EXECUTIVE SUMMARY

PROPOSED
HOTEL/CONVENTION CENTER FACILITY

LANCASTER, PA

PREPARED FOR:
MR. DICK SHELLENBERGER, CHAIRMAN
BOARD OF COMMISSIONERS
LANCASTER COUNTY

PREPARED BY:
PKF CONSULTING

MAY 2006

SUMMARY

Based upon information collected during the fieldwork phase of our study, and subsequent analyses, following is a summary of our findings and conclusions relating to the proposed Hotel/Convention Center to be located in Downtown Lancaster.

- The Hotel component of the proposed development will be branded as a full-service Marriott property and will contain 300 guestrooms, a full-service restaurant, a 9,621 square-foot ballroom, and a 7,541 square-foot fitness facility to include an exercise room, indoor pool, and whirlpool.

- The Convention Center component of subject project will contain a 47,842 square-foot exhibit hall, 27,551 square feet of prefunction space, a 9,200 square-foot ballroom, three 764 square-foot boardrooms, and 7,662 square feet of meeting room space.

- The proposed project site fronts on historic Penn Square in Downtown Lancaster, and contains the former Watt & Shand Department Store Building as its centerpiece. The Hotel component is to be developed within the historic Watt & Shand Department Store Building and in a new tower to be constructed over the existing building at its southeast corner, while the Convention Center component is to be constructed on a vacant parcel to the south of the Watt & Shand Department Store Building. Specifically, the total project site is located to the north of East Vine Street, to the south of East King Street, to the east of South Queen Street, and to the west of Duke Street.

FINDINGS

- Economic indicators for the subject market area project a positive outlook for economic growth in the region.

- Feedback from trade/consumer show organizers indicated that the demographic profile of the subject market area, specifically the population and household income levels, would support mid-level shows such as those revolving around antiques and art. Generally speaking, the local market area would not support high-level (large attendance) shows such as auto or boat shows.

- Our research revealed that, depending on the source of the information, national trends in the convention center industry can be deemed either positive or negative. It is more relevant to analyze more localized areas when determining trends, particularly since reported national trends tend to overlook secondary or tertiary convention destinations such as Lancaster. However, one trend that appears to be generally consistent is that overall supply growth in the meetings industry has been outpacing overall demand growth in recent years, creating a more fiercely competitive environment. For example, functions that previously would have been held at secondary or tertiary convention destinations are now being accommodated at primary destinations, as the larger facilities in major markets have the ability to host numerous smaller events concurrently. However, there is a renewed interest on the part of many convention groups to consider second-tier cities in their evaluation of destinations, primarily for pricing reasons. Although it is reasonable to expect that third-tier cities will benefit from this trend, the options open to groups at this level are extensive. Similarly, Pennsylvania associations which operate on a rotational basis for site selection now have a venue available in several geographic and city locations, reducing the visit frequency for each location.

- While the overall Lancaster County hotel market is stable and viable, the market is highly seasonal, price sensitive and tourist-oriented.

- The growth of commercial demand along the Route 30 bypass is being absorbed by new hotel property additions.

- The downtown commercial hotel market has shrunk considerably in recent years. This has contributed to the decline of the Hotel Brunswick. Although the Marriott brand is extremely strong in this segment, the availability of Marriott products along Route 30 will limit this advantage.

- The responses to our surveys resulted in a relatively low projected level of usage as compared to other surveys of this type. This indicates that a substantial marketing effort will be required to both counter negative perceptions and to then create competitive advantages versus other regional convention destinations. For example, the downtown historic attractions could be packaged to provide a reason for conventions and tour and travel groups to both come to downtown and to stay overnight.

- The price sensitivity of the primary markets available to the project will require the hotel to make rate concessions to generate activity. Our occupancy/utilization projections have taken this into account as to what we believe the best balance point of price and volume would be.

- Franklin & Marshall’s new Lancaster Arts Hotel is expected to accommodate most routine demand generated by the College. Peak-period demand will still be available to the proposed downtown hotel.

- Although not evaluated by us in a professional sense, the parking and access issues related to the site are expected to be problematic and a competitive disadvantage for the complex.

- Air access to Lancaster and even Harrisburg is such, i.e. frequency, price and type of aircraft, that convention and conference demand will likely emanate almost exclusively from Pennsylvania association and corporate groups who can drive to the site.

- Our research indicates the following competitive positioning for this project:

  Strengths
  - Positive, wholesome image of Lancaster County
  - Extensive tourism base for exposure
  - Strong hotel brand and management
  - Historic attractions in Downtown
  - Large public sector incentive agreements limiting risk
  - Tourist attractions in Lancaster County
  - Central location within Pennsylvania

  Weaknesses
  - Constricted site resulting in parking and traffic issues
  - Downtown location perceived as less desirable
  - Poor air access
  - Limited markets available to the hotel other than self/PDCCVB-generated meetings and shows
  - Demographics not adequate for larger consumer/trade shows
  - Markets available are price sensitive
  - No other acceptable downtown hotel supply available for larger groups, unless Hotel Brunswick is extensively renovated
  - Lancaster's perceived image is not what many conventioneers are looking for.

- For the Hotel component of the project, we are of the opinion that there are two separate competitive markets: the overall hotel market in Lancaster County (Hotel Competitive Market 1), and the group oriented properties in the subject market (Hotel Competitive Market 2). The properties in the latter group include the following: Best Western Eden Resort Inn & Suites, Hotel Brunswick, Lancaster Host Resort and Conference Center, and Willow Valley Resort and Conference Center.

  - The following table illustrates annual performance characteristics for the properties in Hotel Competitive Market 1 from 2003 through 2005. As the data indicates, total occupied rooms have increased at an annual rate of 4.1 percent during this period, exceeding annual supply growth of 0.9 percent. Despite the relatively low aggregate market occupancies (ranging from 53.1 percent in 2003 to 56.5 percent in 2005), the growth in occupied rooms is a positive indicator as it demonstrates that demand within the local lodging market is increasing. Combined with annual growth in average daily rate (ADR) of 2.8 percent, the occupancy increases resulted in revenue per available room (RevPAR) growth of 6.1 percent annually. Although these properties are certainly not alike, they collectively cater to a wide variety of types of groups.

Estimated Performance Hotel Competitive Market 1					
Year	**Available Rooms**	**Occupied Rooms**	**Occupancy**	**ADR**	**RevPAR**
2003	2,331,255	1,237,896	53.1%	$57.49	$30.53
2004	2,331,255	1,256,546	53.9%	$58.84	$31.71
2005	2,374,325	1,341,494	56.5%	$60.78	$34.34
CAGR(1)	0.9%	4.1%	-	2.8%	6.1%
Note: (1) Compound annual growth rate for years 2003-2005 Source: PKF Consulting, Smith Travel Research, Individual Properties					

- The following table illustrates annual performance characteristics for the properties in Hotel Competitive Market 2 from 2003 through 2005. As the data indicates, total occupied rooms have increased at an annual rate of 2.8 percent during this period. While this annual growth rate is lower than that exhibited by the broader competitive market (Hotel Competitive Market 1), both occupancy and average daily rate levels exhibited by the properties in Hotel Competitive Market 2 were notably higher than those of the broader hotel set. Combined with annual growth in average daily rate (ADR) of 3.2 percent, the occupancy increases resulted in revenue per available room (RevPAR) growth of 5.9 percent annually.

Estimated Performance Hotel Competitive Market 2					
Year	**Available Rooms**	**Occupied Rooms**	**Occupancy**	**ADR**	**RevPAR**
2003	415,735	237,800	57.2%	$93.63	$53.56
2004	415,735	250,688	60.3%	$96.24	$58.03
2005	415,735	251,104	60.4%	$99.44	$60.06
CAGR(1)	0.0%	2.8%	-	3.1%	5.9%
Note: (1) Compound annual growth rate for years 2003-2005 Source: PKF Consulting, Smith Travel Research, Individual Properties					

- Our research revealed that there are four future additions to supply in the subject market area, all of which are anticipated to compete with the proposed Hotel in the Competitive Category 1 group. These include: the 63-unit Lancaster Arts Hotel currently under construction a few blocks from the campus of Franklin & Marshall College on the corner of North Mulberry Street and Harrisburg Pike that is scheduled to open late Summer 2006; a 60-unit Comfort Inn; a 150-unit Homewood Suites; and a 150-unit Residence Inn. The locations of the latter three additions to supply are scattered along US-30.

- The following table presents our projections of market demand by market segment through 2014 for Hotel Competitive Market 1. Of note is that we have assumed that the proposed Hotel opens January 1, 2009.

Projected Competitive Set Demand by Market Segment Hotel Competitive Market 1					
Year	**Commercial Individual**	**Tour and Travel**	**Group**	**Government, Military, Other**	**Total**
2005	134,100	872,000	268,300	67,100	1,341,500
2006	134,800	924,300	273,700	67,100	1,399,900
2007	135,500	961,300	279,100	67,100	1,443,000
2008	136,200	1,009,300	287,500	67,100	1,500,100
2009	137,500	1,049,700	301,900	67,100	1,556,200
2010	138,200	1,081,200	314,000	67,100	1,600,500
2011	138,200	1,102,800	320,200	67,100	1,628,300
2012	138,200	1,102,800	320,200	67,100	1,628,300
2013	138,200	1,102,800	320,200	67,100	1,628,300
2014	138,200	1,102,800	320,200	67,100	1,628,300
CAGR(1)	0.5%	4.0%	3.0%	0.0%	3.3%

Note: (1) Compound annual growth rate for years 2005 through 2011 (at which time demand is projected to stabilize)
Source: PKF Consulting

- For the Convention Center component of the project, we are of the opinion that there are two separate competitive markets: regional convention center facilities (Convention Center Competitive Market 1), and hotels with significant meeting space in Southeastern Pennsylvania (Convention Center Competitive Market 2). Following is a description of each of these groups.

  - Convention Center Competitive Market 1 includes the Pennsylvania Expo Center at Lehigh Valley – Allentown, Blair County Convention Center – Altoona, Bayfront Convention Center – Erie, Hershey Lodge & Convention Center – Hershey, and Valley Forge Convention & Exhibition Center – King of Prussia.

    - The above facilities indicated the average performance characteristics detailed in the following table.

Average Performance Characteristics Convention Center Competitive Market 1				
Category	**Trade/Consumer Shows**	**Conventions/ Conferences**	**Other Events**	**Total**
Number of Annual Events	30	25	90	145
Average Attendance per Event	2,800	600	250	N/A
Total Annual Attendance	84,000	15,000	22,500	121,500
Annual Room Nights Generated	12,600	12,000	13,500	38,100

Source: PKF Consulting, Individual Facilities

  - For Convention Center Competitive Market 2, we inventoried facilities and collected data on more than 50 properties, ultimately limiting the analysis to those properties with more than 5,000 square feet of meeting space. We excluded properties in Center City Philadelphia, as downtown Lancaster is not competing with Center City Philadelphia for group functions, and we did not include resort-oriented properties. The hotels in this set were concentrated in Allentown, Cherry Hill, Harrisburg, King of Prussia, Reading, and York.

- The above facilities indicated the average performance characteristics detailed in the following table.

Average Performance Characteristics Convention Center Competitive Market 2				
Category	**Trade/Consumer Shows**	**Conventions/ Conferences**	**Other Events**	**Total**
Number of Annual Events	15	20	250	285
Average Attendance per Event	700	300	50	N/A
Total Annual Attendance	10,500	6,000	12,500	29,000
Annual Room Nights Generated	1,050	5,400	2,500	8,950
Source: PKF Consulting, Individual Facilities				

- PKF conducted survey research of potential demand from both association and corporate meeting planners. Following are summaries of the results of these surveys.

  - A mail survey was sent to 500 associations in the regional market area – located throughout the mid-Atlantic region. We received completed mail surveys from or conducted phone surveys with 45 associations, indicating a response rate of approximately 9 percent.

    - 19 of the 45 respondents indicated a willingness to utilize the proposed facility in Downtown Lancaster.

      - The following table summarizes projected annual usage data based on the results of the survey.

Projected Annual Usage Data Associations	
Category	**Total**
Number of Annual Events	18.5
Average Attendance per Event	206
Total Annual Attendance	3,811
Annual Room Nights Generated	2,054
Average Length of Events (Days)	3
Average Convention Center Revenue per Attendee per Event (Excluding Hotel)	$50.00
Source: PKF Consulting	

    - As the previous table indicates, the responding associations indicated a total of slightly more than 2,000 room-nights of demand for 18.5 events. We are of the opinion that this number could conservatively be tripled in quantity, to account for nonrespondents, invigorated marketing efforts and potential operator (Interstate)-induced referrals. This would result in more than 6,000 occupied room-nights attributable to associations, or approximately 6.0 occupancy points based on an annual available room inventory of 109,500 (300 guestrooms X 365 days annually). The primary reason for our projected increase is there were associations who indicated varying potential levels of usage of the subject Convention Center that either did not respond or indicated varying levels of room-nights required without quantifying that amount. Furthermore, our survey queried a finite number of associations, while through future marketing efforts, the Pennsylvania Dutch Country CVB could reach out to a broader population of associations.

- When asked to rate the level of importance of various factors in selecting a meeting venue, critical factors included air traffic accessibility, free (or low cost) parking, and availability of restaurant/nightlife options. As with many convention center facilities in downtown locations, availability and cost of parking is a significant factor with event coordinators and their constituents, and Downtown Lancaster must be proactive in addressing this issue so that it does not become a competitive disadvantage when marketing the proposed facility to potential demand sources.

- A mail survey was sent to 308 corporate meeting planners in the regional market area – primarily concentrated in Pennsylvania and New Jersey. We received completed mail surveys from or conducted phone surveys with 35 corporate meeting planners, indicating a response rate of approximately 11 percent.

  - 10 of the 35 respondents indicated a willingness to utilize the proposed facility in Downtown Lancaster.

    - The following table summarizes projected annual usage data based on the results of the survey.

Projected Annual Usage Data Corporate Meeting Planners	
Category	**Total**
Number of Annual Events	18
Average Attendance per Event	289
Total Annual Attendance	5,195
Annual Room-Nights Generated	2,365
Average Length of Events (Days)	2.5
Average Convention Center Revenue per Attendee per Event (Excluding Hotel)	$60.00
Source: PKF Consulting	

- As the previous table indicates, the responding corporate planners indicated a total of more than 2,300 room-nights of demand for 18 events. We are of the opinion that this number could conservatively be tripled in quantity. This would result in more than 6,900 occupied room-nights attributable to corporate meeting planners, or approximately 6.0 occupancy points based on an annual available room inventory of 109,500 (300 guestrooms X 365 days annually). The primary reason for our projected increase is there were corporate meeting planners who indicated varying levels of potential usage of the subject Convention Center that either did not respond or indicated varying levels of room nights required without quantifying that amount.

- When asked to rate the level of importance of various factors in selecting a meeting venue, critical factors included location in a major market, air traffic accessibility, and availability of restaurant/nightlife options.

- We estimate that the subject 300-unit Hotel should be able to achieve a stabilized occupancy level of 53.0 percent. Overall market penetration (percentage of fair share) in the stabilized year (the fourth year of operation) is estimated to be 89 percent. Approximately 5 percent of total demand for the subject hotel is estimated to originate from the commercial individual segment, 27 percent from the tour and travel segment, 65 percent from the group segment, and 3 percent from the government, military, and other segment. We further project that the subject Hotel should be able to achieve an average daily room rate of $105.00 (in 2006-value dollars) in a representative year of operation. A representative year of operation is a year in which the subject property is projected to have reached a stabilized level of performance. Our projections of occupancy and average daily rate assume that the subject Hotel will have to discount rates heavily, particularly during non-peak demand periods, in order to achieve the projected level of demand. As such, the annual average daily rate level may be well above or below the average rate level at any point in time during the course of the year.

- The following table presents our utilization projections for the subject Convention Center.

Projected Performance Characteristics Proposed Convention Center				
Category	**Trade/Consumer Shows**	**Conventions/ Conferences**	**Other Events**	**Total**
Number of Annual Events	25	40	80	145
Average Attendance per Event	2,000	250	50	N/A
Total Annual Attendance	50,000	10,000	4,000	64,000
Annual Room Nights Generated	5,000	6,000	2,000	13,000
Average Revenue per Attendee per Event (Excluding Travel)	$7.50	$50.00	$55.00	N/A
Total Revenue per Event	$15,000	$12,500	$2,750	N/A
Total Revenue	$375,000	$500,000	$220,000	$1,095,000
Source: PKF Consulting, Individual Facilities				

- The following statement provides the estimated results for a representative operating year for the proposed Hotel. As stated previously, our stabilized year projection assumes an annual occupancy rate of 53.0 percent at an average daily rate of $105.00 (in current value dollars).

Proposed Marriott Convention Center Hotel
Representative Year of Operation

	Stated in 2006 Dollars			
Number of Units:	300			
Number of Annual Rooms Available:	109,500			
Number of Rooms Occupied:	58,035			
Annual Occupancy:	53.0%			
Average Daily Rate:	$105.00			
Revenue Per Available Room:	$55.65			
	Amount	Ratio	Per Room	P.O.R.
Revenues				
Rooms	$ 6,094,000	54.1%	$ 20,313	$ 105.01
Food & Beverage	4,527,000	40.2%	15,090	78.00
Telecommunications	58,000	0.5%	193	1.00
Other Operated Departments	580,000	5.2%	1,933	9.99
Total Revenues	11,259,000	100.0%	37,530	194.00
Departmental Expenses				
Rooms	1,584,000	26.0%	5,280	27.29
Food & Beverage	3,486,000	77.0%	11,620	60.07
Telecommunications	58,000	100.0%	193	1.00
Other Operated Departments	377,000	65.0%	1,257	6.50
Total Departmental Expenses	5,505,000	48.9%	18,350	94.86
Departmental Profit	5,754,000	51.1%	19,180	99.15
Undistributed Expenses				
Administrative & General	1,500,000	13.3%	5,000	25.85
Marketing	1,110,000	9.9%	3,700	19.13
Franchise Fees	762,000	6.8%	2,540	13.13
Property Operation and Maintenance	660,000	5.9%	2,200	11.37
Utility Costs	690,000	6.1%	2,300	11.89
Total Undistributed Operating Expenses	4,722,000	41.9%	15,740	81.36
Gross Operating Profit	1,032,000	9.2%	3,440	17.78
Base Management Fee	338,000	3.0%	1,127	5.82
Fixed Expenses				
Insurance	120,000	1.1%	400	2.07
Total Fixed Expenses	120,000	1.1%	400	2.07
Net Operating Income	574,000	5.1%	1,913	9.89
FF&E Reserve	450,000	4.0%	1,500	7.75
Net Operating Income After Reserve [1]	$ 124,000	1.1%	$ 413	$ 2.14

Source: ***PKF Consulting***

[1] Before property taxes and debt service

- The following statement provides the estimated results for a representative operating year for the proposed Convention Center. As stated previously, our stabilized year projection assumes 145 annual events.

Proposed Convention Center
Representative Year of Operation

	Stated in 2006 Dollars			
Number of Square Feet of Meeting & Exhibit Space:	94,547			
Attendance:	64,000			
	Amount	Ratio	P.S.F.	Per Attendee
Revenues				
Food & Beverage	$ 274,000	25.0%	$ 2.90	$ 4.28
Rentals and Other Income	821,000	75.0%	8.68	12.83
Total Revenues	1,095,000	100.0%	11.58	17.11
Departmental Expenses				
Food & Beverage	192,000	70.1%	2.03	3.00
Total Departmental Expenses	192,000	17.5%	2.03	3.00
Departmental Profit	903,000	82.5%	9.55	14.11
Undistributed Expenses				
Administrative & General	144,000	13.2%	1.52	2.25
Marketing	191,000	17.4%	2.02	2.98
Property Operation and Maintenance	263,000	24.0%	2.78	4.11
Utility Costs	335,000	30.6%	3.54	5.23
Other Undistributed Expenses	1,095,000	100.0%	11.58	17.11
Total Undistributed Operating Expenses	2,028,000	185.2%	21.45	31.69
Gross Operating Profit	(1,125,000)	-102.7%	(11.90)	(17.58)
Fixed Expenses				
Insurance	96,000	8.8%	1.02	1.50
Other Fixed Expense	140,000	12.8%	1.48	2.19
Total Fixed Expenses	236,000	21.6%	2.50	3.69
Net Operating Income	(1,361,000)	-124.3%	(14.39)	(21.27)
FF&E Reserve	44,000	4.0%	0.47	0.69
Net Operating Income After Reserve [1]	$ (1,405,000)	-128.3%	$ (14.86)	$ (21.95)

Source: ***PKF Consulting***

[1] Before property taxes and debt service

- The following statement provides the estimated results for a representative operating year for the consolidated operations of the proposed Hotel and Convention Center.

Proposed Convention Center & Marriott Convention Center Hotel
Representative Year of Operation

	Stated in	2006		Dollars
Number of Units:		300		
Number of Annual Rooms Available:		109,500		
Number of Rooms Occupied:		58,035		
Annual Occupancy:		53.0%		
Average Daily Rate:		$105.00		
Revenue Per Available Room:		$55.65		
	Amount	Ratio	Per Room	P.O.R.
Revenues				
Rooms	$ 6,094,000	49.3%	$ 20,313	$ 105.01
Food & Beverage	4,801,000	38.9%	16,003	82.73
Telecommunications	58,000	0.5%	193	1.00
Other Operated Departments	580,000	4.7%	1,933	9.99
Rentals and Other Income	821,000	6.6%	2,737	14.15
Total Revenues	12,354,000	100.0%	41,180	212.87
Departmental Expenses				
Rooms	1,584,000	26.0%	5,280	27.29
Food & Beverage	3,678,000	76.6%	12,260	63.38
Telecommunications	58,000	100.0%	193	1.00
Other Operated Departments	377,000	65.0%	1,257	6.50
Total Departmental Expenses	5,697,000	46.1%	18,990	98.16
Departmental Profit	6,657,000	53.9%	22,190	114.71
Undistributed Expenses				
Administrative & General	1,644,000	13.3%	5,480	28.33
Marketing	1,301,000	10.5%	4,337	22.42
Franchise Fees	762,000	6.2%	2,540	13.13
Property Operation and Maintenance	923,000	7.5%	3,077	15.90
Utility Costs	1,025,000	8.3%	3,417	17.66
Other Undistributed Expenses	1,095,000	8.9%	3,650	18.87
Total Undistributed Operating Expenses	6,750,000	54.6%	22,500	116.31
Gross Operating Profit	(93,000)	-0.8%	(310)	(1.60)
Base Management Fee	338,000	2.7%	1,127	5.82
Fixed Expenses				
Insurance	216,000	1.7%	720	3.72
Other Fixed Expense	140,000	1.1%	467	2.41
Total Fixed Expenses	356,000	2.9%	1,187	6.13
Net Operating Income	(787,000)	-6.4%	(2,623)	(13.56)
FF&E Reserve	494,000	4.0%	1,647	8.51
Net Operating Income After Reserve [1]	$ (1,281,000)	-10.4%	$ (4,270)	$ (22.07)

Source: ***PKF Consulting***

[1] Before property taxes and debt service

CONCLUSIONS

- The Lancaster County economy is growing, diversified and should continue on this path for the foreseeable future. The vast majority of this growth is outside the downtown area.

- The projected annual operating deficit of the combined entities is $1,281,000 (2006 value dollars) in a representative year. Although losses are expected with most facilities of this type and these deficits are offset to some extent by attendee spending within the community, there is great controversy as to the degree to which this offset occurs. In the case of Lancaster, much of the spending would occur outside of the City, where the bulk of the shopping, hotels and restaurants are located. Since travel would be required to accomplish this, the spending by attendees and delegates would likely be less than in a normal urban situation.

- Our surveys indicate that a relatively limited amount of demand will be readily attracted to this facility without extensive marketing efforts and concessions on price. To the extent this is not successful, and depending on how these marketing efforts are funded, the downside economic risk is substantial.

- Based on our demand research for the Convention Center, it appears that the probable number of attendees per event will be lower than that exhibited by the facilities in Convention Center Competitive Market 1 and will be closer to the exhibited attendance by the facilities in Convention Center Competitive Market 2. While the average number of attendees per event is projected to be lower, we anticipate that the proposed Convention Center will be able to capture the average number of annual events that the facilities in Convention Center Competitive Market 1 demonstrated.

- The hotel component of this project will face two basic challenges in filling the “dark” days when no events are being held at the Convention Center: (1) the lack of a strong downtown commercial demand base; and (2) its lack of appeal to the area’s dominant leisure market due to its downtown location and comparatively high room rate structure.

- The lack of parking, even with the proposed garage, and traffic-flow logistics, appear to be significant and should be expected to affect overall marketability for larger events.

- Although we are not thoroughly familiar with the background of this project, and we have not performed an economic impact analysis, our findings lead us to conclude that the potential economic benefits are not likely to be sufficient to justify the risks involved, including the potential need to raise the hotel tax to fund operating deficits after several years should the reserves become depleted. We therefore recommend that, prior to proceeding further with this project, the parties involved consider exploring a downsizing of the project or an alternate use for the site.