Livable City Year/City of Long Beach Conference Center

Applied Strategy Project Final Report

Executive Summary

A team of MBA students from the University of Washington conducted a feasibility study on the development of a conference center in Long Beach, Washington with the goal of increasing off-season tourism. The study concluded that a 350-person facility offers the best balance of economic impact and financial viability. The feasibility study recommends a public-private partnership model and strategic marketing to attract regional events, projecting a 30-year local spending NPV of $8.25 million.

Challenge

The City of Long Beach, Washington seeks to increase tourism visitation in the shoulder- and off-season by expanding their capacity to host a range of events, including large meetings, conferences, celebrations, and cultural events through the development of a flexible, multi-purpose conference center. The space will support the local tourism-based economy and is not meant to compete with existing businesses, but rather serve as a complement.

Existing venues are insufficient in size, space, and/or flexibility for modular breakout sessions, large scale gatherings and addresses, or general hosting indoors during inclement weather. The proposed center will balance the interests of multiple stakeholders, be mindful of potential financial barriers, and ensure long-term viability through partnerships and proper funding mechanisms.

The City of Long Beach, through a partnership with the Livable City Year, was paired with a team of MBA students from the University of Washington who were tasked with conducting a feasibility analysis for the proposed conference center. The results of the feasibility study will be presented to the City of Long Beach City Council, and it will be up to them to determine how they wish to proceed with the conference center project.

Work Conducted

To support the creation of the conference center feasibility study, the MBA team conducted interviews with relevant stakeholders, conducted primary & secondary research, benchmarked similar conference center projects, and developed a financial model to assess conference center feasibility.

One of the first steps in the project was to interview relevant community stakeholders whose business or organization might be impacted by the proposed conference center project. Over the course of several weeks, the team met with representatives from:

- The City of Long Beach Government
- The Pacific County Tourism Bureau
- Lighthouse Oceanfront Resort
- Adrift Hospitality

- Chautauqua Lodge
- Trusty Enterprises
- The Pacific County Economic Development Council
- The World Kite Museum & Hall of Fame

The meetings with stakeholders revealed several key themes that must be addressed in any proposed conference center solution. They include the desire for a public-private partnership to operate the center with the potential for up to $600,000 annually of lodging tax revenue contribution, the primary goal of stimulating off-season tourism by attracting regional external conferences/meetings, the secondary goal of providing additional indoor space for existing local events, the desire for modern amenities (A/V, breakout rooms, ADA accessible, kitchen facilities), and above all, the goal of investing in a project that will positively impact the City of Long Beach.

Simultaneously, other members of the MBA team began researching comparable conference centers across the region as well as broader trends in the market for conference centers/meeting spaces. The research on comparable conference centers revealed that competing conference centers are mainly public-private partnerships that often operate at a deficit. Many of the comparable centers also have partnerships with hotels, caterers, and/or operators and work with local tourism bureaus to promote the conference center along with other attractions in the community. Finally, the review of comparables revealed the need for flexible, tech/hybrid-ready centers and the availability of additional annual funding for consistent upgrades to keep the space competitive.

In early February, the MBA team traveled to Long Beach to see the city, view proposed sites for the conference center, and meet with local leaders, hoteliers, and other officials. The visit highlighted the appeal of Long Beach but the lack of attractions available in the winter months.

To conclude their work, the MBA team created a detailed financial model for the City of Long Beach to utilize when determining the feasibility of a conference center. In advance of their final presentation, the MBA team utilized the model to analyze the feasibility of a 200, 350, and 500-person conference center (see *Recommendations* section). The team used their research to fill in many of the assumptions necessary to fully inform the model.

The intention of the model is to provide a lasting tool that the City of Long Beach can use to evaluate the feasibility of a conference center, changing assumptions as necessary to fit any situations that may arise in the future. Assumptions (that can be changed as necessary) include: registration & event fees, loan and discount rates, construction costs, and more.

Assumptions

The following table of assumptions was used to calculate the projected conference center revenues, costs, demand, and local economic impacts. Note that each assumption can be changed in the financial model deliverable provided to the City of Long Beach.

Assumption	Value	Assumption	Value
2023 Total Trips	1,926,059	Capture Rate 200-Person Capacity	0.002
2023 Total Visitor Days	4,165,852	Capture Rate 350-Person Capacity	0.005
2023 Avg. Length of Stay (days)	2.2	Capture Rate 500-Person Capacity	0.007
2023 Unique Visitors	668,256	Annual Revenue Growth (%)	2.50%
YoY % change in Total Trips	3.00%	Annual Op Cost Growth (%)	2.50%
YoY % change in Visitor Days	3.00%	Loan Interest Rate	6.00%
YoY % change in Unique Visitors	1.00%	Loan Term (years)	30
Default Facility Rental Rate ($/event)	$5,000.00	Fixed Cost Multiplier Cap 200	1
Discounted Local Rate ($/event)	$500.00	Fixed Cost Multiplier Cap 350	1.5
Registration Fee ($/attendee)	$25.00	Fixed Cost Multiplier Cap 500	2
Catering Fee ($/attendee)	$15.00	Discount Rate (%)	8.00%
A/V Fee ($/event)	$500.00	Non-Local Attendee Spending ($/day)	$175.00
Default Average Event Size (# people)	200	Annual Inflation Rate	2.50%
Estimated Conferences/Year	14	Portion of non-local Attendees	50%
Estimated Local Events/Year	20	Construction Cost ($/sqft)	$500
Legal Fees (% of construction costs)	2%	Design/Permit Fees (% of construction costs)	10%
City Lodging Tax Contribution (annual $)	$600,000	Other subsidies/grants (annual	

Recommendations

Through the research and work conducted, the MBA team found that the 350-person capacity conference center is the most optimal and feasible choice given the location, stakeholder considerations, projected costs & revenues, and projected local economic impact.

Initially, the following recommendations were presented to the City of Long Beach:

- A 200-capacity conference center
- A 350-capacity conference center
- A 500-capacity conference center

Based on the previously stated assumptions, the MBA team ran calculations for each size of conference center and presented their findings to the City of Long Beach. The following are the high-level results of the feasibility study and financial analysis for each size of conference center.

200-Person Conference Center		
Size (sqft)		10,000
Costs		
	Initial Design	$500,000
	Construction	$5,000,000
	Annual Operation	$430,000
Annual Events		
	Average Event Duration (days)	2.2
	# Conferences/Year	14
	# Local Events/Year	20
	# Conference Attendees/Year	4,620
	# Local Event Attendees/Year	4,400
Finances		
	30-Year NPV	- $2,005,007.74
	30-Year Local Spending NPV	$2,679,959.92
	30-Year Cumulative Cash Flows	-$9,925,925.82
	30-Year Cumulative Local Spending	$8,452,549.75

350-Person Conference Center		
Size (sqft)		17,000
Costs		
	Initial Design	850,000
	Construction	8,500,000
	Annual Operation	$630,000.00
Annual Events		
	Average Event Duration (days)	2.2
	# Conferences/Year	14
	# Local Events/Year	20
	# Conference Attendees/Year	6468
	# Local Event Attendees/Year	4,400.00
Finances		
	30-Year NPV	-$7,085,065.41
	30-Year Local Spending NPV	$8,254,276.54
	30-Year Cumulative Cash Flows	-$23,963,302.51
	30-Year Cumulative Local Spending	$26,033,853.23

500-Person Conference Center		
Size (sqft)		27,000
Costs		
	Initial Design	1,350,000
	Construction	13,500,000
	Annual Operation	$810,000.00
Annual Events		
	Average Event Duration (days)	2.2
	# Conferences/Year	14
	# Local Events/Year	20
	# Conference Attendees/Year	7700
	# Local Event Attendees/Year	4400
Finances		
	30-Year NPV	–$12,516,964.24
	30-Year Local Spending NPV	$9,362,749.31
	30-Year Cumulative Cash Flows	-$36,801,485.03
	30-Year Cumulative Local Spending	$28,689,811.95

Based on the analysis, the MBA team recommended that the City of Long Beach move forward with the 350-person capacity conference center, as it offers the largest opportunity to stimulate local economic activity. The team also recommended a public-private partnership model for initial investment, operations, and maintenance, as well as leveraging Long Beach's geographic location to strategically position the conference center as an attraction alongside the numerous hotels, restaurants, museums, and farmers markets available in town. Finally, the MBA team recommended an integrated marketing agreement with Pacific County EDC and Tourism Bureau to drive consistent bookings, with a focus in the off-season.

Impacts

The potential impacts of a 350-person conference center cannot be overstated for the City of Long Beach, Washington. The MBA team's analysis found that the 30-year net present value of local spending in the community associated with increased tourism thanks to the conference

center is $8,254,276.54. This equates to a 30-year cumulative local spend cash flow of $26,033,853.23.

In qualitative terms, the conference center will help fill the off-season void in Long Beach's economic calendar. The conference center will provide a regular influx of tourists in the off-season to shop at the city's stores, eat in the town's restaurants, and stay in the local hotels. The additional revenue generated will stimulate economic activity, fostering new development, job creation, and increased local spending

Next Steps

The City of Long Beach should continue to evaluate and iterate based on the financial model provided while simultaneously seeking out public-private partnership opportunities and grant funding. As funding and a partner are being secured, conversations with stakeholders, including local businesses, hotels, and community members, should intensify, ensuring that everyone has a voice in the final concept for the conference center.

The financial model created by the MBA team provides a rough estimate of the potential costs, revenues, and local economic impact from the conference center. The team encourages the City of Long Beach and any potential private entity to test the assumptions provided and use local knowledge to continue to refine the model as necessary.

Conclusion

We are grateful to have had the opportunity to work on this project in collaboration with the City of Long Beach, the Pacific County Economic Development Council, and Livable City Year. We hope that the analysis and recommendations provided are useful to the City, private developers, and the community as a whole as you decide whether or not to construct a conference center. Thank you for your help and support throughout this project!