4%	74.1%	72.3%	76.5%	72.2%
Sep - 22	49.8%	57.1%	72.0%	73.0%	69.1%	73.4%	75.5%	67.4%
Oct - 22	65.4%	78.1%	86.0%	86.6%	83.4%	87.6%	89.4%	81.9%
Nov - 22	61.0%	74.6%	79.9%	85.6%	88.9%	87.1%	82.3%	80.1%
Dec - 22	67.0%	71.2%	80.0%	77.6%	75.9%	75.1%	84.8%	76.2%
Jan - 23	65.2%	75.7%	85.4%	88.4%	85.1%	87.1%	86.8%	81.3%
Feb - 23	76.8%	88.1%	93.8%	89.9%	87.6%	89.7%	91.6%	88.2%
Total Year	64.2%	74.8%	82.1%	82.3%	79.5%	82.2%	85.7%	78.7%

Minimum 49.8% Average 78.8% Max 94.4%

Source: STR

The Competitive Hotels exhibit definite seasonal demand patterns, with lower demand during the summer and fall and higher demand in the winter and spring. In terms of weekly demand patterns, there is high demand on the weekends and midweek and lower demand on Sundays. The occupancy rate on Friday and Saturday exceeds 80%, approximately 71% of the time, and on Tuesday, it exceeds 80%, approximately 67% of the time. February had the highest monthly occupancy at 88%.

Understanding weekly and monthly patterns in ADR is an important consideration in forecasting the ADR of the Proposed Hotel. The Competitive Hotels' historical data can provide insights into the seasonal and weekly patterns of ADR, as shown in the figure below.

FIGURE 4-19
DAY-OF-WEEK AVERAGE RATE BY MONTH

Month	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Total Month
Mar - 22	\$176	\$181	\$186	\$181	\$184	\$197	\$193	\$186
Apr - 22	125	127	129	127	125	135	138	130
May - 22	113	117	117	117	115	124	129	119
Jun - 22	113	120	123	122	118	124	124	121
Jul - 22	121	121	127	125	125	129	129	126
Aug - 22	105	113	115	114	112	113	111	113
Sep - 22	108	112	119	121	119	121	114	117
Oct - 22	125	125	128	129	129	132	137	130
Nov - 22	126	127	131	133	143	147	141	136
Dec - 22	118	120	122	121	121	128	132	124
Jan - 23	137	149	153	154	149	152	152	150
Feb - 23	181	196	203	193	194	205	207	197
Average	131	135	140	138	138	143	143	139

Minimum **\$105** Average **\$137** Max **\$207**

Source: STR

February had the highest monthly ADR at an average of \$197, while August had the lowest at \$113. Saturday generated the highest weekly average ADR at \$143 due to high leisure demand, and Sunday was the lowest at \$131 when corporate demand was lower.

Demand

The following figure presents data on the performance of the weighted Competitive Set. HVS estimated performance results and weighted data on secondary competitors. In this respect, this information differs from the previously presented STR data.

FIGURE 4-20
WEIGHTED COMPETITIVE SET RECENT MARKET PERFORMANCE

Year	Room Night Supply	Room Night Demand	Competitive Hotels Occupancy	Competitive Hotels ADR	Competitive Hotels RevPAR
2020	236,000	112,000	47.4%	\$113.40	\$53.77
2021	252,000	177,000	70.2%	\$114.26	\$80.18
2022	280,000	218,000	77.9%	\$134.86	\$105.00
Percent Change					
2020 to 2021	6.8%	58.0%	48.0%	0.8%	49.1%
2021 to 2022	11.1%	23.2%	11.0%	18.0%	31.0%
2020 to 2022	18.6%	94.6%	64.2%	18.9%	95.3%

Since 2020, accommodated room nights have increased by 64.2%, while the number of available room nights increased by 18.6%.

In 2022, room night demand increased 23.2%, and available room nights increased 11.1%, causing occupancy to increase to 77.9%.

Demand Analysis Using Market Segmentation

The purpose of segmenting the lodging market is to define each major type of demand, identify customer characteristics, and estimate future growth trends. For the demand analysis, the overall market is divided into three segments based on the nature of travel. Based on our knowledge of the local lodging market, HVS estimated the 2022 accommodated room night demand distribution, as shown in the figure below.

FIGURE 4-21
**WEIGHTED COMPETITIVE HOTELS
ACCOMMODATED ROOM NIGHT DEMAND**

Market Segment	Room Nights	Percent of Total Demand	
Commercial	107,981	50%	
Leisure	70,231	32%	
Meeting and Group	39,314	18%	
Total	217,526	100%	

Commercial demand is the largest market segment, generating 50% of total room night demand.

Commercial Demand

Commercial demand represents 50% of the total demand in Competitive Hotels. It consists mainly of individual businesspeople passing through the local market or visiting

area businesses, as well as high-volume corporate accounts of local firms. Factors such as brand loyalty, location, and convenience concerning businesses and amenities can influence lodging choices in this segment. Companies typically designate hotels as "preferred" accommodations in return for more favorable rates. Commercial demand is strongest from Monday through Thursday nights, declines significantly on Friday and Saturday, and increases somewhat on Sunday night. While commercial travel is relatively constant throughout the year, there may be declines in late December and other holidays. There may be some unaccommodated commercial demand in markets where weekday occupancy often exceeds 90%.

Primary commercial demand generators for this market typically include major corporate offices in the area, such as Teleperformance, Cleveland Clinic, and Maverick Boat Group. Commercially driven demand declined notably in 2020 and early 2021, given the COVID-19 pandemic. As employees returned to offices and business travel increased, commercial demand rebounded in 2022.

Meeting and Group Demand

Meeting and group demand represents 18% of the total demand in Competitive Hotels and includes various gatherings such as meetings, seminars, conventions, and trade shows of ten or more people. Peak convention demand typically occurs in the spring and fall. Corporate groups, associations, and SMERFE groups are the primary categories considered in this analysis. Corporate groups usually meet during the business week, most commonly in the spring and fall, and generate higher rates and ancillary revenues such as food, beverage, and banquet. SMERFE groups, on the other hand, tend to be price-sensitive and meet on weekends or during the summer or holiday season, generating limited ancillary revenues. Associations' profiles and revenue potential vary depending on the group and the purpose of their meeting or event. Understanding the characteristics of each group is essential for hotels to effectively market to and meet the needs of their potential customers in the meeting and group segment.

A range of factors related to group demand were considered in developing growth rates for the meeting and group demand segment. These include the market's local corporate sources that generate some group business and companies that create commercial demand and generate meeting and group demand through training activities and corporate social events. Additionally, high school and collegiate sports teams, SMERFE groups, and social events such as weddings and family reunions contribute to this demand segment.

Historically, training groups from companies in the City have generated significant group demand for local hotels. Social groups, such as SMERFE groups, have also been primary sources of demand during weekends and holiday periods. With the planned expansion of the MFEC, meeting and group demand is expected to increase. The location of the Proposed Hotel adjacent to the MFEC will provide an important supply of room nights to attendees of events, making it an attractive choice for those attending events at the center.

By capturing a share of the meeting and group demand, the Proposed Hotel can benefit from increased occupancy and revenue, particularly during peak convention periods in the spring and fall.

Leisure Demand

Leisure demand represents 32% of total demand in the Competitive Hotel, generated from individuals and families spending time in an area or passing through to other destinations for sightseeing, recreation, or visiting friends and relatives. Room nights booked through Internet sites such as Expedia, Hotels.com, and Priceline also contribute to leisure demand, although leisure may not be the primary purpose of the stay. Leisure demand is strongest on Friday and Saturday nights and all week during holiday periods and the spring months. The future leisure demand depends on the overall economic health of the region and the nation, with trends in state and regional unemployment and disposable personal income strongly correlating with leisure travel levels.

The typical length of stay for leisure demand ranges from one to four days, depending on the destination and travel purpose. Occupancy generally ranges from 1.8 to 2.5 people per room, with families often traveling together. The level of price sensitivity in this segment varies depending on the product type. All-suite properties with inclusive food and beverage tend to command higher leisure room rates, while highway properties with limited amenities typically offer more discounted leisure room rates.

Snowbird travelers, MLB Spring Training, and other area events drive leisure demand in the Port St. Lucie market. Motorists traveling on Interstate 95 often seek a convenient stopover en route to other destinations, representing an important source of potential customers in the leisure demand segment. Additionally, the large residential population in the area generates significant leisure demand from visiting friends and family.

Summary of the Competitive Properties

The following figure summarizes the historical performance of the Competitive Set. Port St. Lucie experienced a period of significant growth in the hotel market, with two Competitive Hotels recently opening in the City.

FIGURE 4-22
UNWEIGHTED COMPETITIVE HOTELS HISTORICAL SUPPLY, DEMAND, OCCUPANCY, ADR, AND REVPAR

Year	Available Room Nights	Annual Change	Occupied Room Nights	Annual Change	% Occ	Annual Change	ADR	Annual Change	RevPAR	Annual Change
2010	294,920		135,816		46.1%		\$87		\$40	
2011	294,920		166,127		56.3%		86		49	
2011 *	294,920		171,161		58.0%		89		52	
2013	294,920		175,395		59.5%		93		55	
2014	294,920		189,170		64.1%		97		63	
2015	294,920		204,998		69.5%		102		71	
2016	294,341		210,160		71.4%		109		77	
2017	269,058		203,530		75.6%		116		88	
2018	294,190		213,590		72.6%		115		84	
2019	294,190		221,887		75.4%		116		87	
2020	294,190		151,263		51.4%		111		57	
2021	309,646		220,021		71.1%		112		80	
2022	337,396		263,977		78.2%		134		105	
Annual Change Compounded Change										
2010-2022		1.1%		5.7%		4.5%		3.7%		8.4%
2010-2019		0.0%		5.6%		5.6%		3.2%		9.0%

Source: STR

The historical market is the basis for projecting the performance of the market and the Proposed Hotel.

Projecting the Performance of the Local Market

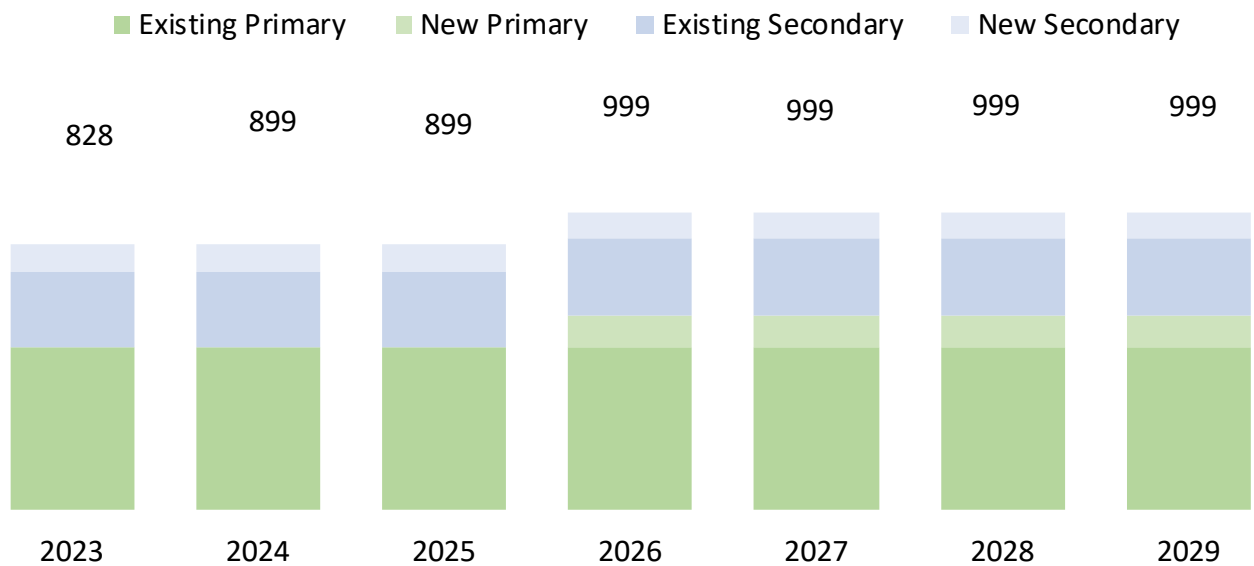
Historical data and market interviews provided an understanding of the condition and recent changes in Competitive Hotels and the overall market. HVS projected market performance over the next ten years for the following factors:

- Changes in supply,
- Base growth in room night demand,
- Unaccommodated demand, and
- Induced demand.

Supply Changes

New hotels or the closing of an existing hotel may affect the Proposed Hotel's operating performance. Based on our research and inspection (as applicable), the following figure presents the new supply considered in our analysis.

FIGURE 4-23
ROOM SUPPLY PROJECTIONS
(WEIGHTED DAILY ROOM COUNTS)



The figure below summarizes our assumptions regarding the new supply.

FIGURE 4-24
NEW SUPPLY

Year	Proposed Properties	Competitive Weight	Proposed Rooms	Weighted Room Count	Cumulative Weighted Room Count
2023	Woodspring Suites	70%	122	85	
2026	Proposed Hotel	100%	100	100	
	Total		222	185	

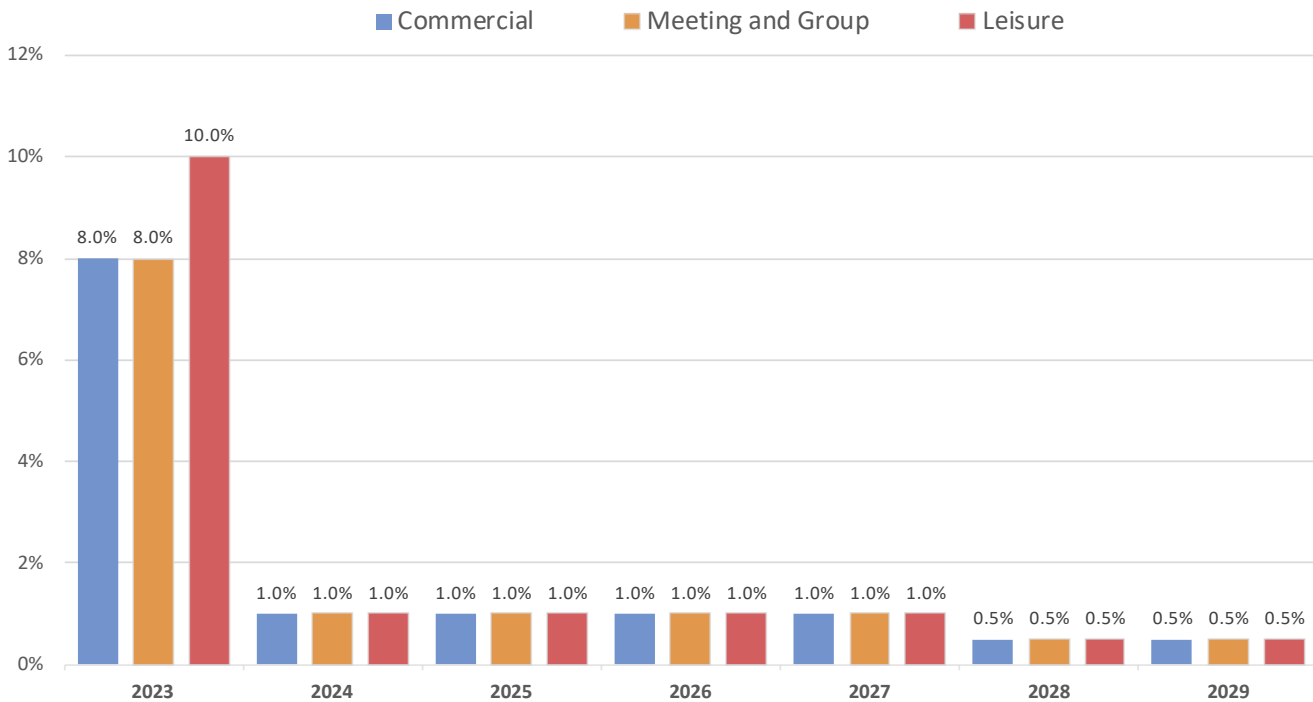
While HVS has taken reasonable steps to investigate proposed hotel projects and their status, it is impossible to determine with certainty every hotel that would open in the future due to the nature of real estate development. Future improvement in market conditions would raise the risk of increased competition. Our forecasts reflect this risk.

Estimated Demand Growth by Market Segment

HVS applies growth rates to each demand segment to determine the level of future demand. HVS based demand growth rate estimates on interviews with hotel managers, assessment of occupancy trends, economic and demographic data, and identification of demand generators.

The following figure shows the estimated change in demand by market segment through demand stabilization.

FIGURE 4-25
ESTIMATED ANNUAL BASE CHANGE BY MARKET SEGMENTS



Room night demand in the Port St. Lucie market is expected to continue its strong recovery in 2023, driven by increased economic growth and pent-up travel demand following the COVID-19 pandemic. Base demand growth is expected to increase at a lower level starting in 2024 due to the market's recovery from the COVID-19 pandemic. The total forecasted change in room night demand includes latent demand, which refers to demand that has not yet been realized but is likely to materialize in the future, which will be discussed next.

Latent Demand

Latent demand reflects potential room night demand that the existing competitive supply has not realized. Unaccommodated demand and induced demand make up latent demand.

Unaccommodated Demand

Unaccommodated demand refers to individuals who cannot secure the desired lodging due to a lack of available supply. They may defer their trips, settle for less desirable accommodations, or stay in properties other than Competitive Hotels. This demand is not included in the historic accommodated room night demand estimate, as it did not yield occupied room nights. However, it is crucial to quantify unaccommodated demand when forecasting future growth opportunities, especially if additional lodging facilities are expected to enter the market.

**FIGURE 4-26
UNACCOMMODATED DEMAND**

Market Segment	Total Room Nights	Unaccommodated	
		% of Total	Room Nights
Leisure	70,231	7.7%	5,383
Commercial	107,981	1.4%	1,538
Meeting and Group	39,314	2.0%	769
Total	217,526	3.5%	7,690

HVS estimated that unaccommodated demand was equivalent to 3.5% of the base-year demand, resulting from our monthly and weekly peak demand and sell-out trends analysis.

Induced Demand

Induced demand refers to the additional room nights attracted or removed from the market due to the introduction or removal of demand generators. Situations that can result in induced demand include the opening or closing of a manufacturing plant, the opening, closing, or expansion of a convention center, or the addition or closing of a hotel with a distinct chain affiliation or unique facilities.

The following figure shows the estimated induced demand for room nights that would enter the Competitive Set over a four-year ramp-up period.

FIGURE 4-27
TIMING OF INDUCED DEMAND

Year	100-Room Proposed Hotel		150-Room Hotel Option	
	Meeting and Group	Total Induced Room Nights	Meeting and Group	Total Induced Room Nights
2026	13,500		19,400	
2027	14,600		20,900	
2028	17,000		24,400	
2029	19,000		27,300	

The Proposed Hotel would benefit from the expanded MFEC, which will induce considerable meeting and group room night demand. The expansion of the MFEC would need to occur by the opening date of the Proposed Hotel. The estimate of induced room nights from the expanded MFEC is based on the size of the Proposed Hotel.

Accommodated Demand and Market-wide Projected Occupancy

Four variables make up accommodated demand: 1) base demand—sources currently generating room nights, 2) previously unaccommodated demand absorbed due to growth in room supply, and 3) induced demand new to the market. These estimates are adjusted by 4) residual demand—the estimated number of room nights not accommodated due to supply constraints. The following figure breaks down room night demand by these sources, including the total number of occupied room nights and any residual unaccommodated demand in the market.

FIGURE 4-28
ANNUAL ROOM NIGHT DEMAND BY SOURCE FOR THE COMPETITIVE HOTELS

Source	2022	2023	2024	2025	2026	2027	2028	2029
Base Accommodated	218,000	236,000	239,000	241,000	243,000	246,000	247,000	248,000
Previously Unaccommodated	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
Induced	0	0	0	0	14,000	15,000	17,000	19,000
Total Available Demand	226,000	244,000	247,000	249,000	265,000	269,000	272,000	275,000
(Less Residual Demand)	(8,000)	(8,000)	(6,000)	(6,000)	0	0	0	0
Total Accommodated Demand	218,000	236,000	241,000	243,000	265,000	269,000	272,000	275,000
Accommodated Demand Change		8.6%	2.2%	1.0%	8.9%	1.4%	1.2%	1.5%
Available Room Night Change		8.1%	8.6%	0.0%	11.1%	0.0%	0.0%	0.0%
Marketwide Occupancy		78%	74%	74%	73%	74%	75%	76%

Over the projection period, which ends in the first stabilized year of 2029, room night demand is estimated to grow at a compound average annual rate of 3.5%. HVS used these demand projections to forecast the Proposed Hotel's occupancy and average rate.

Conclusion

The projected growth in room night demand within Competitive Hotels provides the foundation for the development of additional hotel rooms. The Proposed Hotel would enter the Competitive Set and claim a portion of the room night demand. Once the Proposed Hotel has stabilized in the market, the growth in both demand and supply would be balanced, resulting in minor changes in occupancy rates. In the next section, the Proposed Hotel would be positioned by market demand segment to determine the stabilized occupancy rate, and ADR would be positioned against the Competitive Hotels.

5. Projection of Occupancy and Average Rate

Along with average rate, the occupancy levels achieved by the Proposed Hotel would be the foundation of the property's financial performance. To a certain degree, management can manipulate the level of occupancy. For example, hotel operators may choose to lower rates to maximize occupancy. Our forecasts reflect an operating strategy that HVS believes would be implemented by a typical professional hotel management team to achieve the optimal occupancy and average rate mix.

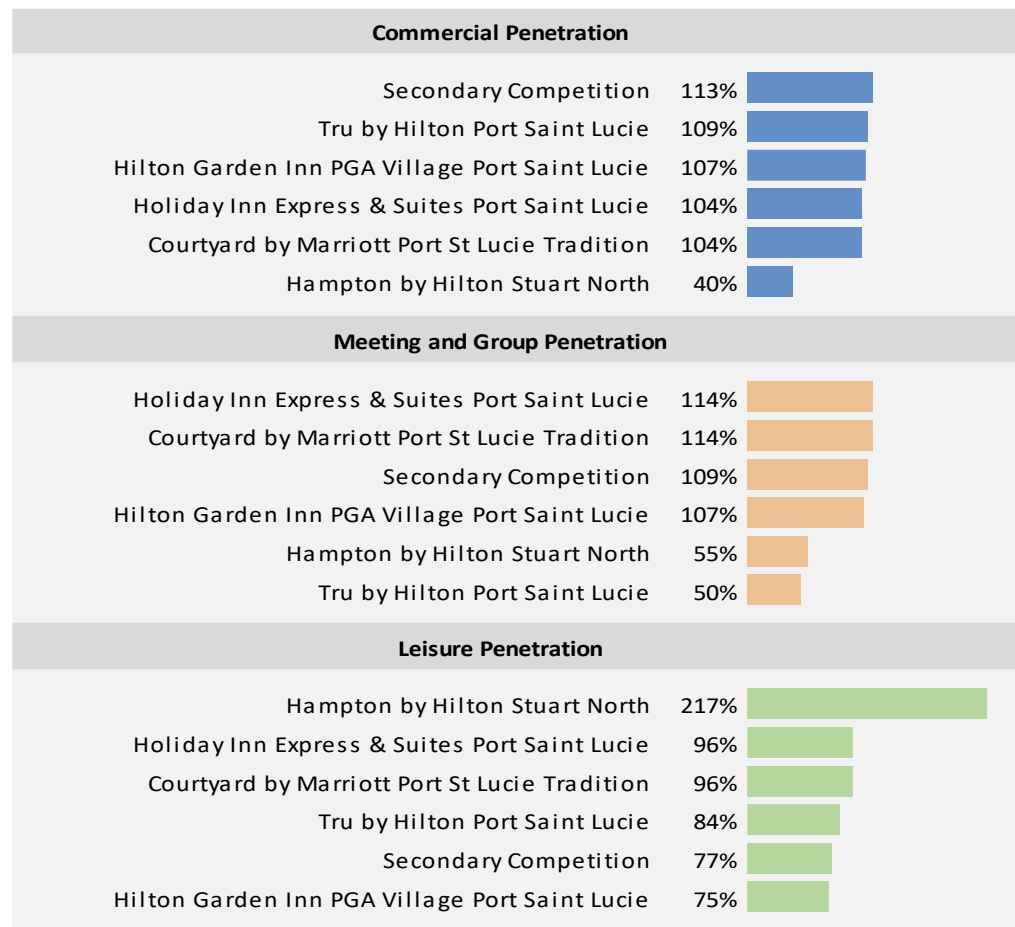
Penetration Rate Analysis

Based on its anticipated competitive position within the Competitive Hotels, the Proposed Hotel's penetration rate is a key factor in forecasting its market share and occupancy levels. A property's penetration rate is calculated by dividing its market share (the number of occupied room nights the hotel is expected to generate) by its fair share (the number of available room nights in the market that the hotel is expected to capture). A hotel achieves a fair share when its share of occupied room nights equals its share of available room nights. The Proposed Hotel's penetration rate will be influenced by its location, brand, amenities, pricing strategy, and other factors.

Market Penetration

HVS analyzed the market penetration of each property in the Competitive Set. The following figure ranks the occupancy penetration of the primary competitors and the aggregate weighted secondary competitors by market segment.

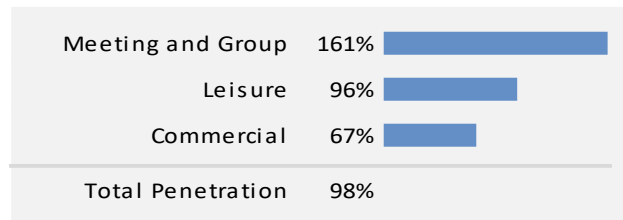
FIGURE 5-1
HISTORICAL OCCUPANCY PENETRATION RATES IN 2022



The Secondary Competition had the highest commercial penetration due to a popular brand, large rooms, and overall quality. The Holiday Inn Express & Suites Port Saint Lucie had the highest meeting and group penetration due to meeting facilities within the property, its location near the MFEC, and the brand's popularity. The Hampton by Hilton Stuart North had the highest leisure penetration due to a popular brand, location near Interstate 95 and the PGA Village, and overall quality.

The following figure shows our estimates of the market penetration of the Proposed Hotel by market segment.

FIGURE 5-2
OCCUPANCY PENETRATION OF THE PROPOSED HOTEL



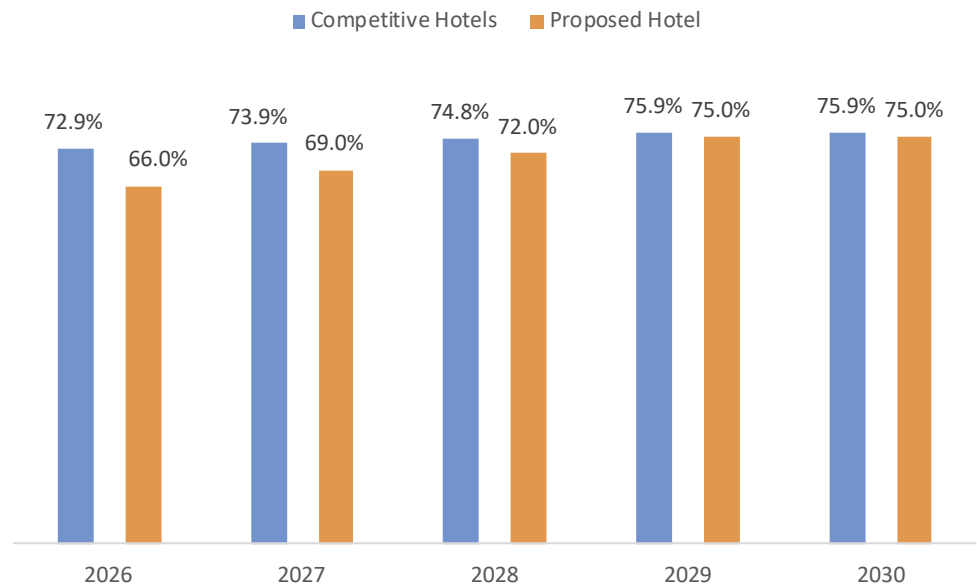
HVS positioned the Proposed Hotel within each market segment. The Proposed Hotel would:

- Over penetrate the meeting and group segment at 161% due to location adjacent to the expanded MFEC and new construction, which is typical of hotels proximate to convention centers,
- Under penetrate the leisure segment at 96% due to high ADR, location remote from major generators of leisure demand such as Interstate 95 and Clover Field Park, and focus on the meeting and group market, and
- Under penetrate the commercial segment at 67% due to a focus on the meeting and group market segments and a location remote from the larger corporate demand generators and Interstate 95.

Occupancy and Absorption Projections

HVS estimated that the Proposed Hotel would achieve 98.3% overall occupancy penetration in a stabilized year of operation. As is typical of new hotels, it may take several years to ramp up to its stabilized occupancy level. HVS assumes a four-year ramp-up after the opening of the Proposed Hotel. The forecast occupancy rates for the first five calendar years are shown in the figure below. When projecting room revenues in the pro forma, the occupancy rate is rounded to the nearest percentage.

FIGURE 5-3
PROPOSED HOTEL OCCUPANCY PROJECTION



At stabilization in 2029, the Proposed Hotel could achieve an occupancy rate of 75%.

The following figure shows the segmented forecast of occupancy for the Proposed Hotel.

**FIGURE 5-4
PROPOSED HOTEL
ROOM NIGHT ABSORPTION AND OCCUPANCY ESTIMATES**

Calendar Year	2026	2027	2028	2029	2030
Available Room Nights	36,500	36,500	36,500	36,500	36,500
Absorption by Segment					
Commercial	7,600	8,000	8,300	8,300	8,300
Meeting and Group	8,900	9,100	9,700	10,500	10,500
Leisure	7,500	7,900	8,400	8,400	8,400
Total Absorption	24,000	25,000	26,400	27,200	27,200
Projected Occupancy	66%	69%	72%	75%	75%
Percent Segmentation					
Commercial	32%	32%	31%	31%	31%
Meeting and Group	37%	36%	37%	39%	39%
Leisure	31%	32%	32%	31%	31%

The stabilized occupancy reflects the anticipated results of the property over its remaining economic life, given all the changes in the hotel's life cycle. Thus, the stabilized occupancy excludes from consideration any abnormal relationship between supply and demand, as well as any nonrecurring conditions that may result in unusually high or low occupancies. Although the Proposed Hotel may operate at occupancies above this stabilized level, new competition, and temporary economic downturns could force the occupancy below our stabilized projection. The occupancy rate in the first stabilized year of 2029 is 75%.

Average Rate Analysis

The average rate is calculated by dividing the total rooms revenue achieved during a specified period by the number of rooms sold during the same period. The projected average rate and the anticipated occupancy percentage are used to forecast revenue from room rentals, which in turn provides the basis for estimating most other income and expense categories.

The latest twelve months of ADR for the unweighted Competitive Set is shown in the following figure.

FIGURE 5-5
UNWEIGHTED HISTORICAL ADR FOR THE COMPETITIVE HOTELS

Month	ADR	Prior Year ADR	Difference	Percentage Change in ADR	
Mar - 22	\$185.67	\$130.00	\$55.67	42.8%	
Apr - 22	130.14	107.75	22.39	20.8%	
May - 22	119.13	105.09	14.05	13.4%	
Jun - 22	121.10	108.01	13.09	12.1%	
Jul - 22	125.71	117.28	8.43	7.2%	
Aug - 22	112.51	107.58	4.93	4.6%	
Sep - 22	116.94	103.19	13.75	13.3%	
Oct - 22	129.59	109.63	19.96	18.2%	
Nov - 22	135.92	120.01	15.91	13.3%	
Dec - 22	123.99	115.96	8.03	6.9%	
Jan - 23	149.63	134.64	14.99	11.1%	
Feb - 23	197.29	171.38	25.91	15.1%	

Source: STR

The increases in ADR over the past twelve months were driven by a combination of factors, including the recovery from the COVID-19 pandemic, strong leisure travel, and significant construction projects in the market. As pandemic restrictions eased, leisure travel picked up, leading to increased demand for lodging. Additionally, ongoing construction projects in the market lead to demand for lodging from construction workers and related industries, putting upward pressure on rates as the supply of available rooms was limited.

Competitive Position

Although average rate and occupancy are highly correlated, one cannot project occupancy without making specific assumptions regarding the average rate. Revenue per available room ("RevPAR") reflects a property's ability to maximize rooms revenue with the optimal balance of rate and occupancy. The following figure summarizes the historical average rate and the RevPAR of the Proposed Hotel's future primary competitors.

FIGURE 5-6
BASE-YEAR AVERAGE RATE OF THE COMPETITORS AND THE PROPOSED HOTEL

Property	2022 Average Room Rate
Courtyard by Marriott Port St Lucie Tradition	\$130 - \$140
Hampton by Hilton Stuart North	140 - 150
Hilton Garden Inn PGA Village Port Saint Lucie	140 - 150
Holiday Inn Express & Suites Port Saint Lucie	125 - 130
Tru by Hilton Port Saint Lucie	120 - 125
Average - Primary Competitors	\$136
Average - Secondary Competitors	133
Overall Average	\$135
Proposed Hotel Positioned 2022 Base Year ADR	\$145

The primary competitors realized an overall average rate of \$136.00 in the 2022 base year, from the 2021 level of \$114.34.

The following figure illustrates the projected ADR in a calendar year. As a context for the average rate growth factors, note that HVS applied a base underlying inflation rate of 4.00% in 2023, 3.00% in 2024, and 3.00% thereafter throughout our projection period.

FIGURE 5-7
COMPETITIVE HOTELS AND PROPOSED HOTEL
AVERAGE RATE FORECAST

Year	Competitive Hotels ADR		Proposed Hotel ADR		
	Average Rate Growth	Weighted Average Rate	Average Rate	Average Rate Growth	Average Rate Penetration
Base Year	—	\$134.86		—	
2023	8.0%	145.65			
2024	3.0%	150.02			
2025	3.0%	154.52			
2026	3.0%	159.16	\$171.12		107.5%
2027	3.0%	163.93	176.25	3.0%	107.5%
2028	3.0%	168.85	181.54	3.0%	107.5%
2029	3.0%	173.91	186.99	3.0%	107.5%
2030	3.0%	179.13	192.60	3.0%	107.5%

The Proposed Hotel would achieve an ADR penetration rate of 107.5% by stabilization, which is lower than the average of Competitive Hotels. The positioning of the ADR for the Proposed Hotel reflects the features and market appeal of the property, including:

- New construction,
- Meeting space,
- Location adjacent to the MFEC
- Strong brand, and
- Convenient location.

The following figure presents the forecasts for ADR and occupancy for the Proposed Hotel during the first five years of operation.

**FIGURE 5-8
PROPOSED HOTEL
FORECAST OF OCCUPANCY, ADR, AND REVPAR**

Year	Occupancy	ADR	RevPAR	Annual Increase
2026	66%	\$166.14	\$109.55	
2027	69%	171.12	120.40	9.9%
2028	72%	176.25	130.71	8.6%
2029	75%	186.99	140.24	7.3%
2030	75%	192.60	144.45	3.0%

The Proposed Hotel would obtain an occupancy rate similar to the Competitive Hotels and a higher ADR due to its location adjacent to MFEC, brand, and new construction.

6. Projection of Income and Expenses

Methodology

Estimates of average rate and occupancy allow room revenue to be projected, forming the basis of income and expense projections. The number of guests drives other revenue sources of the Proposed Hotel, such as food, beverages, spa, and telephone income. Many expense levels also vary with occupancy.

The property is expected to begin operations on January 1, 2026. The forecast of income and expense is stated in current dollars for each operating year. Hotel operations would ramp up for four years after opening. The stabilized year reflects the anticipated operating results of the property over its remaining economic life. Thus, income and expense estimates from the stabilized year forward exclude from consideration any abnormal relationship between supply and demand, as well as any nonrecurring conditions that may result in unusual revenues or expenses.

The projections of revenue (other than room revenue) and expense for the Proposed Hotel rely on comparable hotel operating statements from the HVS database. HVS selected comparable hotel operating statements based on similarities with the Proposed Hotel, including room count, property type, location in urban markets, amounts of function space, occupancy rates, and average daily room rates. A full year's data on each property is available within the last four years.

The following figure compares the room count, meeting space, occupancy, average rate, and RevPAR of the comparable hotels with the Proposed Hotel.

FIGURE 6-1
OVERVIEW OF COMPARABLE HOTELS OPERATING STATEMENTS

	Comp A	Comp B	Comp C	Comp D	Comp E	Subject Hotel
Year	2021/22	2021/22	2021/22	2019/20	2019	*
Number of Rooms:	90 to 110	100 to 140	130 to 160	160 to 200	120 to 150	100
Meeting Space (sf):	1,696	13,000	1,200	7,204	1,294	1,500
Meeting Space per Room:	17	107	8	40	10	15
Occupied Rooms:	28,884	30,274	38,926	52,511	42,099	27,375
Average Rate:	\$141	\$129	\$128	\$151	\$132	\$151
RevPAR:	\$111	\$88	\$94	\$121	\$113	\$113

*A stabilized year of operation. Dollar amounts shown in 2022 dollars.

Sources: Respective Venues and HVS

Further analysis of the comparable hotels provides benchmarks for our income and expense forecast. The three most common measures of industry performance: ratio to sales (“RTS”), amounts per available room (“PAR”), and amounts per occupied room night (“POR”), are used to present the financial data. The following figure compares our forecasts for the Proposed Hotel to the comparable properties on each of these metrics.

FIGURE 6-2
COMPARABLE HOTELS OPERATING STATEMENTS--RATIO TO SALES

RANK - PERCENTAGES	1	2	3	4	5	6
REVENUE						
Rooms	93.4	91.3	91.2	86.5	86.2	82.9
Food & Beverage	14.4	12.7	11.5	5.2	5.0	3.3
Other Operated Departments	3.8	2.7	2.0	1.7	1.4	0.7
Miscellaneous Income	1.6	1.4	0.6	0.5	0.0	0.0
DEPARTMENTAL EXPENSES*						
Rooms	27.0	22.8	21.0	19.0	18.4	16.8
Food & Beverage	110.4	95.8	80.0	79.5	78.6	74.8
Other Operated Departments	69.4	55.0	54.2	41.4	40.3	22.7
Total Department Expenses	31.5	29.4	28.1	26.2	21.8	21.7
OPERATING EXPENSES **						
Administrative & General	13.3	9.3	8.0	8.0	6.4	5.8
Info. and Telecom. Systems	2.0	1.2	1.0	1.0	0.7	0.6
Marketing	6.8	6.1	6.0	5.4	5.4	5.2
Franchise Fee	8.0	7.7	7.5	7.2	7.1	6.9
Property Operations & Maintenance	6.5	4.5	4.3	3.8	3.4	3.0
Utilities	4.6	3.3	3.3	2.8	2.7	1.8
Total Operating Expenses	37.8	30.0	29.0	28.9	28.0	26.9
GROSS OPERATING PROFIT	51.4	48.2	45.8	42.9	39.6	32.8

* Ratio to Department Revenue

** Ratio to Total Revenue

indicates position of Proposed Hotel

indicates position of comparable hotels

House profit ranged from 51.4% to 32.8% of operating revenues for the comparable properties.

FIGURE 6-3
COMPARABLE HOTELS OPERATING STATEMENTS - AMOUNTS PER AVAILABLE ROOM

RANK - INCOME PER ROOM	1	2	3	4	5	6
REVENUE						
Rooms	44,190	41,359	41,220	40,588	34,343	32,011
Food & Beverage	6,494	5,576	5,475	2,268	1,966	1,443
Other Operated Departments	1,706	1,041	768	722	684	342
Miscellaneous Income	692	542	274	265	0	0
Total	51,291	47,654	45,333	43,445	38,627	37,618
DEPARTMENTAL EXPENSES						
Rooms	9,275	8,656	8,111	7,718	7,292	6,932
Food & Beverage	5,107	4,432	4,380	2,504	1,470	1,382
Other Operated Departments	430	391	388	376	309	238
Total Department Expenses	13,455	13,413	12,154	11,054	9,823	9,492
OPERATING EXPENSES						
Administrative & General	5,001	4,034	3,812	3,639	3,282	2,246
Info. and Telecom. Systems	876	477	455	392	331	316
Marketing	3,464	2,859	2,356	2,342	2,299	2,074
Franchise Fee	4,128	3,298	3,273	3,064	2,987	2,821
Property Operations & Maintenance	2,452	1,938	1,811	1,753	1,644	1,374
Utilities	1,765	1,549	1,433	1,242	1,215	773
Total Operating Expenses	14,376	14,207	13,805	13,027	12,188	11,169
GROSS OPERATING PROFIT	23,460	23,321	20,926	20,435	15,304	12,357

indicates position of Proposed Hotel
 indicates position of comparable hotels

House profit ranged from \$23,460 to \$12,357 per room for the comparable properties.

FIGURE 6-4
COMPARABLE HOTELS OPERATING STATEMENTS - AMOUNTS PER OCCUPIED ROOM NIGHT

RANK - PER OCCUPIED ROOM	1	2	3	4	5	6
REVENUE						
Rooms	151	151	141	132	129	128
Food & Beverage	22	22	20	7	7	5
Other Operated Departments	5	4	3	3	2	1
Miscellaneous Income	2	2	1	1	0	0
Total	176	174	156	150	144	140
DEPARTMENTAL EXPENSES						
Rooms	35	32	29	28	27	22
Food & Beverage	18	18	16	8	5	5
Other Operated Departments	2	1	1	1	1	1
Total Department Expenses	49	49	46	41	33	31
OPERATING EXPENSES						
Administrative & General	19	14	14	12	11	9
Info. and Telecom. Systems	3	2	2	1	1	1
Marketing	12	10	9	8	8	7
Franchise Fee	14	12	12	11	11	10
Property Operations & Maintenance	9	7	7	7	6	4
Utilities	7	6	5	5	4	3
Total Operating Expenses	53	50	49	45	45	39
GROSS OPERATING PROFIT	80	75	74	72	62	46

indicates position of Proposed Hotel
 indicates position of comparable hotels

House profit ranged from \$80 to \$46 per occupied room for the comparable properties.

Fixed and Variable Component Analysis

Hotel revenues and expenses have one fixed component and another that varies directly with occupancy and facility usage. A projection can be made by taking a known level of revenue or expense and calculating its fixed and variable components. The fixed component is then increased at the underlying inflation rate, while the variable component is adjusted for a specific measure of volume, such as total revenue. The following figure illustrates the revenue and expense categories that can be projected using this fixed and variable component model.

FIGURE 6-5
PROPOSED HOTEL - RANGE OF FIXED AND VARIABLE RATIOS

Category	Percent Fixed	Percent Variable	Index of Variability	Fixed Ratio
Revenues				
Food	25 - 50 %	50 - 75 %	Occupancy	25 %
Beverage	0 - 30	70 - 100	Occupancy	25
Other Operated Departments	30 - 70	30 - 70	Occupancy	70
Rentals & Other Income	30 - 70	30 - 70	Occupancy	70
Departmental Expenses				
Rooms	50 - 70	30 - 50	Occupancy	60
Food & Beverage	35 - 60	40 - 65	Food & Beverage Revenue	60
Other	30 - 70	30 - 70	Other Operated Departments Revenue	70
Undistributed Operating Expenses				
Administrative & General	65 - 85	15 - 35	Total Revenue	75
Marketing	65 - 85	15 - 35	Total Revenue	75
Info & Telecom Systems	65 - 85	15 - 35	Total Revenue	75
Prop. Operations & Maint.	55 - 75	25 - 45	Total Revenue	75
Utilities	75 - 95	5 - 25	Total Revenue	75

Forecast of Income and Expense

The actual forecast of income and expenses is derived by adjusting each year's revenue and expense by the amount fixed (the fixed expense multiplied by the inflated base-year amount) plus the variable amount (the variable expense multiplied by the inflated base-year amount) multiplied by the ratio of the projection year's occupancy to the base-year occupancy (in the case of departmental revenue and expense) or the ratio of the projection year's revenue to the base year's revenue (in the case of undistributed operating expenses). Fixed expenses increase only with inflation. Our discussion of the revenue and expense forecast in this study is based on the output derived from the fixed and variable model. This revenue and expense forecast is accomplished through a systematic approach, following the format of the *Uniform System of Accounts for the Lodging Industry*. Each revenue and expense category is estimated separately and combined in the final income and expense statement.

Room Department Revenue

The revenue from the rental of rooms in any given year is determined by the estimated number of occupied room nights and the ADR. The Proposed Hotel is projected to achieve stabilization in 2029 at an occupancy level of 75% with an ADR of \$186.99r. After the stabilized year, the hotel's average rate is expected to increase with inflation. The forecast is based on calendar years beginning January 1, 2026, for each year.

**Food and Beverage
Department Revenue**

A hotel's food and beverage department generates income through various outlets, such as restaurants, lounges, coffee shops, snack bars, banquet rooms, and room service. These outlets provide revenue and serve as amenities that enhance the guest experience. For the Proposed Hotel, the food and beverage department would comprise a restaurant and lounge, offering guests convenient dining options, which assist in the sale of guestrooms. They will add value to the overall guest experience and indirectly support guestroom sales by increasing the hotel's appeal.

The Proposed Hotel's 1,500 square feet of meeting space would create additional revenue streams, including food and beverage income through catering services for events like weddings, small conferences, corporate meetings, and social gatherings. Moreover, these events would drive room night demand, as attendees often require accommodations, especially for multi-day events or those traveling from out of town. Although a portion of food and beverage revenue varies directly with changes in occupancy, the portion generated by banquet sales from local social events does not depend on hotel room occupancy.

The estimated food and beverage sales in the first stabilized year of 2029 are shown in the figure below.

FIGURE 6-6
HOTEL FOOD AND BEVERAGE SALES (000'S)

Food Sales	\$525
Beverage Sales	175
Total Food & Beverage Sales	\$700
Percentage of Total Sales	11.8%
Average Comparable Hotels	8.1%

**Other Operated
Departments Revenue**

Other operated departments ("OOD") include any major or minor operated department other than rooms and food and beverage. Telephone revenue and expense are now considered a component of other operated departments. Based on our review of hotels with similar other department operations, HVS determined an appropriate revenue level for the Proposed Hotel at 1.40% of gross revenues by the first stabilized year, 2029.

Miscellaneous Income

According to the USALI, miscellaneous income includes attrition fees, cancellation fees, outside agreement commissions, and interest income, among other items. Based on our review of similar hotel operations, HVS determined an appropriate revenue level for the Proposed Hotel at 0.6% of gross revenues by the first stabilized year, 2029.

Department Expenses

Room departmental expenses consist of items related to the sale and upkeep of guestrooms and public space. Salaries, wages, and employee benefits account for a substantial portion of this category. Although payroll varies somewhat with occupancy, and managers can scale the level of service with staff on hand to meet an expected occupancy level, much of a hotel's payroll is fixed. Hotel operations require a base level of front desk personnel, housekeepers, and supervisors. As a result, salaries, wages, and employee benefits are only moderately sensitive to changes in occupancy. The rooms department expenses are projected to average 21.0% of department revenues by the first stabilized year, 2029.

Food and beverage departmental expenses consist of items necessary for the primary operation of a hotel's food and banquet facilities. These expenses include the cost of food and beverage sales and related payroll, which largely vary with the level of revenues. However, there is also a fixed component to these departmental expenses. For the Proposed Hotel, HVS projects a stabilized expense ratio of 80.0% for the food and beverage department by the first stabilized year of 2029, reflecting the balance between these expenses' fixed and variable components.

OOD expenses include all expenses for the various divisions within these categories. OOD expenses would average 55.0% of revenues in the first stabilized year, 2029.

In 2029, department-level expenses average 28.1% of gross revenues, which would generate a department income of \$4.3 million.

Undistributed Operating Expenses

Administrative and general expense includes the salaries and wages of all administrative personnel not directly associated with a department. Other costs include management and operation of the property. These expenses would average 8.0% of gross revenues in the first stabilized year, 2029.

Information and telecommunications systems expenses are all costs associated with a hotel's technology infrastructure. The costs include cell phones, telephone, and internet services. Expenses in this category are typically organized by type of technology or the area benefiting from the technology solution. These expenses would average 1.0% of gross revenues by the first stabilized year, 2029.

Marketing expense consists of advertising, sales, and promotion costs aimed at attracting and retaining customers. Marketing creates an image, develops customer awareness, and stimulates patronage of a property's facilities. Management controls the level of most marketing expenditures. These expenses would average 6.0% of gross revenues by the first stabilized year, 2029.

Property operations and maintenance expenditures maintain the functionality and appearance of the property. Management has certain discretion over this expense

category due to the ability to delay certain maintenance. These expenses would average 3.8% of gross revenues by the first stabilized year, 2029.

The consumption of various utilities by a lodging facility takes several forms, including water and space heating, air conditioning, lighting, cooking fuel, and other miscellaneous power requirements. The most common sources of hotel utilities are electricity, natural gas, fuel oil, and steam. This category also includes the cost of water service. These expenses would average 3.2% of gross revenues by the first stabilized year 2029.

FIGURE 6-7
UNDISTRIBUTED OPERATING EXPENSES

Undistributed Expenses*	Proposed Hotel	Comparable Hotel Statements		
		High	Low	Average
Administrative & General	8.0%	13.3%	5.8%	8.6%
Info. and Telecom. Systems	1.0%	2.0%	0.6%	1.1%
Marketing	6.0%	6.8%	5.2%	5.8%
Property Operations & Maintenance	3.8%	6.5%	3.0%	4.3%
Utilities	3.2%	4.6%	1.8%	3.0%
Total	29.0%			30.3%

*Undistributed expense ratios are calculated as a percentage of gross revenues.

Undistributed operating expenses are expected to average 29.0% of gross revenues by the stabilized year of 2029, which generates a house profit of \$2.54 million or 42.9% of gross revenues.

Management Fees

As of this writing, the terms of a management agreement have not been finalized. Management expenses consist of the fees paid to the managing agent contracted to operate the property. Some companies provide management services and a brand name affiliation ("Brand Managed"), while others provide management services alone. Some management contracts specify only a base fee (usually a percentage of total revenue). In contrast, others call for a base fee and an incentive fee (usually a percentage of defined profit). Basic hotel management fees are often based on a percentage of total revenue, which means they have no fixed component. While base fees typically range from 2% to 4% of total revenue, incentive fees are deal specific. They often are calculated as a percentage of income available after debt service and, in some cases, after a preferred return on equity. HVS assumed a market-appropriate total management fee of 3.0% of gross operating revenues for the Proposed Hotel.

Property Taxes

HVS researched existing hotels in the local market at the tax assessor's website and by phone to determine the assessed value for land, improvements, and personal property, as shown in the following figure.

FIGURE 6-8
COMPETITOR ASSESSED VALUES AND POSITIONED ASSESSED VALUE

Hotel		Land	Improvements	Personal	Totals
Taxable Value 2020	Opened				
Courtyard by Marriott Port St Lucie Tradition	July, 2021	\$959,400	\$8,045,600	\$1,823,302	\$10,828,302
Hilton Garden Inn PGA Village Port Saint Lucie	November, 2006	1,031,900	11,249,100	559,954	12,840,954
Holiday Inn Express & Suites Port Saint Lucie	April, 2009	380,500	6,119,500	196,667	6,696,667
Assessed Value Per Room	Rooms				
Courtyard by Marriott Port St Lucie Tradition	84	\$11,421	\$95,781	\$21,706	\$128,908
Hilton Garden Inn PGA Village Port Saint Lucie	130	7,938	86,532	4,307	98,777
Holiday Inn Express & Suites Port Saint Lucie	93	4,091	65,801	2,115	72,007
Positioned Proposed Hotel - Assessed Value Per Room		\$8,000	\$90,000	\$21,000	\$119,000
Positioned Proposed Hotel - Assessed Value	100	\$800,000	\$9,000,000	\$2,100,000	\$11,900,000

Source: Saint Lucie County Property Appraiser

HVS positioned the Proposed Hotel's estimated assessed value per room based on the local competitors shown in the prior figure.

The current millage rates (amount levied per \$1,000 of assessed value) for 2019/20 are shown in the following figure.

FIGURE6-9
REAL PROPERTY TAX RATES

Year	Millage Rate
2020	24.7348
2021	24.0564
2022	23.0040

Source: Saint Lucie County Property Appraiser

HVS applied a base underlying inflation rate to the millage rate of 4.00% in 2023, 3.00% in 2024, and 3.00% thereafter throughout our projection period.

The following figures show an estimate of property taxes for real property.

**FIGURE6-10
PROJECTED PROPERTY TAXES**

	Increase	Taxes Payable	Taxes Payable	Total Taxes Payable
Positioned	—	\$225,439	\$48,308	\$273,748
First Year Includes Adjustment from Base Year to 1st Year of Operation				
2026	9.3 %	\$246,344	\$52,788	\$299,131
Annual Change in Payments After First Year				
2027	2.50 %	252,502	54,108	306,610
2028	2.50	258,815	55,460	314,275
2029	2.50	265,285	56,847	322,132

Insurance

The insurance expense covers the hotel and its contents against damage or destruction by fire, weather, sprinkler leakage, boiler explosion, plate glass breakage, and so forth. General insurance costs also include premiums relating to liability, fidelity, and theft coverage. Insurance rates consider many factors, including building design and construction, fire detection and extinguishing equipment, fire district, distance from the firehouse, and the area's fire experience. HVS projected insurance and related expenses at 1.8% of gross revenues by the first stabilized year, 2029.

FF&E Reserve

The reserve for replacement for furniture, fixtures, and equipment ("FF&E") is essential to the operation of a lodging facility. The quality of FF&E and its upkeep influence a property's sales and customer satisfaction. FF&E experiences heavy use and needs replacement at regular intervals. Because capitalized expenditures are not included in the operating statement but affect an owner's cash flow, a forecast of income and expense should reflect these expenses in the form of an appropriate reserve for replacement. The FF&E reserve would be funded at 2.0% of gross revenues in the first year of operations, 3.0% in year two, and 4.0% in year three and thereafter.

Summary of Projections

The following figures present a forecast of EBITDA less the replacement reserve ("EBITDA Less Replacement Reserve") for the first stabilized year of 2029, followed by a detailed forecast of the Proposed Hotel's first ten years of operation. The forecasts pertain to years beginning January 1, 2026, in inflated dollars for each year. The forecast assumes the expansion of the MFEC would occur by the opening date of the Proposed Hotel.

FIGURE 6-11
PROPOSED HOTEL FIRST STABILIZED YEAR (2029)

STATISTICS		
Number of Rooms	100	
Occupied Room Nights	27,375	
Occupancy	75%	
Average Rate	\$186.99	
RevPAR	\$140.24	
	\$000	% Gross
Operating Revenue		
Rooms	\$5,119	86.5%
Food	510	8.6%
Beverage	170	2.9%
Other Operated Departments	85	1.4%
Miscellaneous Income	34	0.6%
Total Operating Revenues	\$5,918	100%
Departmental Expenses*		
Rooms	\$1,075	21.0%
Food & Beverage	544	80.0%
Other Operated Departments	47	55.0%
Total Department Expenses	\$1,666	28.1%
Departmental Income	\$4,252	71.9%
Undistributed Operating Expenses		
Administrative & General	\$473	8.0%
Marketing	355	6.0%
Franchise Fee	410	6.9%
Prop. Operations & Maint.	225	3.8%
Utilities	192	3.2%
Info & Telecom Systems	59	1.0%
Total Undistributed Operating Expenses	\$1,714	29.0%
Gross House Profit	\$2,538	42.9%
Management Fee	\$178	3.0%
Income Before Non-Opr. Inc. & Exp.	\$2,360	39.9%
Non-Operating Income & Expenses		
Property Taxes	\$322	5.4%
Insurance	104	1.7%
Reserve for Replacement	237	4.0%
Total	\$662	11.2%
EBITDA Less Replacement Reserve	\$1,698	28.7%

*Departmental expense ratios are calculated as a percentage of departmental revenue.



FIGURE 6-12
PROPOSED HOTEL 10-YEAR PRO FORMA (000'S)

	2026		2027		2028		2029		2030		2031		2032		2033		2034		2035	
STATISTICS																				
Number of Rooms	100		100		100		100		100		100		100		100		100		100	
Occupied Room Nights	24,090		25,185		26,280		27,375		27,375		27,375		27,375		27,375		27,375		27,375	
Occupancy	66%		69%		72%		75%		75%		75%		75%		75%		75%		75%	
Average Rate	\$165.99		\$174.49		\$181.54		\$186.99		\$192.60		\$198.38		\$204.33		\$210.46		\$216.77		\$223.27	
RevPAR	\$109.55		\$120.40		\$130.71		\$140.24		\$144.45		\$148.78		\$153.25		\$157.84		\$162.58		\$167.46	
	\$000	% of Gross	\$000	% of Gross	\$000	% of Gross	\$000	% of Gross	\$000	% of Gross	\$000	% of Gross	\$000	% of Gross	\$000	% of Gross	\$000	% of Gross	\$000	% of Gross
Operating Revenue																				
Rooms	\$3,999	85.6	\$4,395	86.0	\$4,771	86.3	\$5,119	86.5	\$5,272	86.5	\$5,431	86.5	\$5,593	86.5	\$5,761	86.5	\$5,934	86.5	\$6,112	86.5
Food	425	9.1	452	8.8	480	8.7	510	8.6	525	8.6	541	8.6	557	8.6	574	8.6	591	8.6	609	8.6
Beverage	145	3.1	153	3.0	161	2.9	170	2.9	175	2.9	180	2.9	186	2.9	191	2.9	197	2.9	203	2.9
Other Operated Departments	75	1.6	78	1.5	82	1.5	85	1.4	88	1.4	90	1.4	93	1.4	96	1.4	99	1.4	101	1.4
Miscellaneous Income	30	0.6	31	0.6	33	0.6	34	0.6	35	0.6	36	0.6	37	0.6	38	0.6	39	0.6	41	0.6
Total Operating Revenues	\$4,674	100.0	\$5,109	100.0	\$5,527	100.0	\$5,918	100.0	\$6,095	100.0	\$6,279	100.0	\$6,466	100.0	\$6,660	100.0	\$6,860	100.0	\$7,066	100.0
Departmental Expenses*																				
Rooms	\$937	23.4	\$981	22.3	\$1,027	21.5	\$1,075	21.0	\$1,107	21.0	\$1,140	21.0	\$1,175	21.0	\$1,210	21.0	\$1,246	21.0	\$1,284	21.0
Food & Beverage	479	84.1	500	82.6	521	81.3	544	80.0	560	80.0	577	80.0	594	80.0	612	80.0	631	80.0	649	80.0
Other Operated Departments	42	56.4	44	55.9	45	55.5	47	55.0	48	55.0	50	55.0	51	55.0	53	55.0	54	55.0	56	55.0
Total Department Expenses	\$1,458	31.2	\$1,524	29.8	\$1,594	28.8	\$1,666	28.1	\$1,716	28.1	\$1,767	28.1	\$1,820	28.1	\$1,875	28.1	\$1,931	28.1	\$1,989	28.1
Departmental Income	\$3,216	68.8	\$3,585	70.2	\$3,933	71.2	\$4,252	71.9	\$4,379	71.9	\$4,511	71.9	\$4,646	71.9	\$4,785	71.9	\$4,929	71.9	\$5,077	71.9
Undistributed Operating Expenses																				
Administrative & General	\$418	9.0	\$437	8.6	\$455	8.2	\$473	8.0	\$488	8.0	\$502	8.0	\$517	8.0	\$533	8.0	\$549	8.0	\$565	8.0
Marketing	314	6.7	328	6.4	341	6.2	355	6.0	366	6.0	377	6.0	388	6.0	400	6.0	412	6.0	424	6.0
Franchise Fee	320	6.8	352	6.9	382	6.9	410	6.9	422	6.9	434	6.9	447	6.9	461	6.9	475	6.9	489	6.9
Prop. Operations & Maint.	199	4.3	208	4.1	216	3.9	225	3.8	232	3.8	239	3.8	246	3.8	253	3.8	261	3.8	269	3.8
Utilities	170	3.6	177	3.5	185	3.3	192	3.2	198	3.3	204	3.2	210	3.3	216	3.3	223	3.3	230	3.3
Info & Telecom Systems	52	1.1	55	1.1	57	1.0	59	1.0	61	1.0	63	1.0	65	1.0	67	1.0	69	1.0	71	1.0
Total Undistributed Operating Expenses	\$1,473	31.5	\$1,556	30.5	\$1,636	29.6	\$1,714	28.9	\$1,766	29.0	\$1,819	28.9	\$1,873	29.0	\$1,929	29.0	\$1,987	29.0	\$2,047	29.0
Gross House Profit	\$1,743	37.3	\$2,029	39.7	\$2,297	41.6	\$2,538	42.9	\$2,614	42.9	\$2,693	43.0	\$2,773	42.9	\$2,856	42.9	\$2,942	42.9	\$3,030	42.9
Management Fee	\$140	3.0	\$153	3.0	\$166	3.0	\$178	3.0	\$183	3.0	\$188	3.0	\$194	3.0	\$200	3.0	\$206	3.0	\$212	3.0
Income Before Non-Opr. Inc. & Exp.	\$1,603	34.3	\$1,876	36.7	\$2,131	38.6	\$2,360	39.9	\$2,431	39.9	\$2,504	40.0	\$2,579	39.9	\$2,656	39.9	\$2,736	39.9	\$2,818	39.9
Non-Operating Income & Expenses																				
Property Taxes	\$299	6.4	\$307	6.0	\$314	5.7	\$322	5.4	\$332	5.4	\$342	5.4	\$352	5.4	\$363	5.4	\$373	5.4	\$385	5.4
Insurance	95	2.0	98	1.9	101	1.8	104	1.7	107	1.8	110	1.7	113	1.8	117	1.8	120	1.8	124	1.8
Reserve for Replacement	93	2.0	153	3.0	221	4.0	237	4.0	244	4.0	251	4.0	259	4.0	266	4.0	274	4.0	283	4.0
Total	\$487	10.4	\$558	10.9	\$636	11.5	\$662	11.1	\$682	11.2	\$703	11.1	\$724	11.2	\$746	11.2	\$768	11.2	\$791	11.2
EBITDA Less Replacement Reserve	\$1,115	23.9%	\$1,319	25.8%	\$1,495	27.0%	\$1,698	28.7%	\$1,748	28.7%	\$1,802	28.7%	\$1,855	28.7%	\$1,911	28.7%	\$1,968	28.7%	\$2,027	28.7%

*Departmental expense ratios are calculated as a percentage of departmental revenue.

FIGURE 6-13
150-ROOM HOTEL OPTION FIRST STABILIZED YEAR (2029)

STATISTICS		
Number of Rooms	150	
Occupied Room Nights	39,968	
Occupancy	73%	
Average Rate	\$184.41	
RevPAR	\$134.62	
	\$000	% Gross
Operating Revenue		
Rooms	\$7,370	86.3%
Food	744	8.7%
Beverage	248	2.9%
Other Operated Departments	124	1.5%
Miscellaneous Income	50	0.6%
Total Operating Revenues	\$8,536	100%
Departmental Expenses*		
Rooms	\$1,548	21.0%
Food & Beverage	794	80.0%
Other Operated Departments	68	55.0%
Total Department Expenses	\$2,410	28.2%
Departmental Income	\$6,126	71.8%
Undistributed Operating Expenses		
Administrative & General	\$683	8.0%
Marketing	512	6.0%
Franchise Fee	590	6.9%
Prop. Operations & Maint.	324	3.8%
Utilities	277	3.3%
Info & Telecom Systems	85	1.0%
Total Undistributed Operating Expenses	\$2,472	29.0%
Gross House Profit	\$3,654	42.8%
Management Fee	\$256	3.0%
Income Before Non-Opr. Inc. & Exp.	\$3,398	39.8%
Non-Operating Income & Expenses		
Property Taxes	\$483	5.7%
Insurance	149	1.8%
Reserve for Replacement	341	4.0%
Total	\$974	11.4%
EBITDA Less Replacement Reserve	\$2,424	28.4%

*Departmental expense ratios are calculated as a percentage of departmental revenue.

FIGURE 6-14
150-ROOM HOTEL OPTION 10-YEAR PRO FORMA (000'S)

	2026		2027		2028		2029		2030		2031		2032		2033		2034		2035	
STATISTICS																				
Number of Rooms	150		150		150		150		150		150		150		150		150		150	
Occupied Room Nights	35,588		37,230		38,325		39,968		39,968		39,968		39,968		39,968		39,968		39,968	
Occupancy	65%		68%		70%		73%		73%		73%		73%		73%		73%		73%	
Average Rate	\$163.70		\$172.09		\$179.04		\$184.41		\$189.94		\$195.64		\$201.51		\$207.55		\$213.78		\$220.19	
RevPAR	\$106.40		\$117.02		\$125.33		\$134.62		\$138.66		\$142.82		\$147.10		\$151.51		\$156.06		\$160.74	
	\$000	% of Gross	\$000	% of Gross	\$000	% of Gross	\$000	% of Gross	\$000	% of Gross	\$000	% of Gross	\$000	% of Gross	\$000	% of Gross	\$000	% of Gross	\$000	% of Gross
Operating Revenue																				
Rooms	\$5,826	85.4	\$6,407	85.9	\$6,862	86.2	\$7,370	86.3	\$7,591	86.3	\$7,819	86.3	\$8,054	86.3	\$8,295	86.3	\$8,544	86.3	\$8,801	86.3
Food	625	9.2	666	8.9	701	8.8	744	8.7	767	8.7	790	8.7	814	8.7	838	8.7	863	8.7	889	8.7
Beverage	213	3.1	225	3.0	235	3.0	248	2.9	256	2.9	263	2.9	271	2.9	279	2.9	288	2.9	296	2.9
Other Operated Departments	110	1.6	115	1.5	119	1.5	124	1.5	128	1.5	132	1.5	136	1.5	140	1.5	144	1.5	148	1.5
Miscellaneous Income	44	0.6	46	0.6	48	0.6	50	0.6	51	0.6	53	0.6	54	0.6	56	0.6	58	0.6	59	0.6
Total Operating Revenues	\$6,818	100.0	\$7,458	100.0	\$7,964	100.0	\$8,536	100.0	\$8,792	100.0	\$9,056	100.0	\$9,329	100.0	\$9,608	100.0	\$9,896	100.0	\$10,194	100.0
Departmental Expenses*																				
Rooms	\$1,354	23.2	\$1,419	22.1	\$1,478	21.5	\$1,548	21.0	\$1,594	21.0	\$1,642	21.0	\$1,691	21.0	\$1,742	21.0	\$1,794	21.0	\$1,848	21.0
Food & Beverage	702	83.7	732	82.2	761	81.3	794	80.0	818	80.0	842	80.0	868	80.0	894	80.0	921	80.0	948	80.0
Other Operated Departments	62	56.3	64	55.8	66	55.5	68	55.0	70	55.0	72	55.0	75	55.0	77	55.0	79	55.0	81	55.0
Total Department Expenses	\$2,118	31.1	\$2,215	29.7	\$2,305	28.9	\$2,410	28.2	\$2,482	28.2	\$2,557	28.2	\$2,634	28.2	\$2,713	28.2	\$2,794	28.2	\$2,878	28.2
Departmental Income	\$4,700	68.9	\$5,243	70.3	\$5,659	71.1	\$6,126	71.8	\$6,310	71.8	\$6,499	71.8	\$6,695	71.8	\$6,895	71.8	\$7,102	71.8	\$7,316	71.8
Undistributed Operating Expenses																				
Administrative & General	\$605	8.9	\$632	8.5	\$657	8.2	\$683	8.0	\$703	8.0	\$725	8.0	\$746	8.0	\$769	8.0	\$792	8.0	\$815	8.0
Marketing	454	6.7	474	6.4	492	6.2	512	6.0	528	6.0	543	6.0	560	6.0	576	6.0	594	6.0	612	6.0
Franchise Fee	466	6.8	513	6.9	549	6.9	590	6.9	607	6.9	626	6.9	644	6.9	664	6.9	684	6.9	704	6.9
Prop. Operations & Maint.	287	4.2	300	4.0	312	3.9	324	3.8	334	3.8	344	3.8	354	3.8	365	3.8	376	3.8	387	3.8
Utilities	246	3.6	257	3.4	267	3.3	277	3.3	286	3.3	294	3.3	303	3.2	312	3.3	322	3.3	331	3.2
Info & Telecom Systems	76	1.1	79	1.1	82	1.0	85	1.0	88	1.0	91	1.0	93	1.0	96	1.0	99	1.0	102	1.0
Total Undistributed Operating Expenses	\$2,134	31.3	\$2,254	30.3	\$2,359	29.6	\$2,472	28.9	\$2,546	28.9	\$2,622	28.9	\$2,701	28.9	\$2,782	28.9	\$2,866	28.9	\$2,952	28.9
Gross House Profit	\$2,567	37.6	\$2,988	40.0	\$3,301	41.5	\$3,654	42.8	\$3,764	42.9	\$3,877	42.9	\$3,994	42.9	\$4,113	42.9	\$4,236	42.9	\$4,364	42.9
Management Fee	\$205	3.0	\$224	3.0	\$239	3.0	\$256	3.0	\$264	3.0	\$272	3.0	\$280	3.0	\$288	3.0	\$297	3.0	\$306	3.0
Income Before Non-Opr. Inc. & Exp.	\$2,362	34.6	\$2,765	37.0	\$3,062	38.5	\$3,398	39.8	\$3,500	39.9	\$3,605	39.9	\$3,714	39.9	\$3,825	39.9	\$3,940	39.9	\$4,058	39.9
Non-Operating Income & Expenses																				
Property Taxes	\$449	6.6	\$460	6.2	\$471	5.9	\$483	5.7	\$498	5.7	\$513	5.7	\$528	5.7	\$544	5.7	\$560	5.7	\$577	5.7
Insurance	137	2.0	141	1.9	145	1.8	149	1.8	154	1.8	158	1.8	163	1.7	168	1.8	173	1.8	178	1.7
Reserve for Replacement	136	2.0	224	3.0	319	4.0	341	4.0	352	4.0	362	4.0	373	4.0	384	4.0	396	4.0	408	4.0
Total	\$722	10.6	\$824	11.1	\$935	11.7	\$974	11.5	\$1,003	11.5	\$1,033	11.5	\$1,064	11.4	\$1,096	11.5	\$1,129	11.5	\$1,163	11.4
EBITDA Less Replacement Reserve	\$1,640	24.1%	\$1,940	26.0%	\$2,127	26.7%	\$2,424	28.4%	\$2,497	28.4%	\$2,572	28.4%	\$2,649	28.4%	\$2,728	28.4%	\$2,810	28.4%	\$2,895	28.4%

*Departmental expense ratios are calculated as a percentage of departmental revenue.

Conclusion

Our analysis indicates that developing the select-service Proposed Hotel would induce new meeting and group demand in addition to the induced room night demand created by the expansion of the MFEC and accommodate growing leisure demand. Key financial conclusions include the following:

- The stabilized total revenue primarily comprises rooms and food and beverage, with a relatively small portion derived from other income sources.
- On the cost side, departmental expenses total 28.1% of revenue in a stabilized year, while undistributed operating expenses total 29.0% of total revenues. After 3.0% of total revenues management fee and 11.2% of total revenues in fixed expenses, an EBITDA Less Replacement Reserve ratio of 28.7% is forecast.
- The Proposed Hotel would produce a positive EBITDA Less Replacement Reserve of approximately \$1.70 million in the first stabilized year of 2029.
- The development of the Proposed Hotel would induce approximately 19,000 new room nights into the Competitive Hotels and the Proposed Hotel.

Our analysis projects a profitable hotel operation. The Proposed Hotel would expand the hotel options available in Port St. Lucie.

7. Feasibility Analysis

This feasibility analysis compares the Proposed Hotel's future benefits to the project's required investment. Future benefits are measured using a return on investment ("RIO") analysis. That is, the future cash flows of the project are discounted to a present value to the date of opening. Future cash flows include earnings before interest, taxes, depreciation, and amortization ("EBITDA"), as well as the net residual value of the project upon a hypothetical future sale. The required investment includes all project development costs, including land acquisition costs, hard and soft construction, furniture, fixtures, and equipment ("FF&E"), pre-opening, and financing. Investors utilize the RIO analysis to determine if the future cash flow from current cash outlay meets their investment criteria.

The conversion of the Proposed Hotel's forecasted EBITDA Less Replacement Reserve into an estimate of value is based on the premise that investors typically leverage their real estate investments to enhance their equity yield. Debt is not as readily available as it was in the first half of 2022, and it now reflects comparatively higher interest rates and lower loan-to-value ratios. However, buyers with strong lender relationships can typically find financing for assets that have recovered from the pandemic-driven declines of 2020. Larger, center-city assets that have not yet recovered face limited debt availability and significantly more conservative terms. However, these pandemic-driven conditions are expected to be temporary. In a typical market, most transactions are capitalized with mortgage financing (50.0% to 70.0%), with equity comprising the balance (30.0% to 50.0%).

Equity Component & Equity Yield Rate

The required return on investment ("yield") relates primarily to the level of perceived development risk for any specific project. The higher the risk, the greater the required return. These risks may involve general market risks such as an economic downturn, project completion risks, or other risks specific to the Proposed Hotel.

HVS sampled hotels that recently sold, as shown in the figure below, to determine a reasonable range of required ROI for this analysis.

FIGURE 7-1
SAMPLE OF HOTELS SOLD – SELECT-SERVICE HOTEL

Hotel	Location	Number of Rooms	Date of Sale	Total Property Yield	Equity Yield
Home2 Suites by Hilton Chandler	Chandler, AZ	126	Nov-22	10.5 %	14.8 %
Courtyard by Marriott Champaign	Champaign, IL	78	Nov-22	10.3	15.0
Residence Inn by Marriott Boston	Norwood, MA	96	Nov-22	11.6	16.9
Residence Inn by Marriott Boston	Framingham, MA	125	Nov-22	11.4	16.6
Hampton by Hilton Houston Airport	Humble, TX	86	Oct-22	10.2	15.8
Courtyard by Marriott Broadway	Myrtle Beach, SC	135	Oct-22	10.6	16.7
Courtyard by Marriott Airport North	Charlotte, NC	148	Oct-22	10.0	15.4
Berkeley Hotel	Richmond, VA	55	Sep-22	10.8	16.9
Hilton Garden Inn Charlotte North	Charlotte, NC	112	Aug-22	10.5	16.7
Hilton Garden Inn Charlotte Pineville	Pineville, NC	112	Aug-22	10.5	16.6
Home2 Suites by Hilton Cedar Park	Austin, TX	84	Aug-22	9.8	15.1
Hampton by Hilton Saint Louis	Columbia, IL	77	Aug-22	11.3	18.9
Courtyard by Marriott Pittsburgh	Greensburg, PA	102	Aug-22	9.4	14.5
SpringHill Suites by Marriott Gurnee	Waukegan, IL	120	Aug-22	10.4	16.4
SpringHill Suites by Marriott Houston	Houston, TX	156	Aug-22	10.0	15.7
Courtyard by Marriott Settlers Ridge	Pittsburgh, PA	124	Aug-22	10.7	17.5
Hyatt House Raleigh North Hills	Raleigh, NC	137	Aug-22	9.9	15.5
Courtyard by Marriott Wyomissing	Reading, PA	135	Aug-22	9.6	15.0
Residence Inn by Marriott	State College, PA	81	Jul-22	10.4	16.6
Courtyard by Marriott	State College, PA	78	Jul-22	11.0	17.8
Residence Inn by Marriott Concord	Pleasant Hill, CA	126	Jun-22	10.5	16.9
Element Palmdale	Palmdale, CA	123	Jun-22	10.5	16.7
Hilton Garden Inn Magnificent Mile	Chicago, IL	361	Mar-22	10.0	15.8
Homewood Suites by Hilton	Wyomissing, PA	119	Mar-22	10.8	17.9
Hilton Garden Inn	East Point, GA	174	Feb-22	10.4	18.0
Home2 Suites by Hilton	Victorville, CA	105	Feb-22	10.2	18.7
Hilton Garden Inn Saint Charles	Saint Charles, IL	120	Feb-22	10.3	17.5
Home2 Suites by Hilton	Barstow, CA	106	Jan-22	9.6	17.0
Average		121		10.4	16.5

Source: HVS

The total property yield ranged from 9.4% to 11.6% for the sampled hotels, with an average yield of 10.4%. Equity yield ranged from 14.5% to 18.9%, with an average yield of 16.5%. We have used an equity yield of 16.0% for this analysis.

Mortgage Financing

Hotel financing is typically available from a variety of lender types, including commercial banks, mortgage REITs, private-debt investors, insurance companies, and Commercial Mortgage-Backed Securities ("CMBS") lenders. Over the last several investment cycles, lenders have briefly pulled back from the lodging sector during economic, operational distress periods, or both. However, they have repeatedly been drawn back to the sector by the higher yields generated by hotel financing relative to other commercial real estate.

Research done by HVS indicates a high degree of correlation between the average interest rate of a hotel mortgage and the concurrent yield on an average-A corporate bond. The relationship between hotel interest rates and the yields from the average-A corporate bond can be estimated using a regression analysis, which is expressed as follows.

$$Y = 0.95165343 X + 0.81443286$$

Where: Y = Estimated Hotel Mortgage Interest Rate
X = Current Average-A Corporate Bond Yield
(Coefficient of correlation is 95%)

The February 2, 2023, average yield on average-A corporate bonds, as reported by Moody's Investors Service, was 4.87%. When used in the previously presented equation, a factor of 4.87 produces an estimated hotel/motel interest rate of 5.45% (rounded).

In addition to the mortgage interest rate estimate derived from this regression analysis, HVS constantly monitors the terms of hotel mortgage loans made by our institutional lending clients. Fixed-rate debt is priced at roughly 200 to 300 basis points over the corresponding yield on treasury notes. As of February 2, 2023, the yield on the ten-year T-bill was 3.52%, indicating an interest rate range from 5.5% to 6.5%.

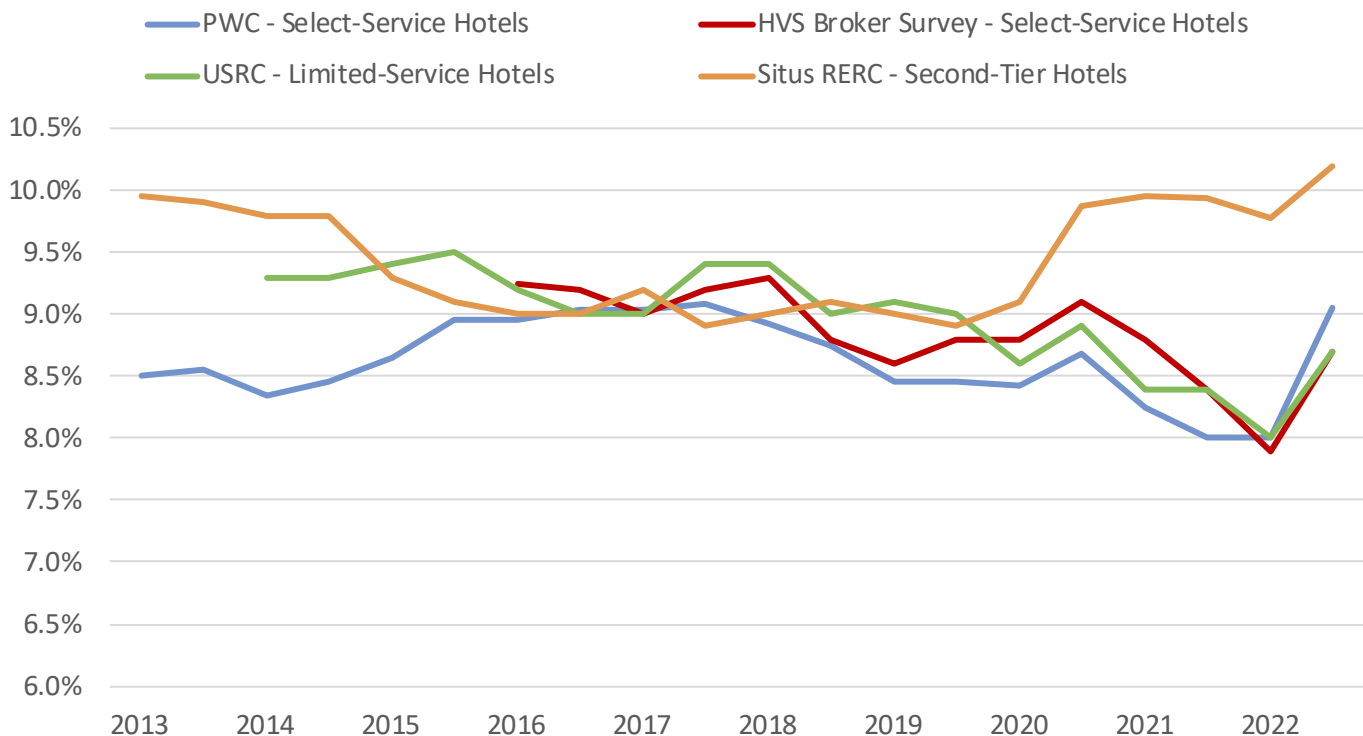
Based on our analysis of the current lodging industry mortgage market and adjustments for specific factors, such as the proposed property's location and conditions in the local hotel market, it is our opinion that a 6.25% interest, 30-year amortization mortgage with a 0.073886 constant is appropriate for the Proposed Hotel. In the mortgage-equity analysis, we have applied a loan-to-value ratio of 65%, which is reasonable to expect based on this interest rate and current parameters.

Terminal Capitalization Rates

For valuing the Proposed Hotel, HVS assumes a sale after ten years of operation from the property's opening. The value of the hotel at the sale is estimated by dividing the projected 11th-year EBITDA Less Replacement Reserve by the terminal

capitalization rate. Certain transaction costs will be incurred for the projected property sale, estimated at 2.0% of the projected sale value.

FIGURE 7-2
TREND IN TERMINAL CAPITALIZATION RATES FROM 2013 THROUGH 2022



We have applied a terminal capitalization rate of 9.00% for this analysis, which reflects the current hotel investment market and considers the subject property's attributes. Terminal cap rates are at the low end of the range for quality hotel assets in markets with high barriers to entry. The high end of the range is for older assets or those suffering from functional obsolescence, weak market conditions, or both, reflecting the market's recognition that certain assets have less opportunity for significant appreciation.

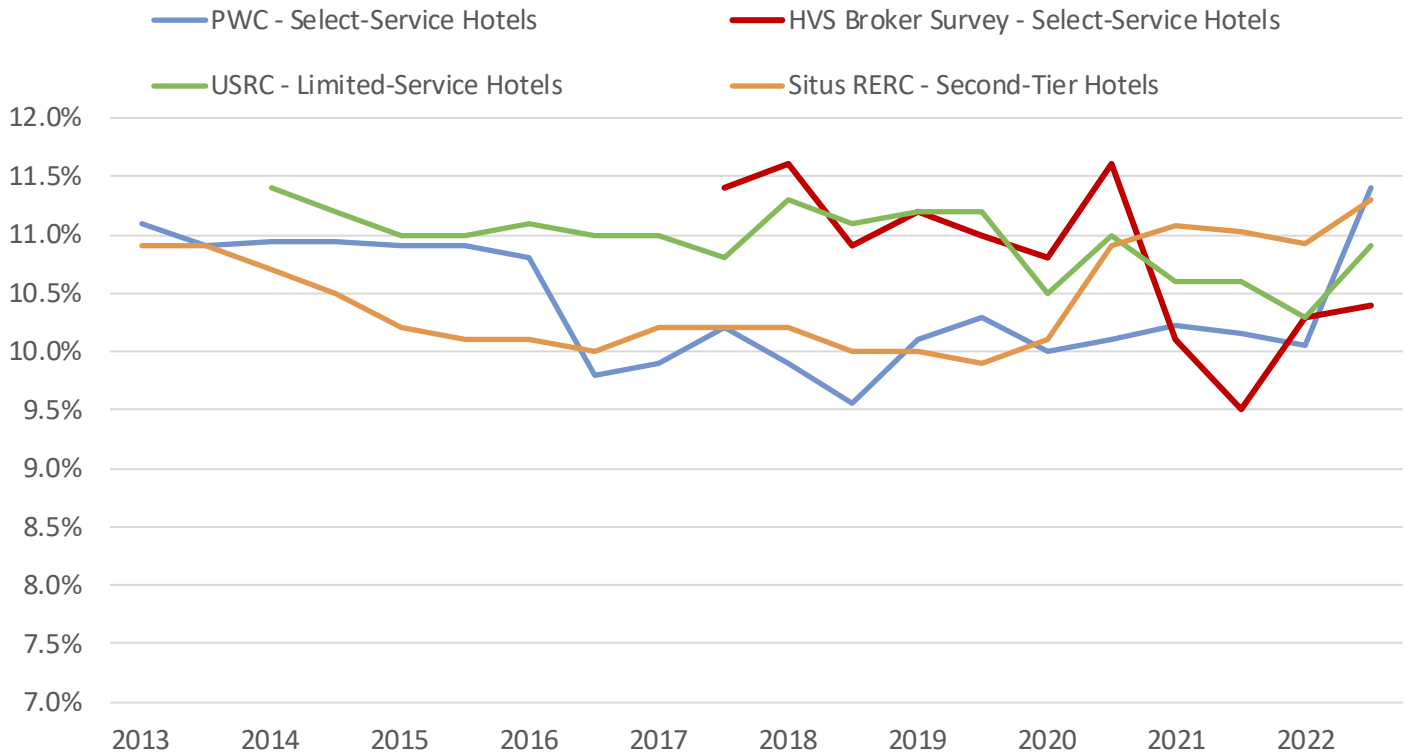
Calculated Discount Rate

The discount rate or total property yield is calculated on the projected EBITDA less Replacement Reserve of the Proposed Hotel. This rate reflects the blended rate of debt and equity return requirements. A forecast sales price of the Proposed Hotel at the end of the ten-year holding period is calculated by capitalizing the eleventh-year net income by the terminal capitalization rate and deducting typical brokerage and legal fees. Each year's forecasted EBITDA less Replacement Reserve and the

estimated sales proceeds at the end of the ten-year holding period are converted to a present value by multiplying the cash flow by the calculated discount rate for that year in the forecast. The sum of the discounted cash flows equates to the value of the subject property.

The figure below shows a range of discount rates from various surveys of the hotel market.

FIGURE 7-3
TREND IN DISCOUNT RATES FROM 2013 THROUGH 2022



Based on the equity rate, mortgage rate, terminal cap rate, and estimated transaction cost for a property sale, the discount rate is 10.50%, which falls within the range of discount rates in the figure above. The calculated discount rates also fall within 9.4% to 11.6% for the total property yield from the sampled hotel sales presented earlier. Interest rates have been trending higher due to the actions of the Federal Reserve, so the calculated discount rate for the Proposed Hotel is on the upper end of the survey and the sample of historical sales.

Estimated Value of the Proposed Hotel at Opening

The estimated value of the Proposed Hotel is based on the financing parameters in the figure below.

**FIGURE 7-4
FINANCING PARAMETERS**

Interest Rate	6.25%
Equity Yield	16.00%
Loan/Value	65.00%
Loan Amortization	30 Years
Terminal Cap	9.00%
Sale Cost	2.00%
Sale Date	10 Years

The figure below shows the estimated value of the Proposed Hotel based on the financing parameters.

**FIGURE 7-5
RETURN ON INVESTMENT**

Year	EBITDA Less Replacement Reserve	Debt at 6.25%		Equity at 16%	
		Payments	Discounted Cash Flow	Net Income to Equity	Discounted Cash Flow
2026	\$1,115,245	\$869,000	\$818,000	\$246,245	\$212,000
2027	1,318,509	869,000	770,000	449,509	334,000
2028	1,494,951	869,000	725,000	625,951	401,000
2029	1,697,944	869,000	683,000	828,944	458,000
2030	1,748,429	869,000	643,000	879,429	419,000
2031	1,801,550	869,000	606,000	932,550	383,000
2032	1,854,857	869,000	570,000	985,857	349,000
2033	1,910,669	869,000	537,000	1,041,669	318,000
2034	1,968,125	869,000	506,000	1,099,125	289,000
2036*	24,763,152	10,776,000	5,903,000	13,987,152	3,170,000
		Total Debt	\$11,761,000	Total Equity	\$6,333,000
Reversion Analysis				Debt	\$11,761,000
11th Year EBITDA less Reserve		\$2,087,967		Equity	6,333,000
Capitalization Rate		9.00%		Estimated Market Value	\$18,094,000
Total Sales Proceeds		\$23,200,000		Rounded	\$18,100,000
Less: Transaction Costs @ 2.0%		464,000			
Net Sales Proceeds		\$22,736,000			
*10th Year EBITDA Less Reserves plus Net Sales Proceeds					

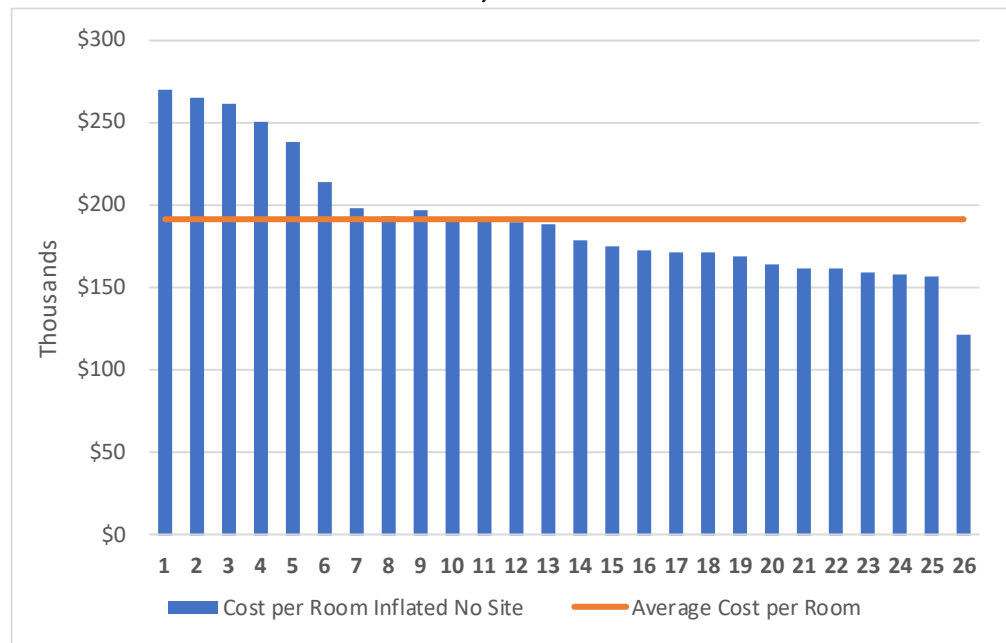
Based on the financing parameters, the property yield is approximately 10.50%, resulting in a value for the Proposed Hotel of \$18.1 million at the opening date.

Comparable Hotels Cost of Construction

HVS gathered data on the costs of 26 recently developed Upscale Class hotel projects from 2019 through 2023. Project costs were reported by the respective developers. They may include hard construction costs, site improvements, furniture fixtures and equipment (“FF&E”), pre-opening and working capital, soft costs, site costs, land, and development fees. HVS selected properties of similar, properties with function space, and a national brand.

The following figure shows the range of costs per room for those projects as adjusted for inflation to 2023. The mean cost for those projects, excluding the site, is approximately \$191 thousand. The meeting space per room average was approximately 10 square feet.

FIGURE 7-6
SIMILAR HOTELS COST OF DEVELOPMENT PER ROOM
IN 2023 DOLLARS, EXCLUDING THE SITE



Sources: HVS and Developers

Based on HVS data on the costs of Upscale Class projects, we can generate a midpoint for a range of costs for the Proposed Hotel, as shown in the following figure. The estimate excludes land costs, which will be negotiated with the developer. For reference, the average land cost was approximately \$18,950 per room.

FIGURE 7-7
THE PROPOSED HOTEL'S COST IS BASED ON THE COST OF SIMILAR HOTELS

	Range of Development Costs		
	Low	Mean	High
Mean Development Cost*	\$17,190,000	19,100,000	\$21,010,000
Site Cost**	0.00	0.00	0.00
Additional Meeting Space Cost ***	180,000	200,000	220,000
Cost Estimate 2023 dollars	\$17,370,000	19,300,000	\$21,230,000
Inflation Adjustment ****	870,000	965,000	1,060,000
Approximate Cost	\$18,240,000	20,265,000	\$22,290,000
* Based on the survey of similar hotels in Figure 5-7			
** Excluded			
*** Addition cost of meeting space above average of similar hotels at \$300 square foot			
**** Inflation adjustment of 5% to construction			

The City currently owns the site. The Developer and the City would need to negotiate the cost of the site. HVS did not include site costs due to uncertainty over the negotiated price. HVS is not a cost estimator; costs estimated for the Proposed Hotel could vary significantly from actual costs and should be confirmed and refined by a cost estimator. The cost of the 150-room hotel option would be 50% higher.

The preliminary assessment of feasibility is presented in the figure below based on the income valuation of the Proposed Hotel in Figure 7-5 and the range of cost estimates in Figure 7-7.

**Preliminary
Assessment of
Feasibility**

**FIGURE 7-8
PRELIMINARY ASSESSMENT OF FEASIBILITY**

Assumptions	
Rooms	100
Loan-To-Value Ratio	65%
Blended Yield Senior and Mezz.	6.25%
Equity Yield	16.00%
Transaction Costs for Sale	2.00%
Sale End of Year	10
Terminal Capitalization Rate	9.00%
Total Yield/Discount Rate	10.50%
Estimated Value at Opening January 1, 2026	
Mortgage Component	\$11,761,000
Equity Component	6,333,000
Estimated Value of the Proposed Hotel	\$18,100,000
Value per Room	\$181,000
Assumptions Range of Costs +/- 10%	
\$182 thousand per Room	\$18,240,000
\$203 thousand per Room	\$20,265,000
\$223 thousand per Room	\$22,290,000
Possible Funding Surplus (Gap)	
\$182 thousand per Room	(\$140,000)
\$203 thousand per Room	(\$2,165,000)
\$223 thousand per Room	(\$4,190,000)

Based on these assumptions, a 100-room select-service hotel would have a value of approximately \$18.10 million or \$181,000 per room. Development costs, excluding the site, could range from \$182,000 to \$223,000 per room. Consequently, the funding gap ranges from \$0.1 million to \$4.2 million. The funding gap is similar to that in other hotels adjacent to small and midsize convention centers. The need for a higher quality hotel, larger room count, and location on a specific site often causes a funding deficit. These estimates should be considered rough approximations of value and costs without a specific project plan. The feasibility estimate assumes the MFEC expansion would occur by the opening date of the Proposed Hotel.

With a funding gap of this size, the project is considered infeasible. Significant public investment and/or incentives would be required to reduce the size of the existing funding gap.

**Estimated Value of the
150-Room Hotel
Option**

The debt and equity allocation of the forecast EBITDA less Replacement Reserve, as shown in the following figure, is based on a 30-year mortgage at a rate of 6.25%, an equity rate of 16.0%, and a terminal cap rate of 9.00%, assuming debt to equity ratio of 65/35. The estimate of value includes calculating a reversionary value of the hotel after ten years of operations. The reversionary value is estimated by dividing the eleventh year of operating income by a capitalization rate and subtracting transaction costs of 2.0% as if the hotel were sold. These parameters produce a total property yield of approximately 10.50%, resulting in a value of \$18.1 million.

To determine if the value of the Proposed Hotel was sufficient to fund the project, HVS gathered data on the costs of 26 recently developed Upscale Class hotel projects from 2019 through 2023. Project costs were reported by the respective developers. They may include hard construction costs, site improvements, furniture fixtures and equipment ("FF&E"), pre-opening and working capital, soft costs, site costs, land, and development fees. HVS selected properties of similar, properties with function space, and a national brand. Based on the average cost of the recently developed hotels surveyed, adjusted for inflation, a range of potential costs for the Proposed Hotel was developed, as shown in the following figure.

**FIGURE 7-9
PRELIMINARY ASSESSMENT OF FEASIBILITY**

Assumptions	
Rooms	150
Loan-To-Value Ratio	65%
Blended Yield Senior and Mezz.	6.25%
Equity Yield	16.00%
Transaction Costs for Sale	2.00%
Sale End of Year	10
Terminal Capitalization Rate	9.00%
Total Yield/Discount Rate	10.48%
Estimated Value at Opening January 1, 2026	
Mortgage Component	\$16,868,000
Equity Component	9,083,000
Estimated Value of the Proposed Hotel	\$25,900,000
Value per Room	\$172,667
Assumptions Range of Costs +/- 10%	
\$180 thousand per Room	\$27,360,000
\$201 thousand per Room	\$30,082,500
\$221 thousand per Room	\$33,435,000
Possible Funding Surplus (Gap)	
\$180 thousand per Room	(\$1,460,000)
\$201 thousand per Room	(\$4,182,500)
\$221 thousand per Room	(\$7,535,000)

A 150-room select-service hotel would have a value of approximately \$25.90 million or \$173,000 per room at opening. Rough approximations of development costs could range from \$180,000 to \$221,000 per room. Consequently, the funding gap could range from \$1.5 million to \$7.5 million.

The 100-room Proposed Hotel is forecast to have a lower funding gap than the 150-room hotel option.

Options that could be explored to reduce the funding gap of the Proposed Hotel include the following:

- The City could offer more land to the Developer of the Proposed Hotel for additional development around the Proposed Hotel at favorable terms. The reduction in land cost for other developments would allow additional funds

to be spent on the Proposed Hotel. The overall development would then determine the feasibility, not just the Proposed Hotel.

- Develop meeting space connected to the hotel as part of the expansion of the MFEC and lease it to the developer at a minimal cost. If Site One were selected for the Proposed Hotel, the meeting space would need to be separate from other meeting spaces, which would be developed as part of the expansion of the MFEC. If Site Two was selected, the meeting space could be part of the overall meeting space expansion at the MFEC.
- Create a Tax Increment Financing (“TIF”) district and use the funds to assist in developing the Proposed Hotel. A TIF subsidizes a project by refunding or diverting some of the taxes paid by the owner of the Proposed Hotel or consumer-paid taxes at the Proposed Hotel to pay a portion of the project's costs.

Planning for Future Growth

The expanded MFEC would attract additional events and generate greater room night demand if supported by a larger adjacent room supply. However, the anticipated demand levels in the corporate and leisure market segments do not support a larger hotel by its expected opening date. As the various developments in the City Center surrounding the hotel site attain maturity and stabilization, they will increase corporate and leisure room night demand. Moreover, the City's rising population is anticipated to boost the demand for leisure accommodations. Projected population growth and corporate expansion in St. Lucie County and Martin County will increase leisure, corporate, & meeting and group room night demand. Over time, this growing demand, and the anticipated increase in room night demand from additional events at the expanded MFEC due to increased accommodations could enable the expansion of the Proposed Hotel or the construction of a new hotel. As a part of the City Center Master Plan, the City should consider designating a site suitable for adding approximately 100 rooms, whether by expanding the Proposed Hotel or constructing a new hotel. The City Center Master Plan should include an alternative use for the site should the additional hotel rooms not be feasible.

Conclusion

Significant uncertainties exist concerning the cost of developing the Proposed Hotel on the site, including the following:

- The timing of the project,
- The cost of development,
- The required development standards of the select-service hotel brand, and

- Debt and equity rates at the time of project financing.

The Proposed Hotel would be the first hotel adjacent to the MFEC.

8. Statement of Assumptions and Limiting Conditions

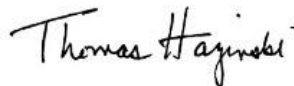
1. This report is to be used in whole and not in part.
2. All information, financial operating statements, estimates, and opinions obtained from parties not employed by HVS are assumed to be true and correct. HVS can assume no liability resulting from misinformation.
3. Unless noted, we assume that there are no encroachments, zoning violations, or building violations encumbering the Proposed Hotel.
4. The proposed facility is assumed to be in full compliance with all applicable federal, state, local, and private codes, laws, consents, licenses, and regulations (including a liquor license where appropriate). We assume that all licenses, permits, certificates, franchises, and so forth can be freely renewed or transferred to a purchaser.
5. We are not required to give testimony or attendance in court by reason of this analysis without previous arrangements, and only when our standard per-diem fees and travel costs are paid prior to the appearance.
6. If the reader is making a fiduciary or individual investment decision and has any questions concerning the material presented in this report, it is recommended that the reader contact us.
7. We take no responsibility for any events or circumstances that take place subsequent to the date of our report.
8. No responsibility is assumed for matters of a legal nature, nor do we render any opinion as to title, which is assumed to be marketable and free of any deed restrictions and easements.
9. We assume that no hidden or unapparent conditions of the sub-soil or structures, such as underground storage tanks, would render the proposed property no more or less valuable. No responsibility is assumed for these conditions or for any engineering that may be required to discover them.
10. We have not considered the presence of potentially hazardous materials such as asbestos, urea formaldehyde foam insulation, any form of toxic waste, polychlorinated biphenyls (PCB), pesticides, mold, or lead-based paints. The appraisers are not qualified to detect hazardous substances, and we urge the client to retain an expert in this field if desired.
11. The Americans with Disabilities Act (ADA) became effective on January 26, 1992. We have assumed that the proposed property will be designed in accordance with the various detailed requirements of the ADA.

12. We have made no survey of the subject site and assume no responsibility in connection with such matters.
13. The estimated operating results presented in this report are based on an evaluation of the overall economy and neither consider nor make provision for the effect of any sharp rise or decline in local or national economic conditions. To the extent that wages and other operating expenses may advance during the economic life of the property, we expect that the prices of food, beverages, and services will be adjusted to at least offset those advances. We do not warrant that the estimates will be attained, but they have been prepared on the basis of information obtained during the course of this study.
14. The quality of a facility's on-site management has a direct effect on a property's economic performance. The demand and financial forecasts presented in this analysis assume responsible ownership and competent management. Any departure from this assumption may have a significant impact on the projected operating results.
15. We do not warrant our estimates. We use information obtained during our market research and are intended to reflect reasonable expectations.
16. Many of the figures presented in this report were generated using sophisticated computer models that make calculations based on numbers carried out to three or more decimal places. In the interest of simplicity, most numbers have been rounded. Thus, these figures may be subject to small rounding errors.
17. It is agreed that our liability to the client is limited to the amount of the fee paid as liquidated damages. Our responsibility is limited to the client, and the use of this report by third parties shall be solely at the risk of the client or third parties. The use of this report is also subject to the terms and conditions outlined in our engagement letter with the client.
18. Although this analysis employs various mathematical calculations, the final estimates are subjective and may be influenced by our experience and other factors not specifically outlined in this report.
19. HVS Convention, Sports & Entertainment Facilities Consulting prepared this report. The organization's staff renders all opinions, recommendations, and conclusions expressed during this assignment as employees, rather than individuals.
20. This report is set forth as a feasibility study of the Proposed Hotel; this is not an appraisal report.

9. Certification

The undersigned certify that, to the best of our knowledge and belief.

1. The statements of fact presented in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. HVS is not a municipal advisor and is not subject to the fiduciary duty set forth in section 15B(c)(1) of the Act (15 U.S.C. 78o-4(c)(1)) with respect to the municipal financial product or issuance of municipal securities.
4. We have no (or the specified) present or prospective interest in the property that is the subject of this report and no (or the specified) personal interest with respect to the parties involved.
5. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this analysis.
8. Tom Hazinski and Brian Harris participated in the analysis.



Tom Hazinski
Managing Director



Brian Harris
Senior Director



Appendix A – MIDFLORIDA Credit Union Event Center Market and Feasibility Study



MARKET AND FEASIBILITY STUDY

MIDFLORIDA Credit Union Event Center

PORT ST. LUCIE, FLORIDA



SUBMITTED TO:

Ms. Linda McCarthy
MIDFLORIDA Credit Union Event Center
121 Southwest Port Saint Lucie Boulevard
Port Saint Lucie, Florida 34984
lmccarthy@midfloridaeventcenter.com
+1 (772) 807-4488

PREPARED BY:

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Convention, Sports & Entertainment
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December 16, 2022

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Ms. Linda McCarthy
MIDFLORIDA Credit Union Event Center
121 Southwest Port Saint Lucie Boulevard
Port Saint Lucie, Florida 34984
lmccarthy@midfloridaeventcenter.com

Re: MIDFLORIDA Credit Union Event Center
Port St. Lucie, Florida

Dear Ms. McCarthy:

Attached you will find our Market and Feasibility Study of the MIDFLORIDA Credit Union Event Center in Port St. Lucie, Florida.

We certify that we have no undisclosed interest in the property, and our employment and compensation are not contingent upon our findings. This study is subject to the comments made throughout this report and to all assumptions and limiting conditions set forth herein.

It has been a pleasure working with you. We look forward to hearing your comments.

Sincerely,
HVS Convention, Sports & Entertainment
Facilities Consulting

Thomas A. Hazinski, MPP
Managing Director

Anthony Davis
Project Manager



Convention, Sports & Entertainment
Facilities Consulting
Chicago, Illinois

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2.	Market Area Overview
3.	Comparable Venues
4.	Building Program Recommendations
5.	Demand Analysis
6.	Financial Analysis
7.	Economic Impact
8.	Statement of Assumptions and Limiting Conditions
9.	Certification



1. Introduction and Executive Summary

Nature of the Assignment

The MIDFLORIDA Credit Union Event Center (“MFEC”) engaged HVS Convention, Sports & Entertainment Facilities Consulting (“HVS”) to conduct an analysis of renovation and expansion for the MFEC in Port St. Lucie, Florida (the “City”). The MFEC renovation and expansion could enhance the demand potential of festivals, consumer shows, meetings, and banquets in Port St. Lucie, and allow it to compete more effectively for regional events and shows.

This report is intended to inform the master planning process for the Port St. Lucie City Center. As development occurs around the MFEC, this report and its recommendations offer a vision for the future of the MFEC and its role in the City Center development.

Ownership and Management

The MFEC is owned and operated by the City of Port St. Lucie. The facility is managed by the City’s events center department under the leadership of Linda McCarthy, a City employee. Originally named as the Port Saint Lucie Civic Center, it was built in 2007 and opened in December 2008 at the onset of the Great Recession. The MIDFLORIDA Credit Union purchased naming rights to the facility in December 2019 for the next five years at \$195,000 per year with an option to extend the agreement by another five years.

Port St. Lucie Parks and Recreation operates the other half of the building that houses the MFEC. This facility offers basketball courts, racquetball courts, a fitness facility, and multiple activity rooms. The facility also houses the Florida Sports Hall of Fame, which is in the lobby between the MFEC and the Parks and Recreation area.

Methodology

In accordance with the Scope of Services, HVS performed the following tasks:

1. Anthony Davis, Senior Associate from HVS travelled to Port St. Lucie, FL on August 1-3, 2022 for a site visit and client meeting. During this visit, he toured the facility, performed a site inspection, met with facility management and other key industry participants, and gathered relevant data. Thomas Hazinski, Managing Director of HVS, participated in certain client meetings remotely.
2. Analyzed the economic and demographic data that indicate whether, and the extent to which, the local market area supports the MFEC renovation and expansion.



3. Interviewed current users to understand their event needs, their overall impressions of Port St. Lucie and the MFEC, and the likelihood of booking events in the expanded facility.
4. Reviewed and analyzed historical demand and attendance data provided by the MFEC.
5. Compiled data on 22 competitive and comparable convention centers to inform and test the reasonableness of the building program recommendations.
6. Recommended a facility program based on the above steps.
7. Prepared event demand and attendance forecasts based on the implementation of the program recommendations.
8. Prepared financial projections based on the event demand and attendance forecasts based on historic MFEC operations as well as comparable facility operations.
9. Prepared an economic and fiscal impact analysis for the proposed MFEC expansion.

HVS collected and analyzed all information contained in this report. HVS sought out reliable sources and deemed information obtained from third parties to be accurate.

Description of the Site

The City recently acquired the surrounding 21 acres of property and is master planning the development of a mixed-use city center district around the MFEC. The expansion of the MFEC would be done in concert with the master plan for the area.

This surrounding property was originally assembled in 2005 by real estate developer De Guardiola who attempted to develop a shopping plaza, supported by 1,000 residential units, retail, and office. But the project could not be completed and faced foreclosure. In 2015, Lily Zhong purchased the property from De Guardiola, with plans for developing the property. The developer was found to have defrauded investors and the Securities and Exchange Commission ("SEC") took ownership of the property. The SEC struggled to find a buyer, due to a large amount of back taxes and assessment on the land. The City of Port St. Lucie negotiated reductions in back taxes and purchased the property in 2022.

Description of Existing Facility

Located in east Port St. Lucie, the MFEC serves the city as the primary public venue for festivals, concerts, consumer shows, and conferences. It also hosts sporting events, banquets, and local meetings.

The following image provides an aerial view of the MFEC and surrounding infrastructure. An overview of the function spaces at the MFEC and photos of the MFEC interior follow.

AERIAL VIEW OF THE MFEC





**FIGURE 1-1
CURRENT FACILITY PROGRAM AND CAPACITIES**

Event Space	Total Area (SF)	Capacities		
		Theatre	Banquet	Classroom
Function Spaces				
Emerald Ballroom	13,501	1,500	771	931
Emerald 1	5,406	601	309	373
Emerald 2	3,557	395	203	245
Emerald 3	1,377	153	79	95
Emerald 4	1,784	198	102	123
Emerald 5	1,377	153	79	95
Ruby Hall	5,790	643	331	399
Ruby 1	986	110	56	68
Ruby 2	918	102	52	63
Ruby 3	1,972	219	113	136
Ruby 4	986	110	56	68
Ruby 5	918	102	52	63
Pre-Function Areas				
Lobby	6,420			
Art Gallery	1,901			
TOTAL FUNCTION SPACE	19,291			

Source: MFEC

Currently, the MFEC hosts approximately 125 group events per year. These groups include corporations and associations, social groups, and families. The function spaces at the MFEC host a variety of events, including festivals, consumer shows, assemblies, banquets, and meetings. In addition to these indoor function spaces, the MFEC also uses an outdoor stage and plaza area to host outdoor concerts, festivals, and other events.



INTERIOR OF THE MFEC





Market Area Analysis

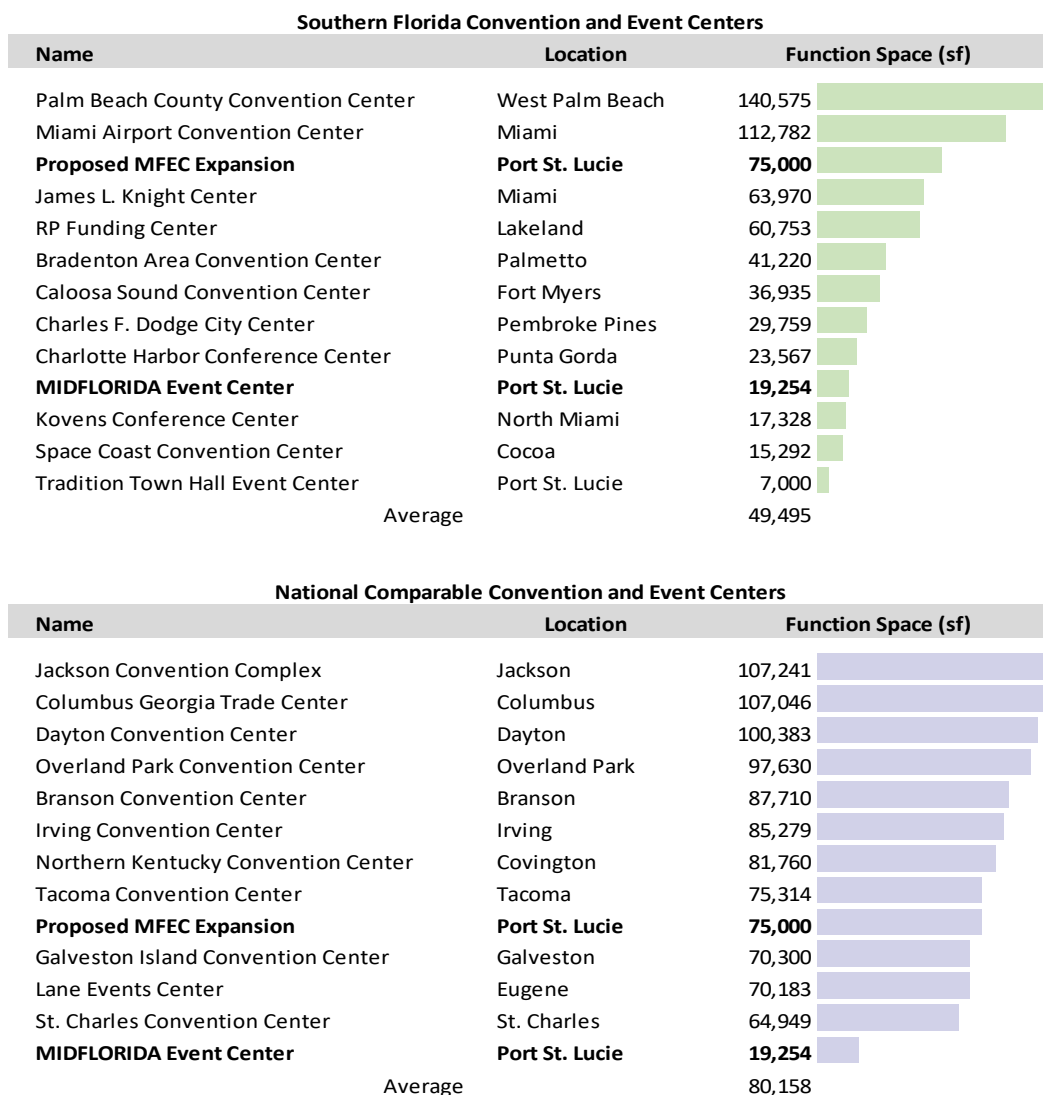
The Port St. Lucie market area is growing faster than the national average in population, median household income, retail sales, and food and beverage sales. Its largest employers are in the education and healthcare sectors and the employment sectors projected to grow fastest in the next five years are healthcare and accommodations. Despite these strong market indicators, the market has not been supported by growth in meeting space availability and hotel development.

Comparable Venue Assessment

HVS analyzed eleven competitive convention centers in the state of Florida and eleven comparable convention centers in similarly sized markets across the United States. This analysis provides a basis for building program recommendations by comparing the function spaces and other amenities in each of the facilities along with other characteristics of the markets relevant to the success of the venue. See the venues and the total amount of function space below.



FIGURE 1-2
COMPETITIVE AND COMPARABLE VENUES



The set of local competitive properties contains 11 existing venues and the proposed expanded MFEC, and it ranges from more than 140,000 square feet at the Palm Beach County Convention Center to the 7,000-square foot Tradition Town Hall Event Center. The MFEC is the 10th largest venue among the set.

Among the set of 11 national comparable convention centers, the existing MFEC is the smallest among the set, however the comparable facilities were not selected

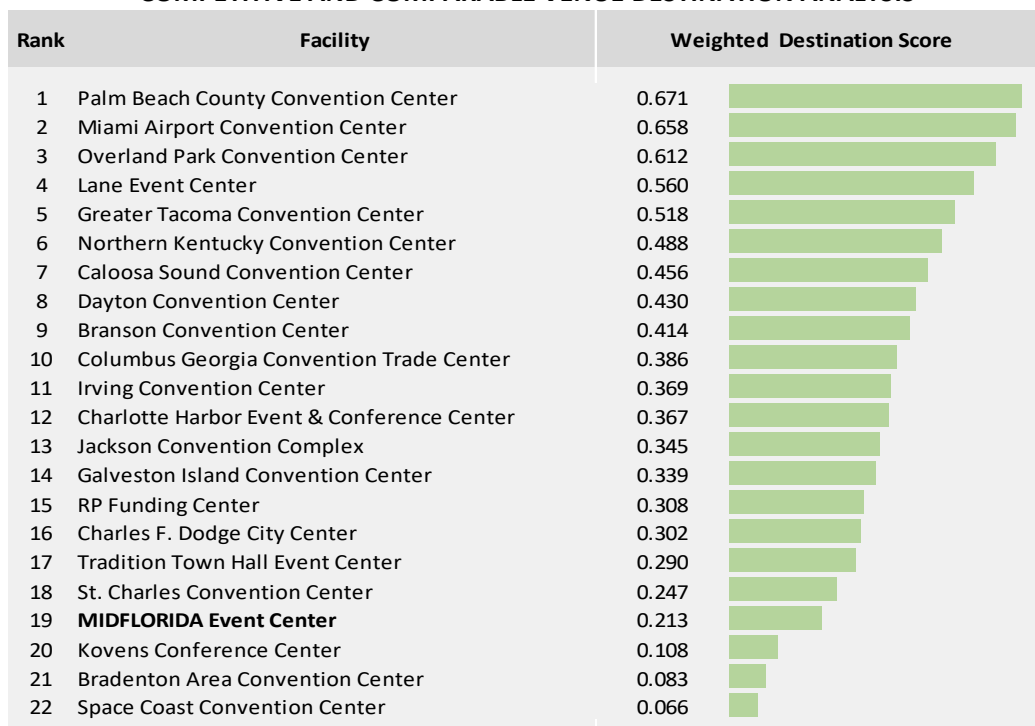


based on the existing program and instead were based on the similarity to the expanded building program. The facilities range in size from the 107,000 square foot Jackson Convention Complex to the 64,000 square foot St. Charles Convention Center.

HVS ranked Port St. Lucie along with its competitors on each of the destination selection criteria discussed in this report. The criteria include hotel supply, drive time population, median income, corporate presence, and the amenities surrounding each venue.

The figure below shows the rank of Port St. Lucie and each of its competitive cities and the total of all scores. Scores in each category are shown in section 3 of this report.

FIGURE 1-3
COMPETITIVE AND COMPARABLE VENUE DESTINATION ANALYSIS



Port St. Lucie and the MFEC rank 19th best in the overall score. It has relatively high median household income and population, but lacks nearby amenities due to the absence of development around it. The master plan process should be focused



on providing a suitable number of restaurants, retail, lodging, and entertainment options around the MFEC.

User Interviews

HVS interviewed more than 15 event planners who use the MFEC for their events. These events range from large consumer shows and festivals to smaller sporting and meeting events. The user interviews clearly indicate several key factors which influence meeting planners' selection process when considering Port St. Lucie and MFEC as an event destination.

- The dual purpose of the facility, with the recreation facilities sharing the same lobby as the MFEC, was a common issue. Event planners do not want gala or banquet attendees to share the lobby with recreational users. Moving the recreation facility entrance, or the entire facility to another location on the site would make the MFEC a much more attractive venue to nearly all event planners.
- Adding more function space, and larger function spaces is necessary to accommodate events that are starting to outgrow the facility. A number of event planners indicated they had to turn away attendees or vendors due to a lack of function space. Expanding the Emerald Ballroom or adding an additional exhibit hall would be necessary to ensure these events do not leave the MFEC due to lack of space.
- Increasing the number of breakout rooms would make it easier for smaller meetings and events to use the MFEC. The Ruby Hall, and its five divisions, are the smallest spaces in the MFEC and lack appropriate meeting room finishes. These rooms could also serve as breakouts for conferences or consumer shows that offer trainings.
- The lack of visibility and event advertising opportunities is of concern to some event planners. The City of Port St. Lucie does not allow signage on public land, and while the MFEC has a large marquee videoboard on US-1, event planners would prefer further signage and wayfinding around the area to further market their events and the MFEC.
- Some event planners said that increased hotel room availability was crucial. But many local event planners do not require any hotel rooms. Any hotel development would need substantial support from the leisure and business sector, as the expanded MFEC would not consistently generate enough room night demand to support the hotel operation. Further study for potential hotel development beyond the scope of this study is required.
- The art gallery was recognized as pleasant pre-function and registration space by some event planners. Others complained about the need to cover up the art for some events.



- The pavers outside the facility, especially in the plaza walking in are not pleasant to walk on and can cause event attendees to trip or fall. Improving the finishes on the plaza is important to make it a more pleasant and functional space for event attendees.
- The loading dock is difficult to access and loads directly into the Emerald Ballroom creating difficulties for loading and storage. Making the loading dock easier to access, creating adjacent to service hallways, and adding back of house storage are much-needed improvements.
- The proximity of the parking garage and surface lots was acknowledged as a large asset.
- The lack of bathrooms is an issue. The number of bathrooms needs to increase, and they need to be in better locations. Event planners do not like event attendees using the same bathroom facilities as recreational users.
- The staff of the MFEC was widely recognized as being a major asset to the facility. Almost every event planner highlighted the staff's flexibility, communication skills, and willingness to accommodate their event needs.

Building Program Recommendations

HVS developed building program recommendations for a MFEC renovation and expansion. This recommended facility program can serve as a guide for subsequent physical planning aimed at providing the desired program elements.

HVS program recommendations would position the MFEC to attract new regional association meetings, as well as local consumer shows, banquets, meetings, concerts, and festivals.

HVS recommends the following elements to allow the entire venue to compete effectively:

- Moving the existing parks and recreation facility to another location on or off the City Center site and turning the former parks and recreation space into a new exhibit hall, with loading dock and back of house space,
- Expanding the size of the primary ballroom in the facility to 20,000 square feet. This expansion would enable the ballroom to host larger banquets and conferences, and smaller consumer shows that do not fit into the new exhibit hall,
- Adding a block of meeting rooms that can support the new exhibit hall and ballroom when needed. These meeting rooms can also support standalone meetings and smaller banquets when required,



- Moving the stage area in front of the MFEC to the southwest, closer to Main Street. This would increase the number of attendees that can attend concert and festival events and would make loading the events easier.

The goals of this building program bring the convention center up to industry standards and enhance the simultaneous event capability of the facility. Expanding the largest function space to accommodate larger consumer shows frees up the new ballroom space to host more banquet and conference events, which in turns frees up the meeting space to host breakout events and smaller meetings.

The following figure presents the total amount of proposed function space that the complex would have.

FIGURE 1-4
PROPOSED MFEC EXPANDED BUILDING PROGRAM

Event Space	Total Area (SF)	Capacities			Exhibit Booths (10'x10')
		Theatre	Banquet	Classroom	
Exhibit Hall	45,000	5,000	2,571	3,103	260
Sub-Divisions					
Division 1	15,000	1,667	857	1,034	
Division 2	"	"	"	"	
Division 3	"	"	"	"	
Grand Ballroom	20,000	2,220	1,140	1,380	
Sub-Divisions					
Division 1	2,222	250	130	150	
Division 2	"	"	"	"	
Division 3	"	"	"	"	
Division 4	6,667	740	380	460	
Division 5	2,222	250	130	150	
Division 6	"	"	"	"	
Division 7	"	"	"	"	
Meeting Rooms	10,000	1,110	570	690	
Meeting Room Block 1	9,000	1,000	510	620	
Divisions (3)	3,000	330	170	210	
Board Rooms (2)	1,000				
TOTAL FUNCTION SPACE	75,000				

The 45,000 square foot exhibit hall could be divided into three separate halls based on event needs and can accommodate approximately 260 exhibit booths. The grand ballroom would be divisible into seven separate spaces, for breakout or



training sessions. The meeting room block would be divisible into three separate spaces, as well as two separate boardrooms.

Historic Demand

The demand profile for the MFEC consists of a mixture of local consumer shows and festivals, like the Home and Spa Shows and Strawberry Festival, as well as local meetings and banquets.

**FIGURE 1-5
HISTORICAL MFEC DEMAND**

	2017	2018	2019	2020	2021
Event					
Conference	9	4	4	1	3
Consumer Show	21	10	16	12	11
Banquet	26	37	41	20	42
Meeting	48	23	89	23	18
Sports	na	2	12	2	10
Assembly	20	21	48	12	10
Concert	9	9	8	10	4
Festival	6	11	9	2	19
Total	139	117	227	82	117
Attendee					
Conference	4,291	920	3,780	100	2,450
Consumer Show	11,649	6,745	12,768	12,465	22,450
Banquet	7,107	8,403	11,843	3,307	9,470
Meeting	1,787	2,540	6,128	1,928	1,325
Sports	na	373	10,455	770	9,330
Assembly	7,164	5,290	10,472	1,830	3,425
Concert	2,689	2,159	2,306	4,840	1,344
Festival	7,748	14,500	45,675	2,700	45,770
Total	42,435	40,930	103,427	27,940	95,564

The facility hosted between 117 and 227 events pre-COVID. This number dropped in 2020 as event restrictions were put in place, but demand bounced back to pre-COVID levels in 2021. Festivals generate the most attendance at the facility, followed by consumer shows and banquets.

Demand Projections

HVS based demand projections on the historic demand at the MFEC, interviews with event planners and users of the MFEC, the operations of comparable facilities, as well as discussion with MFEC staff.



HVS projected demand for a base year with the expanded MFEC opening January 1, 2026. HVS estimates that incremental event demand would ramp up following the completion of the renovation and expansion and stabilize in 2029.

The figure below breaks out event projections by type of event. Total and average attendance figures represent individual event attendees.

FIGURE 1-6
SUMMARY OF DEMAND PROJECTIONS

	Base Year			Stabilized
	2026	2027	2028	2029
Events				
Conference	5	7	9	10
Consumer Show	15	16	18	20
Banquet	45	53	60	65
Meeting	50	65	80	100
Sports	8	10	11	12
Assembly	20	23	27	30
Concert	10	12	13	15
Festival	15	17	19	20
Total	168	203	237	272
Attendees				
Conference	3,500	4,900	6,300	7,000
Consumer Show	18,000	19,200	21,600	24,000
Banquet	11,300	13,300	15,000	16,300
Meeting	3,800	4,900	6,000	7,500
Sports	4,000	5,000	5,500	6,000
Assembly	5,500	6,300	7,400	8,300
Concert	7,000	8,400	9,100	10,500
Festival	37,500	42,500	47,500	50,000
Total	90,600	104,500	118,400	129,600

The addition of a new large exhibit hall will enable the MFEC to host more consumer shows, while the additional ballroom and meeting space will increase the number of banquet and meeting events. Event demand is projected to begin at slightly below 175 events in 2026 when the facility opens and increasing to approximately 270 events by stabilization in 2029. Attendance is projected to increase from nearly 93,000 attendees to nearly 130,000 by stabilization.

The following figure compares the historic demand at the MFEC to the projected stabilized demand of the expanded facility. This shows the increases in demand



and attendance that are caused by expansion, relative to today. See the figure below.

FIGURE 1-7
HISTORIC AND PROJECTED DEMAND COMPARISON

Events	Historic Average (Without 2020)	Stabilized Demand (2029)	Difference
Conference	5	10	5
Consumer Show	15	20	6
Banquet	37	65	29
Meeting	45	100	56
Sports	6	12	6
Assembly	25	30	5
Concert	8	15	8
Festival	11	20	9
Total	150	272	122
Attendees			
Conference	2,860	7,000	4,140
Consumer Show	13,403	24,000	10,597
Banquet	9,206	16,300	7,094
Meeting	2,945	7,500	4,555
Sports	5,040	6,000	961
Assembly	6,588	8,300	1,712
Concert	2,125	10,500	8,376
Festival	28,423	50,000	21,577
Total	70,589	129,600	59,011

Relative to the MFEC today, the expanded facility would host more of all event types. This is due to the increase in the number of function spaces, which expands the simultaneous event capability at the MFEC. With more flexible space, a consumer or exhibit show can occur in the exhibit hall, while a banquet or assembly occurs in the ballroom and a meeting happens in the meeting block. Currently, only two events could occur at once, and one had to fit in the smaller Ruby Hall.

The largest increase in events comes from meetings, which is based on the large increase in meeting space and flexibility in the expanded facility. Banquets are also projected to increase significantly. In terms of attendance, festivals grow the most, followed closely by consumer shows. The anticipated site improvements and development will make the plaza outside the MFEC a more pleasant space with more supporting amenities, making the already successful festival program at the MFEC even more successful and popular.



HVS intends for demand projections to show the expected levels of event numbers and attendance. Projections show smooth growth over time. However, event demand and booking cycles do not always run smoothly. Unpredictable local and national economic factors can affect businesses. Event demand often moves in cycles based on rotation patterns and market conditions. Therefore, HVS recommends interpreting the demand projections as a mid-point of a range of possible outcomes and over a multi-year period, rather than relying on projections for any one specific year.

Financial Projections

HVS applied revenue and expense parameters to facility demand to forecast the operations for the proposed MFEC expansion. Revenue and expense parameters were derived from historic MFEC operations and analysis of comparable facility operations.

The figure below compares estimates of financial operations for the proposed MFEC in a base year and a stabilized year of operation. The pro forma statement includes operating revenue and expense and all figures in inflated dollars.



**FIGURE 1-8
COMPARISON OF FINANCIAL OPERATIONS (\$ INFLATED)**

	Base Year CY 2026		Stabilized Year CY 2029	
	Amount	% Total	Amount	% Total
Revenue				
Facility Rental	\$575,281	46%	\$927,203	49%
Food & Beverage (Net)	146,513	12%	248,515	13%
Audio Visual	140,553	11%	227,385	12%
Sponsorship	199,875	16%	215,244	11%
Box Office Revenue	179,375	14%	289,751	15%
Other Revenue	2,424	0%	2,610	0%
Total Revenue	\$1,244,021	100%	\$1,910,708	100%
Operating Expense				
Salaries & Benefits	\$2,239,162	180%	\$2,411,333	126%
Contractual Services	112,443	9%	181,908	10%
Administrative & General	62,201	5%	95,535	5%
Repair & Maintenance	74,641	6%	114,642	6%
Supplies & Equipment	68,421	6%	105,089	6%
Insurance	37,321	3%	57,321	3%
Box Office Expense	170,406	14%	275,263	14%
Utilities	49,761	4%	76,428	4%
Other Expense	24,880	2%	38,214	2%
Total Operating Expense	\$2,839,236	228%	\$3,355,735	176%
TOTAL NET INCOME (LOSS)	(\$1,595,215)	-128%	(\$1,445,027)	-76%

HVS projects that the expanded MFEC will generate \$1.2 million in revenue in the first year of operations, increasing to \$1.9 when demand stabilizes. The majority of this revenue comes from the facility rental: however, the food and beverages revenues shown are net of any expenses. Expenses are expected to increase from \$2.8 million to \$3.3 million. The largest area for expense is salaries and benefits, followed by the box office expense of hosting concerts. The operating loss at stabilization is \$1.4 million and the ratio of revenue to expense is 57%.

Annual Economic and Fiscal Impacts

Based on the demand projections presented in this report, HVS identified the new spending that would occur in the local economy due to the proposed expansion of the MFEC. HVS estimated the amounts of income and employment that new visitors, event organizers, and exhibitors would generate in Port St. Lucie, and compared it to the historic level income and employment that the MFEC supports.



The following figure summarizes recurring annual economic and fiscal impacts in a stabilized year and compares it to a do-nothing scenario, which is based on average historic demand.

FIGURE 1-9
SUMMARY OF ECONOMIC AND FISCAL IMPACTS

Summary of Impacts*	Expansion	Do Nothing	Difference
Economic Impact (millions)	\$23.7	\$15.1	\$8.6
Fiscal Impact (thousands)	\$213.9	\$137.7	\$76.2
Jobs	209	131	78
*In a stabilized year.			

The expansion of the MFEC increases the economic impact of the facility by \$8.5 million, the fiscal impact by \$76,000, and generates 78 more full-time equivalent jobs in the local area.

These economic and fiscal impact estimates are subject to the assumptions and limiting conditions described throughout the report. Numerous assumptions about future events and circumstances form the basis for these estimates. Although we consider these assumptions reasonable, we cannot provide assurances that the project will achieve the forecasted results. Actual events and circumstances are likely to differ from the assumptions in this report and some of those differences may be material. The readers should consider these estimates as a midpoint in a range of potential outcomes.

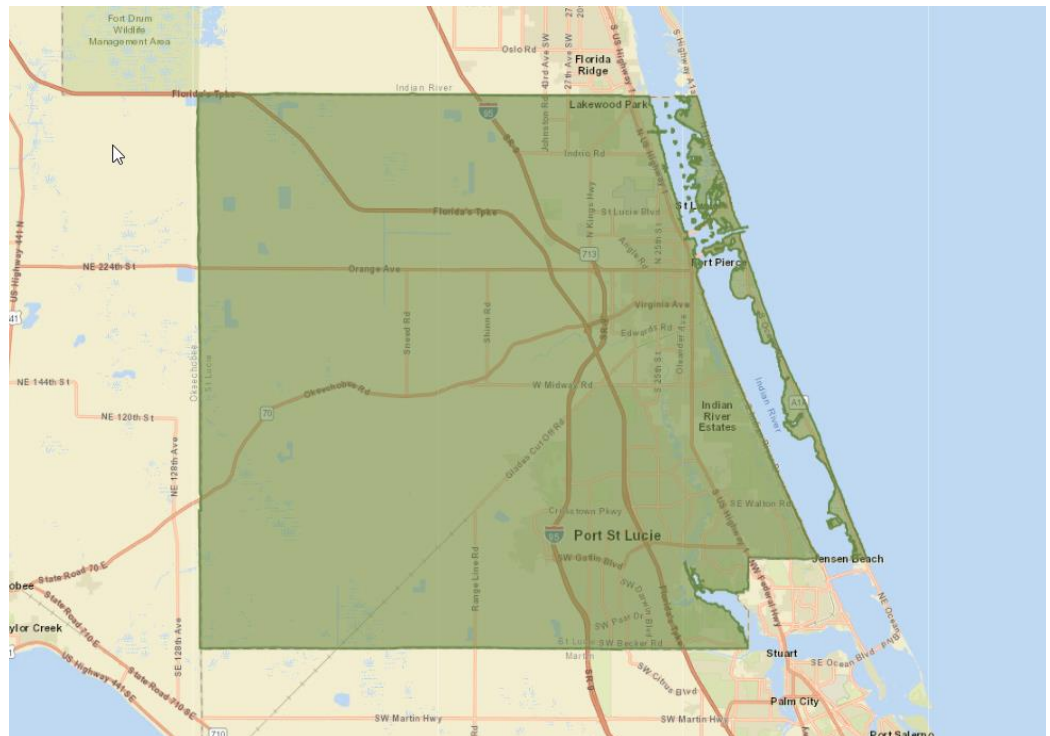
2. Market Area Overview

This market area analysis reviews economic and demographic data that describe the overall condition of the local economy in Port St. Lucie, Florida. The economic trends provide indications of the growth or decline in the performance of the MIDFLORIDA Credit Union Event Center. HVS analyzed the following economic indicators: population, income, sales, work force characteristics, employment levels, major businesses, airport access, transportation, hotel supply, and tourism attractions.

Market Area Definition

The market area for a convention center consists of the geographical region that offers transportation access, lodging, and other amenities to users of the facility. For the purposes of this study, HVS defined the market area as St. Lucie County. The following map shows the market area.

MAP OF MARKET AREA



St. Lucie County is located north of West Palm Beach, approximately halfway between Miami and Orlando along the eastern coast of Florida. The largest city in St. Lucie County is Port St. Lucie, followed by Fort Pierce.

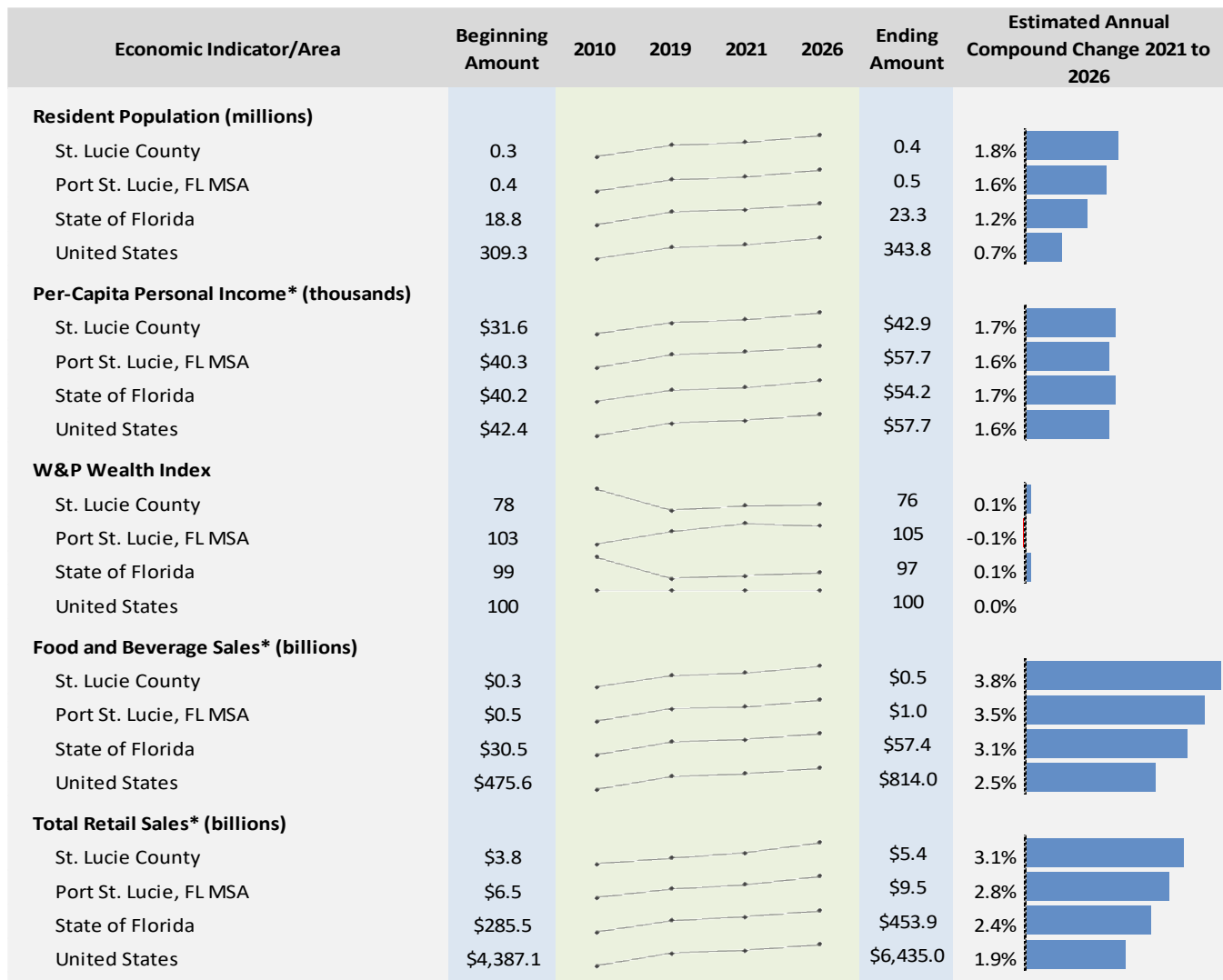
Located in the southeastern U.S., Florida spans approximately 58,560 square miles. The state is bordered by the Atlantic Ocean to the east, Georgia and Alabama to the north, and the Gulf of Mexico to the west. Sunshine is one of the state's most important resources, as Florida's comfortable climate has lured vacationers for more than a century. An interstate highway system exists throughout the state, providing easy access along both the inter-coastal areas and the coastline cities.

Tallahassee is the capital of Florida. It is located in the northern part of the state, roughly midway between Pensacola and Jacksonville. Florida's many metro cities include Orlando (central), Miami (south), and Daytona Beach (central). Historically, agriculture and tourism have provided much of the economic influence throughout Florida. Since World War II, Florida's economy has become more diverse. Tourism, cattle, citrus, and phosphate have been joined by several new industries that have greatly expanded the numbers of jobs in the state. The citrus industry continues to prosper, despite occasional winter freezes, and tourism also remains important, bolstered by large capital investments. Florida attractions, such as the large theme parks in the Orlando area, bring millions of visitors to the state from across the U.S. and around the world.

Economic and Demographic Review

For this analysis, HVS used the Complete Economic and Demographic Data Source published by Woods & Poole Economics, Inc. as a primary source of economic and demographic statistics. Woods & Poole runs a well-regarded forecasting service that uses a database containing more than 900 variables for each county in the nation. Their regional model yields forecasts of economic and demographic trends. Census data and information published by the Bureau of Economic Analysis serve as the basis for historical statistics. Woods & Poole uses these data to formulate projections, and the group adjusts all dollar amounts for inflation to reflect real change.

FIGURE 2-1
ECONOMIC AND DEMOGRAPHIC DATA SUMMARY



* Inflation Adjusted

Source: Woods & Poole Economics, Inc.

The population, per capita income, wealth index food and beverage sales, and total retail sales in St. Lucie County are all growing at rates above the state, and national averages. Per capita income and the wealth index are only projected to grow marginally faster than the state and national averages, but the population, food and beverage and retail sales growth rates are more than 1% above state and national levels.

Workforce Characteristics

The characteristics of an area's workforce indicate the type and amount of transient visitation local businesses would generate. Sectors such as finance, insurance, and real estate (FIRE), wholesale trade, and services produce a considerable number of visitors who are not particularly rate sensitive. Some employers of manufacturers, construction, transportation, communications, and public utilities (TCPU) contribute many visitors to the area.

The following table shows the St. Lucie County workforce distribution by business sector.

**FIGURE 2-2
HISTORICAL AND PROJECTED EMPLOYMENT**

Sector/Geographic Area	Beginning Amount (thousands)	2019	2020	2021	2026	Ending Amount (thousands)
St. Lucie County						
Health Care And Social Assistance	17					21
Retail Trade	14					16
State And Local Government	13					14
Accommodation And Food Services	10					13
Administrative And Waste Services	11					12
Other Services, Except Public Administration	10					12
Real Estate And Rental And Lease	8					10
Professional And Technical Services	8					9
Construction	9					9
Finance And Insurance	5					7
Other	24					27
Total St. Lucie County	129					151
U.S.	203,810					222,948

Source: Woods & Poole Economics, Inc.

Healthcare and social assistance is the largest employment sector in St. Lucie today, and is growing faster than any other employment sector. Retail trade and state and local government make up the next two largest sectors, followed by accommodation and food services. Total employment in the county is estimated to grow more than 22,000 jobs by 2026.

Major Business and Industry

Providing additional context for understanding the nature of the regional economy, the following table presents a list of the major employers in the market area.

**FIGURE 2-3
MAJOR EMPLOYERS**

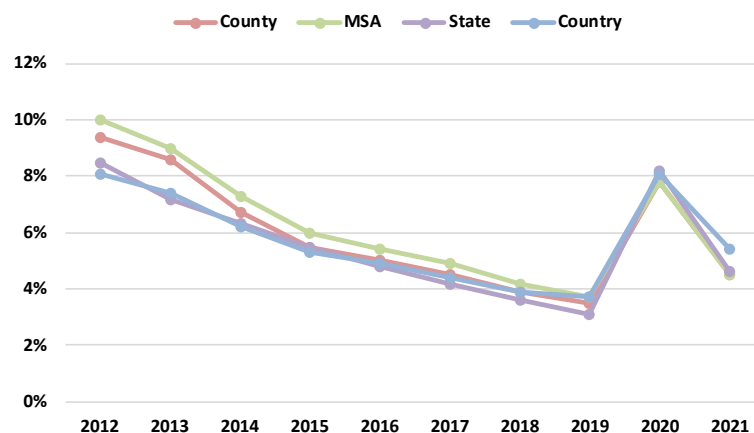
Firm	Number of Employees
St. Lucie Public Schools	5,564
Indian River State College	2,338
Lawnwood Regional Medical Center & Heart Institute	1,615
Teleperformance	1,600
City of Port St. Lucie	1,164
Walmart Distribution Center	890
Cleveland Clinic Martin Health	850
St. Lucie Medical Center	850
St. Lucie County	797
Florida Power & Light Co.	772

Source: Economic Development Council of St. Lucie County, 2019

Education and healthcare companies make up the majority of the list of the largest employers in St. Lucie County. The public school district and Indian River State College are the two largest employers, although more than 1,500 of the positions at Indian River State College are part-time. The healthcare sector is represented by Lawnwood Medical Center, the Cleveland Clinic, and St. Lucie Medical Center.

Unemployment Statistics

Unemployment statistics measure the health of the local economy. The following table presents historical unemployment rates for the market area.

**FIGURE 2-4
UNEMPLOYMENT STATISTICS**

Like the rest of the country, St. Lucie County experienced a spike in unemployment in 2020 due to the COVID-19 pandemic, however 2021 showed a significant

improvement in unemployment; although, not to pre-pandemic levels. The unemployment in St. Lucie County was slightly above the state and national levels pre-pandemic. Since 2020, unemployment in St. Lucie County has been equal to state and national levels.

Airport Traffic

Airport passenger counts indicate a market's ability to support conference events. Trends in passenger counts reflect local business activity and the area's economic health. Event planners consider airport access when choosing a destination for their conferences and meetings.

Palm Beach International Airport (PBI) is the gateway to Palm Beach County and is located just two and one-half miles west of West Palm Beach, Florida. The 600,000-square-foot terminal includes a concession mall that extends the length of the building and features a putting green, spa, and kids' play area. In 2010, the terminal underwent a \$7.5-million renovation, including new flooring throughout the structure and a complete overhaul of the restaurants and stores. In 2016, construction was completed on a \$42-million overhaul of the baggage-handling and security systems. Other areas of the airport, such as the flooring, alarm systems, passenger terminal, and restaurants, are also being renovated as part of the master plan. Moreover, the local Treasure Coast International Airport & Business Park is currently undergoing a \$19-million master-plan development project to improve multiple areas, including the terminals, taxiways, parking lots, and hangars, among others.

The figure below describes the level of passenger traffic at Palm Beach International since 2012.

FIGURE 2-5
AIRPORT STATISTICS - PASSENGER STATISTICS

Year	Passenger Traffic	Annual Percent Change
2012	5,609,000	
2013	5,692,000	1.5%
2014	5,886,000	3.4%
2015	6,266,000	6.5%
2016	6,264,000	0.0%
2017	6,322,000	0.9%
2018	6,514,000	3.0%
2019	6,900,000	5.9%
2020	3,085,000	-55.3%
2021	5,261,000	70.5%
YTD through Apr		
2021	1,508,496	
2022	2,556,388	69.5%

Pre-pandemic, air traffic at Palm Beach International had been increasing year over year from 2012-2019, except for an incremental decrease in 2016. The pandemic shut down a majority of air travel in 2020, and in 2021 air traffic returned to approximately 75% of what it was in 2019. Through April 2022, air traffic is up nearly 70%.

Lodging Supply

An events center's ability to attract out-of-town groups depends greatly on the availability of nearby hotel rooms within a reasonable distance to the facility. Moreover, event planners have a variety of preferences with respect to the types of hotels that best meet the needs of their delegates and attendees. Most planners of professional conferences and trade shows prefer large blocks of full-service hotel rooms in nationally branded properties. Some consumer show and sporting event attendees prefer less expensive, limited-service hotel options that offer guest amenities such as complimentary breakfast and free internet connections.

Smith Travel Research ("STR") maintains a database of approximately 140,000 hotel properties and 13 million hotel rooms around the world. The figures below show the STR database inventory of all hotel rooms in Port St. Lucie by service level and size. The quality of the hotels also indicates the market's ability to support the events center.

HVS considered the size of market area for hotels in Port St. Lucie that match event planner preferences for lodging properties that are as close to their event venue as possible. Ideally the primary lodging property for a convention event would be attached or immediately adjacent to the event facility.

FIGURE 2-6
LODGING SUPPLY BY SIZE IN PORT ST. LUCIE

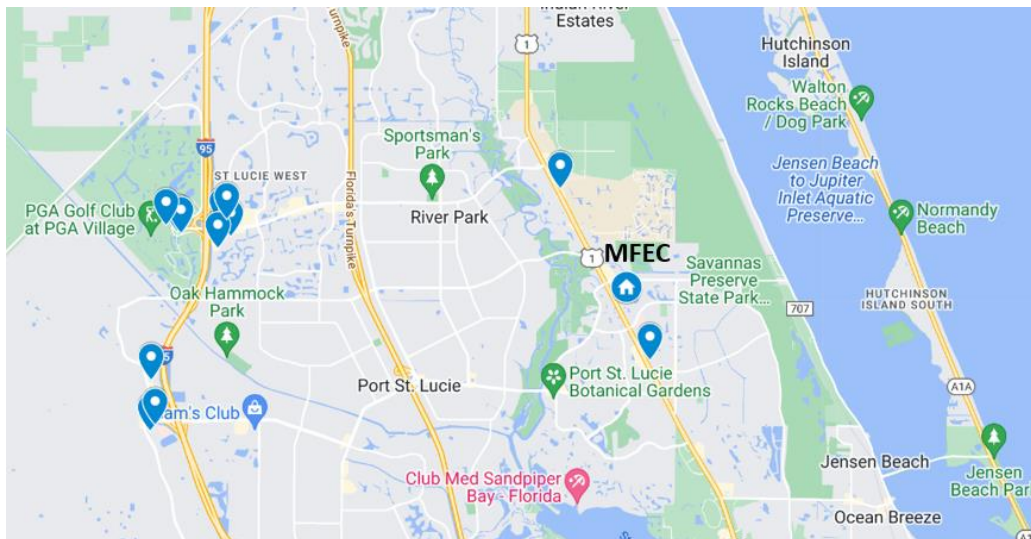
Size (Number of Guest Rooms)	Number of Properties	Number of Guest Rooms
Less than 50	1	17
50 to 99	6	492
100 to 199	6	739
Total	13	1,248

FIGURE 2-7
LODGING SUPPLY BY SERVICE LEVEL IN PORT ST. LUCIE

Chain Scale	Number of Properties	Number of Guest Rooms
Upscale	6	635
Upper Midscale	4	435
Midscale	3	178
Total	13	1,248

Thirteen hotels in Port St. Lucie offer 1,248 rooms. Only one of the hotels has less than 50 rooms, and six of them have more than 100 rooms. Event planners prefer larger hotels that can support event attendees as few hotels as possible. All thirteen hotels are midscale or above, and six of them are upscale. Event planners prefer midscale or above for events.

FIGURE 2-8
MAP OF EXISTING HOTEL INVENTORY



Meeting and Event Infrastructure

The MIDFLORIDA Credit Union Event Center is located off of Highway 1 and is located near two hotel properties. The other 11 properties in Port St. Lucie are in I-95 corridor and approximately 15 minutes away. This is a challenge for the venue as there are only two properties that are a reasonable distance from the venue that can support event attendees.

Beyond from the MFEC, Port St. Lucie only has two other meeting and event facilities: the Town Hall in Tradition and the Port St. Lucie Community Center.

The Town Hall in Tradition was developed as part of the larger Tradition master development. It offers space for approximately 450 attendees in a single ballroom space. They host small exhibit shows as well as banquets and meetings. The facility lacks large function space and breakout rooms. It is surrounded by the larger Tradition development with retail and hotel space nearby.

The Port St. Lucie Community Center offers for rental, an 8,300 square foot banquet hall with a stage. It hosts banquets, shows, seminars, and training sessions. The space is divisible and offers two breakout spaces, as well as a catering kitchen. But this space is a community center, with the level of finishes and service appropriate for such a venue. There are no sales staff booking events in the facility, and limited amenities surrounding the facility.

Tourist Attractions

The market benefits from a variety of tourist and leisure attractions in the area. The peak season for tourism in this area is December to April. During other times of the year, weekend demand comprises travelers passing through en route to other destinations, people visiting friends or relatives, and other similar weekend demand generators. Primary attractions in the area include the following:

- Tradition Field is one of the top attractions in the area. The ballpark hosts the New York Mets during Major League Baseball's spring training and other minor league teams. The facility is a significant draw for fans during the spring months.
- The Everglades is the largest sub-tropical wilderness area within the United States. The ecosystem is home to alligators, panthers, and manatees and has been designated a World Heritage Site by the United Nations Educational, Scientific and Cultural Organization.
- Golf is an important attraction in the area, anchored by the PGA Village. In total, the village includes three public courses designed by notable golf designers, such as Jim Fazio, Sr., Tom Fazio, and Pete Dye.
- The Port St. Lucie Botanical Gardens was built in 2009 on a former residential development site. It offers 20 acres of gardens, fountains, walkways, a pavilion, and a gift shop.

- The area provides nearly 21 miles of white sand beaches that draw visitors for swimming and sunbathing. In addition to beaches, the area's rivers and the Atlantic Ocean are popular with anglers and other ecotourists.

Conclusion

The Port St. Lucie market area is growing faster than the national average in population, median household income, retail sales, and food and beverage sales. Its largest employers are in the education and healthcare sectors and the employment sectors projected to grow fastest in the next five years are healthcare and accommodations. Despite these strong market indicators, the market has not been supported by growth in meeting space availability and hotel development.



3. Comparable Venues

This analysis of comparable venues provides a basis for developing program recommendations and forecasts of event demand. HVS compared the function spaces, adjacent hotel capacities, and characteristics of the markets relevant to the success of a convention center. HVS added the proposed building program for an expanded MIDFLORIDA Event Center ("MFEC"). Please see that Section 4 of this report for a detailed discussion of the building program shown in these charts.

Event planners select host cities for their events based on a wide range of criteria. These factors include attributes of convention facilities, lodging supply, the economic and demographic profile of the community, transportation access, tourism amenities, and overall destination appeal. At a minimum, a city must offer an event venue that meets user needs and for events that require lodging, a sufficient number of hotel rooms near the venue. The price of venue rental and hotel rooms are also important to event planners. Cities that meet these threshold criteria must then compete based on their destination appeal.

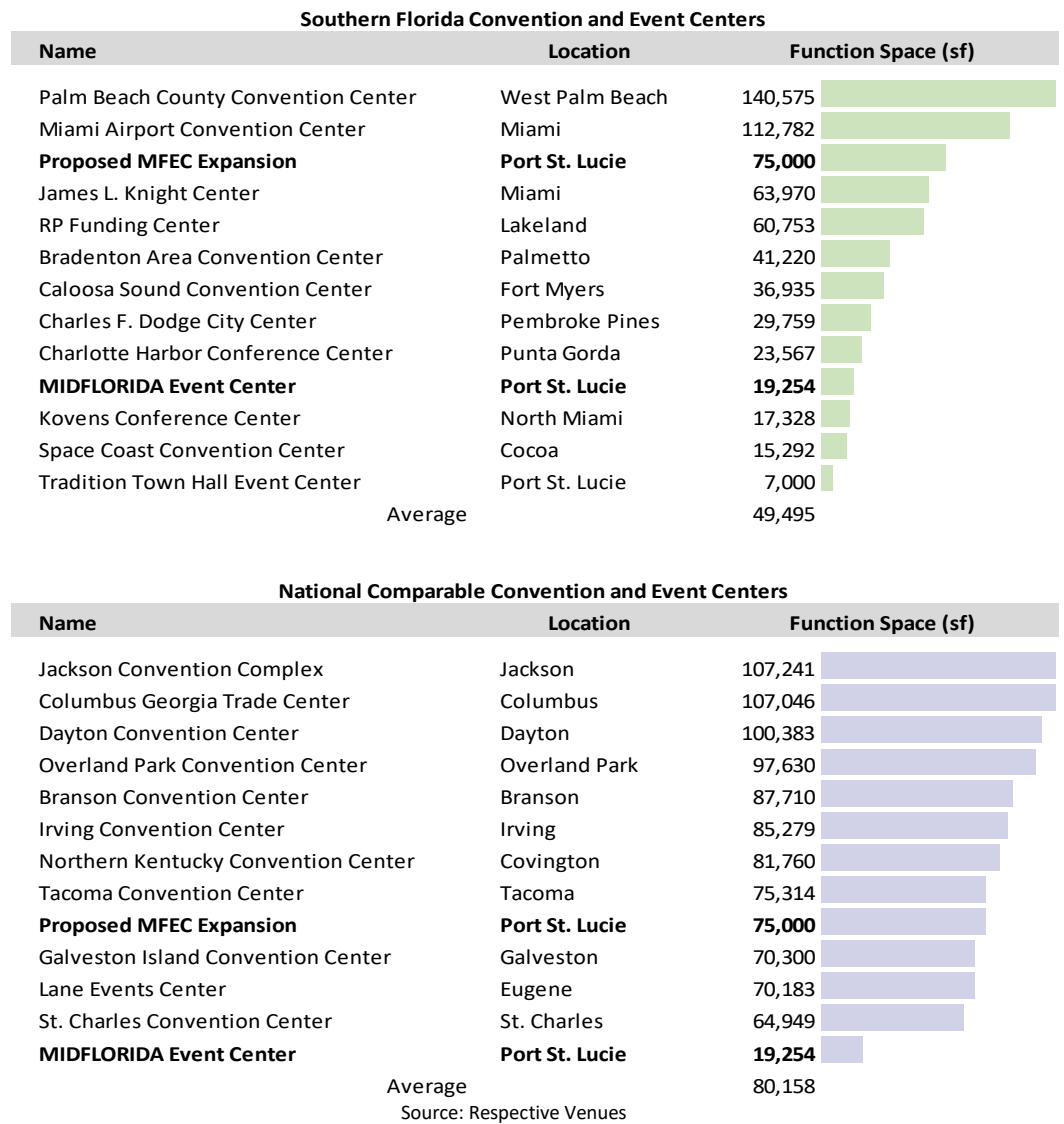
HVS analyzed two sets of venues and destinations.

- Southern Florida Convention and Event Centers, and
- National Comparable Convention and Event Centers.

The venues and their locations are listed in the figure below along with their location and the total amount of rentable function space.



**FIGURE 3-1
COMPETITIVE & COMPARABLE VENUES**



The set of local competitive properties contains 11 existing venues and the proposed expanded MFEC, and ranges from more than 140,000 square feet at the Palm Beach County Convention Center to the 7,000-square foot Tradition Town Hall Event Center. The MFEC is the 10th largest venue among the set.



Exhibition Space Assessment

Among the set of 11 national comparable convention centers, the existing MFEC is the smallest among the set. The comparable facilities were not selected based on the existing program and instead were based on the similarity to the expanded building program. The facilities range in size from the 107,000 square foot Jackson Convention Complex to the 64,000 square foot St. Charles Convention Center.

The amount and quality of exhibition space determines the size and type of events that a venue can accommodate and is critical for several types of events such as conventions, tradeshow, and consumer shows. A comparison of the exhibition space available at each of the selected comparable facilities provides an indication of the appropriate amount of space for Port St. Lucie and whether any exhibition space is warranted.



FIGURE 3-2
TOTAL EXHIBITION SPACE IN COMPETITIVE & COMPARABLE VENUES

Southern Florida Convention and Event Centers				
Name	Location	Exhibit Space (sf)		# Halls
Palm Beach County Convention Center	West Palm Beach	99,300	<div></div>	2
Miami Airport Convention Center	Miami	74,360	<div></div>	2
Proposed MFEC Expansion	Port St. Lucie	45,000	<div></div>	3
Bradenton Area Convention Center	Palmetto	32,400	<div></div>	2
James L. Knight Center	Miami	28,000	<div></div>	3
RP Funding Center	Lakeland	27,848	<div></div>	2
MIDFLORIDA Event Center	Port St. Lucie	0		0
Charlotte Harbor Conference Center	Punta Gorda	0		0
Caloosa Sound Convention Center	Fort Myers	0		0
Space Coast Convention Center	Cocoa	0		0
Kovens Conference Center	North Miami	0		0
Charles F. Dodge City Center	Pembroke Pines	0		0
Tradition Town Hall Event Center	Port St. Lucie	0		0
Average		51,151		
National Comparable Convention and Event Centers				
Name	Location	Exhibit Space (sf)		# Halls
Dayton Convention Center	Dayton	68,532	<div></div>	2
Jackson Convention Complex	Jackson	60,000	<div></div>	2
Overland Park Convention Center	Overland Park	58,494	<div></div>	1
Columbus Georgia Trade Center	Columbus	54,982	<div></div>	3
Tacoma Convention Center	Tacoma	49,500	<div></div>	2
Irving Convention Center	Irving	48,576	<div></div>	2
Branson Convention Center	Branson	47,712	<div></div>	2
Northern Kentucky Convention Center	Covington	46,200	<div></div>	1
Proposed MFEC Expansion	Port St. Lucie	45,000	<div></div>	3
Galveston Island Convention Center	Galveston	43,100	<div></div>	2
Lane Events Center	Eugene	37,000	<div></div>	1
St. Charles Convention Center	St. Charles	35,700	<div></div>	6
MIDFLORIDA Event Center	Port St. Lucie	0		0
Average		49,566		3
Source: Respective Venues				

The existing MFEC does not offer any dedicated exhibit space, as do seven of the local competitive facilities, but instead uses the Emerald Ballroom, as well as the outdoor plaza and lobby to host events that require exhibit space. The proposed MFEC expansion would add 45,000 square feet of exhibit space that could be divided into three separate halls. This is slightly below average among the set of competitive facilities.



Ballroom Space Assessment

The set of comparable convention centers ranges from 68,000 square feet at the Dayton Convention Center to nearly 36,000 square feet at the St. Charles Convention center. The MFEC expansion would be slightly below average in size among the set for exhibition space.

In addition to social events that host banquets, several other types of events, such as conventions and tradeshow, typically require food services in a ballroom setting. General assemblies at conventions and tradeshow use a ballroom with a theater or banquet set-up. As facility operators attempt to grow food service revenues at their facilities and event planners seek a higher level of service for their attendees, the size of the ballroom often determines a venue's event size capacity. The figure below compares the amounts of available banquet space in comparable and competitive venues.



FIGURE 3-3
BALLROOM SPACE IN COMPETITIVE & COMPARABLE VENUES

Southern Florida Convention and Event Centers				
Name	Location	Ballroom Space (sf)		# Divisions
Caloosa Sound Convention Center	Fort Myers	30,000	<div></div>	5
RP Funding Center	Lakeland	29,689	<div></div>	8
Charles F. Dodge City Center	Pembroke Pines	23,402	<div></div>	1
Palm Beach County Convention Center	West Palm Beach	21,978	<div></div>	4
Proposed MFEC Expansion	Port St. Lucie	20,000	<div></div>	7
Charlotte Harbor Conference Center	Punta Gorda	19,857	<div></div>	3
MIDFLORIDA Event Center	Port St. Lucie	13,464	<div></div>	5
James L. Knight Center	Miami	11,840	<div></div>	8
Miami Airport Convention Center	Miami	9,600	<div></div>	1
Space Coast Convention Center	Cocoa	7,076	<div></div>	1
Tradition Town Hall Event Center	Port St. Lucie	7,000	<div></div>	1
Kovens Conference Center	North Miami	5,508	<div></div>	2
Bradenton Area Convention Center	Palmetto	0		0
Average		16,618		4
National Comparable Convention and Event Centers				
Name	Location	Ballroom Space (sf)		# Divisions
Columbus Georgia Trade Center	Columbus	35,840	<div></div>	7
Irving Convention Center	Irving	26,104	<div></div>	16
Jackson Convention Complex	Jackson	25,000	<div></div>	5
Overland Park Convention Center	Overland Park	24,991	<div></div>	3
Northern Kentucky Convention Center	Covington	22,800	<div></div>	4
Branson Convention Center	Branson	22,703	<div></div>	2
St. Charles Convention Center	St. Charles	22,225	<div></div>	8
Lane Events Center	Eugene	22,000	<div></div>	1
Dayton Convention Center	Dayton	20,049	<div></div>	5
Proposed MFEC Expansion	Port St. Lucie	20,000	<div></div>	7
Galveston Island Convention Center	Galveston	15,500	<div></div>	3
MIDFLORIDA Event Center	Port St. Lucie	13,464	<div></div>	5
Tacoma Convention Center	Tacoma	13,400	<div></div>	4
Average		21,852		5

Source: Respective Venues

With more than 13,000 square feet of ballroom space, the MFEC ranks sixth among the set of local competitive facilities, which ranges from 30,000 square feet at the Caloosa Sound Convention Center to 5,500 square feet at the Kovens Conference Center. The Bradenton Area Convention Center does not offer any ballroom space.

The comparable facility set ranges from nearly 36,000 square feet of space in Columbus, to 13,000 square feet at the Tacoma Convention Center. The proposed



Meeting Space Assessment

MFEC expansion would offer 20,000 square feet of ballroom space, which is slightly below the set average.

Meeting rooms can accommodate sub-groups as they break out of larger general sessions at conventions and tradeshow. Additionally, these smaller rooms can support self-contained meetings, training sessions, seminars, classes, and a variety of small meeting functions. A facility's meeting rooms are often its most frequently used function spaces. Generally, convention centers should offer meeting space proportionate to the amount of exhibition and ballroom space available at the facility. However, the optimum amount of meeting space can vary depending on type of events that a city may attract and the needs of event planners.

The following figure presents a comparison of available meeting space in the comparable and competitive venues.



FIGURE 3-4
MEETING SPACE IN COMPETITIVE & COMPARABLE VENUES

Southern Florida Convention and Event Centers			
Name	Location	Meeting Space (sf)	# Rooms
James L. Knight Center	Miami	24,130	16
Palm Beach County Convention Center	West Palm Beach	19,297	18
Miami Airport Convention Center	Miami	15,754	17
Kovens Conference Center	North Miami	11,820	10
Proposed MFEC Expansion	Port St. Lucie	10,000	5
Bradenton Area Convention Center	Palmetto	8,820	4
Space Coast Convention Center	Cocoa	8,216	5
Caloosa Sound Convention Center	Fort Myers	6,935	10
Charles F. Dodge City Center	Pembroke Pines	6,357	12
MIDFLORIDA Event Center	Port St. Lucie	5,790	5
Charlotte Harbor Conference Center	Punta Gorda	3,710	5
RP Funding Center	Lakeland	3,216	3
Tradition Town Hall Event Center	Port St. Lucie	0	0
Average		10,337	9

National Comparable Convention and Event Centers			
Name	Location	Meeting Space (sf)	# Rooms
Jackson Convention Complex	Jackson	22,241	22
Branson Convention Center	Branson	17,295	15
Columbus Georgia Trade Center	Columbus	16,224	17
Overland Park Convention Center	Overland Park	14,145	7
Northern Kentucky Convention Center	Covington	12,760	9
Tacoma Convention Center	Tacoma	12,414	11
Dayton Convention Center	Dayton	11,802	14
Galveston Island Convention Center	Galveston	11,700	11
Lane Events Center	Eugene	11,183	4
Irving Convention Center	Irving	10,599	13
Proposed MFEC Expansion	Port St. Lucie	10,000	5
St. Charles Convention Center	St. Charles	7,024	7
MIDFLORIDA Event Center	Port St. Lucie	5,790	5
Average		12,552	11

Source: Respective Venues

Among Southern Florida Convention and Event Centers, the MFEC ranks tenth in the amount of total meeting space, which ranges from 24,000 to venues without any meeting room space.

The set of national comparable facilities ranges from more than 22,000 square feet in the Jackson Convention Complex to 7,000 square feet in the St. Charles



Adjacent Hotel Capacity

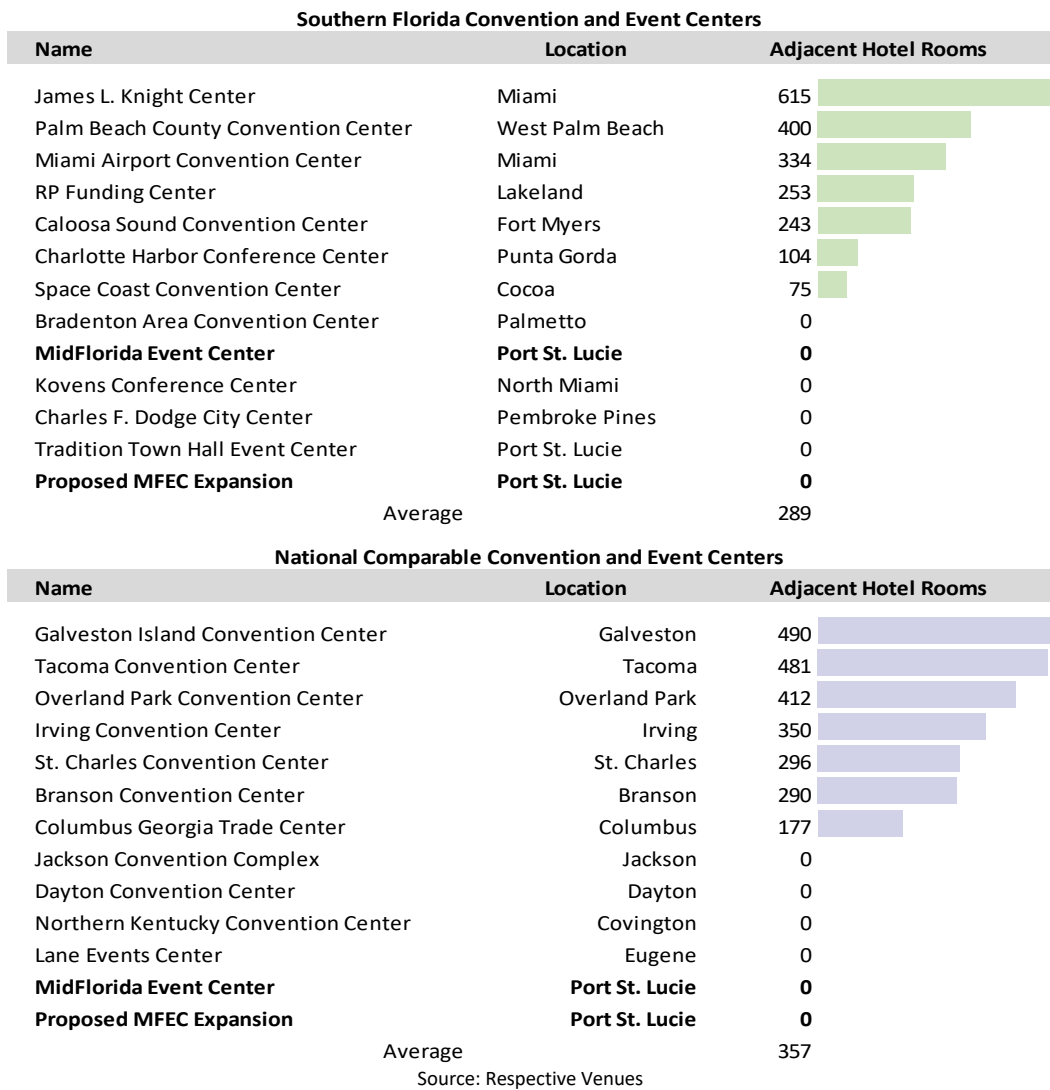
Convention Center. The MFEC expansion would offer 10,000 square feet of meeting space, which is slightly below the average of the set.

The quality and proximity of hotel supply represents one of the most important selection factors for facility users. To attract out-of-town groups, an adequate supply of nearby hotel rooms should support the lodging needs of delegates, exhibitors, and other attendees. Event planners consider proximity and connectivity as critical factors when evaluating the overall hotel package. The number of rooms offered at adjacent or connected hotels is a key point of comparison. Other important factors include hotel brands, service levels, building conditions, quality of service, ease of access, and available meeting and banquet spaces in these hotels.

The figure below compares the number adjacent hotel rooms in the comparable and competitive venues.



FIGURE 3-5
ADJACENT HOTEL ROOMS IN COMPETITIVE & COMPARABLE VENUES



The MFEC does not offer any adjacent hotel rooms, as do four other facilities among the set of competitive facilities. Among the facilities with adjacent hotel rooms, the James L. Knight Center offers 615 while the Space Coast Convention Center only offers 75 rooms. The average of the set is approximately 289 rooms.



Among the national convention center set, four facilities do not offer adjacent lodging. Those that do range in size from 490 rooms in Galveston Island to 177 in Columbus.

Destination Analysis

To maximize attendance, event planners seek attractive destinations for their events. The availability of amenities that support tourist visitation and overall attractiveness of a destination play important roles in event planner decisions. To assess the suitability of a city for convention center events, we defined the destination as an area within a 15-minute walk of the convention center.

HVS used Esri Business Analyst Online (“Esri”) to compare the suitability of an event destination to the set of comparable cities. Esri is a well-regarded forecasting service that applies geographic information system technology (“GIS”) to produce extensive demographic, consumer spending, and business data analyses. Esri employs a sophisticated location-based model to forecast economic and demographic trends. Esri models rely on U.S. census data, the American Community Survey, and other primary research.

Using ESRI data, HVS ranked the competitive and comparable destinations in the comparable venue set and the regionally competitive set on nine indicators of destination quality.

- Hotel and Lodging Businesses (within 15 min.)—The quality and proximity of hotel supply represents one of the most important selection factors for facility users in recent years. To attract out-of-town groups, an adequate supply of nearby hotel rooms should support the lodging needs of delegates, exhibitors, and other attendees.
- Food Service & Drinking Businesses (within 15 min.)—The number of food service and drinking businesses measures the presence of restaurants, bars and other outlets that support local and tourism visitation.
- Arts, Entertainment & Recreation Businesses (within 15 min.)—Arts, entertainment and recreation business enhance the quality and attractiveness of a destination.
- Storefront Businesses (within 15 min.)—A sum of the number of Food and Beverage Stores, Clothing and Accessory Stores, Sports, Hobby and Music stores, General Merchandise and Miscellaneous stores. This indicates the presence of retail shopping, grocery and liquor stores and other destination attractions for visitors.



- 2022 Total Population—The size of the local area population provides evidence of a community's ability to support public services and visitor amenities, and potential demand for local events.
- Total Daytime Population—Daytime population indicates the amount of people who are in the area during the day. This includes those who work and those who live in the area but are too young to work, unemployed or not in the labor force. It indicates an area's ability to handle an influx of visitors and provide adequate food, beverage and entertainment options.
- 2022 Median Household Income (\$) Citywide—Median household income provides an overall measure of community's well-being. It indicates the quality of the surrounding neighborhood.
- Occupied Housing (%)—The quality of the neighborhood around the convention center is very important. The more vacant housing indicates a lower quality area and is a large detractor from destination quality.
- Public Transportation Spending Citywide—Total sales of public transportation indexed to enable comparisons between cities. Higher spending on public transportation indicates a more accessible city for visitors.
- Number of Businesses Citywide—The number of businesses indicates the level of corporate and industry presence. The density and breadth of a city's corporate base indicates demand potential in the meetings industry. Businesses generate demand for conventions, conferences, training, and other industry-specific events.

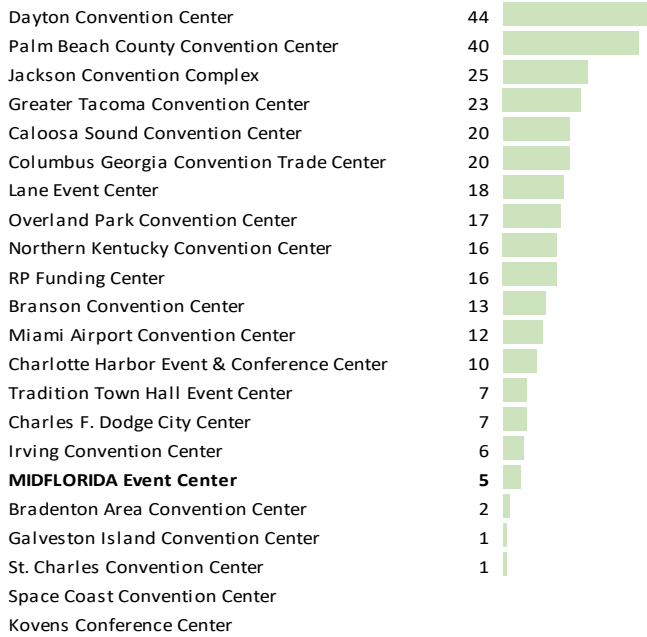
The figures below rank Port St. Lucie among the set of comparable and competitive venue cities as well as the area around the MFEC, on each of the criteria described above. HVS removed the James L. Knight Center from the set due to the large gap between it and the other comparable facilities.

**FIGURE 3-6
COMPARABLE DESTINATION ANALYSIS**

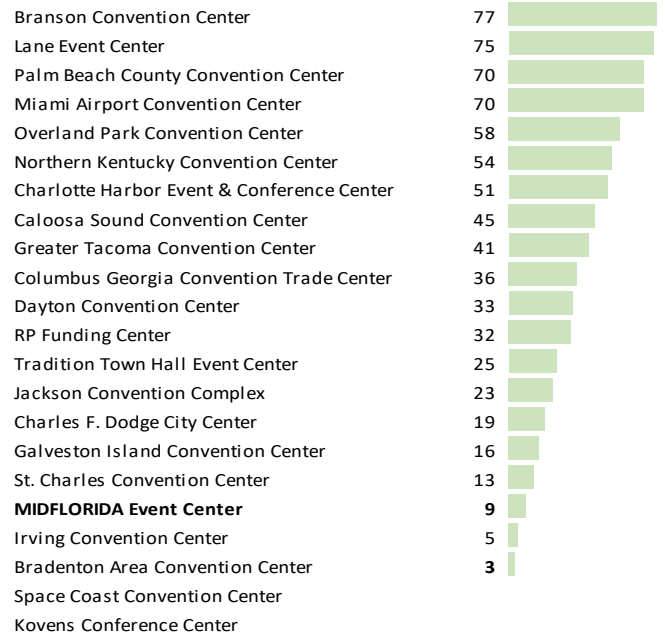




Arts, Entertainment & Recreation Businesses (within 15 min.)



Storefront Businesses (within 15 min.)



2022 Total Population Citywide

Miami Airport Convention Center	455,738	<div></div>
Irving Convention Center	261,915	<div></div>
Greater Tacoma Convention Center	222,535	<div></div>
Tradition Town Hall Event Center	215,989	<div></div>
MIDFLORIDA Event Center	215,989	<div></div>
Columbus Georgia Convention Trade Center	210,344	<div></div>
Overland Park Convention Center	203,709	<div></div>
Lane Event Center	178,788	<div></div>
Charles F. Dodge City Center	172,364	<div></div>
Jackson Convention Complex	151,109	<div></div>
Dayton Convention Center	137,297	<div></div>
Palm Beach County Convention Center	120,241	<div></div>
RP Funding Center	114,770	<div></div>
Caloosa Sound Convention Center	93,628	<div></div>
St. Charles Convention Center	72,649	<div></div>
Kovens Conference Center	59,971	<div></div>
Galveston Island Convention Center	54,952	<div></div>
Northern Kentucky Convention Center	41,920	<div></div>
Charlotte Harbor Event & Conference Center	19,354	<div></div>
Space Coast Convention Center	19,151	<div></div>
Bradenton Area Convention Center	13,207	<div></div>
Branson Convention Center	13,177	<div></div>

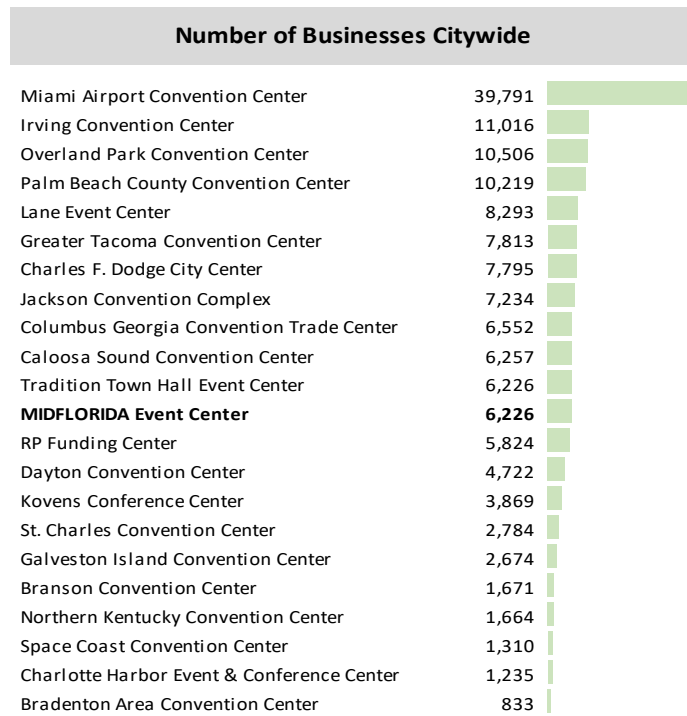
2022 Median Household Income (\$) Citywide

Overland Park Convention Center	97,165	<div></div>
Charles F. Dodge City Center	79,143	<div></div>
Charlotte Harbor Event & Conference Center	77,889	<div></div>
St. Charles Convention Center	76,944	<div></div>
Greater Tacoma Convention Center	75,796	<div></div>
Irving Convention Center	72,093	<div></div>
Tradition Town Hall Event Center	70,508	<div></div>
MIDFLORIDA Event Center	70,508	<div></div>
Palm Beach County Convention Center	64,188	<div></div>
Lane Event Center	61,772	<div></div>
Bradenton Area Convention Center	58,503	<div></div>
Caloosa Sound Convention Center	58,412	<div></div>
Galveston Island Convention Center	55,724	<div></div>
Branson Convention Center	53,361	<div></div>
RP Funding Center	53,162	<div></div>
Miami Airport Convention Center	51,954	<div></div>
Columbus Georgia Convention Trade Center	51,750	<div></div>
Northern Kentucky Convention Center	51,730	<div></div>
Kovens Conference Center	51,278	<div></div>
Space Coast Convention Center	42,610	<div></div>
Jackson Convention Complex	42,045	<div></div>
Dayton Convention Center	37,282	<div></div>



Occupied Housing (%)		
Charles F. Dodge City Center	95	<div></div>
Lane Event Center	95	<div></div>
Greater Tacoma Convention Center	95	<div></div>
St. Charles Convention Center	94	<div></div>
Overland Park Convention Center	94	<div></div>
Irving Convention Center	94	<div></div>
Kovens Conference Center	93	<div></div>
Tradition Town Hall Event Center	92	<div></div>
MIDFLORIDA Event Center	92	<div></div>
Columbus Georgia Convention Trade Center	91	<div></div>
Space Coast Convention Center	90	<div></div>
RP Funding Center	90	<div></div>
Northern Kentucky Convention Center	88	<div></div>
Miami Airport Convention Center	87	<div></div>
Palm Beach County Convention Center	87	<div></div>
Jackson Convention Complex	84	<div></div>
Dayton Convention Center	84	<div></div>
Caloosa Sound Convention Center	79	<div></div>
Bradenton Area Convention Center	78	<div></div>
Charlotte Harbor Event & Conference Center	77	<div></div>
Branson Convention Center	68	<div></div>
Galveston Island Convention Center	68	<div></div>

Public Transportation Spending Citywide		
Overland Park Convention Center	121	<div></div>
Irving Convention Center	108	<div></div>
Miami Airport Convention Center	106	<div></div>
Greater Tacoma Convention Center	105	<div></div>
Palm Beach County Convention Center	103	<div></div>
Kovens Conference Center	97	<div></div>
Lane Event Center	93	<div></div>
St. Charles Convention Center	90	<div></div>
Caloosa Sound Convention Center	86	<div></div>
Galveston Island Convention Center	86	<div></div>
Charles F. Dodge City Center	81	<div></div>
Northern Kentucky Convention Center	78	<div></div>
Space Coast Convention Center	78	<div></div>
Columbus Georgia Convention Trade Center	74	<div></div>
Bradenton Area Convention Center	72	<div></div>
Charlotte Harbor Event & Conference Center	71	<div></div>
RP Funding Center	69	<div></div>
Jackson Convention Complex	67	<div></div>
Tradition Town Hall Event Center	61	<div></div>
MIDFLORIDA Event Center	61	<div></div>
Branson Convention Center	60	<div></div>
Dayton Convention Center	58	<div></div>



Source: ESRI



Summary of National Destination Indicators

There is very little that exists around the MFEC today. The development of that land is part of the reason for this report and project. Due to the lack of development, it scores poorly on the metrics that rank facilities based on amenities within a 15-minute walk of the facility. Once the master plan is completed and development occurs, the MFEC will score higher. The median household income, population, and occupied housing in Port St. Lucie rank relatively high.

As expansion is considered, providing a suitable amount of amenities such as hotels, dining, and retail around the MFEC is crucial to improving how attendees and planners experience the facility.

Destination Ranking

To assess the relative strength of each destination, HVS calculated a score for each convention area's ranking within the criteria. Destination quality criteria were weighted to reflect their importance to event planners. HVS removed the James L. Knight Center from the rankings due its proximity to downtown Miami.

Food service and drinking businesses, storefront businesses, and accommodation businesses were weighted the highest and occupied housing and public transportation index were weighted the lowest. The figures below show the overall rank among the competitive cities. The first shows the score for each city on the criteria as well as the weights assigned and the second shows the aggregate score of the destinations.

FIGURE 3-7
RANK ON ALL DESTINATION CRITERIA

Weight (1 to 5)		4	4	3	4	3	3	1	1	2	Weighted Destination Score
Rank	City	Hotel and Lodging Businesses (within 15 min.)	Food Service & Drinking Businesses (within 15 min.)	Arts, Entertainment & Recreation Businesses (within 15 min.)	Storefront Businesses (within 15 min.)	2022 Total Population Citywide	2022 Median Household Income (\$) Citywide	Occupied Housing (%)	Public Transportation Spending Citywide	Number of Businesses Citywide	
1	Palm Beach County Convention Center	0.61	1.00	0.91	0.91	0.24	0.45	0.70	0.71	0.24	0.671
2	Miami Airport Convention Center	0.78	0.42	0.27	0.91	1.00	0.25	0.70	0.76	1.00	0.658
3	Overland Park Convention Center	0.72	0.38	0.39	0.75	0.43	1.00	0.95	1.00	0.25	0.612
4	Lane Event Center	0.44	0.70	0.41	0.97	0.37	0.41	0.99	0.56	0.19	0.560
5	Greater Tacoma Convention Center	0.28	0.68	0.52	0.53	0.47	0.64	0.97	0.75	0.18	0.518
6	Northern Kentucky Convention Center	0.61	0.97	0.36	0.70	0.06	0.24	0.71	0.32	0.02	0.488
7	Caloosa Sound Convention Center	0.50	0.75	0.45	0.58	0.18	0.35	0.38	0.44	0.14	0.456
8	Dayton Convention Center	0.33	0.77	1.00	0.43	0.28	0.00	0.57	0.00	0.10	0.430
9	Branson Convention Center	0.67	0.48	0.30	1.00	0.00	0.27	0.00	0.03	0.02	0.414
10	Columbus Georgia Convention Trade Center	0.33	0.41	0.45	0.47	0.45	0.24	0.85	0.25	0.15	0.386
11	Irving Convention Center	0.44	0.27	0.14	0.06	0.56	0.58	0.93	0.79	0.26	0.369
12	Charlotte Harbor Event & Conference Center	0.33	0.47	0.23	0.66	0.01	0.68	0.34	0.21	0.01	0.367
13	Jackson Convention Complex	0.61	0.26	0.57	0.30	0.31	0.08	0.59	0.14	0.16	0.345
14	Galveston Island Convention Center	1.00	0.45	0.02	0.21	0.09	0.31	0.00	0.44	0.05	0.339
15	RP Funding Center	0.22	0.34	0.36	0.42	0.23	0.27	0.78	0.17	0.13	0.308
16	Charles F. Dodge City Center	0.00	0.30	0.16	0.25	0.36	0.70	1.00	0.37	0.18	0.302
17	Tradition Town Hall Event Center	0.06	0.25	0.16	0.32	0.46	0.55	0.89	0.05	0.14	0.290
18	St. Charles Convention Center	0.22	0.15	0.02	0.17	0.13	0.66	0.95	0.51	0.05	0.247
19	MIDFLORIDA Event Center	0.00	0.07	0.11	0.12	0.46	0.55	0.89	0.05	0.14	0.213
20	Kovens Conference Center	0.00	0.00	0.00	0.00	0.11	0.23	0.92	0.62	0.08	0.108
21	Bradenton Area Convention Center	0.00	0.03	0.05	0.04	0.00	0.35	0.35	0.22	0.00	0.083
22	Space Coast Convention Center	0.06	0.00	0.00	0.00	0.01	0.09	0.79	0.32	0.01	0.066



Port St. Lucie and the MFEC rank 19th among the set of comparable and competitive destinations and facilities. It is slightly behind the St. Charles Convention Center in Missouri, and well ahead of Bradenton, North Miami, and Cocoa. Offering more amenities like hotels, retail, and restaurants near the facility will move the MFEC closer to the middle of the set above.



4. Building Program Recommendations

The building program recommendations presented herein describe the floor areas of various types of function spaces as well as other important amenities for the existing MIDFLORIDA Credit Union Event Center ("MFEC"). To formulate these recommendations for the proposed venue, HVS relied on a site inspection, interviews with facility users, an analysis of meeting space programming in competitive venues and comparable markets, other market research, and knowledge of standard industry practices. This building program should serve as a guide for subsequent physical planning aimed at providing the desired facility program elements.

Currently, the MFEC houses approximately 19,000 square feet of total function space. Function spaces include the Emerald Ballroom and Ruby Hall. The following figure presents a summary of existing MFEC function and pre-function spaces.

**FIGURE 4-1
EXISTING FUNCTION SPACES**

Event Space	Total Area (SF)	Capacities		
		Theatre	Banquet	Classroom
Function Spaces				
Emerald Ballroom	13,501	1,500	771	931
Emerald 1	5,406	601	309	373
Emerald 2	3,557	395	203	245
Emerald 3	1,377	153	79	95
Emerald 4	1,784	198	102	123
Emerald 5	1,377	153	79	95
Ruby Hall	5,790	643	331	399
Ruby 1	986	110	56	68
Ruby 2	918	102	52	63
Ruby 3	1,972	219	113	136
Ruby 4	986	110	56	68
Ruby 5	918	102	52	63
Pre-Function Areas				
Lobby	6,420			
Art Gallery	1,901			
TOTAL FUNCTION SPACE	19,291			

Source: MFEC

The MFEC hosts approximately 125 group events per year. Event organizers include corporations and associations, social groups, and families. The function spaces at the MFEC host a variety of events, including festivals, consumer shows, assemblies, banquets, and meetings. In addition to these indoor function spaces, the MFEC also uses an outdoor stage and plaza area to host outdoor concerts, festivals, and other events.

User Interviews

HVS interviewed more than 15 event planners who use the MFEC for their events. These events range from large consumer shows and festivals to smaller sporting and meeting events. The user interviews clearly indicate several key factors which influence meeting planners' selection processes when considering Port St. Lucie and MFEC as an event destination.

- The dual purpose of the facility, with the recreation facilities sharing the same lobby as the MFEC, was a common issue. Event planners do not want



gala or banquet attendees to share the lobby with recreational users. Moving the recreation facility entrance, or the entire facility to another location on the site would make the MFEC a much more attractive venue to nearly all event planners.

- Adding more function space, and larger function spaces is necessary to accommodate events that are starting to outgrow the facility. A number of event planners indicated they had to turn away attendees or vendors due to a lack of function space. Expanding the Emerald Ballroom or adding an additional exhibit hall would be necessary to ensure these events do not leave the MFEC due to lack of space.
- Increasing the number of breakout rooms would make it easier for smaller meetings and events to use the MFEC. The Ruby Hall, and its five divisions, are the smallest spaces in the MFEC and lack appropriate meeting room finishes. These rooms could also serve as breakouts for conferences or consumer shows that offer training sessions.
- The lack of visibility and event advertising opportunities is of concern to some event planners. The City of Port St. Lucie does not allow signage on public land, and while the MFEC has a large marquee videoboard on US-1, event planners would prefer further signage and wayfinding around the area to further market their events and the MFEC.
- Some event planners said that increased hotel room availability was crucial. But many local event planners do not require any hotel rooms. An adjacent hotel development would likely need substantial support from the leisure and business sector, as the expanded MFEC would not consistently generate enough room night demand to support the hotel operation. Further study for potential hotel development beyond the scope of this study is required.
- The art gallery was recognized as attractive pre-function and registration space by some event planners. Others complained about the need to cover up the art for some events.
- The pavers outside the facility, especially in the entry plaza, are unpleasant and create a trip and fall hazard for event attendees. Improving the finishes on the plaza is important to make it a more pleasant space for event attendees.
- The loading dock is difficult to access and loads directly into the Emerald Ballroom creating problems for loading and storage. Making the loading dock easier to access, creating adjacent to service hallways, and adding back of house storage are much-needed improvements.
- Event planners considered the proximity of the parking garage and surface lots highly beneficial for their event attendees.



Facility Program Recommendations

- The lack of adequate bathrooms capacity is problematic. Event planners do not like event attendees using the same bathroom facilities as recreational users. More and better located bathroom facilities are needed.
- The staff of the MFEC was widely recognized as being a major asset to the facility. Almost every event planner highlighted the staff's flexibility, communication skills, and willingness to accommodate their event needs.

The Port St. Lucie Civic Center, the building that houses the MFEC also is home to a Port St. Lucie Parks and Recreation Center. This dual purpose is appropriate for a facility that operates as a Civic Center, hosting local events and festivals, along side recreational space for residents. The expectations and goals for the MFEC operations changed from civic purposes to attracting events that create new visitation of non-residents to Port St. Lucie. However, the building was not remodeled or altered, so the staff operates a Civic Center building with convention center expectations. This has led to a variety of challenges and limitations in the facility that need to be rectified in expansion.

Relocation of the parks and recreation facilities to a different building on or near the MFEC site would allow for conversion of the existing spaces to meet convention center needs. A variety of locations near the MFEC in the City Center could be reserved for a fitness center and gym run by Parks and Recreation that would operate as it does today. The space left vacant by Parks and Recreation could then be turned into function space for the MFEC, and the MFEC would be able to control all activity under its roof. Event attendees would not be sharing the same entrance as recreational users.

Increasing the amount of function space and adding a larger exhibit hall would enable the MFEC to host events that are beginning to outgrow its current facilities. It would also improve the simultaneous event capability of the MFEC because one event could use the new exhibit hall while another event uses the ballroom space and meeting space. With the expansion of exhibit space at the MFEC, a proportionate amount of ballroom and meeting space is needed to support the facility. The ballroom expansion could be done by expanding the existing Emerald Ballroom and adding new construction to the southwest of the existing Ruby Hall.

A relocated plaza area and stage would better accommodate the concert and festival events. Moving the stage closer to Main Street, to the half circle turnout would create more seating area for concert events. Stage loading needs to be simplified. The current stage must be loaded from the front at times due to the small ramp at the back of the stage. Stage relocation would also create more space for festivals and events to occur in between the stage and the MFEC. Replacing the pavers in front of the facility will also make the facility more attractive and safer.



Program Recommendations

The final set of recommendations involve the back of house space that supports the rentable function areas. The current loading dock is difficult to access and loads directly into the Emerald Ballroom. Moving the loading dock to a location that is easier to access, and that connects to a loading area and service corridor would make staging events at the MFEC much easier and reduce labor requirements. The outdoor area where the current loading dock exists could then be used as outdoor event space.

HVS recommends new building infrastructure such that the expanded MFEC's total convention facility package includes a total of approximately of function space comprised of the following:

- A 45,000 square foot exhibit hall that could be split into three separate halls,
- Expanding the Emerald Ballroom to 20,000 square feet, and improving the divisibility into six separate spaces,
- Adding 10,000 square feet of meeting space, through either expansion and remodeling of Ruby Hall, or new construction,
- Adding additional loading and back of house space, including service corridors and staging areas,
- Moving the outdoor stage southwest, closer to Main Street to increase the amphitheater and festival space in front of the MFEC.

The following site maps identify the location of the renovation and expansion of MFEC. While site conditions and other issues will dictate the actual layout, HVS recommends that the facility renovate and expand its existing function spaces, and convert the Parks and Recreation side of the building to add an exhibit hall.



EXISTING SITE OF MFEC



PROPOSED EXPANSION OF MFEC



The following figure shows the recommended amounts and capacities of event function spaces in the renovation and expansion of MFEC.

**FIGURE 4-2
BUILDING PROGRAM RECOMMENDATIONS**

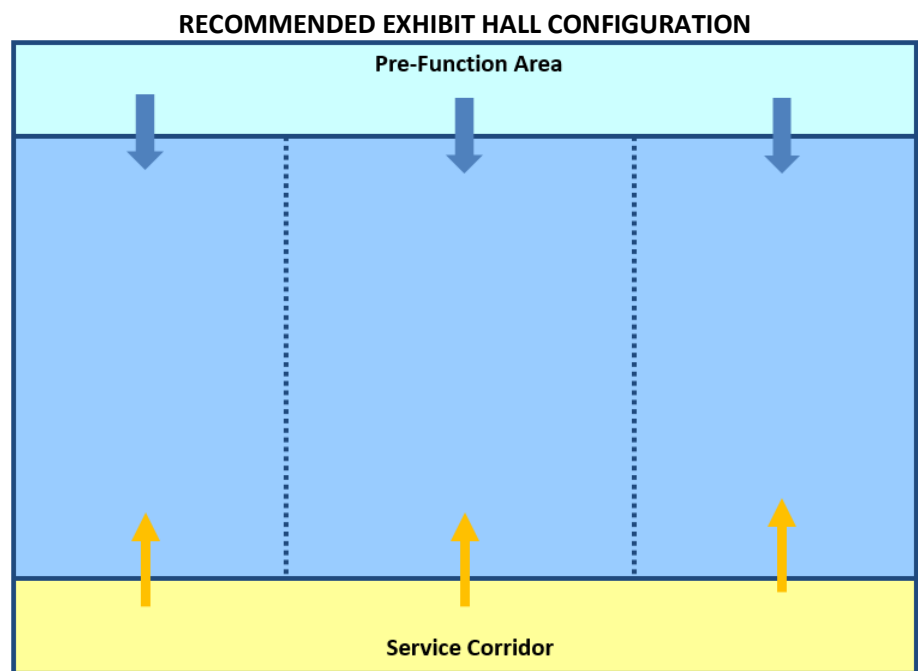
Event Space	Total Area (SF)	Capacities			Exhibit Booths (10'x10')
		Theatre	Banquet	Classroom	
Exhibit Hall	45,000	5,000	2,571	3,103	260
Sub-Divisions					
Division 1	15,000	1,667	857	1,034	
Division 2	"	"	"	"	
Division 3	"	"	"	"	
Grand Ballroom	20,000	2,220	1,140	1,380	
Sub-Divisions					
Division 1	2,222	250	130	150	
Division 2	"	"	"	"	
Division 3	"	"	"	"	
Division 4	6,667	740	380	460	
Division 5	2,222	250	130	150	
Division 6	"	"	"	"	
Division 7	"	"	"	"	
Meeting Rooms	10,000	1,110	570	690	
Meeting Room Block 1	9,000	1,000	510	620	
Divisions (3)	3,000	330	170	210	
Board Rooms (2)	<u>1,000</u>				
TOTAL FUNCTION SPACE	<u>75,000</u>				

The 45,000 square foot exhibit hall could be divided into three separate halls based on event needs and accommodate approximately 260 exhibit booths. The grand ballroom would be divisible into seven separate spaces, for breakout or training sessions. The meeting room block should divide into three separate spaces. Two boardrooms would provide space for small meetings.

While site constraints and other design issues will affect the final layout of the function space, a description of each of the proposed function spaces follows. Further space planning studies will be necessary to determine whether the recommended configurations and expansion of space are physically possible given the constraints of the existing building and site.

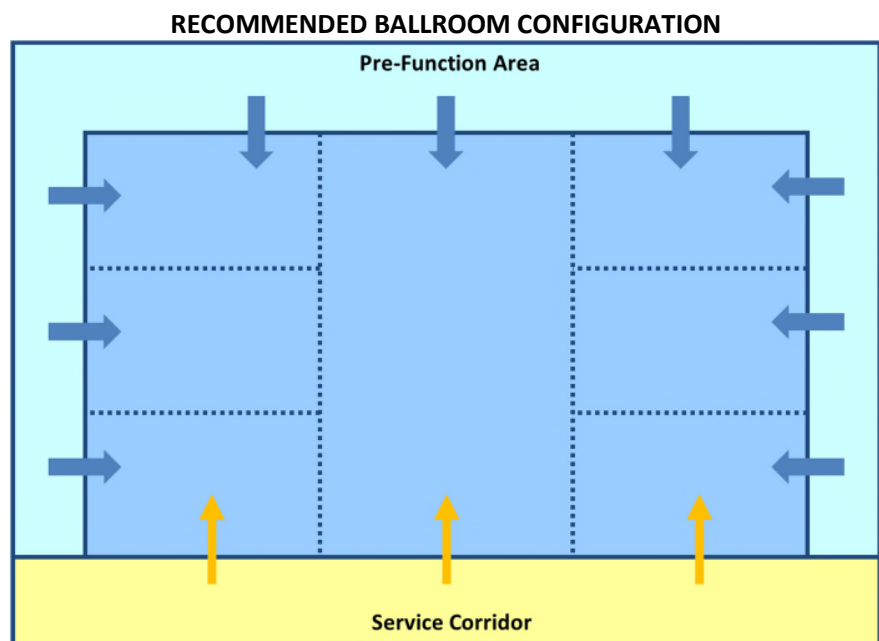
Exhibit Hall

Three 15,000-square foot divisions for the exhibit halls be supported by service loading corridors and pre function space. The hall can be loaded from the rear while the pre-function area can host registrations.



Ballroom

The figure below shows the appropriate divisibility of the ballroom.



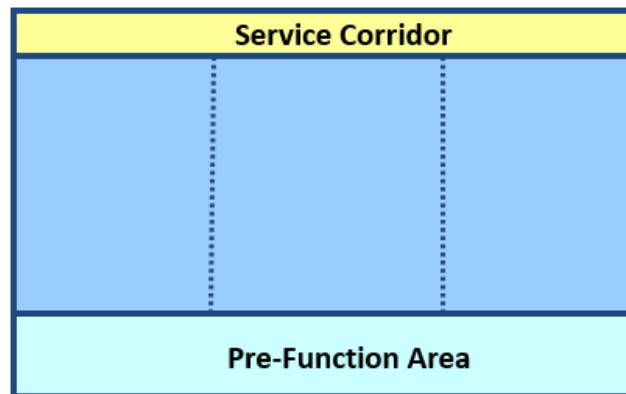


The recommended ballroom is 20,000 square feet and divisible into seven separate spaces. HVS recommends that the ballroom be well-lit, with high-quality finishes, as well as a high-level of AV and audio capabilities to support banquet events. The divisibility enables the ballroom space to serve as breakout space as well.

Meeting Spaces

Meeting space is essential to provide breakout space for larger conference and convention events and to support stand-alone meetings as well as food and beverage functions. Meeting room blocks in areas should maintain a separation of attendee and service access. The meeting room block would offer three spaces of 3,000 square feet each, as well as two 500 square foot boardrooms.

RECOMMENDED MEETING ROOM CONFIGURATION



Ancillary and Support Spaces

In addition to the function spaces provided above, the gross floor area included in the proposed renovation and expansion of MFEC would include the following elements:

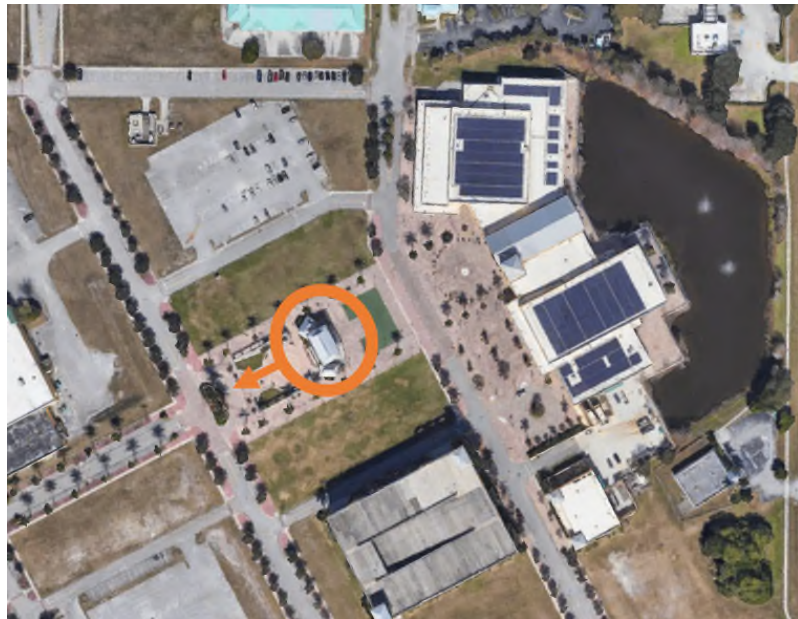
- **Lobby and Pre-function Areas** – A well-appointed lobby and pre-function areas should provide event planners areas for greeting and registration, social gatherings, and well-defined public access to the multipurpose ballroom and meeting rooms. This space is also appropriate for stand-alone receptions, meals, and other community events.
- **Circulation** – Circulation space should provide for the movement of attendees into and through the venue. These areas would include and hallways, connecting walkways, and bridges as required. Depending on the concept plan, these areas could also include vertical circulation (stairwells, elevators, and escalators).



- Service access – Service corridors should provide non-public access to the event hall and meeting rooms as well as connection to the facility’s loading docks, mechanical rooms, and storage.
- Drop-off zone – The venue should have a well-defined vehicular drop-off area and pedestrian access solely for the uses of event attendees.
- Loading areas – Service access separate from the drop-off zone, truck docks, and waste disposal areas necessary to support the venue.
- Kitchen – Further investigation should determine the extent to which the main production kitchens could also serve the needs of the venue. At a minimum, the space should incorporate a pantry kitchen capable of accommodating [a single meal of 1,200 guests].
- Storage – Adequate and convenient equipment storage is important to the efficient operation of the facility.
- Facility Operations – Spaces needed to support the facility’s physical plant, including HVAC, plumbing, electrical and fire protection systems.
- Parking – the on-site capacity for parking should be determined in view of the amount of available off-site parking that could service the Convention Center.

Stage and Plaza Area

Currently, the MFEC uses the stage and plaza area in front of the facility to host concert events, as well as festivals, and other events that prefer the outdoor space. The stage is located in the middle of the block, with a splash pad and some back of house space between the stage and Main Street, further from the MFEC. This limits the amount of seating and space that can fit between the stage and the MFEC. Loading the stage is also difficult, because the ramp at the back is too small to load most stage equipment. Stagehands have had to load the stage from the front instead. Performers also must either use their tour buses as green rooms or a room in the MFEC and be shuttled to the stage to perform. HVS is recommending moving the stage southwest, closer to Main Street, and further from the MFEC. The splash pad could also be relocated to an area on the site. See the figure below.

RECOMMENDED NEW STAGE LOCATION

This new location would create more space between the stage and the MFEC, increase the seating capacity for concert events and improve the loading access from Main Street. Relocation has the further advantage of creating more open green space for festivals and markets in front of the MFEC. Green open space is a crucial consideration for the master plan development because the MFEC uses the plaza area regularly for its largest festival events. Ensuring those events have open space to host vendors and entertainment will keep those events in the new development. Green rooms can be added near the new stage location, or the shuttling of performers can continue, as the connection to the MFEC is easier off Main Street.

Hotel Development

As discussed in the market section of this report, the MFEC is supported by two smaller, lower scale hotels that are along US-1. The rest of the hotels in Port St. Lucie are further west of the site, closer to I-95. The development of a hotel on the city center site would increase the types of events that the MFEC could host, as conferences and small conventions prefer to lodge their attendees in a property adjacent or attached to the event venue. Currently, most conference event planners do not consider the MFEC as an appropriate venue for their events because of the lack of adjacent lodging. Some event planners who were interviewed indicated that they could host more events with larger attendance, if the venue offered an adjacent hotel.



A hotel requires a consistent stream of demand throughout the week to generate a profit. Sources of hotel demand include individual leisure travelers, meeting and group, and individual business travelers. The MFEC could induce new group demand at a proposed hotel, but not consistently enough to achieve the necessary occupancy. The success of a hotel attached or adjacent to the MFEC would rely on the level of leisure and commercial demand that the property could capture to fill the times when the MFEC is not hosting an event that generates room nights.

Further study, which is beyond the scope of this report, would be necessary to determine the feasibility of adjacent hotel development.

Conclusions

Renovation and expansion of the MFEC is needed. Event planners are not pleased with having to share space with a recreational facility and would like a dedicated convention center space in Port St. Lucie. Adding additional space, including an exhibit hall, expanding the ballroom space, and increasing the concert and festival capacity outside the MFEC are crucial to increasing event activity and its positive impact on the community.

A more precise determination of the floor areas would require a concept plan created by a design firm that illustrates how the proposed venue alterations would fit on the site. The process of concept planning would likely require adjustments to the recommended floor areas.



5. Demand Analysis

HVS based event demand projections at the MIDFLORIDA Credit Union Event Center (“MFEC”) on the following research and analysis:

- The general program recommendations presented in Section 4,
- Historical MFEC demand data,
- Key market and economic indicators outlined in Section 2,
- Interviews with event planners,
- Comparable venue program and demand data, and
- Discussions with representatives from the current MFEC management.

In developing the demand projections, HVS assumes that all recommendations throughout this report are completed by January 1, 2026. This opening date is a necessary assumption made for modeling purposes and does not reflect an actual design and development schedule. HVS estimates that event demand would stabilize in the fourth year of operation—2029. Demand projections also assume the continued presence of a highly qualified, professional sales and management team for the MFEC.

Historical Demand

The MFEC provided HVS with a summary of the number of events and corresponding attendance that occurred at the facility from calendar years 2017 through 2021. HVS reclassified event types into standard event categories to allow comparisons with other venues and for the projection of financial operations.

HVS classified all events into one of the following categories.

Conference—require a mix of banquet and breakout space set-up as well as occasional assembly space, but do not require any exhibit set-up. Conferences can be conducted by any organization type, but always require attendees to be registered.

Consumer Show—public, ticketed events featuring the exhibitions of merchandise for sale or display. Exhibition companies produce consumer shows, as they provide a means of product distribution and advertising. They only require exhibit space set-up. Food and beverage service is limited to concessions.



Banquet—only require a banquet set-up for food and beverage meal service. These events also can be produced by any organizational type, and are either are held privately or require guests to register.

Meeting—only require breakout space set-up. Like conferences, they can be produced from any of the organization types, but unlike conferences, they are private events to which one must be invited. Food service is limited to coffee breaks, breakfasts, or luncheons in breakout rooms.

Sports—typically require the set-up of a competition area in a large function space. Attendees to sporting events, which are usually organized by sports enterprises, may be public or registered. Some sporting events have both a registered and public aspect to the event over the span of a few days.

Assembly—usually involve a ceremony, a speech, or another similar activity that attracts a crowd of spectators. Produced by any type of organization, assemblies are always public events. Additionally, assemblies only require a plenary set-up.

Concert—usually a concert or some form of live entertainment, owned and organized by an event promoter for the public. Entertainment events only require production set-up. Concerts include small acts like comedy improv groups, high school music performances, and dance recitals, as well as large concert acts like STYX and Little River Band.

Festival—usually involve an exhibit booth set-up for a public event in which a number of organizations or companies represent themselves and/or a product or service, with a similar theme or purpose uniting the event. These events can be produced from any organization type.

The following figure presents the event and attendance history at the MFEC for the past five years.

**FIGURE 5-1
SUMMARY OF DEMAND HISTORY**

	2017	2018	2019	2020	2021
Event					
Conference	9	4	4	1	3
Consumer Show	21	10	16	12	11
Banquet	26	37	41	20	42
Meeting	48	23	89	23	18
Sports	na	2	12	2	10
Assembly	20	21	48	12	10
Concert	9	9	8	10	4
Festival	6	11	9	2	19
Total	139	117	227	82	117
Attendee					
Conference	4,291	920	3,780	100	2,450
Consumer Show	11,649	6,745	12,768	12,465	22,450
Banquet	7,107	8,403	11,843	3,307	9,470
Meeting	1,787	2,540	6,128	1,928	1,325
Sports	na	373	10,455	770	9,330
Assembly	7,164	5,290	10,472	1,830	3,425
Concert	2,689	2,159	2,306	4,840	1,344
Festival	7,748	14,500	45,675	2,700	45,770
Total	42,435	40,930	103,427	27,940	95,564

Source: MFEC

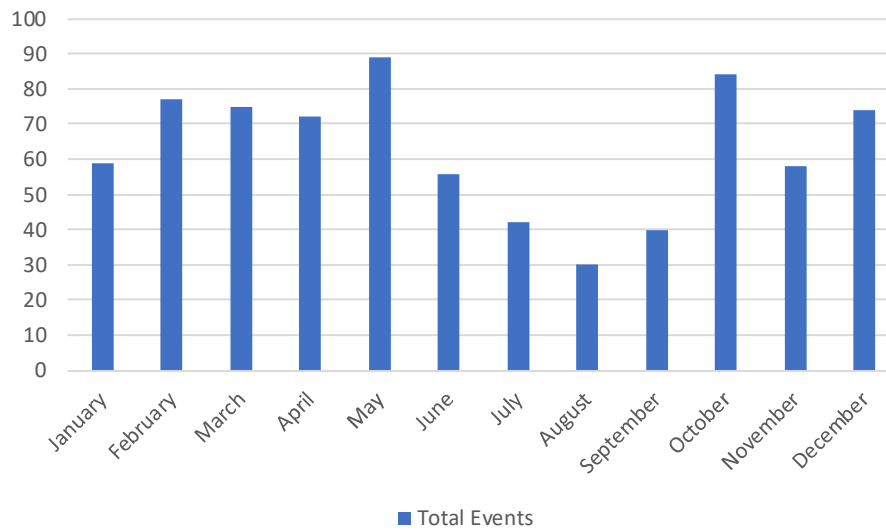
The demand profile for the MFEC consists of a mixture of local consumer shows and festivals, like the Home and Spa Shows and Strawberry Festival, as well as local meetings and banquets. The facility hosted between 117 and 227 event pre-COVID. This number dropped in 2020 as event restrictions were put in place, but demand bounced back to pre-COVID levels in 2021. Festivals generate the most attendance at the facility, followed by consumer shows and banquets.

Seasonal Trends

To further evaluate the seasonality of the MFEC, HVS also analyzed overall facility demand by month and by day of the week. The following figure presents the same historic demand data shown above but by event type and by month or day of the week. This shows the peak seasons for events at the MFEC and the seasons where demand drops, as well as peak days during the week. See the figures below.

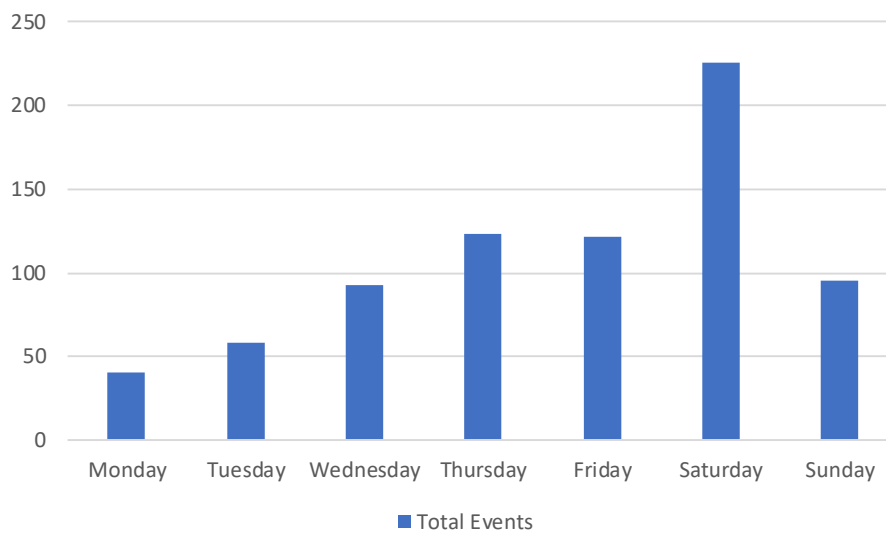


FIGURE 5-2
HISTORIC EVENT DEMAND BY MONTH (2017-2021)



Sources: MFEC and HVS

FIGURE 5-3
HISTORIC EVENT DEMAND BY DAY OF THE WEEK (2017-2021)

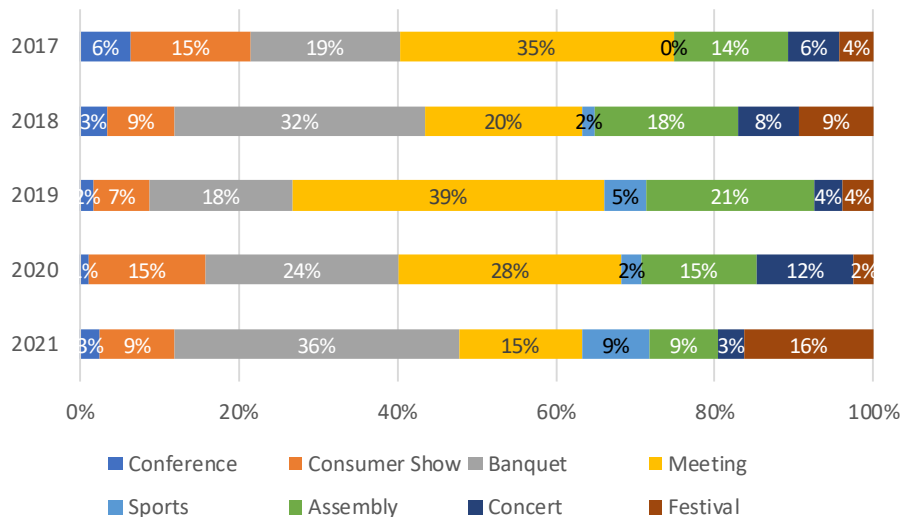


Sources: MFEC and HVS



Demand peaks in the months of May and October, but generally the spring season is when demand is the highest. Demand drops off in the summer, which is typical for a facility like the MFEC, and is due to a decrease in banquets and meetings, as well as festivals. Saturdays are the most common day for events at the MFEC, with nearly double the number of events than Thursday, the next most common event day. During the week, meetings are the primary source of demand for the MFEC, followed by some banquets.

FIGURE 5-4
DEMAND SEGMENTATION (PERCENT OF EVENTS FROM 2017-2021)



Sources: MFEC and HVS

Banquets have been increasing as a proportion of total events at the MFEC since 2017, while meetings and assemblies have been decreasing. Banquets are generally more profitable than assemblies or meetings because they generate significantly more food and beverage revenue. Sports have also been increasing marginally, but still only represent 9% of event demand in 2021.

Lost Business Analysis

The MFEC provided HVS with a summary of lost business for events that were lost from 2021 through July 2022. Events are counted as lost if they tentatively reserved dates but ultimately decided not to book the MFEC or received a bid from the MFEC to host an event and ultimately chose another venue. The summary contains lost event data for approximately 250 events. The data includes the event, date, and reason lost. HVS summarized all lost business into the categories provided, including not enough space, price, COVID-19, and F&B preferences. For more than



half of all events, planners did not indicate a reason for not choosing the MFEC. The following figure presents the number of events lost in each category.

FIGURE 5-5
2021-JULY 2022 EVENTS LOST BY CATEGORY

Reason Lost	Events	
	Number	% of Sub-Total
Reason Known		
Not Enough Space	45	38%
Price	32	27%
Event Cancelled or Postponed	27	23%
F&B Policies	13	11%
COVID-19	1	1%
Sub-Total	118	
No Response	133	
Total	251	

The most commonly known reason for the MFEC to lose an event was the lack of space in the facility (38%), followed by the cost of the space (27%). The lack of space will be directly addressed by the proposed building program. The second most common cause of lost business was the price of the MFEC—a frequent complaint among event planners across the country. Only 11% of the events that were lost for a listed reason were due to the food and beverage policies at the MFEC and only one event moved due to COVID-19.

Event Demand Forecast

HVS projected demand for a base year with the expanded MFEC opening January 1, 2026. HVS estimates that incremental event demand would ramp up following the completion of the renovation and expansion and stabilize in 2029.

The figure below breaks out event projections by type of event. Total and average attendance figures represent individual event attendees.

FIGURE 5-6
SUMMARY OF DEMAND PROJECTIONS

	Base Year			Stabilized
	2026	2027	2028	2029
Events				
Conference	5	7	9	10
Consumer Show	15	16	18	20
Banquet	45	53	60	65
Meeting	50	65	80	100
Sports	8	10	11	12
Assembly	20	23	27	30
Concert	10	12	13	15
Festival	15	17	19	20
Total	168	203	237	272
Attendees				
Conference	3,500	4,900	6,300	7,000
Consumer Show	18,000	19,200	21,600	24,000
Banquet	11,300	13,300	15,000	16,300
Meeting	3,800	4,900	6,000	7,500
Sports	4,000	5,000	5,500	6,000
Assembly	5,500	6,300	7,400	8,300
Concert	7,000	8,400	9,100	10,500
Festival	37,500	42,500	47,500	50,000
Total	90,600	104,500	118,400	129,600

The addition of a new large exhibition hall will enable the MFEC to host more consumer shows, while the additional ballroom and meeting space will increase the number of banquet and meeting events. Event demand is projected to begin at slightly below 175 events in 2026 when the facility opens and increase to 272 events by stabilization in 2029. Attendance is projected to increase from nearly 93,000 attendees to nearly 130,000 by stabilization.

The following figure compares the historic demand at the MFEC to the projected stabilized demand of the expanded facility. This shows the changes in demand and attendance that are caused by expansion, relative to today. See the figure below.

FIGURE 5-7
HISTORIC AND PROJECTED DEMAND COMPARISON

Events	Historic Average (Without 2020)	Stabilized Demand (2029)	Difference
Conference	5	10	5
Consumer Show	15	20	6
Banquet	37	65	29
Meeting	45	100	56
Sports	6	12	6
Assembly	25	30	5
Concert	8	15	8
Festival	11	20	9
Total	150	272	122
Attendees			
Conference	2,860	7,000	4,140
Consumer Show	13,403	24,000	10,597
Banquet	9,206	16,300	7,094
Meeting	2,945	7,500	4,555
Sports	5,040	6,000	961
Assembly	6,588	8,300	1,712
Concert	2,125	10,500	8,376
Festival	28,423	50,000	21,577
Total	70,589	129,600	59,011

Relative to the MFEC today, the expanded facility would host more of all event types. This is due to the increase in the number of function spaces, which expands the simultaneous event capability at the MFEC. With more flexible space, a consumer or exhibit show can occur in the exhibit hall, while a banquet or assembly occurs in the ballroom and a meeting happens in the meeting block. Currently, only two events could occur at once, and one had to fit in the smaller Ruby Hall.

The largest increase in events comes from meetings, which is based on the large increase in meeting space and flexibility in the expanded facility. Banquets are also projected to increase significantly. In terms of attendance, festivals grow the most, followed closely by consumer shows. The anticipated site improvements and development will make the plaza outside the MFEC a more pleasant space to be with more supporting amenities, making the already successful festival program at the MFEC even more successful and popular.



**Comparable Demand
Analysis**

While the primary indicator of demand is the ability to expand a venue’s established base of business, a good test for the reasonableness of these demand projections is an analysis of demand at comparable facilities and markets. HVS used confidential data on three comparable facilities to compare the demand at the MFEC. These facilities are of a similar size and in similar sized markets to the MFEC, but there are some differences in demand related to venue operations. See the figure below.

**FIGURE 5-8
COMPARABLE DEMAND ANALYSIS**

	Comparable Facility 1	Comparable Facility 2	Comparable Facility 3	Comparable Set Average	Expanded MFEC
Total Events	220	365	228	271	285
Total Attendees	147,286	238,657	178,571	188,171	137,100

The first comparable facility in the set hosts fewer events but generates more attendees than the MFEC. This is due to the facility having a larger exhibit hall and hosting more conventions, tradeshow, and consumer shows than the MFEC. It also features a hotel with more than 200 rooms within a block from the facility. The second comparable facility hosts more events and more than 100,000 attendees than the MFEC, but more than half of the events are meetings. These smaller meetings are supplemented by a larger number of consumer shows and conventions that generate the large number of attendees, which are attracted by the nearly 300-room hotel adjacent to the facility. The final comparable facility is similar to the second, with more than 50% of events being meetings, with large consumer shows and tradeshow generating a majority of the attendance. It is supported by a 200-room hotel that is attached to the facility via an overhead walkway. HVS projects that more than one-third of events at the expanded MFEC would be meetings but did not project more due to the limited demand for meetings today.

HVS intends for demand projections to show the expected levels of event numbers and attendance. Projections show smooth growth over time. However, event demand and booking cycles do not always run smoothly. Unpredictable local and national economic factors can affect businesses. Event demand often moves in cycles based on rotation patterns and market conditions. Therefore, HVS recommends interpreting the demand projections as a mid-point of a range of possible outcomes and over a multi-year period, rather than relying on projections for any one specific year.



6. Financial Analysis

HVS uses a proprietary financial operating model to estimate revenues and expenses at convention and event centers. This model quantifies the key variables and operating ratios that determine revenue potential and expense levels. Unless otherwise indicated, HVS assumes an annual inflation rate of 2.5% applies to both revenues and expenses.

The industry does not use a standardized set of accounting practices for reporting financial performance and operators employ a variety of accounting methods. However, a few major revenue and expense categories are common to most venues. HVS relied on the proposed MFEC's organization of revenue and expenses but condensed certain line items and restated its financial operations.

Organization of Financial Statements

HVS obtained data on historical MFEC operations for the calendar year 2016 through 2021 and restated that information as line items organized into two general categories: 1) Revenue and 2) Operating Expense HVS uses this same categorization of revenue and expense for the financial projections to follow. The following figure presents a restatement of historical financial operations.

**FIGURE 6-1
HISTORICAL OPERATIONS**

	2016	2017	2018	2019	2020	2021
Revenue						
Facility Rental	\$485,774	\$357,796	\$352,805	\$370,137	\$236,267	\$263,433
Food & Beverage	341,159	219,963	346,572	364,466	306,398	159,333
Audio Visual	11,252	15,706	11,632	17,248	10,191	9,590
Sponsorship	17,401	0	0	0	232,700	224,780
Box Office Revenue	24,918	22,838	20,121	16,474	130,310	21,039
Other	744	2,445	3,557	2,713	1,430	140
Total Revenue	\$881,248	\$618,748	\$734,687	\$771,038	\$917,297	\$678,314
Operating Expense						
Salaries & Benefits	\$1,099,176	\$1,335,776	\$1,752,035	\$1,651,820	\$1,549,184	\$1,350,203
Food & Beverage Costs	304,679	233,541	485,479	373,588	274,977	57,584
Contractual Services	96,651	87,123	126,966	205,687	230,608	173,696
Administrative & General	22,427	32,440	40,404	42,097	41,753	63,421
Repair & Maintenance	298,746	1,279,083	1,368,088	252,165	169,079	105,038
Supplies & Equipment	118,574	220,354	135,474	161,796	254,485	117,727
Insurance	120,479	93,079	101,013	112,359	110,561	111,427
Box Office Expense	18,956	27,720	24,420	42,668	182,766	233,410
Utilities	217,229	122,025	117,316	113,765	104,693	108,944
Other	25,819	23,622	12,359	23,056	18,690	10,776
Total Operating Expense	\$2,322,736	\$3,454,764	\$4,163,555	\$2,979,001	\$2,936,796	\$2,332,226
TOTAL NET INCOME (LOSS)	(\$1,441,488)	(\$2,836,017)	(\$3,428,868)	(\$2,207,963)	(\$2,019,499)	(\$1,653,912)

Source: MFEC

The MFEC has historically generated an operating loss between \$1.4 and \$3.4 million. Revenues vary between \$618,000 and \$917,000, generated by the rental of the facility and the sale of food and beverages. The five-year sponsorship deal with the MIDFLORIDA Credit Union began in 2020. Food and beverage costs have been decreasing consistently as the facility operator switches from an in-house operation to a contract-only basis. Repair and Maintenance spiked in 2017 and 2018 because of an agreement with the City to provide \$1 million in repair and maintenance work in 2017 and 2018. Current facility operators terminated that agreement in 2019. Box office expenses have changed in proportion with the size of shows that the facility hosts.

Projection of Financial Operations

HVS projected revenue and expenses for a base year (2026) for the expansion of the MFEC as described in the building program recommendations section of this report. For the purposes of this analysis, we assume that the expansion and renovation of the MFEC is completed by January in 2026. As discussed in our demand analysis, a three-year ramp-up period would be necessary to stabilize the operation in 2029.



We initially project financial operations in uninflated 2026 dollars for the base year and the stabilized year, then apply an inflation rate of 2.5% to all line items (unless otherwise stated).

Revenue

Revenue is the income derived from business operations and other business activities. MFEC revenue line items include Facility Rental, Food and Beverage, Audio Visual, Sponsorship, Box Office Revenue, and Other. HVS estimates operating revenues as fixed amounts (subject to inflation) or as amounts per unit of demand. In this analysis, we used events and attendee days as units of demand. To formulate the revenue parameters (amounts per unit of demand), HVS relied on historic operations of the MFEC, interviews with MFEC staff, industry information, knowledge of the performance of comparable venues, and information on price levels from local area sources. We adjusted the assumptions for inflation and other anticipated trends in price levels.

The figure below summarizes the Revenue parameters for each unit of demand and by type of event.



FIGURE 6-2
REVENUE PARAMETERS (\$2026)

Revenue Line Item and Demand Source	Revenue Estimation Unit	Amount per Unit	
		Pre-Opening	Post Opening
Facility Rental			
Conference	Event Days	\$2,500	\$2,500
Consumer Show	Event Days	5,000.00	5,000.00
Banquet	Event Days	2,500.00	2,500.00
Meeting	Event Days	1,500.00	1,500.00
Sports	Event Days	5,000.00	5,000.00
Assembly	Event Days	3,000.00	3,000.00
Festival	Event Days	3,000.00	3,000.00
Food & Beverage			
Conference	Attendee Days	\$5.01	\$5.01
Consumer Show	Attendee Days	0.63	0.63
Banquet	Attendee Days	5.64	5.64
Meeting	Attendee Days	1.25	1.25
Sports	Attendee Days	0.63	0.63
Festival	Attendee Days	0.31	0.31
Audio Visual			
Conference	Event Days	\$1,000	\$1,000
Consumer Show	Event Days	500	500
Banquet	Event Days	1,500	1,500
Meeting	Event Days	250	250
Sports	Event Days	500	500
Assembly	Event Days	500	500
Festival	Event Days	750	750
Sponsorship	Fixed	195,000	195,000
Box Office Revenue			
Concert	Attendee	25.00	25.00
Other	Fixed	2,365	2,365

The revenue parameter estimates shown above are based on analysis of historical operations and knowledge of the operation of comparable venues. HVS calibrated revenue parameters in the HVS VenueModel® so that they generate revenue estimates for a base year that reflect average operating revenues in comparable facilities.

A brief description of each line item follows.



Facility Rental—Facility rental revenue includes the revenue venues receive from clients that reserve one or more function areas in the facility. Despite having published rates, convention centers typically charge rental fees based on negotiated daily rental fees. Not all events incur a facility rental fee. Management may reduce or waive the exhibit rental charges to book an event that generates significant food and beverage revenue or has a positive economic impact.

Food and Beverage (Net)—Most events that use a venue's function space will arrange for food service for their attendees during their events. This food service includes catering which can range from coffee breaks associated with a meeting to a full dinner associated with a convention or banquet. Consumer shows, sporting events, and other events may generate concessions revenue. Most conventions and conferences generate demand for multiple meals during these multi-day events. Meetings and banquets generally include a single meal or refreshment services. Events like conventions and tradeshow typically spend the most per attendee. Consumer shows have lower per capita spending. The MFEC charges a fee for any event using food and beverage, 15% for alcohol, 12% for catering, and 10% for other items. This operating model is common in smaller facilities that do not generate enough food and beverage activity to run their own food and beverage department. The increase in business from the expansion will enable the MFEC to attract larger caterers than they currently use, however the operating model is expected to stay the same, regardless of catering company.

Event Services—Audio visual revenue includes the costs of sound and video system used for presentations and productions during events.

Sponsorship—Revenue generated from the naming rights agreement with MIDFLORIDA Credit Union, as well as the sponsorship of the concert series at the MFEC.

Box Office Revenue—Revenue generated from the sale of tickets for MFEC events and concerts. This includes taxable and non-taxable box office revenues.

Other—Other revenue includes miscellaneous and non-recurring revenue sources. These include ATM revenue and revenue from art sales.

Operating Expenses

HVS estimates operating expenses as a blend of fixed and variable costs. Expenses have 1) a fixed component that changes with inflation, and 2) a variable component that depends on the level facility utilization. Fixed expenses may also increase or decrease due to changes in operating conditions or management decisions. For example, the addition of staff could increase fixed salary expenses. All fixed expenses are adjusted for inflation. HVS estimates variable expenses using a ratio-



to-sales analysis, or based on amounts per unit of utilization, such as the number of events, attendees, or some other factor.

FIGURE 6-3
EXPENSE PARAMETERS (\$2026)

Expense Line Item	Estimation Method	Unit	Amount Per Unit		Fixed %
			Base Year	Stabilized Year	
Operating Expense					
Salaries & Benefits	Fixed Amount		\$2,184,548	\$2,184,548	100%
Contractual Services	Ratio to Sales	Audio Visual	80.00%	80.00%	100%
Administrative & General	Ratio to Sales	Total Revenue	5.00%	5.00%	100%
Repair & Maintenance	Ratio to Sales	Total Revenue	6.00%	6.00%	100%
Supplies & Equipment	Ratio to Sales	Total Revenue	5.50%	5.50%	100%
Insurance	Ratio to Sales	Total Revenue	3.00%	3.00%	75%
Box Office Expense	Ratio to Sales	Box Office Revenue	90.00%	90.00%	100%
Utilities	Ratio to Sales	Total Revenue	4.00%	4.00%	100%
Other	Ratio to Sales	Total Revenue	2.00%	2.00%	100%

The expense parameter estimates shown above are based on analysis of historical operations. HVS calibrated parameters in the VenueModel® so that they generate expense estimates for a base year that reflect average or recent operations. In aggregate, these parameters produce expense estimates that reflect historic operations as well as the operations of similar facilities.

Expenses

Operating expenses are incurred to maintain the normal business operations of the venue. Many of these expenses vary with the level facility utilization.

A brief description on each expense line item follows.

Salaries & Benefits—Salaries and associated benefits include compensation for permanent full and part-time employees dedicated to administration, marketing, building operations, and other functions. The increase in salaries and benefits is based on conversations with the current leadership of the MFEC.

Contractual Services—Contractual services include outsourced operations and maintenance services as well as professional services necessary to conduct venue operations such as legal, accounting, tax, consulting, or other advice.

Administrative & General—Office and administrative operations incur day-to-day facility expenses. Such expenses typically include travel, telephone, printing, permits, and other miscellaneous services.



Supplies & Equipment—This category includes items such as computers, office machines, furniture, consumables, and chemicals that are required to support and maintain the operations of the facility.

Insurance—Insurance costs include property insurance, casualty loss, and other liability insurance required for facility operations.

Utilities—The consumption of various utilities takes several forms, including water and space heating, air conditioning, lighting, cooking fuel, and other miscellaneous power requirements. The most common utilities costs include electricity, natural gas, fuel oil, water, and steam.

Box Office Expense—Includes services fees or handling charges on all tickets sold to events presented internally by the facility. Also includes talent fees for concert events as well as production costs for concert and entertainment events.

Utilities—The consumption of various utilities takes several forms, including water and space heating, air conditioning, lighting, cooking fuel, and other miscellaneous power requirements. The most common utilities costs include electricity, natural gas, fuel oil, water, and steam.

Other—Other expenses incurred in the operations of the MFEC. These include credit card fees and interest.

Operating Pro Forma

The figure below compares inflated projections for the base year (2026) with inflated projections for a stabilized year of operations (2029).



FIGURE 6-4
FINANCIAL OPERATING PROJECTS (\$ INFLATED)

	Base Year		Stabilized Year	
	CY 2026		CY 2029	
	Amount	% Total	Amount	% Total
Revenue				
Facility Rental	\$575,281	46%	\$927,203	49%
Food & Beverage (Net)	146,513	12%	248,515	13%
Audio Visual	140,553	11%	227,385	12%
Sponsorship	199,875	16%	215,244	11%
Box Office Revenue	179,375	14%	289,751	15%
Other Revenue	2,424	0%	2,610	0%
Total Revenue	\$1,244,021	100%	\$1,910,708	100%
Operating Expense				
Salaries & Benefits	\$2,239,162	180%	\$2,411,333	126%
Contractual Services	112,443	9%	181,908	10%
Administrative & General	62,201	5%	95,535	5%
Repair & Maintenance	74,641	6%	114,642	6%
Supplies & Equipment	68,421	6%	105,089	6%
Insurance	37,321	3%	57,321	3%
Box Office Expense	170,406	14%	275,263	14%
Utilities	49,761	4%	76,428	4%
Other Expense	24,880	2%	38,214	2%
Total Operating Expense	\$2,839,236	228%	\$3,355,735	176%
TOTAL NET INCOME (LOSS)	(\$1,595,215)	-128%	(\$1,445,027)	-76%

HVS projects that the expanded MFEC will generate \$1.2 million in revenue in the first year of operations, increasing to \$1.9 when demand stabilizes. The majority of this revenue comes from the facility rental, however the food and beverages revenues shown are net of any expenses. Expenses are expected to increase from \$2.8 million to \$3.3 million. The largest area for expense is salaries and benefits, followed by the box office expense of hosting concerts. The operating loss at stabilization is \$1.4 million and the ratio of revenue to expense is 57%.

The figure below presents the ten-year financial projections for the MFEC. The projections are in inflated dollars beginning in 2026, the base year of HVS projections.

FIGURE 6-5
TEN-YEAR FINANCIAL OPERATING PROJECTIONS

	Base Year		Stabilized							
	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Revenue										
Facility Rental	\$575,281	\$684,745	\$807,937	\$927,203	\$950,383	\$974,142	\$998,496	\$1,023,458	\$1,049,045	\$1,075,271
Food & Beverage (Net)	124,798	155,444	186,329	209,702	214,945	220,318	225,826	231,472	237,259	243,190
Audio Visual	140,553	170,070	200,705	227,385	233,070	238,897	244,869	250,991	257,266	263,697
Sponsorship	199,875	204,872	209,994	215,244	220,625	226,140	231,794	237,589	243,528	249,616
Box Office Revenue	179,375	220,631	244,993	289,751	296,995	304,420	312,030	319,831	327,827	336,022
Other	2,424	2,484	2,547	2,610	2,675	2,742	2,811	2,881	2,953	3,027
Total Revenue	\$1,222,306	\$1,438,246	\$1,652,505	\$1,871,895	\$1,918,692	\$1,966,660	\$2,015,826	\$2,066,222	\$2,117,877	\$2,170,824
Operating Expense										
Salaries & Benefits	\$2,239,162	\$2,295,141	\$2,352,520	\$2,411,333	\$2,471,616	\$2,533,406	\$2,596,742	\$2,661,660	\$2,728,202	\$2,796,407
Contractual Services	112,443	86,572	133,104	181,908	186,456	191,117	195,895	200,793	205,813	210,958
Administrative & General	61,115	44,542	68,484	93,595	95,935	98,333	100,791	103,311	105,894	108,541
Repair & Maintenance	73,338	53,451	82,181	112,314	115,122	118,000	120,950	123,973	127,073	130,249
Supplies & Equipment	67,227	48,997	75,332	102,954	105,528	108,166	110,870	113,642	116,483	119,395
Insurance	36,669	42,761	54,787	56,157	57,561	59,000	60,475	61,987	63,536	65,125
Box Office Expense	170,406	262,000	268,550	275,263	282,145	289,199	296,429	303,839	311,435	319,221
Utilities	48,892	71,268	73,050	74,876	76,748	78,666	80,633	82,649	84,715	86,833
Other	24,446	17,817	27,394	37,438	38,374	39,333	40,317	41,324	42,358	43,416
Total Operating Expense	\$2,833,699	\$2,922,548	\$3,135,400	\$3,345,838	\$3,429,484	\$3,515,221	\$3,603,101	\$3,693,179	\$3,785,508	\$3,880,146
TOTAL NET INCOME (LOSS)	(\$1,611,393)	(\$1,484,302)	(\$1,482,896)	(\$1,473,943)	(\$1,510,791)	(\$1,548,561)	(\$1,587,275)	(\$1,626,957)	(\$1,667,631)	(\$1,709,322)



The expansion of the MFEC is expected to decrease the operating loss of the facility and increase the economic impact of the facility.

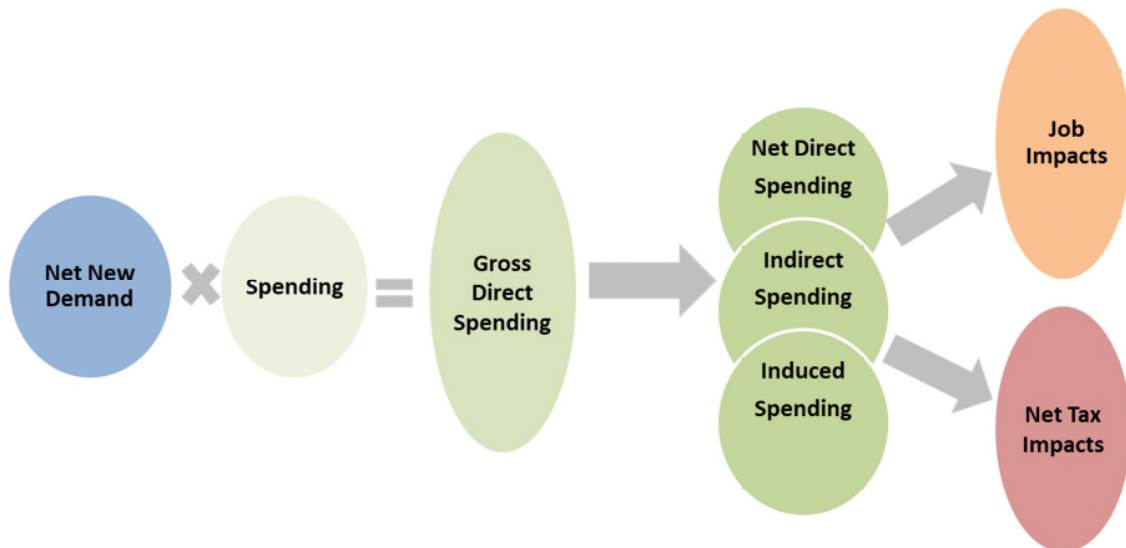
HVS intends for financial projections to show the expected levels of revenues and expense. Projections show smooth growth over time. However, event demand and booking cycles are not always smooth. Unpredictable local and national economic factors can affect business. Event demand is often cyclical, based on rotation patterns and market conditions. Therefore, HVS recommends interpreting the financial projections as a mid-point of a range of possible outcomes and over a multi-year period rather than relying on projections for any one specific year.

7. Economic Impact

Based on the demand projections presented in this report, HVS identified the new spending that would occur in the local economy due to the proposed renovation and expansion of the MIDFLORIDA Credit Union Event Center (“MFEC”). HVS estimated the amounts of income and employment that new visitors, event organizers, and exhibitors would generate in St. Lucie County if the MFEC were expanded. HVS also estimated the income and employment that would be supported by events at the MFEC if it were not expanded, in a do-nothing scenario. HVS studied the project area of St. Lucie County.

The figure below demonstrates our methodology.

FIGURE 7-1
METHODOLOGY FOR ECONOMIC AND FISCAL IMPACT ANALYSIS



Direct, Indirect, and Induced Spending

Spending falls into three categories:

- **Direct spending** includes the new spending of event attendees and organizers. For example, an attendee’s expenditure on a restaurant meal is a direct spending impact. Direct spending includes only new spending that originates from



outside St. Lucie County. Spending by attendees who live within the market area is a transfer of income from one sector of the area's economy to another; therefore, this analysis does not count spending by local residents as a new economic impact. Net direct spending is the amount of direct spending that falls into the local economy.

- **Indirect spending** follows from the business spending resulting from the initial direct spending. For example, an event 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 remain within St. Lucie County count as indirect impacts.
- **Induced spending** represents the change in local consumption due to personal spending by employees whose incomes change from direct and indirect spending. For example, a waiter at a local restaurant may have more personal income as a result of an event attendee dining at the restaurant. The amount of the increased income that the waiter spends in the local economy is an induced impact.

To generate direct spending estimates, HVS applied assumptions about the amounts of new spending generated by MFEC event attendees and sponsors. HVS used the IMPLAN input-output model of the local economy to estimate net direct, indirect, and induced spending. The sum of net direct, indirect, and induced spending estimates makes up the total estimated spending impact of the MFEC.

Some refer to indirect and induced impacts as multiplier effects. The relationship between direct spending and the multiplier effects varies based upon the specific size and characteristics of a local area's economy.

Sources of Direct Spending

HVS identified four sources of new direct spending impact:

- **Overnight Guests:** Visitors to Port St. Lucie who require overnight lodging, including convention delegates, meeting attendees, and attendees at other MFEC events. Overnight delegate spending includes the spending on meals, shopping, local transportation, recreation and entertainment, and other goods and services while in town.
- **Daytrip Attendees:** Visitors to the MFEC who do not require paid lodging. In most markets, day-trippers typically spend money on meals, shopping, local transportation, recreation and entertainment, and other goods and services while in town.
- **Event Organizers:** Individuals, associations, or other organizations that plan, sponsor, organize, and coordinate events that take place at MFEC facilities. In addition to facility spending, event organizers also spend on



lodging, meals, local transportation, facility rentals, equipment rentals, and other goods and services required to plan and organize a successful event.

- **Exhibitors:** Individuals or companies that rent exhibition space, typically from event organizers, to display information or products at events. In addition to spending at the facility, exhibitors purchase lodging, meals, local transportation, vendor services, meeting room rentals, equipment rentals, and other goods and services.

Estimation of new spending of each of these sources involves three sets of assumptions: 1) the number of new visitors to the market, 2) the geographic location of their spending, and 3) the amounts typically spent by each of the sources.

New Visitors

HVS estimated the percentage of each visitor type that would come from outside the market rather than from the local area. The spending estimates only include new visitor spending because non-residents import income, whereas residents transfer income already in the market area. See the figure below

FIGURE 7-2
NEW SPENDING PERCENTAGE BY EVENT TYPE

Geographic Area/Visitor Type	Overnight Guests	Day Trips	Exhibitor Attendees	Event Attendees
City of Port St. Lucie				
Conference	95%	73%	75%	90%
Consumer Show	50%	73%	90%	90%
Banquet	20%	5%	0%	75%
Meeting	50%	5%	0%	50%
Sports	98%	75%	0%	80%
Assembly	5%	5%	0%	50%
Concert	75%	25%	0%	90%
Festival	5%	5%	5%	75%

- **Overnight Guests** – HVS assumes that the percentage of overnight guests that are new to Port St. Lucie varies between 95% and 5% by event type. Conferences and sports generate the most impact as there is not a comparable facility to host those events in Port St. Lucie. Assemblies generate the least as they usually attract local audiences and can occur in Tradition as well as the Community Center. Some overnight guests may stay with friends and family or outside the market.
- **Day Trips** – Estimates are based on the percentage of the population for the market area as a percentage of the total drive time population within various drivetimes.



- Exhibitor/Organizer spending on Event Attendees/Delegates – HVS based estimates on the percentage of attendees by events organized and exhibited by companies that would otherwise not hold or participate in an event in Port St. Lucie.

The product of the visitor forecasts and the percentage of demand new to the market yields an estimate of the sources of impact shown in the table below. That is:

$$\text{Total Overnight Guests} \times \text{Percent New} = \text{New Overnight Stays}$$

$$\text{Total Day Trips} \times \text{Percent New} = \text{New Day Trips}$$

$$\text{Total Delegate Days} \times \text{Percent New} = \text{New Delegate Days}$$

The figures below shows the number of new visitors to Port St. Lucie that generate new spending in a do-nothing scenario, and under the recommended expansion.

FIGURE 7-3
SUMMARY OF DIRECT SPENDING- MFEC EXPANSION

Demand Type	Overnight Visitor Days	Day Trips	Attendee- Days*
City of Port St. Lucie			
Conference	10,600	2,500	12,600
Consumer Show	600	16,700	32,400
Banquet	0	700	12,225
Meeting	800	300	4,500
Sports	6,600	1,100	7,200
Assembly	0	400	4,150
Concert	500	2,500	9,450
Festival	100	2,400	56,250
Total	19,200	26,600	138,775
*Used to estimate organizer and exhibitor spending.			



FIGURE 7-4
SUMMARY OF DIRECT SPENDING- MFEC DO NOTHING

Demand Type	Overnight Visitor Days	Day Trips	Attendee- Days*
City of Port St. Lucie			
Conference	1,200	2,100	3,400
Consumer Show	600	15,700	22,300
Banquet	200	0	7,100
Meeting	100	0	700
Sports	6,900	3,500	7,400
Assembly	0	0	1,700
Concert	100	300	1,200
Festival	100	2,200	34,400
Total	9,200	23,800	78,200
*Used to estimate organizer and exhibitor spending.			

Spending Parameters

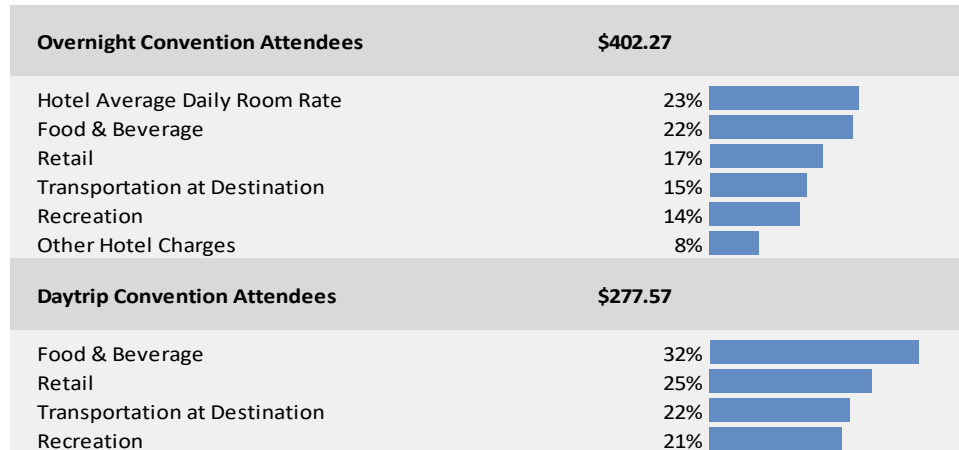
Delegates, attendees, event organizers, and exhibitors spend locally on lodging, meals, local transportation, facility rentals, vendor services, meeting room rentals, equipment rentals, and other goods and services.

To estimate the spending for overnight and day trip visitors, HVS used results from several tourism spending data sources. Our primary source is Travel USA study by Longwoods International. This survey is conducted annually with a sample size of approximately 350,000 trips and assesses origin, spending, party size, and primary purpose of the trip. HVS supplements this with the Destination International ("DI") Convention Expenditure & Impact Study which surveyed event organizers across over 1,000 events to gather daily spending parameters on overnight convention attendees, day-trip event attendees, exhibiting companies, and event organizers. HVS applies parameters from the Corporate Travel Index ("CTI") to account for local spending patterns. Adjusted data from DI provides estimates of organizer spending per visitor day.

All spending parameters are stated as the daily spending by individual overnight guests and day-trippers in 2022 dollars. The following figures present the direct spending estimates for each spending category.

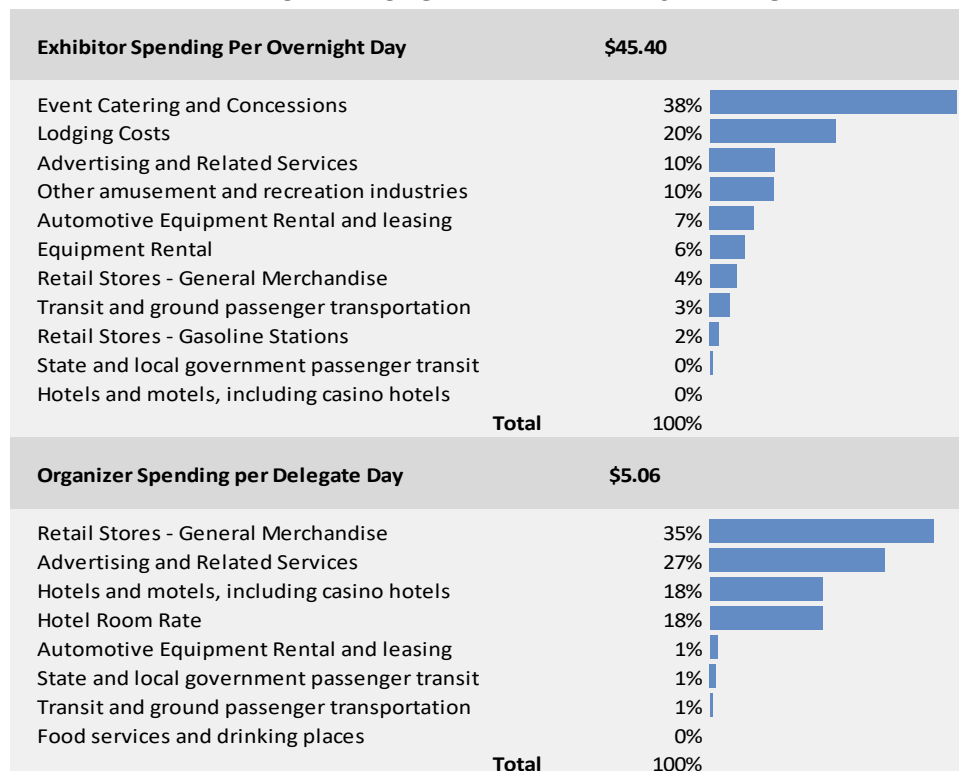


FIGURE 7-5
CONVENTION ATTENDEE SPENDING



Sources: Longwoods International, STR, CTI

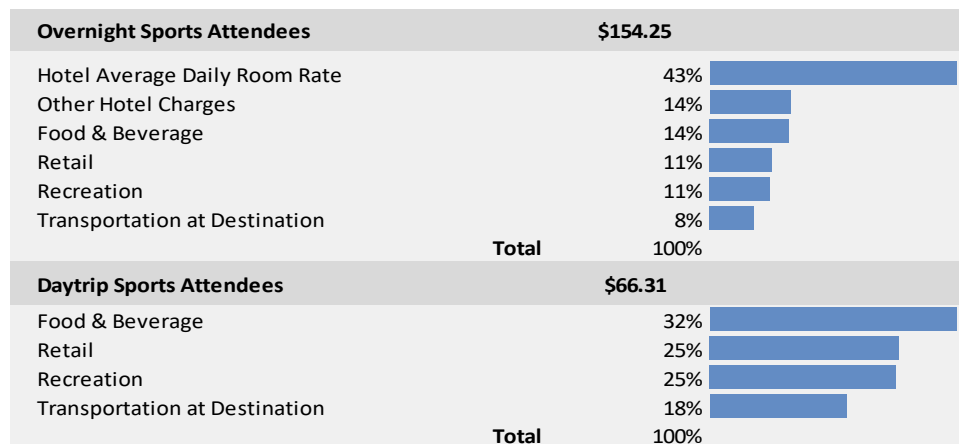
FIGURE 7-6
EXHIBITOR AND ORGANIZER ATTENDEE SPENDING



Sources: Destinations International, CTI

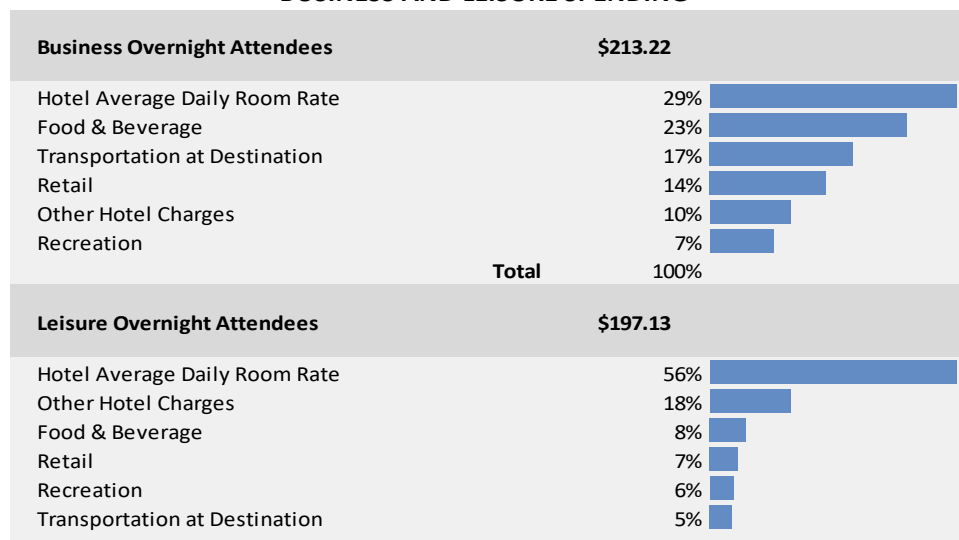


FIGURE 7-7
SPORTS ATTENDEE SPENDING



Sources: Longwoods International, STR, CTI

FIGURE 7-8
BUSINESS AND LEISURE SPENDING



Sources: Longwoods International, STR, CTI



Facility Revenue from Outside Spending

Event organizers and exhibitors create additional impacts through spending at the MFEC through facility rentals, the purchase of event food and beverage services, and other spending at the venue. Using operating revenue histories, HVS estimated future spending by exhibitors and event organizers at the MFEC including:

Facility Rental—Facility rental revenue includes the revenue venues receive from clients that reserve one or more function areas in the facility. Despite having published rates, convention centers typically charge rental fees based on negotiated daily rental fees. Not all events incur a facility rental fee. Management may reduce or waive the exhibit rental charges to book an event that generates significant food and beverage revenue or has a positive economic impact.

Food and Beverage (Gross)—Most events that use a venue's function space will arrange for food service for their attendees during their events. This food service includes catering which can range from coffee breaks associated with a meeting to a full dinner associated with a convention or banquet. Consumer shows, sporting events, and other events may generate concessions revenue. Most conventions and conferences generate demand for multiple meals during these multi-day events. Meetings and banquets generally include a single meal or refreshment services. Events like conventions and tradeshow typically spend the most per attendee. Consumer shows have lower per capita spending.

Event Services—Audio visual revenue includes the costs of sound and video system used for presentations and productions during events.

Sponsorship—Revenue generated from the naming rights agreement with MIDFLORIDA Credit Union, as well as the sponsorship of the concert series at the MFEC.

Box Office Revenue—Revenue generated from the sale of tickets for MFEC events and concerts. This includes taxable and non-taxable box office revenues.

Other—Other revenue includes miscellaneous and non-recurring revenue sources. These include ATM revenue and revenue from art sales.

Gross Direct Spending

HVS applied the previous sources of spending impacts and spending parameters to estimate gross direct spending for a stabilized year. See the figure below.

FIGURE 7-9
GROSS DIRECT SPENDING – MFEC EXPANSION

Visitor Type	Number of New Visitors			Daily Spending	Total Spending (Millions)
Convention Delegate Overnight Spending =	11,299	overnight visitors	x	\$402.27 =	\$4.55
Convention Delegate Daytrip Spending =	25,600	daytrip visitors	x	277.57 =	7.11
Exhibiting Company Spending per attendee =	46,700	attendees	x	45.40 =	2.12
Event Organizer Spending per attendee =	138,800	attendees	x	5.06 =	0.70
Overnight Sports Attendees =	6,600	overnight visitors	x	154.25 =	1.02
Daytrip Sports Attendees =	1,100	daytrip visitors	x	66.31 =	0.07
Business Overnight Attendees =	800	overnight visitors	x	213.22 =	0.17
Leisure Overnight Attendees =	500	overnight visitors	x	197.13 =	0.10
				Facility Revenue =	1.64
				Total Gross Direct Spending =	\$17.48

FIGURE 7-10
GROSS DIRECT SPENDING – MFEC DO NOTHING

Visitor Type	Number of New Visitors			Daily Spending	Total Spending (Millions)
Convention Delegate Overnight Spending =	1,882	overnight visitors	x	\$395.84 =	\$0.74
Convention Delegate Daytrip Spending =	20,300	daytrip visitors	x	277.57 =	5.63
Exhibiting Company Spending per attendee =	25,200	attendees	x	45.40 =	1.14
Event Organizer Spending per attendee =	78,200	attendees	x	5.06 =	0.40
Overnight Sports Attendees =	6,900	overnight visitors	x	147.74 =	1.02
Daytrip Sports Attendees =	3,500	daytrip visitors	x	66.31 =	0.23
Business Overnight Attendees =	300	overnight visitors	x	252.85 =	0.08
Leisure Overnight Attendees =	200	overnight visitors	x	148.27 =	0.03
				Facility Revenue =	1.66
				Total Gross Direct Spending =	\$10.94

IMPLAN Impact Modeling

HVS uses the IMPLAN input-output model to estimate indirect and induced spending and employment impacts. IMPLAN is a nationally recognized model developed at the University of Minnesota and commonly used to estimate economic impacts. An input-output model generally describes the commodities and income that normally flow through the various sectors of a given economy. The indirect and induced spending and employment effects represent the estimated changes in the flow of income, goods, and services caused by the estimated direct spending. The IMPLAN model accounts for the specific characteristics of the local area economy and estimates the share of indirect and induced spending that it would retain.



HVS categorized new direct expenditures into spending categories that we provide inputs into the IMPLAN model. Specifically, the IMPLAN model relies on spending categories defined by the U.S. Census according to the North American Industry Classification System (“NAICS”). Because the spending data from the spending surveys used by HVS do not match the NAICS spending categories, HVS translates the spending categories into the NAICS spending categories that most closely match.

Annual Net Direct Spending

Not all of the gross direct spending counts as an economic impact because some of the spending does not generate income within the market. HVS adjusts gross direct spending to account for income that leaks out of the local economy by estimating retail margins and local purchase percentages. As a result, the realized direct spending (“net direct spending”) is lower than the gross direct spending in the market area.

Retail Margins

Spending at retailers creates a smaller economic impact compared to spending in other industries. Retailers add value equal to the margin or price increase of the good above the original price paid to obtain the good. The IMPLAN model is product based, so HVS uses IMPLAN margin numbers to account for the discrepancy between retail purchaser prices and producer prices.

Local Purchase Percentage

To accurately measure spending impacts, HVS counts spending on products and services located in the market area. Some of the direct spending demand in the market area cannot be accommodated. For example, an event organizer may need to buy novelty items for all attendees but finds that the market area does not produce these items. This effect occurs for direct, indirect, and induced spending. HVS uses the IMPLAN SAM model values to track the percentage of a good purchased within the market area.

Indirect and Induced Spending

The relationship between direct spending and the multiplier effects can vary based on the specific size and characteristics of a local area’s economy. HVS enters the gross direct spending estimate into the IMPLAN input output model of the local economy to estimate the net direct, indirect, and induced spending. HVS obtained the most recent available data from IMPLAN for Port St. Lucie.

The following figures present the output of the IMPLAN model – the net new direct, indirect, and induced economic impacts and that are attributable to the proposed renovation and expansion of the MFEC. HVS also used IMPLAN to estimate the jobs created based on the direct, indirect, and induced spending estimates.

Annual Net Spending Impacts

The figure below shows the annual net direct, indirect and induced spending generated for Port St. Lucie in the expansion scenario as well as the do nothing scenario.



FIGURE 7-11
ANNUAL ECONOMIC IMPACT ESTIMATES

Impact (\$ millions)	Expansion	Do Nothing	Difference
Spending Estimates			
Net Direct	\$15.3	\$9.6	\$5.7
Indirect	5.1	3.5	\$1.6
Induced	3.3	2.0	\$1.2
Total	\$23.7	\$15.1	\$8.6

Employment Impacts

HVS calculated the full-time equivalent jobs supported by the spending in each economic sector. The figure below summarizes the results.

FIGURE 7-12
EMPLOYMENT IMPACT IN A STABILIZED YEAR

Full-Time Equivalent Jobs	Expansion	Do Nothing	Difference
Direct	158	97	61
Indirect	31	21	10
Induced	19	12	7
Total Permanent Jobs	209	131	78

By a stabilized year of operation, the expansion project would support approximately 75 permanent full-time equivalent jobs. This does not include employment in the MFEC itself.

Fiscal Impacts

Fiscal impacts are the public sector share of the economic impacts generated by tax collections on new spending. The previously discussed spending estimates provide a basis for estimating potential tax revenue, as certain existing St. Lucie County taxes would apply to some of the spending.

The IMPLAN analysis generates net-direct, indirect, and induced outputs, which fall into various NAICS categories. HVS determined which taxes would apply to which category of output. HVS then used the appropriate tax rates to estimate the amount of tax revenue.

HVS applied these nominal tax rates to a detailed breakdown of spending and income categories that result from direct, indirect, and induced spending through operation of the MFEC. HVS then estimated the potential annual revenue from each tax source as shown in the following figures.



FIGURE 7-13
FISCAL IMPACT EXPANSION – ST. LUCIE COUNTY

Tax Category	Tax Base	Effective Tax Rate	Estimated Tax Revenue
Local Sales & Use Tax	\$21,394,336	1.00%	\$213,900

Sources: IMPLAN and HVS

The sales and use tax would generate approximately \$214,000 in annual tax revenue to St. Lucie County in a stabilized year of operation, if the expansion project occurs.

FIGURE 7-14
FISCAL IMPACT DO NOTHING – ST. LUCIE COUNTY

Tax Category	Tax Base	Effective Tax Rate	Estimated Tax Revenue
Local Sales & Use Tax	\$13,768,562	1.00%	\$137,700

Sources: IMPLAN and HVS

In a do-nothing scenario, the MFEC generates \$138,000 in local sales and use tax revenue for St. Lucie County. The expansion increases this annual fiscal impact by \$76,000

The following figure summarizes recurring annual economic and fiscal impacts in a stabilized year, as well as the difference between scenarios.

FIGURE 7-15
SUMMARY OF ECONOMIC AND FISCAL IMPACTS

Summary of Impacts*	Expansion	Do Nothing	Difference
Economic Impact (millions)	\$23.7	\$15.1	\$8.6
Fiscal Impact (thousands)	\$213.9	\$137.7	\$76.2
Jobs	209	131	78
*In a stabilized year.			

The expansion of the MFEC increases the economic impact of the facility by \$8.5 million, the fiscal impact by \$76,000, and generates 78 more full-time equivalent jobs in the local area.

These economic and fiscal impact estimates are subject to the assumptions and limiting conditions described throughout the report. Numerous assumptions about



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Chicago, Illinois

future events and circumstances form the basis for these estimates. Although we consider these assumptions reasonable, we cannot provide assurances that the project will achieve the forecasted results. Actual events and circumstances are likely to differ from the assumptions in this report and some of those differences may be material. The readers should consider these estimates as a midpoint in a range of potential outcomes.



8. Statement of Assumptions and Limiting Conditions

1. This report is to be used in whole and not in part.
2. No responsibility is assumed for matters of a legal nature.
3. We have not considered the presence of potentially hazardous materials on the proposed site, such as asbestos, urea formaldehyde foam insulation, PCBs, any form of toxic waste, polychlorinated biphenyls, pesticides, or lead-based paints.
4. All information, financial operating statements, estimates, and opinions obtained from parties not employed by HVS are assumed to be true and correct. We can assume no liability resulting from misinformation.
5. Unless noted, we assume that there are no encroachments, zoning violations, or building violations encumbering the subject property.
6. We are not required to give testimony or attendance in court by reason of this analysis without previous arrangements, and only when our standard per-diem fees and travel costs are paid prior to the appearance.
7. If the reader is making a fiduciary or individual investment decision and has any questions concerning the material presented in this report, it is recommended that the reader contact us.
8. We take no responsibility for any events or circumstances that take place after the date of our report.
9. The quality of a facility's on-site management has a direct effect on a facility's economic performance. The demand and financial forecasts presented in this analysis assume responsible ownership and competent management. Any departure from this assumption may have a significant impact on the projected operating results.
10. The impact analysis presented in this report is based upon assumptions, estimates, and evaluations of the market conditions in the local and national economy, which may be subject to sharp rises and declines. Over the projection period considered in our analysis, wages and other operating expenses may increase or decrease due to market volatility and economic forces outside the control of the facility's management.
11. We do not warrant that our estimates will be attained, but they have been developed based on information obtained during our market research and are intended to reflect reasonable expectations.



12. Many of the figures presented in this report were generated using sophisticated computer models that make calculations based on numbers carried out to three or more decimal places. In the interest of simplicity, most numbers have been rounded. Thus, these figures may be subject to small rounding errors.
13. It is agreed that our liability to the client is limited to the amount of the fee paid as liquidated damages. Our responsibility is limited to the client and use of this report by third parties shall be solely at the risk of the client and/or third parties. The use of this report is also subject to the terms and conditions set forth in our engagement letter with the client.
14. Although this analysis employs various mathematical calculations, the final estimates are subjective and may be influenced by our experience and other factors not specifically set forth in this report.
15. HVS, is not a municipal advisor and HVS is not subject to the fiduciary duty set forth in section 15B(c)(1) of the Act (15 U.S.C. 78o-4(c)(1)) with respect to the municipal financial product or issuance of municipal securities. The reader is advised that any actual issuance of debt would be done under the advice of its bond counsel and financial advisors. Financial advisor would provide advice concerning the specific structure, timing, expected interest cost, and risk associated with any government loan or bond issue. Potential investors should not rely on representations made in this report with respect to the issuance of municipal debt.
16. This report was prepared by HVS Convention, Sports & Entertainment Facilities Consulting. All opinions, recommendations, and conclusions expressed during this assignment are rendered by the staff of this organization, as employees, rather than as individuals.
17. This report is set forth as a market and feasibility study of the subject facility; this is not an appraisal report.



9. Certification

The undersigned hereby certify that, to the best of our knowledge and belief:

1. the statements of fact presented in this report are true and correct;
2. the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions;
3. we have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved;
4. HVS is not a municipal advisor and is not subject to the fiduciary duty set forth in section 15B(c)(1) of the Act (15 U.S.C. 78o-4(c)(1)) with respect to the municipal financial product or issuance of municipal securities;
5. we have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
6. our engagement in this assignment was not contingent upon developing or reporting predetermined results;
7. our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this report;
8. Anthony Davis personally inspected the property described in this report.

Thomas Hazinski, MPP
Managing Director

Anthony Davis, MPP
Project Manager