

Summary of Presentations Delivered to the Washington Convention Center Authority

Volume I
Expansion Feasibility Study and Headquarters
Hotel Feasibility Study for the
Washington Convention Center

Presented August 11, 2004

Volume II
Analysis of Potential Financing Alternatives
and Cash Flow Impacts for Various WCC
Expansion / Headquarter Hotel
Development Scenarios

Presented August 19, 2004



Conventions, Sports & Leisure International





September 8, 2004

Mr. Jeffrey L. Humber, Jr.
Chairman, Washington Convention Center Authority
801 Mount Vernon Square
Washington D.C. 20001

Dear Mr. Humber:

We have attached the presentation slides for the two presentations delivered to the Washington Convention Center Authority regarding the development of a headquarters hotel and the potential expansion of the Washington Convention Center. The presentations correspond to the Volume I report delivered on August 11, 2004, and the Volume II report delivered on August 19, 2004.

It is important that any review of the attached presentation slides be made only in the context of reading the full report. The slides contain base information with no explanation of study process or implications of the data contained in the slides.

We sincerely appreciate the assistance and cooperation we have been provided in the completion of the study process and would be pleased to be of further assistance in the interpretation and application of our findings.

Very truly yours,

CSLI International

CSLI International

Convention Center Expansion & Headquarters Hotel Feasibility Study for the Washington Convention Center



WASHINGTON
CONVENTION CENTER

Presented to:

The Washington Convention Center Authority

August 11, 2004



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Overview of Study Topics

Summary of Market Research

- Historical WCC operations
- Competitive/comparable facilities
- Survey research

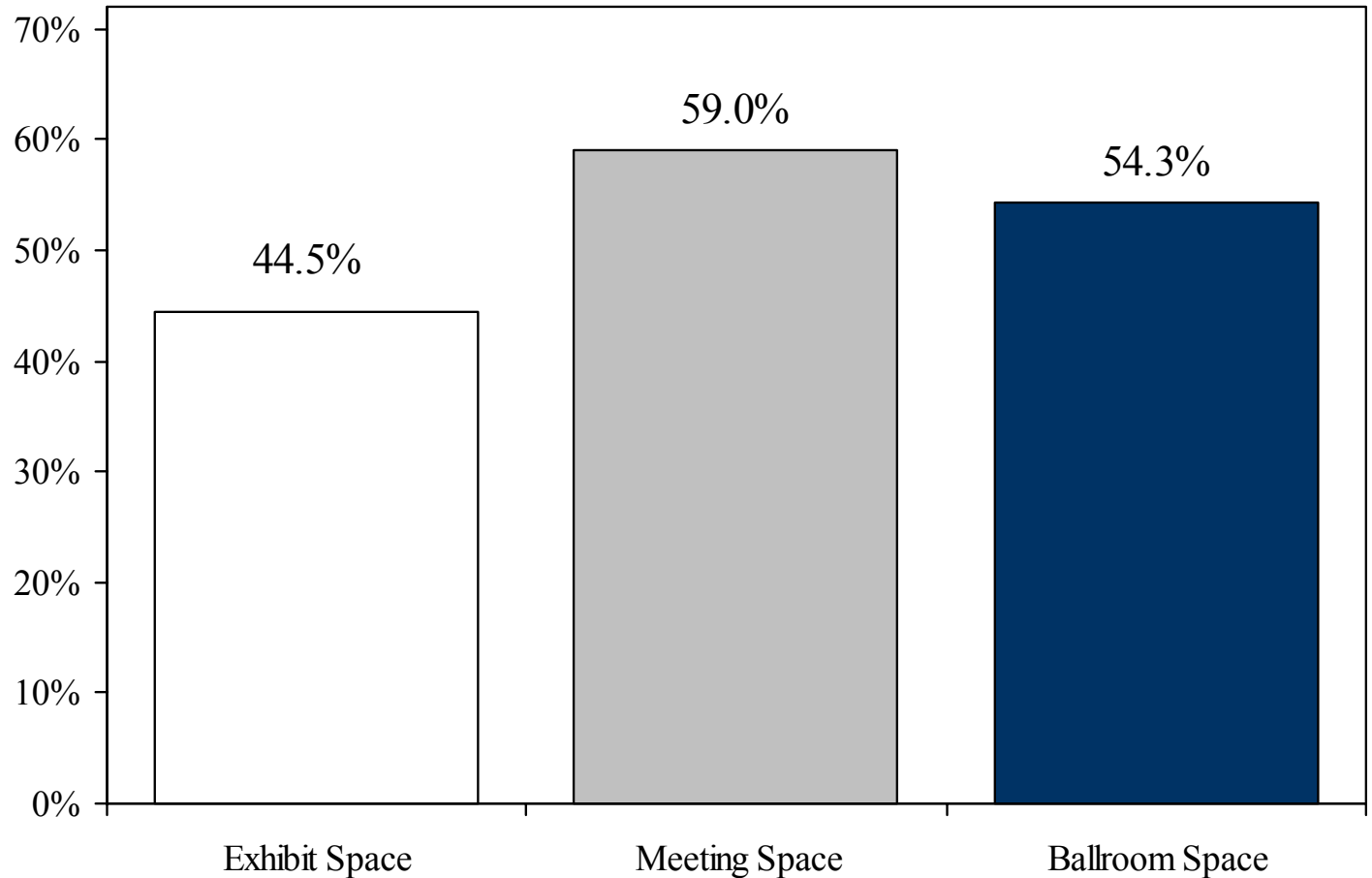
Summary of Site and Cost Implications

Summary of Economic and Funding Impacts



Utilization of WCC Space by Conventions and Tradeshows

The average event uses less WCC exhibit space compared to meeting space

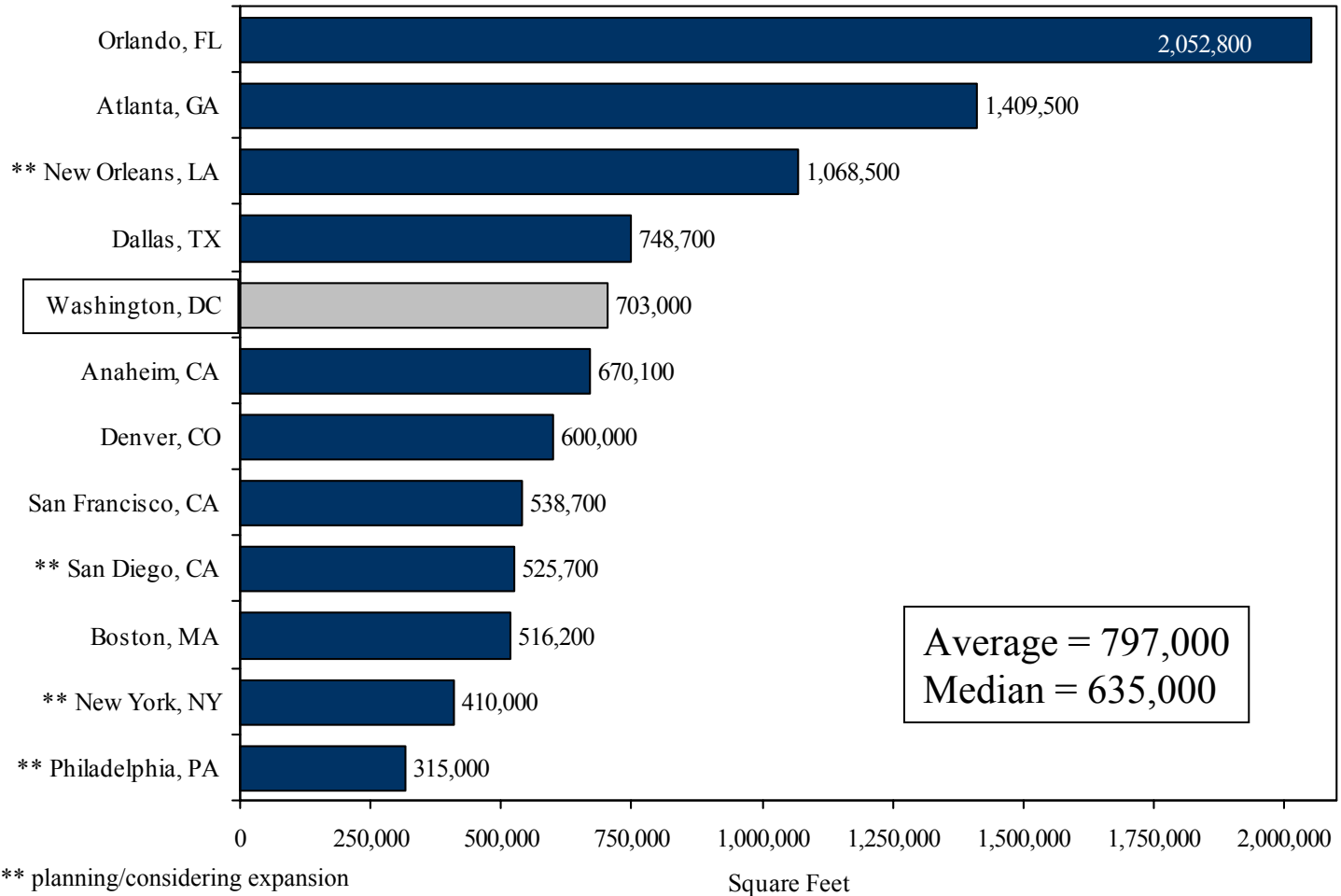


Note: Data includes primary multi-day convention and tradeshow events hosted at the Center since its opening.
Source: Facility Management, 2004



Comparison of Prime Exhibit Space

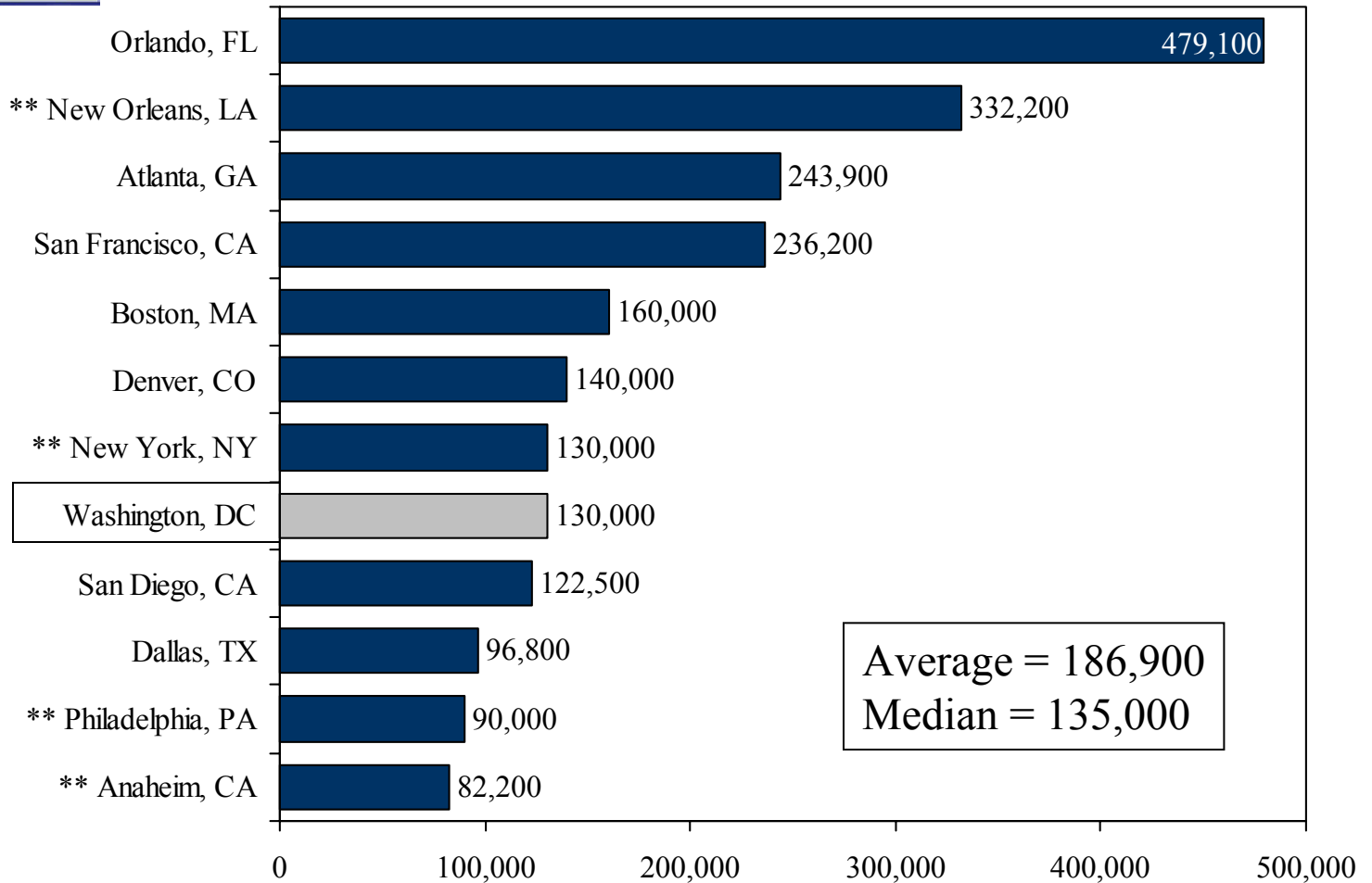
WCC exhibit space ranks fifth among the competitive/comparable set, with four buildings considering expansion





Comparison of Meeting Space

WCC meeting space ranks seventh among competitive/comparable set



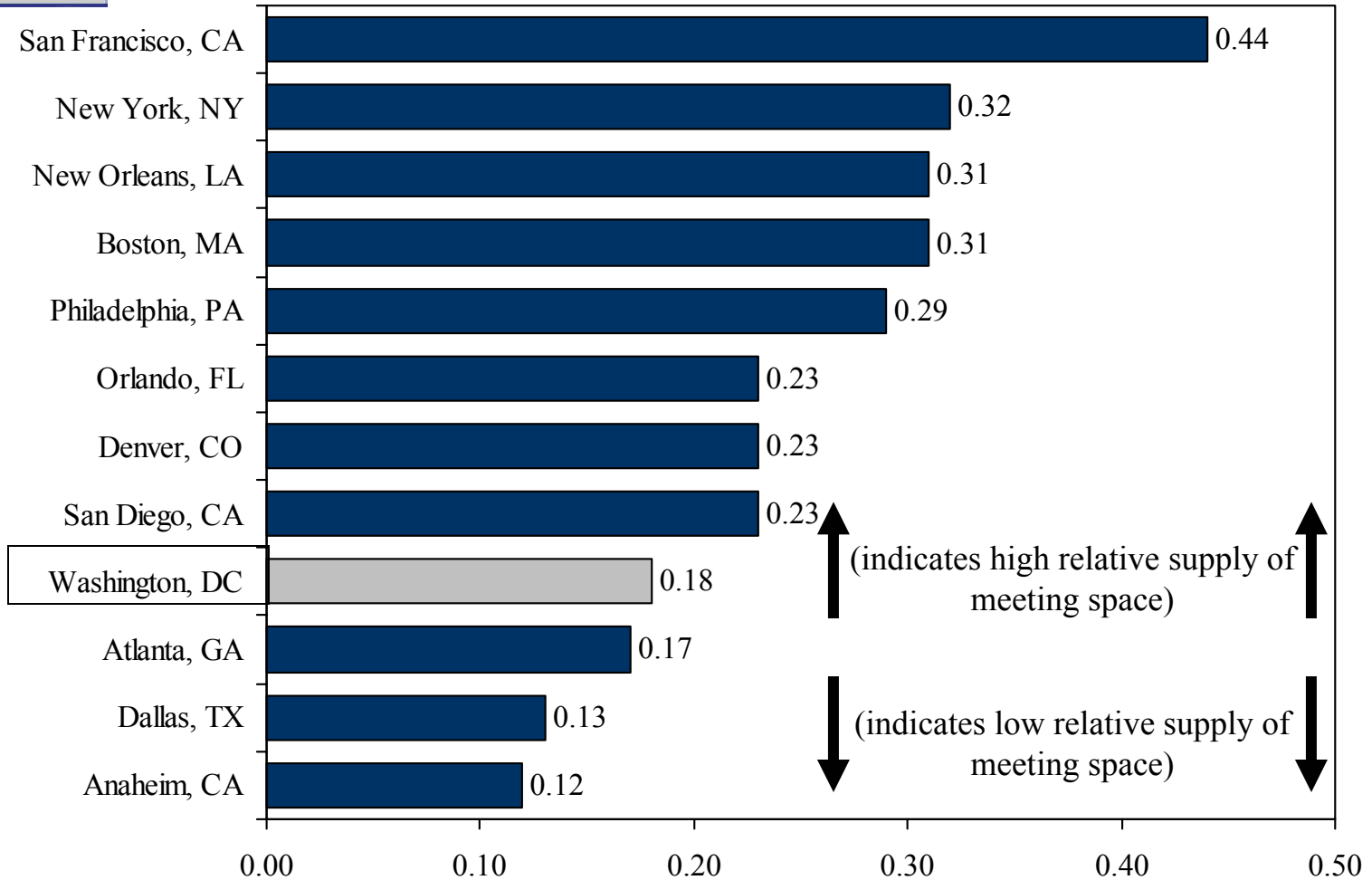
** planning/considering expansion

Source: facility floorplans, management, and industry publications



Ratio of Meeting to Exhibit Space

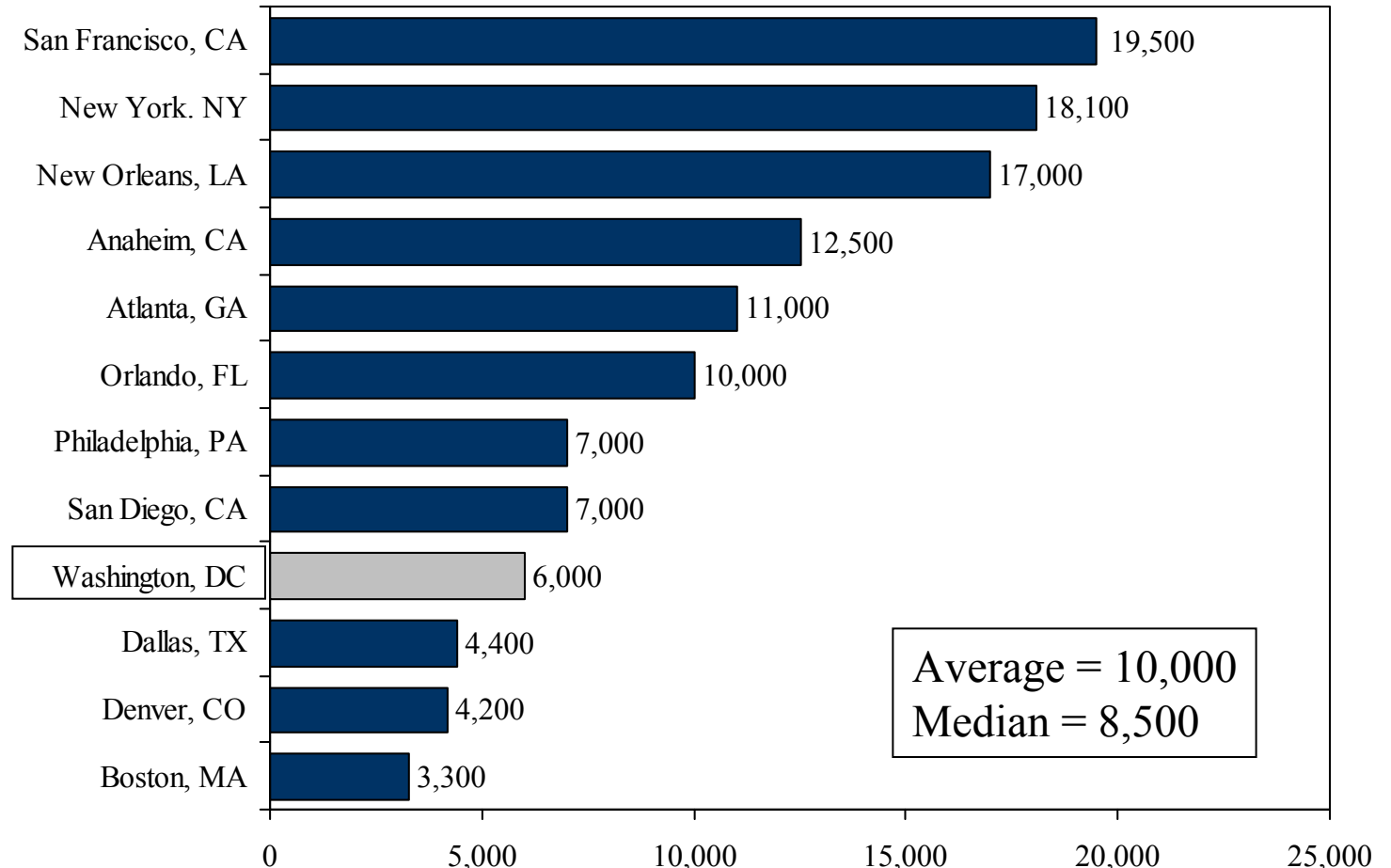
WCC offers relatively low levels of meeting space relative to competitive/comparable markets





Comparison of Committable Hotel Rooms

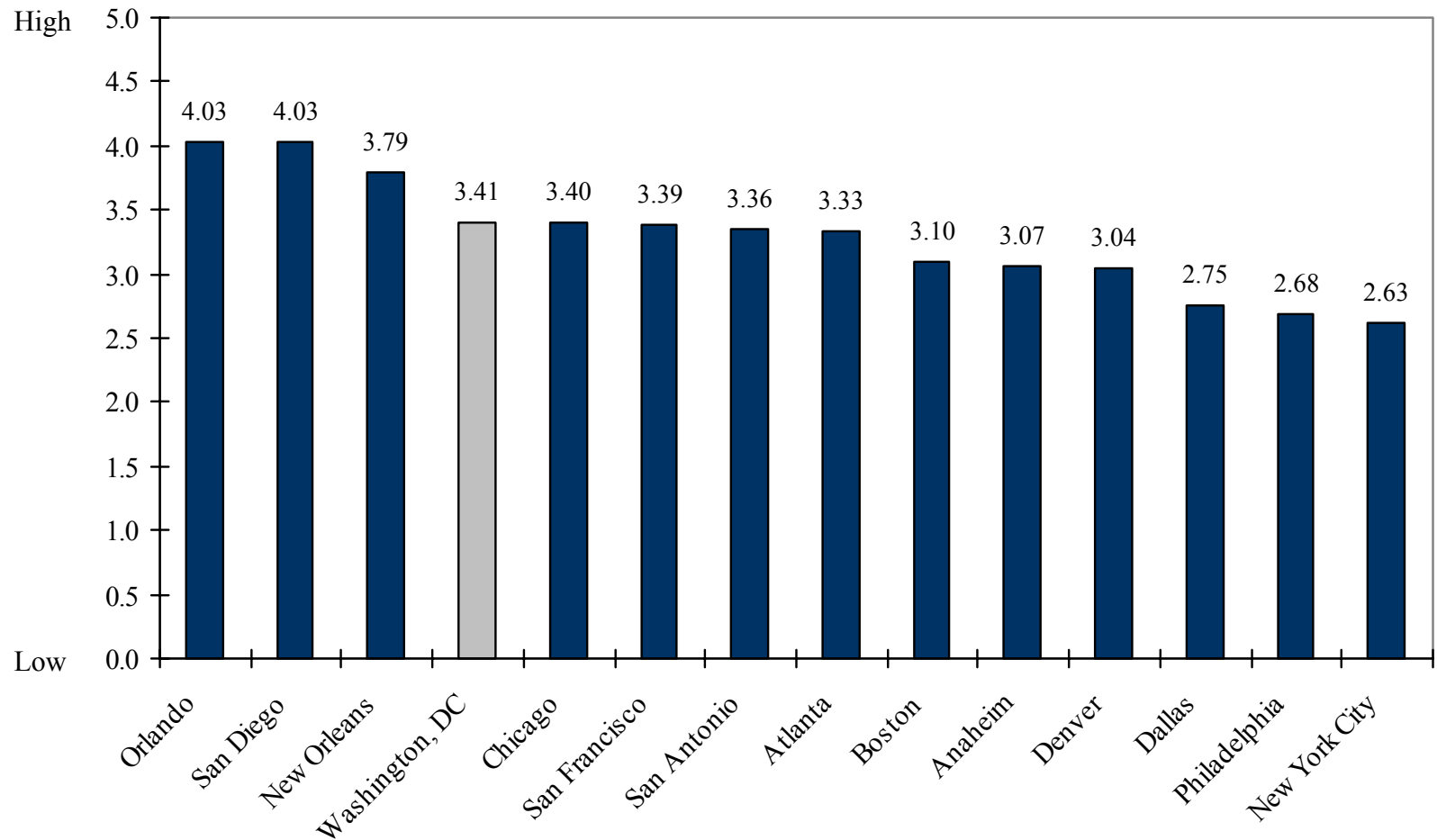
The District has a low level of hotel inventory and higher than average hotel rates





Event Planner Ranking of Competitive/Comparable Markets

The District is viewed as a highly desirable destination for conventions and tradeshow





Other Key Market Findings

*WCC accommodates a large majority of a market that is experiencing moderate growth –
Headquarters hotel a critical element to success*

- Existing exhibit space accommodates 90 percent of the potential event market
- Industry growth in space-use projected as moderate, with significant increases in number of events
- Virtually all event planners require headquarter hotel
- Average headquarter hotel offers 1,270 rooms
- Most planners prefer room blocks within nine or fewer properties
- Hotel room rate desired by planners averages \$159



Market Supportable Program Elements

Several key areas of facility development need to be addressed

- 75,000 square feet of meeting space to be controlled by the WCC
- Headquarters hotel targeting 1,500 rooms, with a minimum of 1,220
- Hotel should also provide 100,000 square feet of leasable meeting and ballroom space
- Consideration of exhibit space expansion after five years



Further Focus on Exhibit Space

Areas of market support for added exhibit space

- The DC market is viewed very favorably by event planners
- Industry demand for space will continue to grow
- Occupancy levels at the WCC could eventually indicate support for expansion
- Site issues become very challenging in the context of exhibit space needs



Further Focus on Exhibit Space

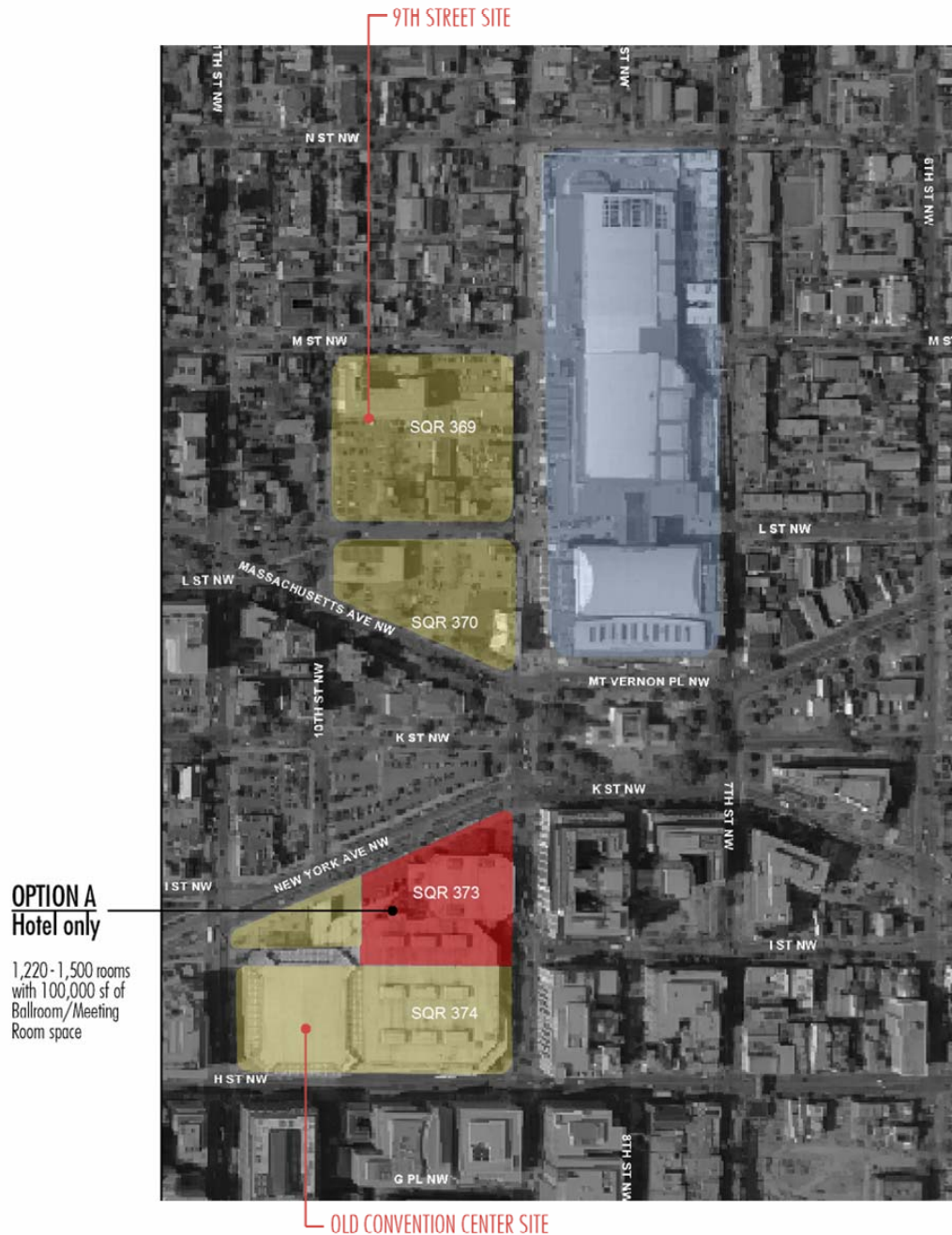
Areas of market challenge for added exhibit space

- Hotel rates and inventory will limit ability to attract event levels beyond WCC capacity
- WCC occupancy projections indicate capacity for further event capture
- Competition in national and regional markets could dilute event potential
- The new WCC will likely remain competitive over a very long period of time, even without major expansion



Aerial View of Potential Site Options





**OPTION A
Hotel only**

1,220-1,500 rooms
with 100,000 sf of
Ballroom/Meeting
Room space

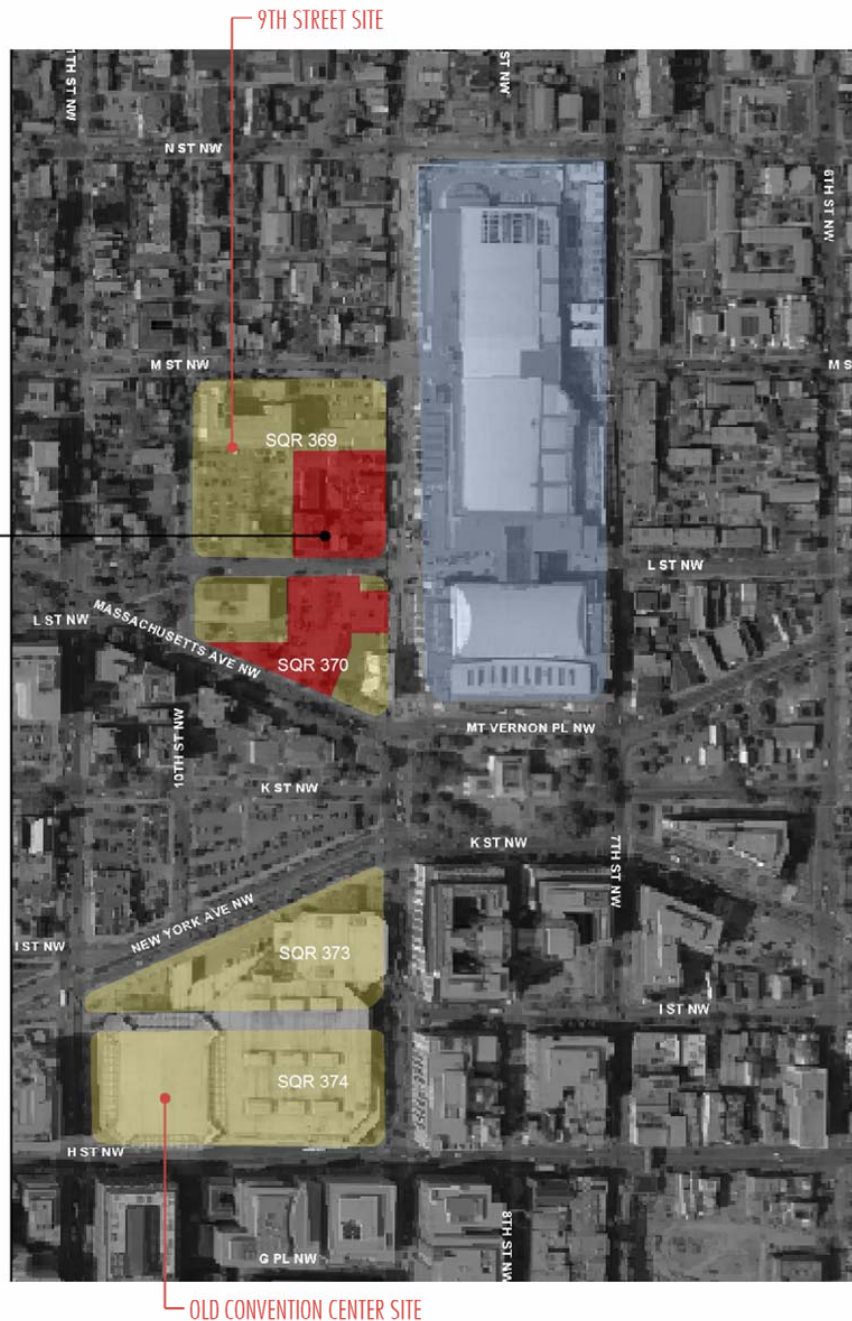
Option A

- Publicly owned site
- Allows for larger hotel
- Potential linkages to WCC may be costly
- Hotel costs estimated at \$352 million



OPTION B
Hotel only

1,220 rooms with
100,000 sf of
Ballroom/Meeting
Room space



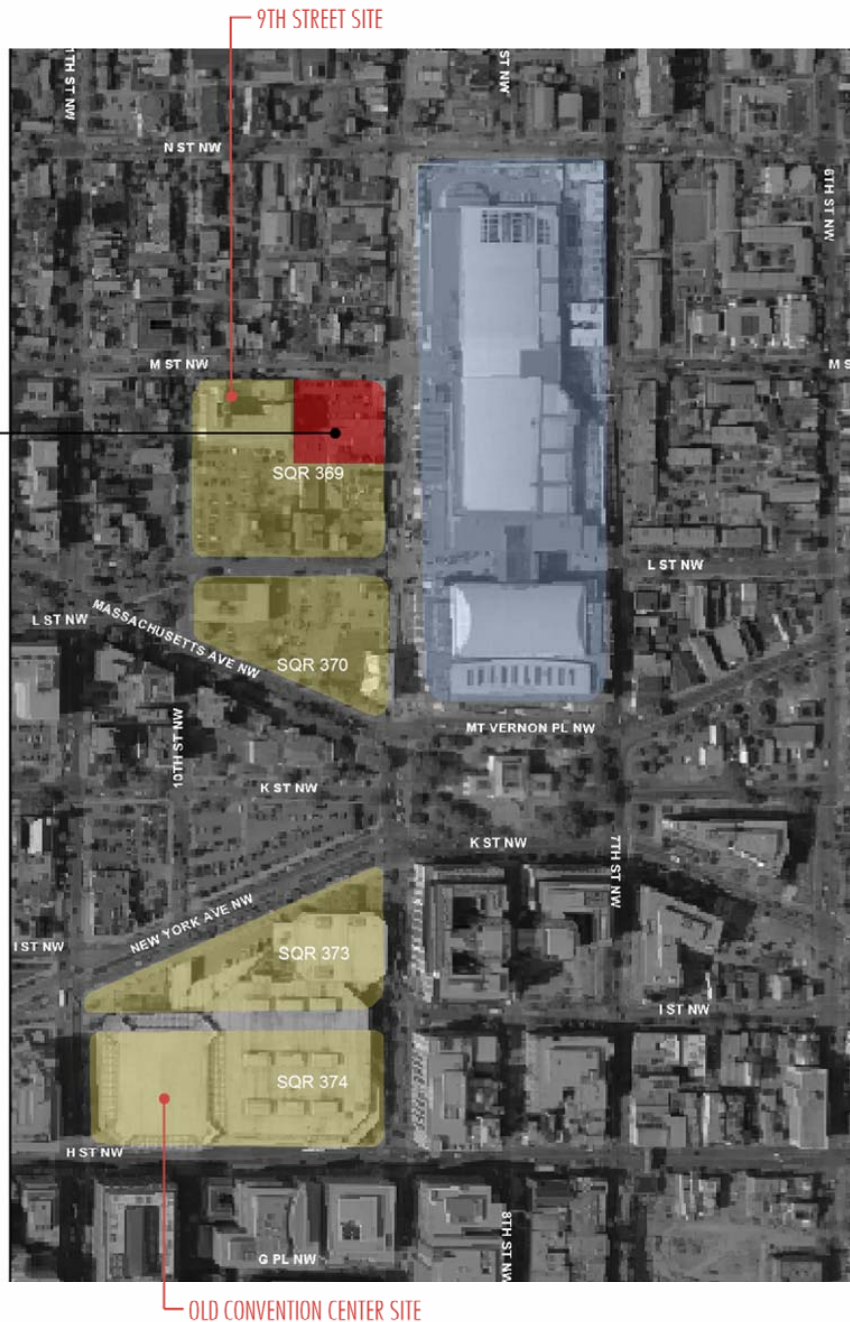
Option B

- Site allows for approximately 1,220 rooms
- Underground access to WCC possible
- Additional parcels needed for supporting meeting/ballroom space
- Configuration of space may result in some operational challenges
- Project costs estimated at \$435 million



OPTION C
Convention
Center only

75,000 sf of WCC-
controlled
Ballroom/Meeting
Room space



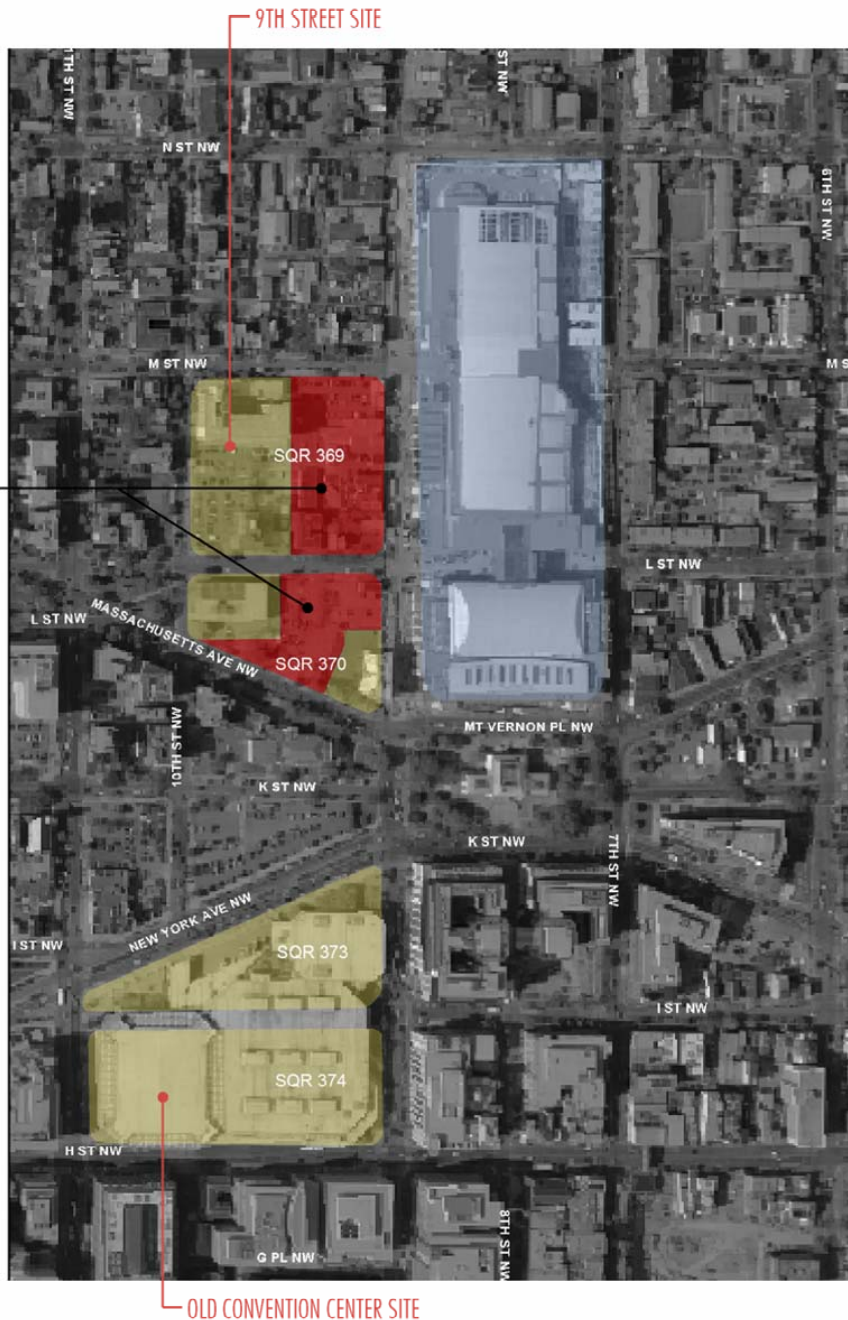
Option C

- Parcels on east portion of block would need to be acquired
- Underground access to WCC possible
- Project costs estimated at \$109 million



OPTION D
Convention
Center and Hotel

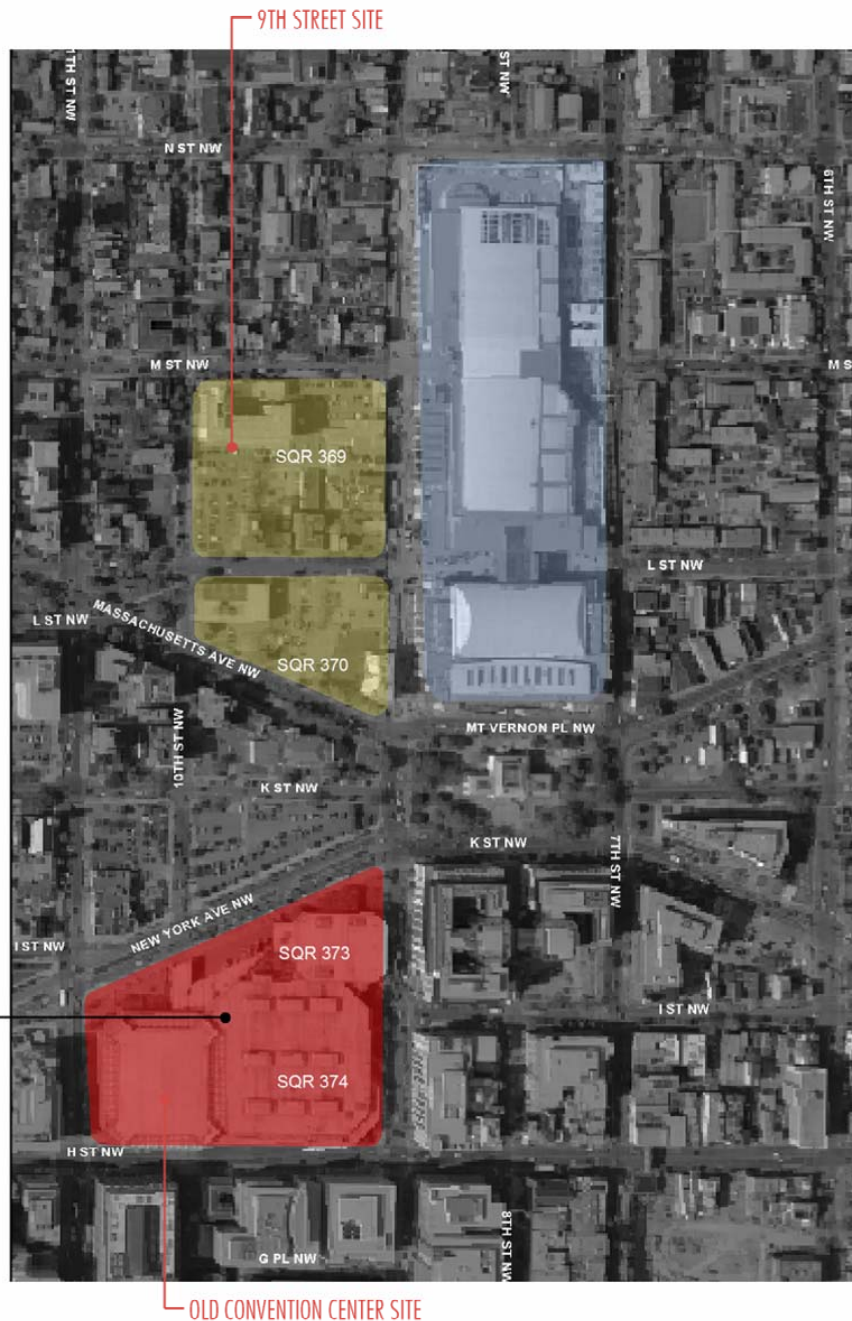
75,000 sf of WCC-
controlled Ballroom/
Meeting Room space,
and hotel with 1,220
rooms and 100,000
sf of Ballroom/
Meeting Room space



Option D

- Site allows for approximately 1,220 rooms
- Underground access to WCC possible
- Additional parcels needed for supporting meeting/ballroom space
- Would address WCC meeting/ballroom space needs
- Configuration of space may result in some operational challenges
- Project costs estimated at \$533 million





OPTION E
Convention
Center and Hotel

250,000 sf Exhibit Hall with 100,000 sf of Ballroom/Meeting Room space, and 1,220 room hotel with 100,000 sf of Ballroom/Meeting Room space

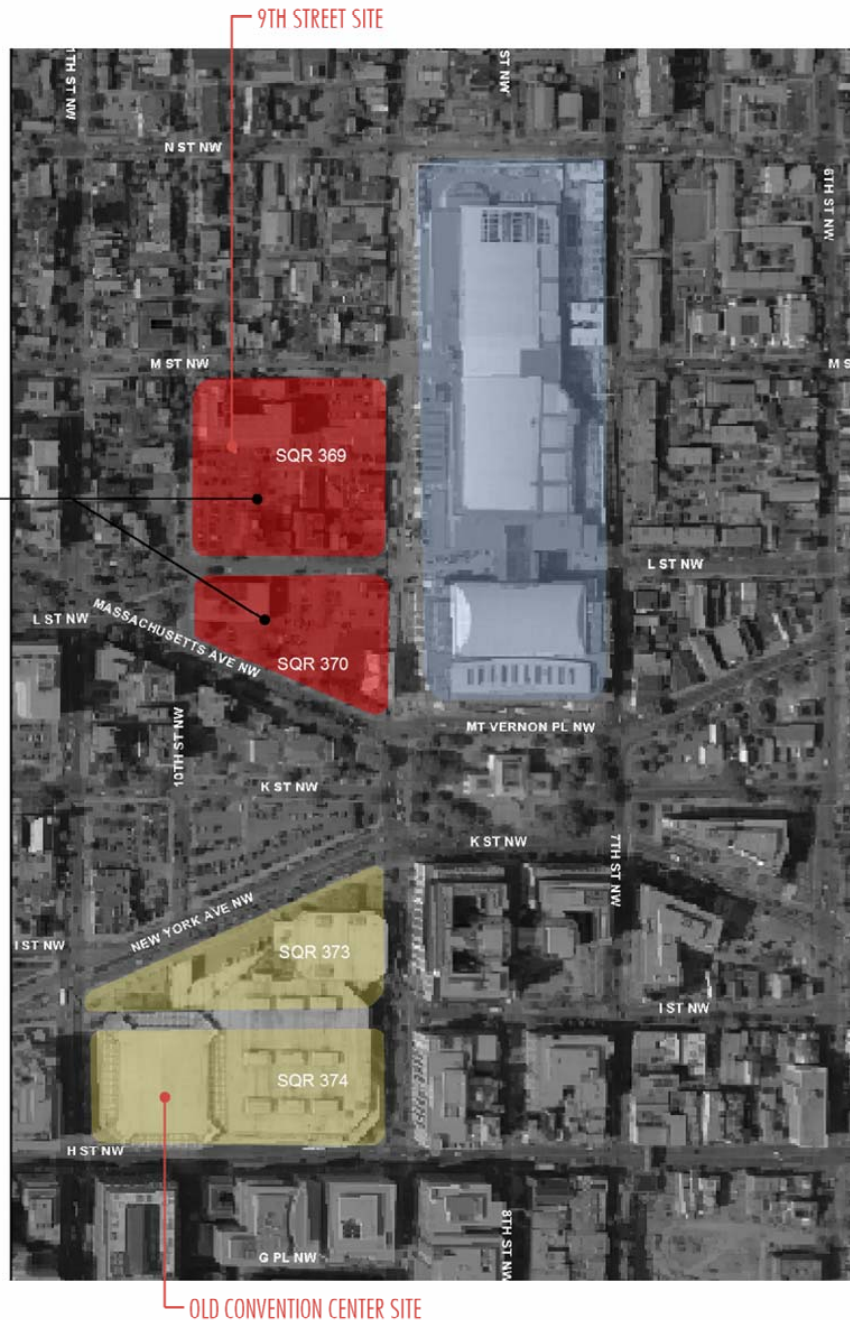
Option E

- Publicly owned site
- Allows for larger hotel
- Potential linkages to WCC may be costly
- Exhibit space at depth of 85 feet offers significant development challenges
- Space at this depth may not match quality/atmosphere of existing WCC
- Exiting and loading could be challenging and/or costly to address
- Potential for delay in hotel development
- Project costs estimated at \$774 million



OPTION F
Convention
Center and Hotel

250,000 sf Exhibit
Hall with 100,000 sf
of Ballroom/Meeting
Room space, and
1,220 room hotel
with 100,000 sf of
Ballroom/Meeting
Room space



Option F

- Site allows for approximately 1,220 rooms
- Underground access to WCC possible
- Successful land acquisition deemed highly unlikely
- Space would not likely meet industry standards
- Configuration of space may result in some operational challenges
- Project costs estimated at \$1.0 billion

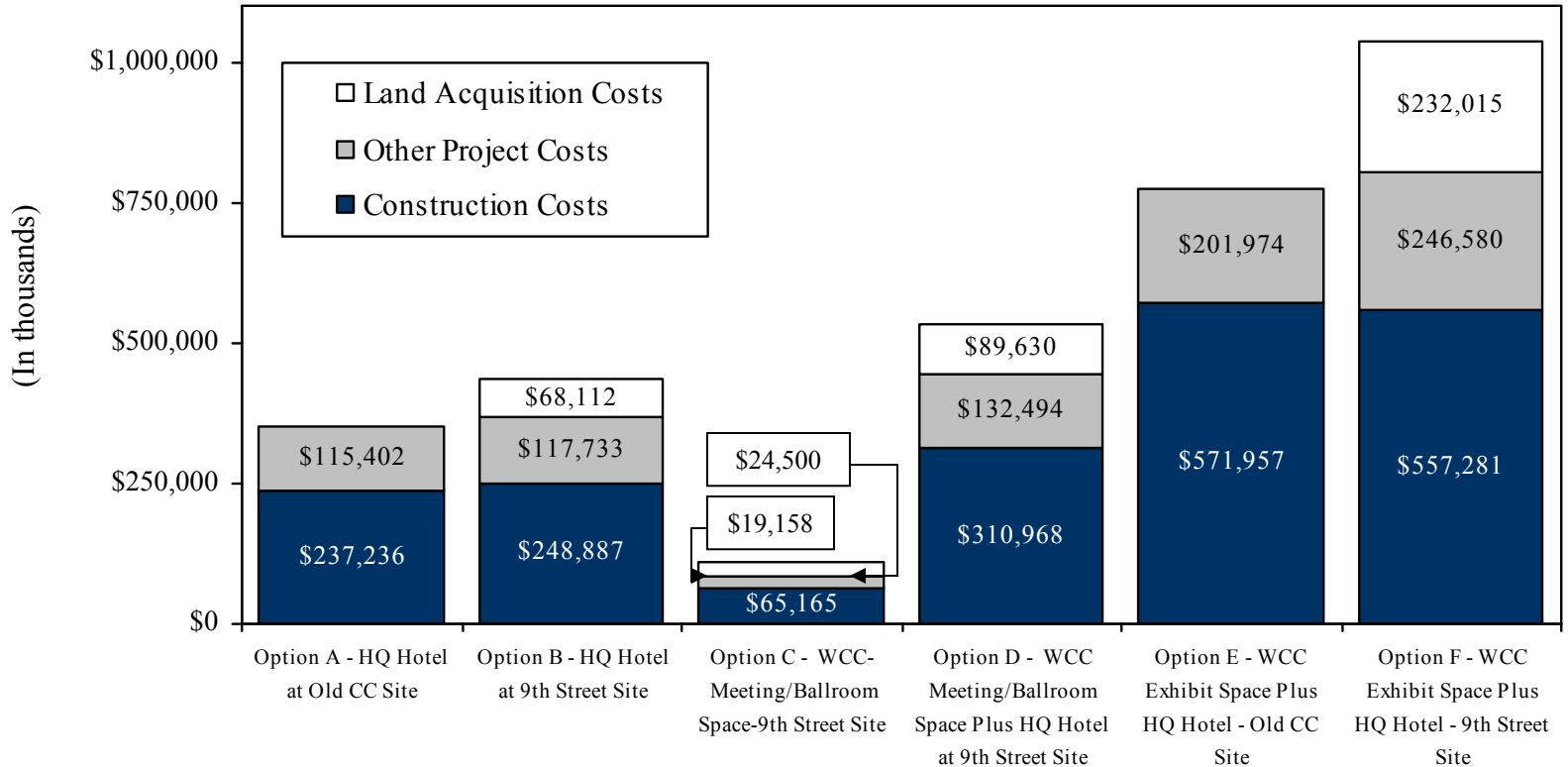




Summary of Project Costs

Includes Land Acquisition, Construction and Soft Costs

Total Project Costs (000's)	\$352,638	\$434,732	\$108,823	\$533,092	\$773,931	\$1,035,876
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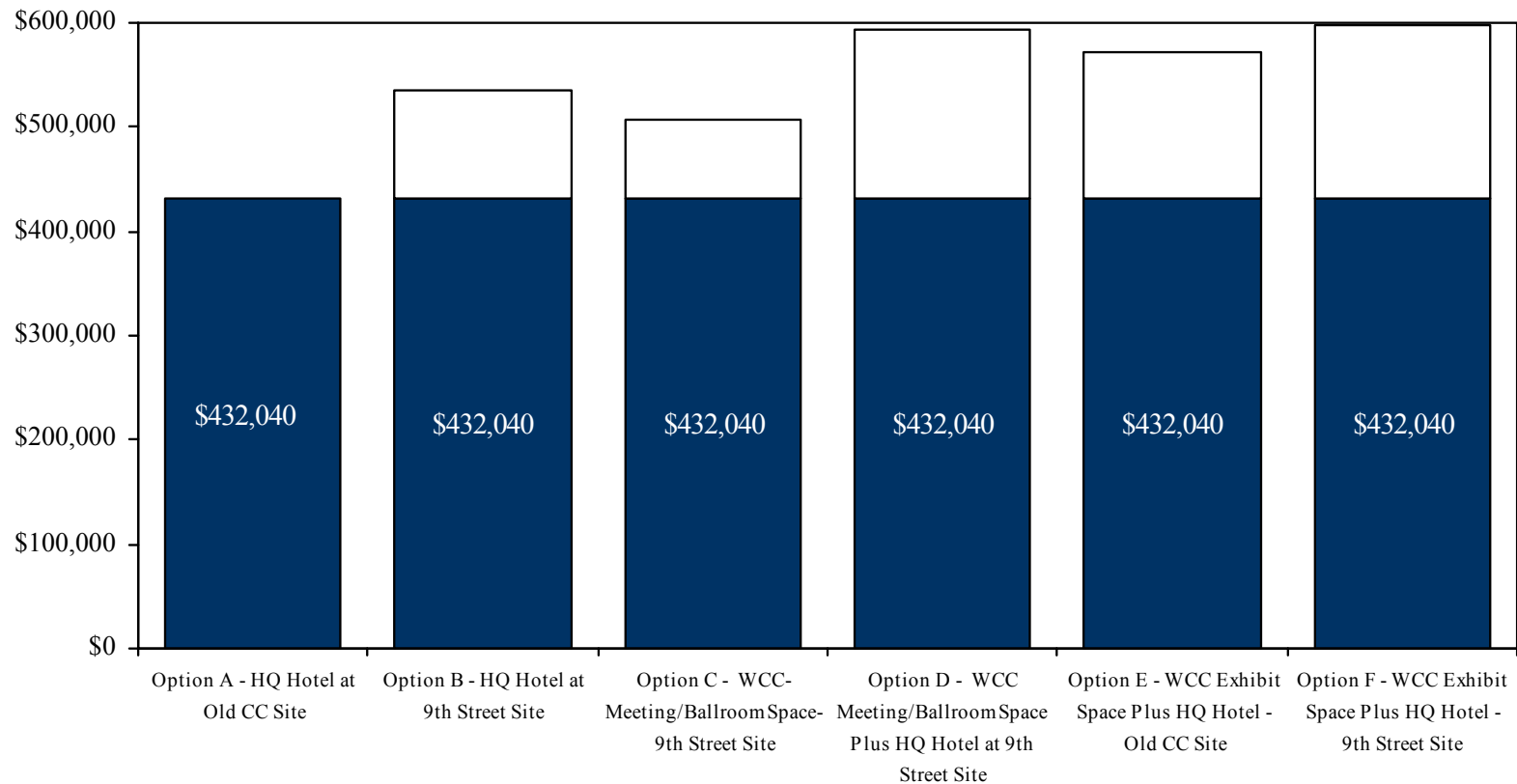




Summary of Annual Direct Spending

Incremental spending ranges from \$74 million to \$166 million

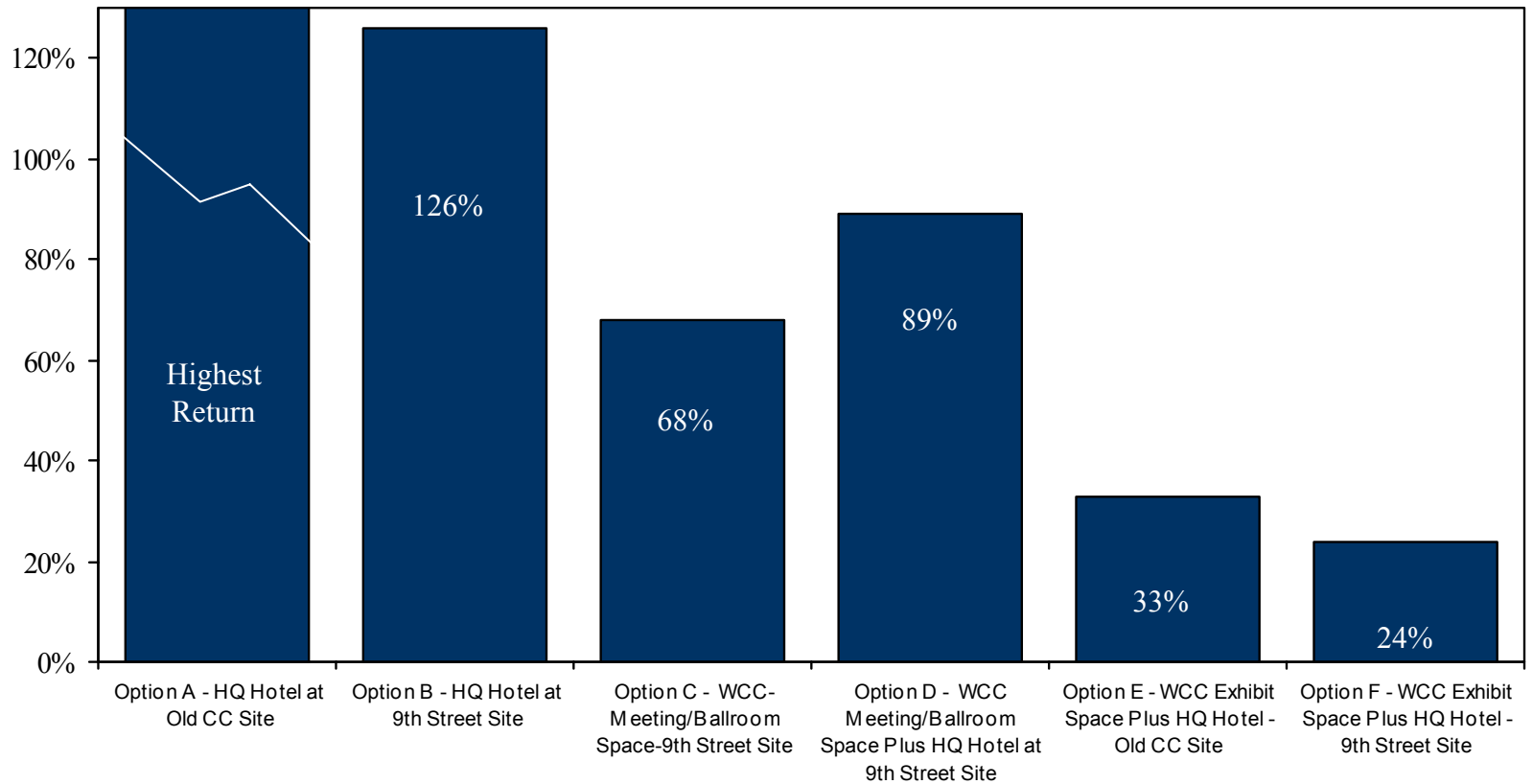
Total	\$432,040	\$524,493	\$506,464	\$593,155	\$571,208	\$597,579
Incremental	\$0	\$103,646	\$74,424	\$161,115	\$139,168	\$165,539





New Direct Spending Divided by Costs

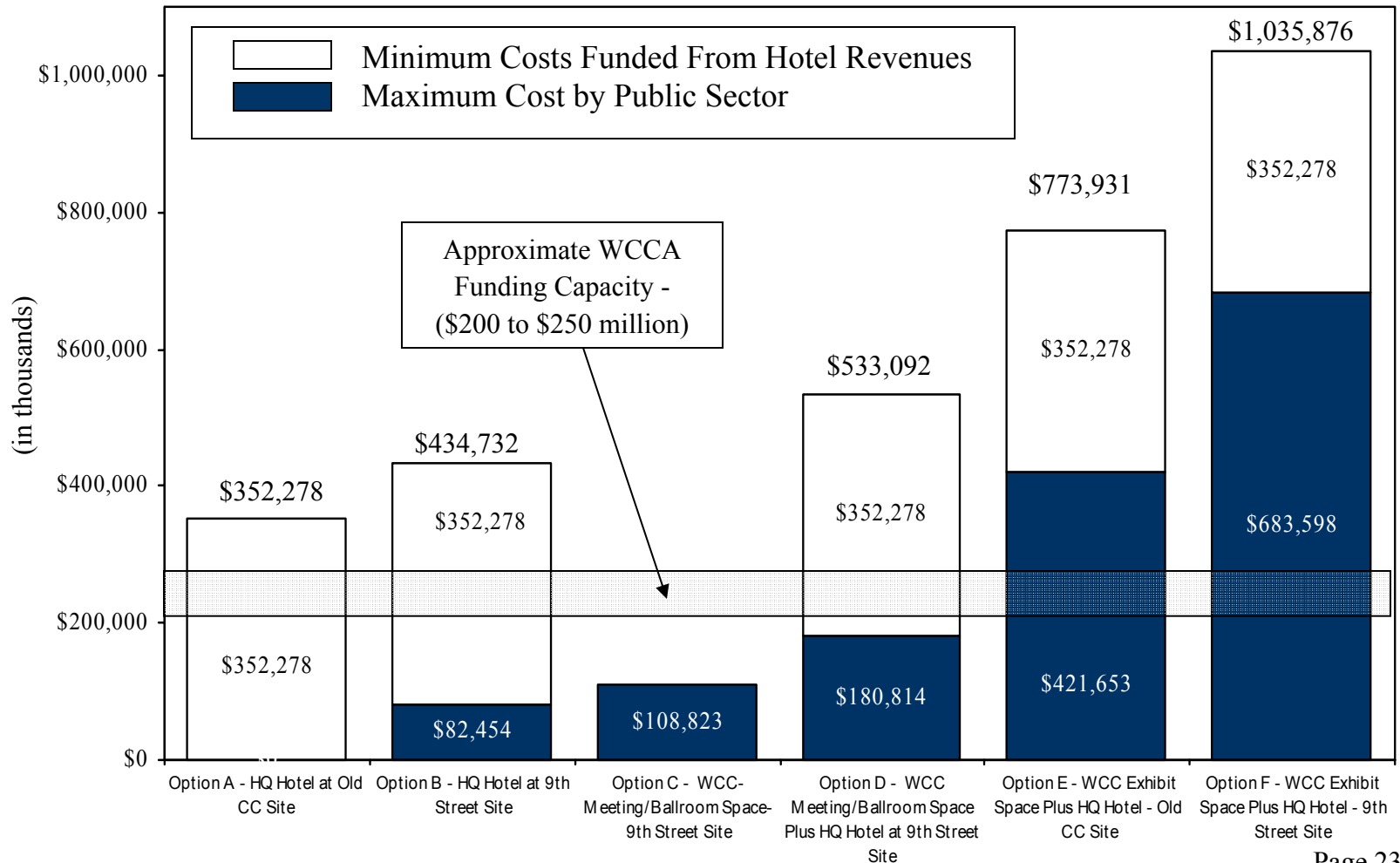
Hotel development provides highest relative return, exhibit space provides the lowest return





Summary of Project Costs and WCCA Funding Capacity

Hotel development offers lowest costs to public, exhibit space very expensive





End of Presentation

Convention Center Expansion & Headquarters Hotel Feasibility Study for the Washington Convention Center



Presented to:

The Washington Convention Center Authority

August 19, 2004

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Overview of Study Topics

- Previous Study Findings
- Base Assumptions
- Overview of Hotel Financing Issues
- Broad Financing Findings
- Summary of Development Options

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Market Supportable Program Elements

Several key areas of facility development need to be addressed

- 75,000 square feet of meeting space to be controlled by the WCCA
- Headquarters hotel targeting 1,500 rooms, with a minimum of 1,220 rooms
- Hotel should also provide 100,000 square feet of leasable meeting and ballroom space
- Consideration of exhibit space expansion after five years



Summary of Potential Development Options

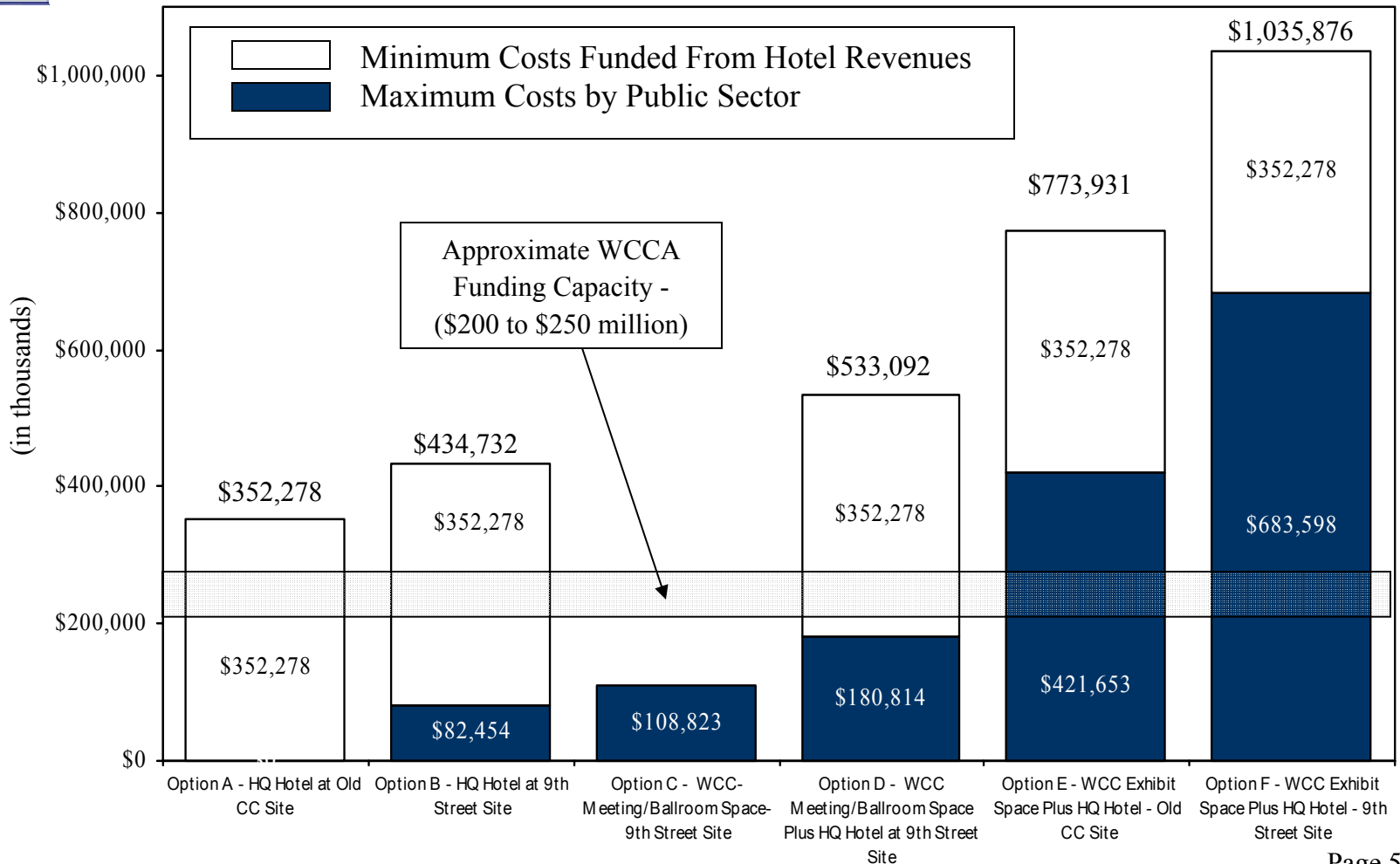
- Option A – Headquarters hotel at old Convention Center site
- Option B – Headquarters hotel at 9th Street site
- Option C – WCCA-controlled meeting/ballroom space at 9th Street site
- Option D – Headquarters hotel plus WCCA-controlled meeting/ballroom space at 9th Street site
- Option E – Headquarters hotel plus WCCA-controlled exhibit space at old Convention Center site
- Option F – Headquarters hotel plus WCCA-controlled exhibit space at 9th Street site





Summary of Project Costs and WCCA Funding Capacity

Hotel development offers lowest costs to public, exhibit space very expensive





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Base Assumptions

The primary issues that should be considered by the WCCA in evaluating project financing and development

- WCCA dedicated taxes should not be put at risk when funding a hotel, if at all possible
- Any capital structure for hotel financing must be considered highly marketable
- Financing structure should serve the interests of WCCA' s on-going operations
- Whatever course is chosen, the success of the WCC should be supported



Overview of Hotel Financing Issues

Trends and current conditions in hotel financing

- Optimism in Investment Trends – *that's the good news*
- Financing for New Hotel Development – *private dollars target smaller hotels*
- Financing for Large Hotels – *given the risks and costs, large hotels are not generally financed privately*
- Big Incentives – *large hotels that incorporate private financing rely on extensive and expensive public sector support*
- Options for Lower Cost/Greater Control – *most cities looking at headquarters hotels are focusing on tax-exempt debt*





Broad Study Findings

Primary findings that should be used by the WCCA in its decision making process

- Hotel net operating income sufficient to fund hotel construction
- Refinancing of existing WCCA debt is not necessary
- Private financing could be considered, however there could be up-front costs and less operational control
- If tax-exempt financing is pursued, the WCCA should consider being the owning/operating entity
- If owned by the WCCA, excess operating/tax revenue could be retained to support its mission of enhancing the convention industry in the District
- A portion of excess revenue could also be allocated to other public entities





More Focus on Hotel Funding Issue

The strength of the DC hotel market and the financial implications for hotel development

- DC is a very strong hotel market
- PKF conducted a detailed feasibility study regarding hotel financial performance
- The study indicated that net operating income could range from \$25.5 million in 2008 to \$37.3 million by 2012
- This hotel net operating income plus pledge of some project specific taxes could be used to support tax exempt financing
- These revenues are sufficiently strong to allow for marketable financing of hotel development costs
- Significant reserve accounts could be maintained, and excess cash after debt service could be available for distribution to the hotel owner





More Focus on Tax-Exempt Financing Issue

What's happening generally with tax exempt issues

- This is the most common approach in the industry for large hotels
- Much lower cost of capital
- Eliminate need for up-front cash contribution
- May entail financial risk, depending on financing structure (*this is critical, some cities have taken on more risk than necessary*)
- Hotel net operating income can be returned to the owner
- Pledged taxes not used for debt also can be returned to the hotel owner

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More Focus on Hotel Ownership Issue

Positive benefits of public ownership

- Public ownership affords greater control over development and operational issues:
 - ✓ Quality of construction
 - ✓ Hotel operation/service levels
 - ✓ Room block agreement
- Hotel net operating income can be returned to ownership entity
- Pledged taxes not used for debt can also be returned to ownership entity
- Private ownership is also an option, but may require greater public financial commitment





Summary of Development Options

Option A – Headquarters hotel on old CC site WCCA Ownership – Hotel Only

- Hotel revenues and pledged taxes sufficient to cover debt service (depending on how value of land is settled)
- No need to refinance outstanding WCCA bonds
- Option allows for WCCA control of hotel operations and room block agreement
- Tax exempt financing can be structured to minimize risk, and generate cash flow to WCCA
- \$83.9 million in site specific taxes available over 7 years
- \$54.5 million in net operating income available over 7 years
- Sale of the asset after 7 years would generate a profit
- Positive impact on WCCA cash flow





Summary of Development Options

Option A – Headquarters hotel on old CC site District Ownership – Hotel Only

- Hotel revenues and pledged taxes sufficient to cover debt service (depending on how value of land is settled)
- No need to refinance outstanding WCCA bonds
- Option **does not** allow for WCCA control of hotel operations and room block agreement
- Tax exempt financing can be structured to minimize risk, and generate cash flow to **District**
- \$83.9 million in site specific taxes available over 7 years
- \$54.5 million in net operating income available over 7 years
- Sale of the asset after 7 years would generate a profit





Summary of Development Options

Option A – Headquarters hotel on old CC site WCCA Ownership – Hotel With Refunding

- Hotel revenues and pledged taxes sufficient to cover debt service (depending on how value of land is settled)
- Refinancing **requires pledge of all WCCA revenues**, guarantee of debt and may cost additional \$10 to \$30 million (assuming traditional refinancing)
- Option allows for WCCA control of hotel operations and room block agreement
- Tax exempt financing can be structured to minimize risk, and generate cash flow to WCCA
- **\$48.8 million** in site specific taxes available over 7 years
- Sale of the asset after 7 years **could** generate a profit
- Positive impact on WCCA cash flow





Summary of Development Options

Option A – Headquarters hotel on old CC site Private Financing

- Some up-front financing or other financial considerations may be necessary, in addition to making land available
- No need to refinance outstanding WCCA bonds
- Limited or no impact on WCCA revenues
- No allocation of net hotel revenues to public sector
- Less control over room block and operational issues





Summary of Key Development Findings

Option A – Headquarters hotel on old CC site

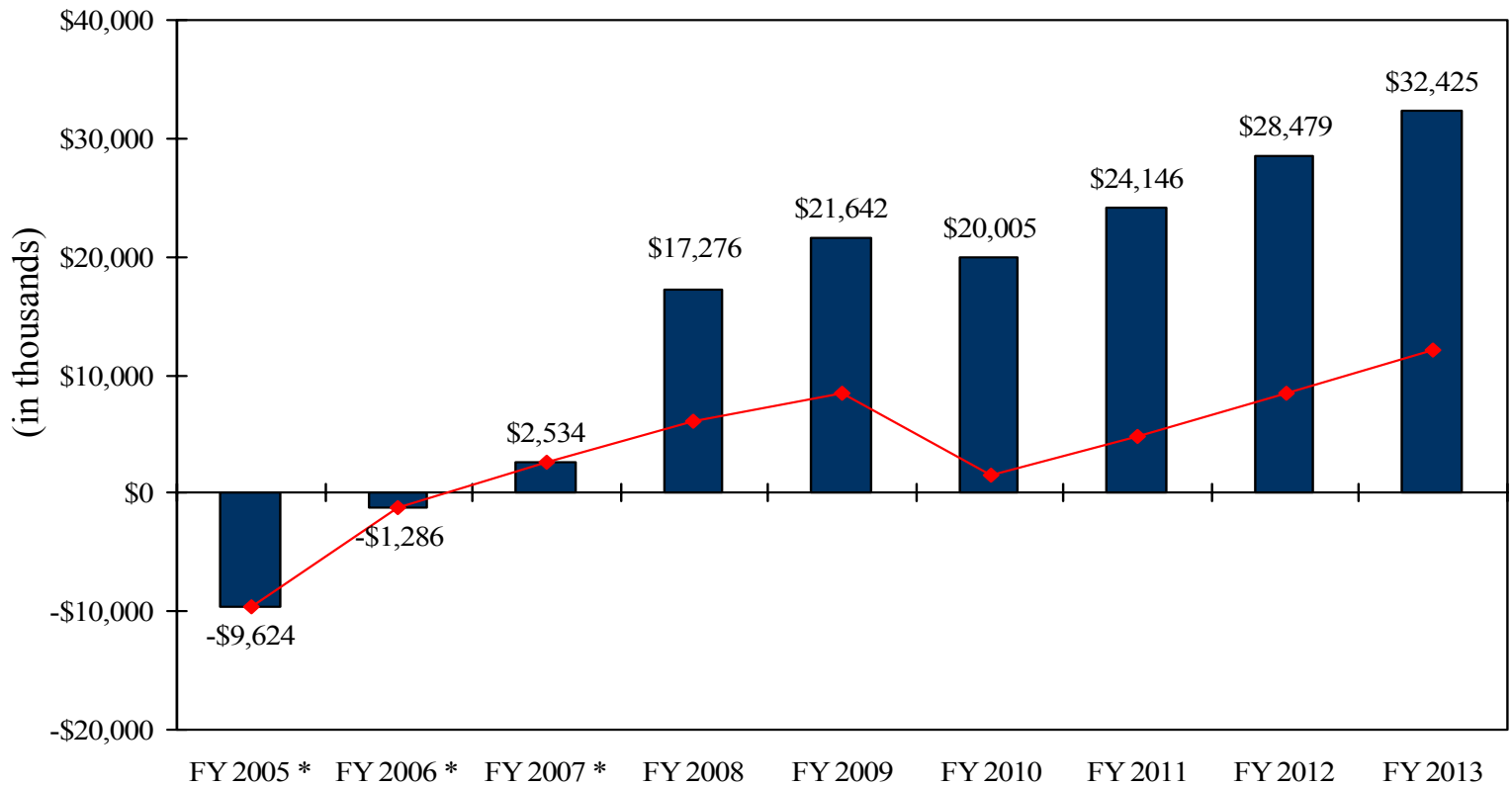
- Hotel revenues and pledged taxes sufficient to cover debt service (depending on how value of land is settled)
- No need to refinance outstanding WCCA bonds
- Private financing may require financial considerations plus land, and would result in less project control for WCCA
- Tax exempt financing can be structured to minimize risk, and generate cash flow to WCCA/District





Impact on WCCA Cash Flows Development Option A - HQ Hotel at Old CC Site

Option A Net Cash Flows
 Current WCCA Projections - No Changes



* Reflects operating deficit of WCCA without a hotel.





Summary of Development Options

Option B – Headquarters hotel on 9th Street site WCCA Ownership – Hotel Only

- Hotel revenues and pledged taxes sufficient to cover debt with the exception of land costs
- There may be as much as **\$82 million** that cannot be supported by hotel operating revenue and tax pledges. These costs would have to be financed by the ownership entity
- No need to refinance outstanding WCCA bonds
- Option allows for WCCA control of hotel operations and room block agreement
- Tax exempt financing can be structured to minimize risk, and generate cash flow to WCCA
- Land acquisition issues may adversely impact project costs and timing, and site limitations may adversely impact hotel room count
- \$83.9 million in site specific taxes and \$54.5 million in net operating income available over 7 years
- Sale of the asset after 7 years would generate a profit
- Positive impact on WCCA cash flow





Summary of Development Options

Option B – Headquarters hotel on 9th Street site District Ownership – Hotel Only

- Hotel revenues and pledged taxes sufficient to cover debt with the exception of land costs
- There may be as much as \$82 million that cannot be supported by hotel operating revenue and tax pledges. These costs would have to be financed by the ownership entity
- No need to refinance outstanding WCCA bonds
- Option **does not** allow for WCCA control of hotel operations and room block agreement
- Tax exempt financing can be structured to minimize risk, and generate cash flow to **District**
- Land acquisition issues may adversely impact project costs and timing, and site limitations may adversely impact hotel room count
- \$83.9 million in site specific taxes and \$54.5 million in net operating income available over 7 years
- Sale of the asset after 7 years would generate a profit

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Summary of Development Options

Option B – Headquarters hotel on 9th Street site WCCA Ownership – Hotel With Refunding

- Hotel revenues and pledged taxes sufficient to cover debt with the exception of land costs
- There may be as much as \$82 million that cannot be supported by hotel operating revenue and tax pledges. These costs would have to be financed by the ownership entity
- Refinancing **requires pledge of all WCCA revenues**, guarantee of debt and may cost additional \$10 to \$30 million (assuming traditional refinancing)
- Option allows for WCCA control of hotel operations and room block agreement
- Tax exempt financing can be structured to minimize risk, and generate cash flow to WCCA/District
- Land acquisition issues may adversely impact project costs and timing, and site limitations may adversely impact hotel room count
- **\$48.8 million** in site specific taxes available over 7 years
- Sale of the asset after 7 years **could** generate a profit





Summary of Development Options

Option B – Headquarters hotel on 9th Street site Private Financing

- \$82 million in up-front financing (includes land costs). Other financial considerations may be also necessary
- No need to refinance outstanding WCCA bonds
- Limited or no impact on WCCA revenues
- No allocation of net hotel revenues to public sector
- Less control over room block and operational issues
- Land acquisition issues may adversely impact project costs and timing, and site limitations may adversely impact hotel room count

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Summary of Key Development Findings

Option B – Headquarters hotel on 9th Street site

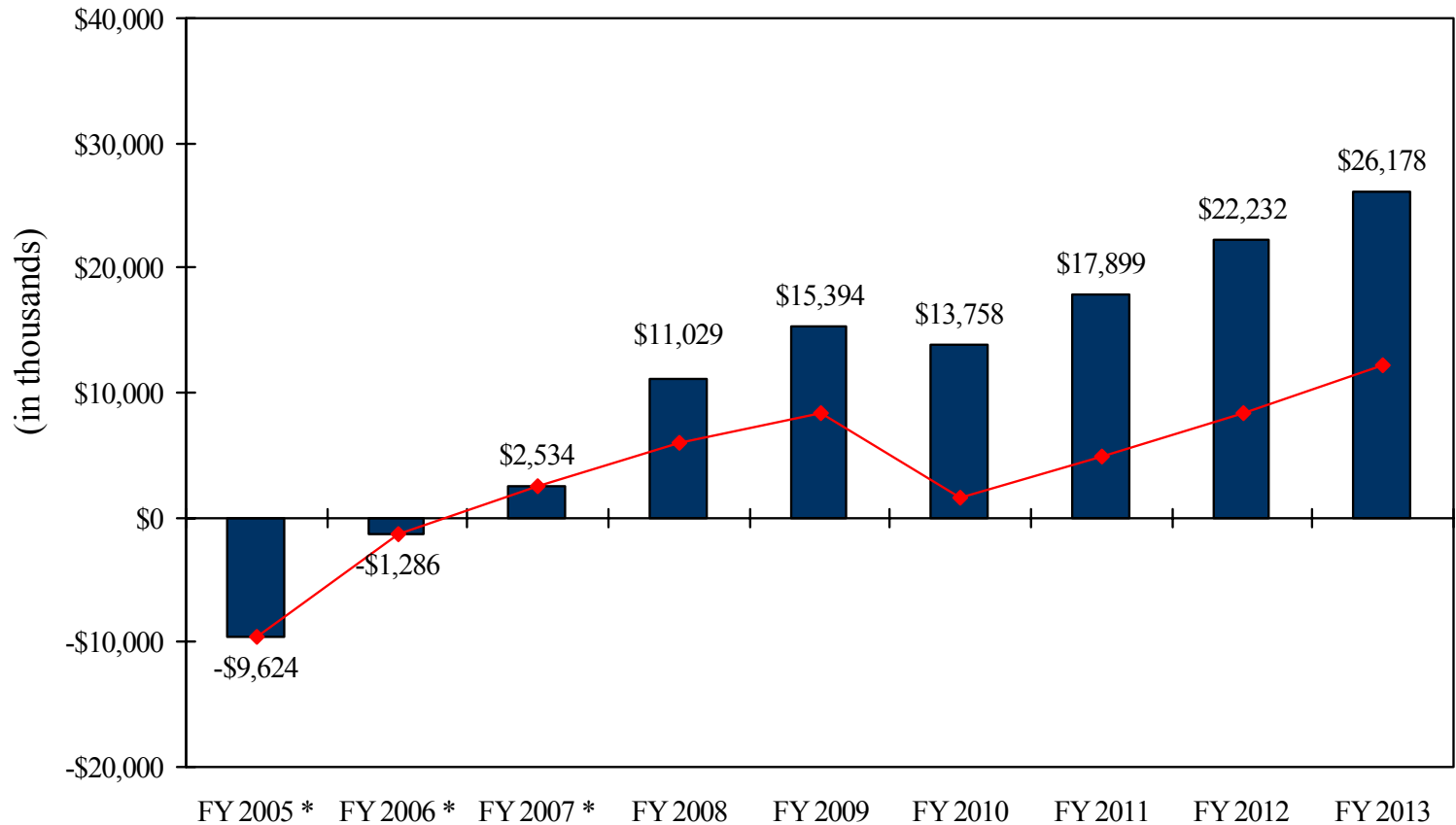
- Hotel revenues and pledged taxes sufficient to cover debt with the exception of land costs
- There may be as much as \$82 million that cannot be supported by hotel operating revenue and tax pledges. These costs would have to be financed by the ownership entity
- No need to refinance outstanding WCCA bonds
- Private financing may require up-front cash contribution plus land, and would result in less project control for WCCA
- Tax exempt financing can be structured to minimize risk, and generate cash flow to WCCA
- Land acquisition issues may adversely impact project costs and timing, and site limitations may adversely impact hotel room count





Impact on WCCA Cash Flows Development Option B - HQ Hotel at 9th Street Site

Option B Net Cash Flows
 Current WCCA Projections - No Changes



* Reflects operating deficit of WCCA without a hotel.





Summary of Development Options

Option C – 75,000 sf of meeting/ballroom space at 9th Street site

- No hotel project/revenues
- \$109 million project cost would be financed with WCCA dedicated taxes
- Sufficient capacity to fund project
- Land acquisition issues may adversely impact project costs and timing

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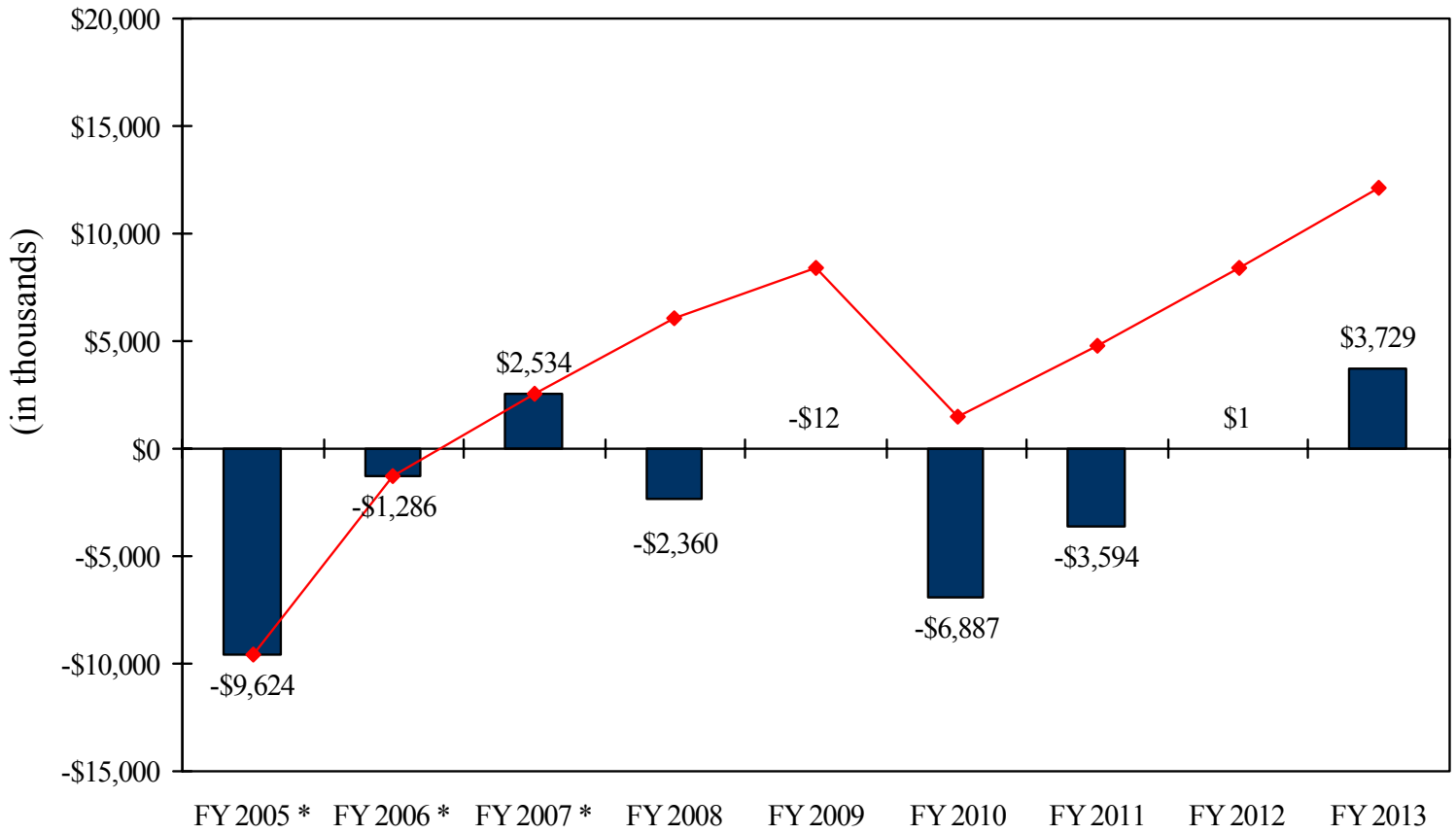
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Impact on WCCA Cash Flows Development Option C – Added WCC-Controlled Meeting/Ballroom Space

Option C Net Cash Flows
 Current WCCA Projections - No Changes



* Reflects operating deficit of WCCA without a hotel.





Summary of Development Options

*Option D – Headquarters hotel and 75,000 sf of meeting/ballroom space at 9th Street site
WCCA Ownership – Hotel Only*

- Hotel revenues and pledged taxes sufficient to cover hotel debt with the exception of land costs
- There may be as much as **\$181 million** that cannot be supported by hotel operating revenue and tax pledges. These costs would have to be financed by the ownership entity
- No need for refinancing, **but option uses most of WCCA debt capacity**
- Option allows for WCCA control of hotel operations and room block agreement
- Tax exempt financing can be structured to minimize risk, and generate cash flow to WCCA
- Land acquisition issues may adversely impact project costs and timing, and site limitations may adversely impact hotel room count
- \$83.9 million in site specific taxes available over 7 years
- \$54.5 million in net operating income available over 7 years
- Sale of the asset after 7 years would generate a profit

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Summary of Development Options

Option D – Headquarters hotel and 75,000 sf of meeting/ballroom space at 9th Street site District Ownership – Hotel Only

- Hotel revenues and pledged taxes sufficient to cover hotel debt with the exception of land costs
- There may be as much as \$181 million that cannot be supported by hotel operating revenue and tax pledges. These costs would have to be financed by the ownership entity
- No need for refinancing, but option uses most of WCCA debt capacity
- Option **does not** allow for WCCA control of hotel operations and room block agreement
- Tax exempt financing can be structured to minimize risk, and generate cash flow to **District**
- Land acquisition issues may adversely impact project costs and timing, and site limitations may adversely impact hotel room count
- \$83.9 million in site specific taxes available over 7 years
- \$54.5 million in net operating income available over 7 years
- Sale of the asset after 7 years would generate a profit





Summary of Development Options

Option D – Headquarters hotel and 75,000 sf of meeting/ballroom space at 9th Street site

WCCA Ownership – Hotel With Refunding

- Hotel revenues and pledged taxes sufficient to cover hotel debt with the exception of land costs
- There may be as much as \$181 million that cannot be supported by hotel operating revenue and tax pledges. These costs would have to be financed by the ownership entity
- Refinancing requires **pledge of all WCCA revenues**, guarantee of debt and may cost additional \$10 to \$30 million (assuming traditional refinancing)
- Option allows for WCCA control of hotel operations and room block agreement
- Tax exempt financing can be structured to minimize risk, and generate cash flow to WCCA/District
- Land acquisition issues may adversely impact project costs and timing, and site limitations may adversely impact hotel room count
- **\$48.8 million** in site specific taxes available over 7 years
- Sale of the asset after 7 years **could** generate a profit





Summary of Development Options

*Option D – Headquarters hotel and 75,000 sf of meeting/ballroom space at 9th Street site
Private Financing*

- \$181 million in up-front financing (includes land costs). Other financial considerations may be also necessary
- No need to refinance outstanding WCCA bonds
- Sufficient WCCA capacity to fund debt
- No allocation of net hotel revenues to public sector
- Less control over room block and operational issues
- Land acquisition issues may adversely impact project costs and timing, and site limitations may adversely impact hotel room count

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Summary of Key Development Findings

Option D – Headquarters hotel and 75,000 sf of meeting/ballroom space at 9th Street site

- Hotel revenues and pledged taxes sufficient to cover hotel debt
- There may be as much as \$181 million that cannot be supported by hotel operating revenue and tax pledges. These costs would have to be financed by the ownership entity
- No need to refinance outstanding WCCA bonds
- Private financing may require up-front cash contribution plus land, and would result in less project control for WCCA
- Tax exempt financing can be structured to minimize risk, and generate cash flow to WCCA
- Sufficient WCCA dedicated tax capacity to fund project
- Land acquisition issues may adversely impact project costs and timing, and site limitations may adversely impact hotel room count

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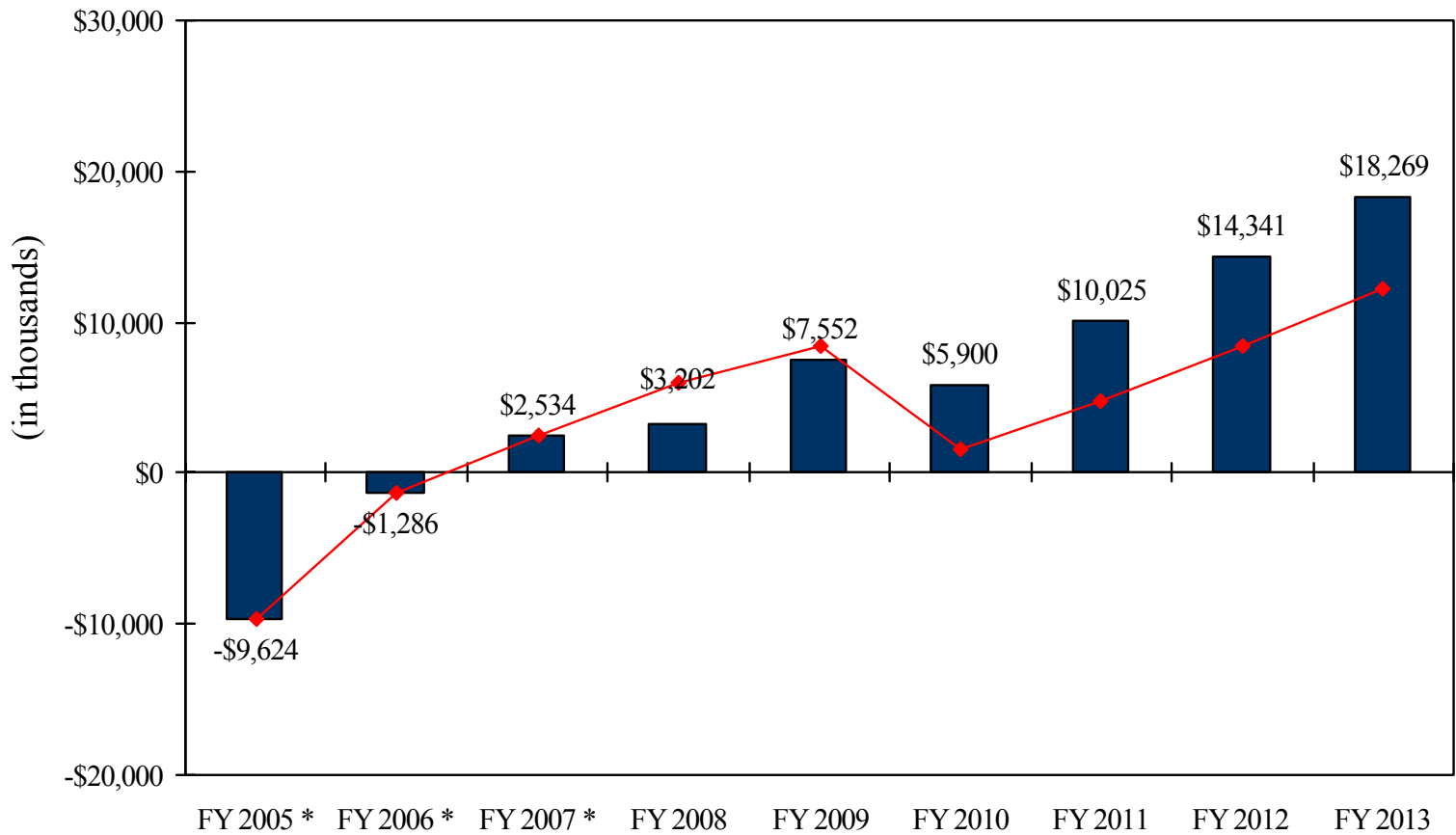
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*Impact on WCCA Cash Flows
Development Option D - Added WCC-Controlled
Meeting/Ballroom Space Plus HQ Hotel at 9th Street Site*

Option D Net Cash Flows Current WCCA Projections - No Changes



* Reflects operating deficit of WCCA without a hotel.





Summary of Development Options

Option E – Headquarters hotel and WCC exhibit space on old CC site WCCA Ownership – Hotel Only

- Hotel revenues and pledged taxes sufficient to cover hotel debt with the exception of land costs
- There may be as much as **\$422 million** that cannot be supported by hotel operating revenue and tax pledges. These costs would have to be financed by the ownership entity
- Even with 100 percent of net hotel revenues, **WCCA bonding capacity may not be sufficient to fund project**
- Option allows for WCCA control of hotel operations and room block agreement
- Tax exempt financing can be structured to minimize risk, and generate cash flow to WCCA
- \$83.9 million in site specific taxes and \$54.5 million in net operating income available over 7 years
- Sale of the asset after 7 years would generate a profit
- Negative impact on WCCA cash flow

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Summary of Development Options

Option E – Headquarters hotel and WCC exhibit space on old CC site District Ownership – Hotel Only

- Hotel revenues and pledged taxes sufficient to cover hotel debt with the exception of land costs
- There may be as much as \$422 million that cannot be supported by hotel operating revenue and tax pledges. These costs would have to be financed by the ownership entity
- Even with 100 percent of net hotel revenues, WCCA bonding capacity may not be sufficient to fund project
- Option **does not** allow for WCCA control of hotel operations and room block agreement
- Tax exempt financing can be structured to minimize risk, and generate cash flow to **District**
- \$83.9 million in site specific taxes and \$54.5 million in net operating income available over 7 years
- Sale of the asset after 7 years would generate a profit





Summary of Development Options

Option E – Headquarters hotel and WCC exhibit space on old CC site WCCA Ownership – Hotel With Refunding

- Hotel revenues and pledged taxes sufficient to cover hotel debt with the exception of land costs
- There may be as much as \$422 million that cannot be supported by hotel operating revenue and tax pledges. These costs would have to be financed by the ownership entity
- Refinancing requires **pledge of all WCCA revenues**, guarantee of debt and may cost additional \$10 to \$30 million (assuming traditional refinancing)
- Option allows for WCCA control of hotel operations and room block agreement
- Tax exempt financing can be structured to minimize risk, and generate cash flow to WCCA/District
- **\$48.8 million** in site specific taxes available over 7 years
- Sale of the asset after 7 years **could** generate a profit
- Negative impact on WCCA cash flow



Summary of Development Options

Option E – Headquarters hotel and WCC exhibit space on old CC site Private Financing

- \$422 million in up-front financing (includes land costs). Other financial considerations may be also necessary
- No need to refinance outstanding WCCA bonds
- Insufficient WCCA capacity to fund debt
- Potential pledge of WCCA revenues
- No allocation of net hotel revenues to public sector
- Less control over room block and operational issues





Summary of Key Development Findings

Option E – Headquarters hotel and WCC exhibit space on old CC site

- Hotel revenues and pledged taxes sufficient to cover hotel debt
- There may be as much as \$422 million that cannot be supported by hotel operating revenue and tax pledges. These costs would have to be financed by the ownership entity
- Pledge of WCCA dedicated taxes needed to fund overall project
- WCCA would have to guarantee debt
- With WCCA ownership of hotel, the net revenues generated by the project could help fund added exhibit space
- Even with 100 percent of net hotel revenues, WCCA bonding capacity may not be sufficient to fund project

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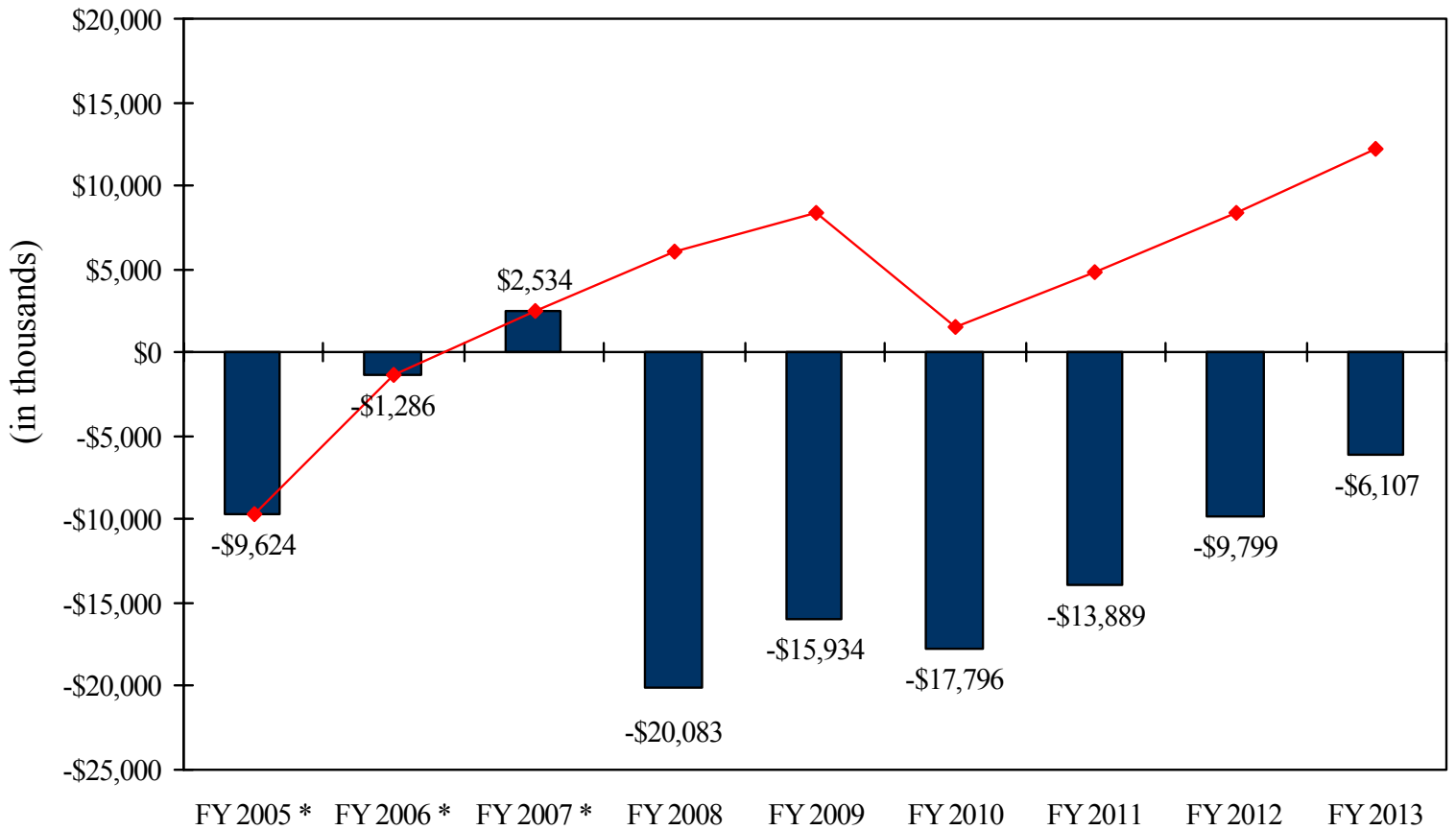
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Impact on WCCA Cash Flows Development Option E - WCC-Controlled Exhibit Space Plus HQ Hotel - Old CC Site

Option E Net Cash Flows

◆ Current WCCA Projections - No Changes



* Reflects operating deficit of WCCA without a hotel.



Summary of Development Options

Option F – Headquarters hotel and WCC exhibit space on 9th Street site WCCA Ownership – Hotel Only

- Hotel revenues and pledged taxes sufficient to cover hotel debt with the exception of land costs
- There may be as much as **\$684 million** that cannot be supported by hotel operating revenue and tax pledges. These costs would have to be financed by the ownership entity
- Even with 100 percent of net hotel revenues, **WCCA bonding capacity may not be sufficient to fund project.** Negative impact on WCCA cash flow
- Option allows for WCCA control of hotel operations and room block agreement
- Land acquisition issues may adversely impact project costs and timing, and site limitations may adversely impact hotel room count
- Tax exempt financing can be structured to minimize risk, and generate cash flow to WCCA
- \$83.9 million in site specific taxes and \$54.5 million in net operating income available over 7 years
- Sale of the asset after 7 years would generate a profit

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Summary of Development Options

Option F – Headquarters hotel and WCC exhibit space on 9th Street site District Ownership – Hotel Only

- Hotel revenues and pledged taxes sufficient to cover hotel debt with the exception of land costs
- There may be as much as \$684 million that cannot be supported by hotel operating revenue and tax pledges. These costs would have to be financed by the ownership entity
- Even with 100 percent of net hotel revenues, WCCA bonding capacity may not be sufficient to fund project
- Option *does not* allow for WCCA control of hotel operations and room block agreement
- Land acquisition issues may adversely impact project costs and timing, and site limitations may adversely impact hotel room count
- Tax exempt financing can be structured to minimize risk, and generate cash flow to **District**
- \$83.9 million in site specific taxes and \$54.5 million in net operating income available over 7 years. Sale of the asset after 7 years would generate a profit

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Summary of Development Options

Option F – Headquarters hotel and WCC exhibit space on 9th Street site WCCA Ownership – Hotel With Refunding

- Hotel revenues and pledged taxes sufficient to cover hotel debt with the exception of land costs
- There may be as much as \$684 million that cannot be supported by hotel operating revenue and tax pledges. These costs would have to be financed by the ownership entity
- Refinancing requires **pledge of all WCCA revenues**, guarantee of debt and may cost additional \$10 to \$30 million (assuming traditional refinancing)
- WCCA revenues insufficient to pay for this option. Negative impact on WCCA cash flow
- Option allows for WCCA control of hotel operations and room block agreement
- Tax exempt financing can be structured to minimize risk, and generate cash flow to WCCA/District
- Land acquisition issues may adversely impact project costs and timing, and site limitations may adversely impact hotel room count
- **\$48.8 million** in site specific taxes available over 7 years. Sale of the asset after 7 years **could** generate a profit





Summary of Development Options

Option F – Headquarters hotel and WCC exhibit space on 9th Street site Private Financing

- \$684 million in up-front financing (includes land costs). Other financial considerations may be also necessary
- No need to refinance outstanding WCCA bonds
- Insufficient WCCA capacity to fund debt
- Potential pledge of WCCA revenues
- No allocation of net hotel revenues to public sector
- Less control over room block and operational issues
- Land acquisition issues may adversely impact project costs and timing, and site limitations may adversely impact hotel room count





Summary of Key Development Findings

Option F – Headquarters hotel and WCC exhibit space on 9th Street site

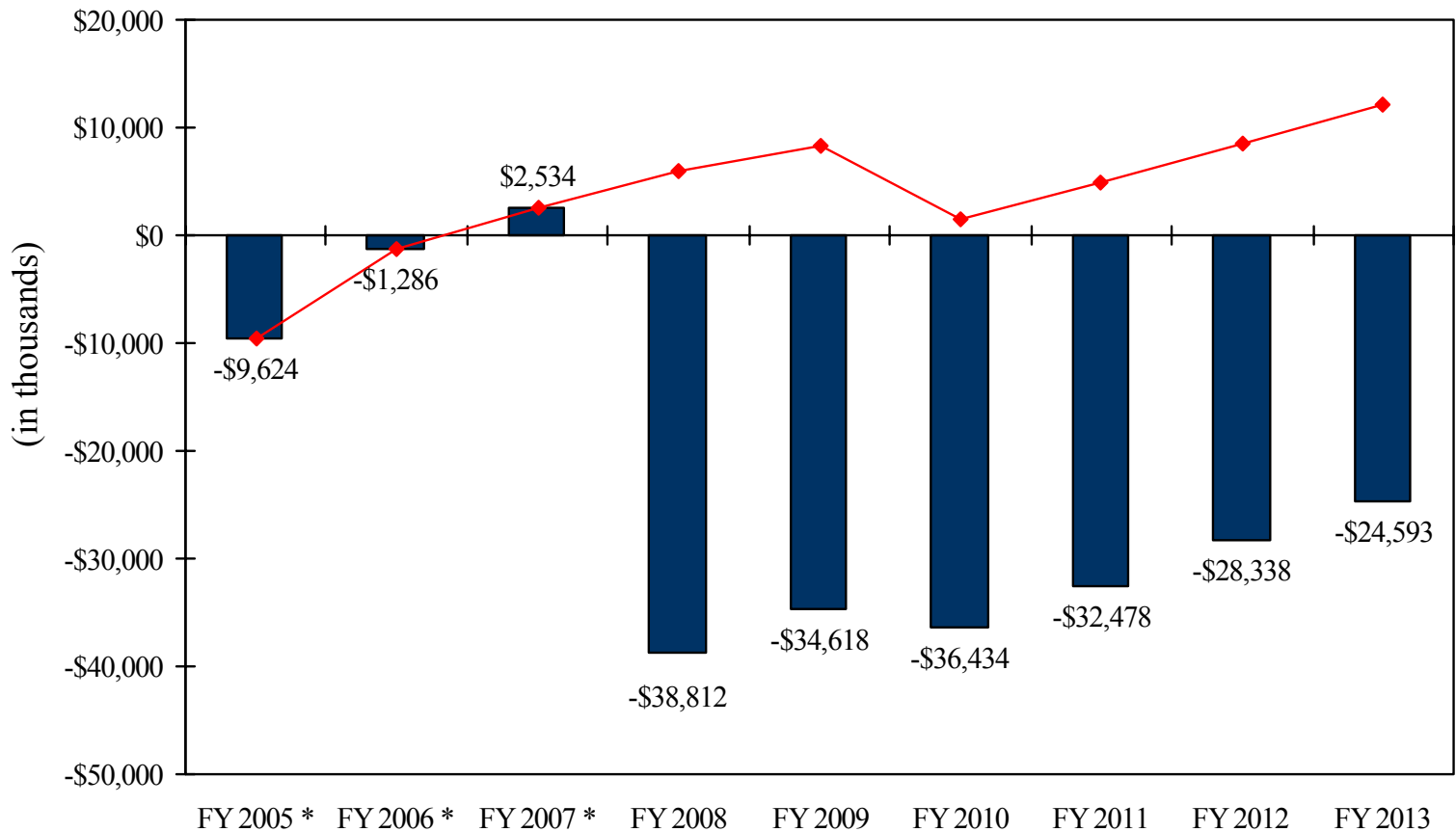
- Hotel revenues and pledged taxes sufficient to cover hotel debt
- There may be as much as \$684 million that cannot be supported by hotel operating revenue and tax pledges. These costs would have to be financed by the ownership entity
- Pledge of WCCA dedicated taxes needed to fund overall project
- WCCA would have to guarantee debt
- With WCCA ownership of hotel, the net revenues generated by the project could help fund added exhibit space
- Even with 100 percent of net hotel revenues, WCCA bonding capacity may not be sufficient to fund project
- Land acquisition issues may adversely impact project costs and timing, and site limitations may adversely impact hotel room count





Impact on WCCA Cash Flows Development Option F - WCC-Controlled Exhibit Space Plus HQ Hotel - 9th Street Site

Option F Net Cash Flows
 Current WCCA Projections - No Changes



* Reflects operating deficit of WCCA without a hotel.





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End of Presentation