Public Meeting

January 13, 2010
INTRODUCTION
INTRODUCTION

SCOPE OF WORK & PURPOSE OF MEETING

• Understand recent hotel/motel market trends
• Determine future impact of Temporary Living Quarters (TLQ) on the study area’s hotel market
• Assess retail spending habits of Fort Lee trainees
• Determine economic impact of Fort Lee operations, accounting for the TLQ and new retail
HOW DID WE GET HERE?

• Changes in LSP have caused confusion and unmet expectations within the Study Region
  ▪ J-3 Training Loads
  ▪ Self-Pay
  ▪ CRC (Reservation Center – Huntsville, AL)
• Disconnect between past and current distribution of hotel stays
• Concerns expressed about potential impact of ALU-related development (TLQ)
• Impacted jurisdictions, through Crater PDC, seeking objective assessment of current and future impacts
LIMITATIONS OF THE FINDINGS

• Limited scope of analysis (lodging and retail market)
  ▪ Not intended to be full economic impact analysis
• ALU attendance projections reflects current understanding
• Allocation based on capacity and existing occupancy
• Unfulfilled FMWRC clarification data request
  ▪ J-3
  ▪ CRC Monthly Reconciliation Reports
• Non-LSP Fort Lee demand based on permanent party levels
• Calculations simulating human behavior/preferences

Pending information not critical to impact findings of report
HOTEL MARKET ANALYSIS
CURRENT MARKET CONDITIONS

• Fort Lee hotel market defined as a nine mile area surrounding Fort Lee
  ▪ Consists of 57 hotels/motels totaling 5,099 rooms
  ▪ Variety of class, size, and price available

• 17 hotels currently participating in LSP (1,818 rooms)
  ▪ Only facilities recognized to serve ALU demand
  ▪ Contracts are on annual basis
  ▪ Must meet minimum FMWRC requirements

• Analysis measures impacts of all Fort Lee lodging business, not just LSP demand
  ▪ Per diem stays
  ▪ Private market stays
  ▪ Construction stays
MARKET FINDINGS - OCCUPANCY

LODGING OCCUPANCY RATES
Fort Lee Region; 2003-2009YTD

- Hotels
- LSP Hotels
- Motels

Fort Lee, Virginia TLQ Analysis
MARKET FINDINGS – ROOM RATES/RevPAR

ROOM RATE/REVPAR TRENDS
Hotels; 2003-2009YTD

- Average Room Rate
- RevPAR

Fort Lee, Virginia TLQ Analysis
MARKET FINDINGS – ROOM RATES/RevPAR

ROOM RATE/REVPAR TRENDS
LSP Hotels; 2003-2009YTD

Fort Lee, Virginia TLQ Analysis
**RECENT DEVELOPMENT TRENDS**

- Seven new hotels (651 rooms) and 2 hotel expansions (105 rooms) added in 2008
- Two hotels (160 rooms) are under construction as of September 2009
- 3 additional hotels (208 rooms) are in “development pipeline” but have stalled due to market changes
- 11 hotels (915 rooms) have been proposed, but are under review, or seeking financing, and all are on hold

Translates into 1,934 rooms to be added to pre-2008 supply of 4,510 rooms, or 43% increase in market if completed (23% increase without 11 proposed).
REGIONAL MARKET PROJECTIONS

BACKGROUND

• Projected market demand for the region based on a number of assumptions

• Each market segment was addressed based on data analysis, interview results, secondary sources (Randall Report)

• Segmentation Approach
  - **Fort Lee LSP** – Current loads, projected class needs; impact of TLQ
  - **Fort Lee Non-LSP** – Current market estimates; future needs projections based on activity
  - **Fort Lee Construction** – Impacts of BRAC-related projects (FY 2013)
  - **Business/Corporate** – Market segmentation, adjusted for economy
  - **SERF** – Market segmentation, adjusted for recovery
  - **Leisure/Tourism** – Market segmentation, adjusted for recovery
  - **Transient** – Market segmentation, adjusted for recovery
MARKET SEGMENTATION

2009

- Business: 30.5%
- Transient: 10.0%
- Private Market LSP: 17.3%
- Fort Lee Non-LSP: 19.9%
- SERF: 15.0%
- Fort Lee Construction: 2.4%
- Tourism: 5.0%

Total Demand: 1,102,500 Room Nights

Fort Lee, Virginia TLQ Analysis
MARKET SEGMENTATION

2011

- Private Market LSP: 41.6%
- Fort Lee Non-LSP: 13.8%
- Fort Lee Construction: 1.1%
- Tourism: 3.6%
- SERF: 10.8%
- Business: 22.0%
- Transient: 7.2%

Total Demand: 1,558,105 Room Nights
MARKET SEGMENTATION

2017

- **Business**: 30.3%
- **Transient**: 9.8%
- **Private Market LSP**: 23.0%
- **Fort Lee Non-LSP**: 17.3%
- **SERF**: 14.9%
- **Tourism**: 4.7%
- **Fort Lee Construction**: 0.0%

Total Demand: 1,246,738 Room Nights
PROJECTED OCCUPANCY

REGIONAL OCCUPANCY PROJECTIONS
Maintain Current Supply Levels; 2008-2017

CURRENT SUPPLY LEVEL

<table>
<thead>
<tr>
<th>Year</th>
<th>Occupancy</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>66.9%</td>
</tr>
<tr>
<td>2009</td>
<td>58.8%</td>
</tr>
<tr>
<td>2010</td>
<td>60.9%</td>
</tr>
<tr>
<td>2011</td>
<td>81.2%</td>
</tr>
<tr>
<td>2012</td>
<td>68.9%</td>
</tr>
<tr>
<td>2013</td>
<td>62.5%</td>
</tr>
<tr>
<td>2014</td>
<td>62.9%</td>
</tr>
<tr>
<td>2015</td>
<td>63.6%</td>
</tr>
<tr>
<td>2016</td>
<td>64.3%</td>
</tr>
<tr>
<td>2017</td>
<td>65.0%</td>
</tr>
</tbody>
</table>
REGIONAL OCCUPANCY PROJECTIONS
Full Buildout Potential; 2008-2017

FULL BUILDOUT IMPACTS

Fort Lee, Virginia TLQ Analysis
• TLQ Facility will capture much of the incoming market demand from increased ALU activity
  ▪ Projected impact on private market roughly 40% increase over FY2009 levels (+75,000 room-nights) in FY2013
  ▪ Adjustment in actual class levels will occur
• Net change in Fort Lee related demand positive
  ▪ FY2011 and beginning of FY2012 providing a “windfall” for private sector
• Assuming market equilibrium maintained through 2012, overall market should remain healthy
  ▪ Situations for individual facilities may vary
FORT LEE DEMAND ALLOCATION ANALYSIS
DEMAND ALLOCATION ANALYSIS

BACKGROUND

• Changes in LSP and increases in demand known to have impact on distribution of Fort Lee-related business
• Created a gravity model that simulates reservation decision-making process of Fort Lee-generated hotel stays
• Model forecasts the distribution of captured hotel demand among the region’s 57 hotels from 2010-2015
• Extensive effort made to collect and verify reasonable and reliable inputs and assumptions
  ▪ ALU attendance and projection data
  ▪ LSP hotel room capture information
  ▪ Non-LSP functions and events needs
  ▪ Hotel attribute information
ASSUMPTIONS & INPUTS

• Future need defined by regional hotel market analysis
• Three different types of stays, each with its own demand driver:
  ▪ LSP – Proximity driven
  ▪ Per Diem – “Quality” driven
  ▪ Private Sector – Price driven
• Highest ranking hotels are better positioned to capture demand
• Allocation accounts for current occupancy levels and distribution of types of stays
• LSP demand capture in private hotels occurs after on-post lodging supply is filled
• LSP stays receive priority in allocation, followed by per diem
<table>
<thead>
<tr>
<th>Fort Lee Hotel Demand Generators</th>
<th>LSP</th>
<th>Per Diem</th>
<th>Private</th>
</tr>
</thead>
<tbody>
<tr>
<td>Army Logistics University (ALU)</td>
<td></td>
<td>All Non-TDY Fort Lee Business Learning Campus Permanent Party Stays</td>
<td>Ordnance Corps Week Quartermaster Corps Week Transportation Corps Week</td>
</tr>
<tr>
<td>Military Occupational Specialty Training (MOS-T) Quartermaster Center &amp; School</td>
<td></td>
<td></td>
<td>Golf Tournament Hosted Social/ Hall of Fame Induction</td>
</tr>
</tbody>
</table>
Room Night Market Capture Potential by Tier

Fort Lee Potential Demand Capture by Tier
All Fort Lee-Generated Stays - FY 2009-2015

Number of Room Nights

Fort Lee, Virginia TLQ Analysis
Room Night Market Capture Potential by Tier

Fort Lee Potential Demand Capture by Tier
LSP Stays - FY 2009-2015

- Tier I
- Tier II
- Tier III

Fort Lee, Virginia TLQ Analysis
Room Night Market Capture Potential by Tier

Fort Lee Potential Demand Capture by Tier
Per Diem Stays - FY 2009-2015

Fort Lee, Virginia TLQ Analysis
Room Night Market Capture Potential by Tier

Fort Lee Potential Demand Capture by Tier
Private Sector Stays - FY 2009-2015

- Tier I
- Tier II
- Tier III

Fort Lee, Virginia TLQ Analysis
Potential Occupancy by Tier

Fort Lee Potential Occupancy by Tier
All Fort Lee-Generated Stays - FY 2009-2015

Fort Lee, Virginia TLQ Analysis
Potential Occupancy by Tier

Fort Lee Potential Occupancy by Tier
LSP Stays - FY 2009-2015

Occupancy Rate


Tier I  Tier II  Tier III

Fort Lee, Virginia TLQ Analysis
Potential Occupancy by Tier

Fort Lee Potential Occupancy by Tier
Per Diem Stays - FY 2009-2015

Tier I
Tier II
Tier III

Fort Lee, Virginia TLQ Analysis
Potential Occupancy by Tier

Fort Lee Potential Occupancy by Tier
Private Sector Stays - FY 2009-2015

Occupancy Rate

- Tier I
- Tier II
- Tier III

Fort Lee, Virginia TLQ Analysis
CONSUMER SPENDING ANALYSIS
EXISTING CONDITIONS

• On-post retail services currently cluster around two major centers (the Post Exchange and the Pxtra), but also include several major stand alone establishments (including the commissary)
  ▪ Total approximately 304,000 SF
• Many of these retailers are owned and operated by AAFES, but some are independent businesses
• Additional retail offerings are in the pipeline
  ▪ Upgraded visual arts center
  ▪ Auto-related cluster
  ▪ Convenience strip center
• New development constitutes approximately 9% increase in commercial supply
STUDENT SURVEY ANALYSIS

• Consultant surveyed several Fort Lee trainees on their on and off-post spending habits
  ▪ Responses only from off-post students
• Average daily spending per soldier reported to be $34.82
  ▪ Per diem for meals = $36
  ▪ Grocery/food items ($10.57) largest single category expense
  ▪ Entertainment/dining out = $15.56
• Approximately 80% of spending off-post
  ▪ Fast food spending highest share on-post (40%)
• Anecdotal data: on-post students spend more on-post
  ▪ Convenience, access
• Consultant estimates spending closer to 50%/50%
  ▪ Still some goods not available/limited variety on-post
COMMERCIAL EXPENDITURES
Weekly Average; On-Post vs. Off-Post

- Recreation/Entertainment Venues
- Personal Services
- All other eating and drinking places
- Sit-Down Restaurants
- Fast Food
- Recreation/Entertainment Items
- Clothing
- Health/Personal Care Items
- Groceries/Food Items
- Electronics
- Automotive Parts/Services

On-Post Expenditures

Off-Post Expenditures
RETAIL ANALYSIS

REQUESTED ON-POST COMMERCIAL BUSINESSES
Survey Results

- Recreation/Entertainment Venues
- Personal Services
- All other eating and drinking places
- Sit-Down Restaurants
- Fast Food
- Recreation/Entertainment Items
- Clothing
- Health/Personal Care Items
- Groceries/Food Items
- Electronics
- Automotive Parts/Services

Fort Lee, Virginia TLQ Analysis
FISCAL IMPACT ANALYSIS
## Transient Occupancy Tax Rates

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Maximum Allowable TOT Rate</th>
<th>Current TOT Rate</th>
<th>Current Exemption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chesterfield County</td>
<td>11.0%</td>
<td>8.0%</td>
<td>30 Days</td>
</tr>
<tr>
<td>Colonial Heights</td>
<td>N/A</td>
<td>8.0%</td>
<td>90 Days</td>
</tr>
<tr>
<td>Dinwiddie County</td>
<td>5.0%</td>
<td>2.0%</td>
<td>30 Days</td>
</tr>
<tr>
<td>Hopewell</td>
<td>N/A</td>
<td>8.0%</td>
<td>30 Days</td>
</tr>
<tr>
<td>Petersburg</td>
<td>N/A</td>
<td>6.0%</td>
<td>30 Days</td>
</tr>
<tr>
<td>Prince George County</td>
<td>5.0%</td>
<td>5.0%</td>
<td>30 Days</td>
</tr>
</tbody>
</table>
Projected Transient Occupancy Tax Revenues From Fort Lee-Related Stays (2009-2015)

- Chesterfield County
- Colonial Heights
- Dinwiddie County
- Hopewell
- Petersburg
- Prince George County
Projected Hotel Sales Tax

Projected Sales Tax Revenues From Fort Lee-Related Stays
(2009-2015)

- Chesterfield County
- Colonial Heights
- Dinwiddie County
- Hopewell
- Petersburg
- Prince George County
Projected Retail Sales Tax Revenue

PROJECTED RETAIL SALES TAX REVENUE
Fort Lee Study Region; 2009-2015

<table>
<thead>
<tr>
<th>Year</th>
<th>Aggressive Scenario</th>
<th>Moderate Scenario</th>
<th>Conservative Scenario</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$100,000</td>
<td>$110,000</td>
<td>$120,000</td>
</tr>
<tr>
<td>2010</td>
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<tr>
<td>2011</td>
<td>$220,000</td>
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Fort Lee, Virginia TLQ Analysis
Projected Sales Tax Revenue Impacts

**PROJECTED TAX REVENUE IMPACTS**
Fort Lee Study Region; 2009-2015

- **Sales Tax Revenue Impacts**
  - 2009: $2,000,000
  - 2010: $2,500,000
  - 2011: $3,000,000
  - 2012: $2,500,000
  - 2013: $2,000,000
  - 2014: $1,500,000
  - 2015: $1,000,000

- **Categories:**
  - Transient Occupancy Tax
  - Hotel Sales Tax
  - Retail Sales Tax