

Exhibit G - Cost Benefit Analysis of the East Downtown Hotel Project

As authorized in Nebraska Community Development Law (Nebr. Res. Stat # 18-2147), the City has analyzed the costs and benefits of the proposed East Downtown Hotel Project including:

A. Tax Revenues

1. Property Taxes

The East Downtown Hotel project site is located on one city block, legally described as Hancock Addition, Lots 1 & 2 AND Kinney's O Street Addition, Block 11, Lots 1 & 2, 7-12. This block currently has an assessed value of approximately \$1,290,000 and generates annual property tax revenues of approximately \$ 26,500. In 2004, property tax revenues in the redevelopment project area were divided among the following taxing jurisdictions:

<i>Description</i>	<i>Percentage</i>
Lancaster County	13.64
Public Building Comm.	.83
City of Lincoln	14.38
School District 1	64.08
Educational Service Unit 18	.73
Lower Platte South NRD	1.58
Railroad Safety District	1.27
Southeast Community College	3.19
Agriculture Society / J	.10
Agricultural Society / Building	.20

It is anticipated that the assessed value of the property within the project block will increase by over 930% to approximately \$12,000,000 as a result of the construction of the proposed hotel, generating annual property tax revenues of \$ 246,000. This estimated \$10,710,000 increase in assessed value will result in \$ 219,500 in annual increased property tax collections.

Note: During the entire period covered by the redevelopment agreement, the current \$ 26,500 in property taxes generated by existing development on the block would continue to be collected and divided amongst the taxing jurisdictions noted above. However, for the first fifteen years following the passage of the redevelopment agreement, the tax increment gained from this redevelopment would not be available for use as City general tax revenues, but would be used to fund eligible public improvements required to enable this project to be implemented.

2. Sales / Lodging Tax Impact

a. Current Sales Taxes

There are currently four separate businesses operating on this project site including a take out fast food restaurant, a convenience store / gas station, a used car dealership, an auto repair shop, as well as a surface parking lot that serves workers on an adjacent block. Estimated annual sales taxes from the four businesses on project block is \$ 331,000.¹

b. Projected Taxes

i. **Sales Tax.** The proposed 155 room extended stay hotel is expected to generate approximately \$ 385,000 in annual sales taxes, or \$54,000 more than is currently generated by the four businesses on the block.²

ii. **Lodging Tax.** The proposed hotel would generate an estimated \$210,000 in lodging taxes.³

Summary – The combined overall sales / lodging tax receipts from the proposed development is projected to be \$595,000 annually. The projected net annual increase in sales and lodging taxes generated by the redevelopment of this block is \$237,500, a 66% increase.

B. Public Infrastructure and Community Public Service Needs

Public infrastructure will be enhanced to support the development of the entire Antelope Valley Redevelopment area. Some of this work will be performed by the public sector partners in conjunction with the development of the major improvements (roadway / flood control / storm sewer / park improvements) in the project area. Other public infrastructure improvements will be realized on a project by project basis, in conjunction with new private investment in the redevelopment area. The streetscape surrounding the proposed hotel project would be enhanced with new curbs, sidewalks, planting areas, bike racks, trash receptacles and other streetscape amenities. These infrastructure improvements will be financed with through a combination of tax increment financing generated from the project area, land acquisition funds and through developer contributions.

The proposed East Downtown hotel project will help meet the projected 20 year demand for additional downtown hotel rooms identified in the Downtown Master Plan. In the real estate market analysis conducted for the Downtown Master Plan by the firm Economic Research Associates, a projected 20 year demand for between 745 and 993 hotel rooms. For the period between 2005 – 2010, ERA forecasts a demand for between 135 and 181 new downtown hotel rooms.⁴

C. Employment Within the Project Area

1. **Existing Employment.** The four businesses on the block currently provide an estimated 22 full time equivalent positions.⁵

2. Projected Employment

a. **Construction phase related employment.** During construction the proposed \$18,400,000 project would create additional construction-related jobs.

b. **Operational employment.** The proposed 155 room extended stay hotel would be expected to generate approximately 100 new jobs, including 90 full time equivalent positions and 10 salaried positions. Salaries for these positions would range from \$8.50 per hour for entry level positions to more than \$90,000 per year for senior management. The estimated annual payroll for the hotel would be \$2,270,000.⁶

These newly created positions would be well served by the City's existing public transportation network and would be within walking range of potential workers residing in nearby neighborhoods. This project would also directly support the University of Nebraska at Lincoln's plan for building additional high tech research facilities in the Antelope Valley area and would thus facilitate the creation of additional research and support positions at the University.

Summary – the projected net increase in full time equivalent positions created on the project by the proposed hotel project is 78, or a 350% increase over existing employment on the block.

D. Secondary Economic Impact - Based on an estimate of the impact of hotels in other communities and the general impact of new investment in our community, we anticipate the Lincoln community would receive the following secondary economic benefits from the proposed hotel project:

1. **Construction-related benefits** – The \$18,400,000 construction project will have significant benefits for the Lincoln economy. J Q Hammons Hotels has not, however, provided a breakout of construction costs, detailing salaries, materials and professional services associated with the project. Such a break out will be part of the financial materials submitted in conjunction with a Redevelopment Agreement, if we are authorized to begin negotiations on a Redevelopment Agreement. J Q Hammons Hotels generally subcontracts all of the direct construction to local firms and purchases materials locally. The salaries paid to local workers will benefit the local economy.

2. **Employee related benefits** – The construction of a new hotel with an annual payroll of \$2,270,000 would have a significant impact on the local economy. Using a standard 1.3 multiplier to estimate the overall impact of these new positions on the local economy gives us an estimated \$5,221,000 benefit to the local economy.⁷

3. Guest related benefits – Guests staying in this project are estimated to directly contribute approximately \$2,730,000 annually to the Lincoln economy.⁸ This additional guest spending would impact nearby food establishments, gas stations, cultural venues, theaters, coffee shops, restaurants, and other entertainment / service industries in the East Downtown / Antelope Valley area. The Neb. Department of Economic Development calculates that each dollar spent by tourists is re-spent locally to produce an additional \$1.70 in business and income. Consequently, spending by guests would annually generate an estimated \$7,371,000 in spending in the local economy.

E. Employment in City Outside the Project Area

The total employment within the Lincoln MSA is 147,489 with a median household income of \$ 46,528.

F. Other Impacts

- **Initiation of planned Antelope Valley Redevelopment**

An investment of this scale, increasing property values on the block by approximately 930%, is exactly the kind of transformation that was envisioned when the Antelope Valley project was presented to the public and represents a major, early return on the substantial investment of public funds in this project. As the first new investment / construction in the Antelope Valley redevelopment area, the proposed hotel project will have a major impact on stimulating additional investment, supporting existing businesses and setting a high standard for quality for future investment in the region.

- **Support Downtown Revitalization**

At every level, Lincoln is committed to maintaining and enhancing a vital downtown. Successful downtowns in today's economy are a mix of entertainment, commercial and residential uses that create activity 24 hours a day. This block's strategic location as a P Street bridge between Antelope Valley and traditional downtown means its redevelopment will strengthen connections between Antelope Valley and downtown, while its existing condition discourages connection.

- **Economic Development**

The proposed hotel project represents a \$18.4 million expenditure on an Antelope Valley / Downtown project by a major national developer. Such a vote of confidence in Lincoln is likely to stimulate interest in Antelope Valley by other investors. The investment would be subject to sales taxes and would generate income for local contractors. This investment and the type of spending it will attract will have a major impact on existing retail businesses, as hotel guests typically spend proportionately more than local residents on entertainment, shopping and dining out. It would support the University's plans to

establish additional research facilities in the Antelope Valley area, thus further stimulating economic development and job creation.

- **Residential Growth**

Downtown Lincoln, while the city's commercial center, is also a growing residential neighborhood. Part of the promise of Antelope Valley is its potential to reinvigorate and expand nearby residential neighborhoods. While a hotel is not a traditional residential development, the proposed extended stay residential hotel will support the expansion of Downtown's residential appeal and the will increase market demand for additional services, such as a downtown grocery store, that will in turn, stimulate further residential growth.

NOTES

¹ This estimate was generated using sales estimates provided by UNL's Bureau for Business Research and businesses on the block. The Bureau used local and national census data to derive average sales for stores within the four categories of businesses located on this block. The actual sales figure that we received from a business owner on the block, Samuri Sams, was 55% lower than the figure generated by the local / national average figures. The 7% sales tax was then applied to this estimate of annual sales on the block. Because of the discrepancy between the estimated sales and actual sales figures, we feel that this estimate is more than likely high.

² This estimate is based on a overall sales revenue figure of \$5,500,000 provided to us by J Q Hammons Hotels. This overall sales revenue estimate is based on a 155 room hotel with an average daily occupancy rate of 75% (116 rooms) @ \$99 per night plus a baseline revenue of \$1,299,307 which includes expenditures for food / beverages, room rental on 5,000 sq ft. space, phone, misc. expenses.

³ Based on the parameters above, this estimate includes an annual room sales figure of \$4,200,693, and a lodging tax of 5%, which will become the effective rate as of May 1, 2005

⁴ Material on projected hotel room absorption rates taken from ERA draft market overview memo, 10/2004

⁵ The current full time employment on the block is as follows:

Whitehead: 10 employees, 3 FT and 7 PT = 6.5 FTEs

Samuri Sam's: 15 total employees (est. 3 FT and 10 PT) = 8 FTEs

Miracle Mile Used Car dealership: 3 FTEs

Pickering Automotive: *Estimate* three FT repair, one book keeping / desk, 1 PT help = 4.5 FTEs

This gives us a total estimate of 22 FTE positions from the four existing businesses.

⁶ Hourly wages for the 90 staff positions range from \$8.50 to 13.50, with an average of 35 hrs per week at \$11 per hour = \$1,800,000. For 10 salaried positions, a total of \$490,000 with salaries total ranging from \$30,000 to \$100,000.

⁷ Multiplier from Convention and Visitors Bureau of the Lincoln Chamber of Commerce.

⁸ Estimate based on expenditure figures from Randall Travel Marketing and JQ Hammons Hotels anticipated occupancy levels. Expenditures were based 75% average daily room occupancy, 1.75 guests per room, and an average out of pocket spending of \$ 36.85 per person, per day. We feel that this per day out of pocket expenditure is conservative.

East Downtown Hotel Project
Exhibit F - Sources and Uses of Public Funds

Current assessed value	\$ 1,290,000
Estimated Redeveloped assessed value	\$12,000,000
Increment value	<u>\$10,710,000</u>

Estimated TIF \$ 1,400,000

Sources of Public Funds:

TIF from investment	\$1,400,000
Land sale proceeds/site disposition to developer	<u>\$1,000,000</u>
Total	\$2,400,000

Potential Uses:

Site acquisition / business relocation	\$1,600,000
Other public improvements, which could include the following:	\$ 800,000
• Demolition,	
• environmental remediation,	
• utilities relocation,	
• streetscape improvements	
Estimated Public Costs	\$2,400,000