

ECONOMIC IMPACT ANALYSIS

Proposed Conference Center Hotel
Wichita Falls, Wichita County, Texas

16-484HO-0034

Mr. Marty Collins
Gatehouse Partners LLC
1501 Dragon Street, Suite 101
Dallas, Texas 75207

CBRE HOTELS

The World's Leading Hotel Experts.



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September 19, 2016

Mr. Marty Collins
Gatehouse Partners LLC
1501 Dragon Street, Suite 101
Dallas, Texas 75207

Dear Mr. Collins:

In accordance with our engagement letter dated May 25, 2016, we have completed an Economic Impact Analysis for the proposed DoubleTree Hotel and Conference Center in Baytown, Texas. The economic impact includes the direct and indirect spending related to construction and operation of the proposed DoubleTree Hotel and Conference Center. The operation of the hotel will also have a direct, indirect and induced impact on employment in the Houston MSA. In addition, we have provided a fiscal impact summary that details the estimated tax receipts that the City of Baytown would obtain from the proposed facility.

The Economic Impact Study assumes that the proposed DoubleTree Hotel and Conference Center would open in January 2019. The hotel market study issued by CBRE Hotels to Gatehouse Partners LLC on August 11, 2016 is utilized as the supporting documentation for computing the economic and fiscal impacts.

Although the proposed property's future performance has been conscientiously prepared using information obtained during the course of this study and our experience in the industry, it is based on estimates and assumptions, which are subject to uncertainty and variation, and we do not represent them as results that will actually be achieved. This report is subject to the same Terms and Conditions as set forth in the market study.

We would be pleased to hear from you if we may be of further assistance in the interpretation and application of our findings and conclusions. We express our appreciation to you and your associates for the cooperation extended to us during the course of this assignment.

Respectfully submitted,

CBRE Hotels



G. Randle McCaslin, CRE
Managing Director

IMPACT SUMMARY

Total impact includes economic impact, employment impact and fiscal impact. Economic impact is a product of new direct and indirect spending within the local economy. Employment impact is the number of jobs created by this activity. The fiscal impacts are tax revenues that result from the spending and income related to the activities at the new hotel. Total projected economic, employment and fiscal impacts are summarized in the table below, followed by an explanation of the methodology used and calculation of each component.

Proposed Hotel and Conference Center - Wichita Falls Summary of Economic, Employment & Fiscal Impact	
Economic Impact	
Total Economic Impact from Construction (rounded)	\$45,900,000
Total Economic Impact from Operations (rounded) - 10-Year Period	\$28,000,000
TOTAL Economic Impact	\$73,900,000
Employment Impact	
Total Jobs from Construction within Wichita County	232 Jobs
Direct Jobs from Hotel Operation	72 Jobs
TOTAL Employment Impact	309 Jobs
Fiscal Impact	
Potential Hotel Occupancy Tax Revenues (rounded) - 10-Year Period	\$4,500,000
Potential Sales Tax Revenues (rounded) - 10-Year Period	\$7,300,000
Potential Property Tax Revenues (rounded) - 10-Year Period	\$2,800,000
TOTAL Fiscal Impact	\$14,600,000
Source: CBRE Hotels	

ECONOMIC IMPACT

CBRE Hotels Consulting (formerly PKF Consulting) analyzed the direct spending relative to construction of the development and activities associated with the proposed Hotel and Conference Center in Wichita Falls, Texas. Direct spending was also analyzed relative to the operation of the proposed Hotel and Conference Center. Each new dollar spent (direct) has a multiplied effect on the economy in the form of increased revenues (spin off activity) to local businesses, increased employment and increased wages (indirect). An example would be a retailer who hires more employees as a result of an increase in sales volumes. Each new employee is a new consumer who then re-spends the money within the local economy. Therefore, direct economic impacts are all expenditures that can be linked directly to construction and operations, while indirect impacts are generated when these new dollars are re-spent within the local economy. These direct and indirect expenditures represent the total impact to the economy.

The methodology separates economic impact into two categories: Construction and Operations. The Regional Input-Output Modeling System (BEA RIMS II) for the Wichita Falls Metropolitan Statistical Area (MSA) developed by the U.S. Department of Commerce's Bureau of Economic Analysis was utilized. Based on these multipliers, estimates for total economic impact, the increased wages to the area and the increased employment were calculated.

- Construction – Represents the impact from the physical construction of the Hotel and Conference Center and the one-time increase it has on spending. The construction spending also influences employment in many sectors of the local economy. Economic impact from the construction of the hotel comes in the form of wages paid to construction personnel as well as the purchase of construction materials.
- Operations – Represents the creation of jobs and paying of wages to the employees of the proposed facility. This figure represents increased payroll expenditures paid to workers locally, excluding benefits. It also expresses how the employees of local businesses share in the increased outputs.

Economic Impact from Construction

In addition to the ongoing impacts from the operation of the facilities, the construction of the proposed Hotel and Conference Center and additional conference space would create a one-time increase in spending. The estimated cost to develop the proposed Hotel and Conference Center and additional conference center space based the developer's budget is \$235,197 per key or \$35,279,597. These costs provide an order of magnitude estimate of the development costs for the proposed Hotel and Conference Center to assess economic impact. The estimates could change once the final design and costing of the project by qualified architects, engineers and contractors is completed.

CBRE Hotels Consulting interviewed local representatives and the developer's General Contractor to determine reasonable assumptions for materials and labor originating from within the Wichita Falls MSA. Based on that information, 60% of all materials and labor were estimated to originate from within Wichita Falls MSA. The following table uses the BEA RIMS II multipliers for the Wichita Falls MSA to estimate economic impact resulting from construction. Output represents the dollar increase in output in all industries for every dollar increase in direct spending. That direct spending affects earnings. Earnings represent the increase in earnings of households employed by all industries for each dollar increase in direct spending.

Proposed Conference Center Hotel - Wichita Falls Economic Impact from Construction		
Total Construction Cost ¹		\$35,279,597
Cost Generated		
From Within Wichita County	60% ²	\$21,167,758.20
Output - represents the dollar increase in output in all industries for every dollar increase in direct spending	1.6379	\$34,670,671
Earnings - represents the dollar increase in earnings of households in all industries for every dollar increase in direct spending	0.5302	\$11,223,145
Total Economic Impact From Construction		\$45,893,817
Employment - represents the increase in jobs in all industries for every \$1 million in direct spending	10.9373	232
¹ Construction cost estimated based on developer's estimate		
² Estimate from local construction representative		
³ US Department of Commerce - Bureau of Economic Analysis (BEA) RIMS II Multipliers		
Source: CBRE Hotels		

Economic Impact from Operations

Direct economic impact from employment is generated by the creation of jobs and the paying of wages to the employees of the proposed facility. Comparables hotels experience payroll costs of approximately 30% of its total revenue. As much as 30% of these wages are typically withheld for taxes and savings and are not spent, which leaves 70% of these wages to be spent on household products and services. For purposes of the analysis, 75% of the wages were estimated to be spent within the local economy.

After calculating the amount spent by employees in the local economy, the BEA RIMS II multipliers were applied. Indirect impact occurs when the industries that produce these products and deliver these services hire more persons and pay more wages. The local economic impact from output and earnings for the first 10 years of hotel operations is presented in the following table.

Proposed Hotel and Conference Center - Wichita Falls							
Local Economic Impact From Operations							
	Total Revenue ¹	Total Payroll (30% of Total Revenue)	Taxes & Savings - (30% of Payroll)	Direct Spending In Local Economy (75%)	Economic Impact ²		
					Output ³ 1.4622	Earnings ⁴ 0.4117	TOTAL
2019	\$7,611,000	\$ 2,283,300	\$684,990	\$1,198,733	\$1,752,787	\$493,518	\$2,246,305
2020	\$8,270,000	\$ 2,481,000	\$744,300	\$1,302,525	\$1,904,552	\$536,250	\$2,440,802
2021	\$8,871,000	\$ 2,661,300	\$798,390	\$1,397,183	\$2,042,960	\$575,220	\$2,618,180
2022	\$9,154,000	\$ 2,746,200	\$823,860	\$1,441,755	\$2,108,134	\$593,571	\$2,701,705
2023	\$9,401,000	\$ 2,820,300	\$846,090	\$1,480,658	\$2,165,017	\$609,587	\$2,774,604
2024	\$9,690,000	\$ 2,907,000	\$872,100	\$1,526,175	\$2,231,573	\$628,326	\$2,859,899
2025	\$9,981,000	\$ 2,994,300	\$898,290	\$1,572,008	\$2,298,589	\$647,195	\$2,945,785
2026	\$10,276,000	\$ 3,082,800	\$924,840	\$1,618,470	\$2,366,527	\$666,324	\$3,032,851
2027	\$10,573,000	\$ 3,171,900	\$951,570	\$1,665,248	\$2,434,925	\$685,582	\$3,120,507
2028	\$10,912,000	\$ 3,273,600	\$982,080	\$1,718,640	\$2,512,995	\$707,564	\$3,220,559
Total	\$94,739,000	\$28,421,700	\$8,526,510	\$14,921,393	\$21,818,060	\$6,143,137	\$27,961,197

¹PKF Consulting, now CBRE Hotels' projections for the proposed Conference Center Hotel scheduled to open January, 2019
²US Department of Commerce - Bureau of Economic Analysis (BEA) RIMS II Multipliers
³Output represents the dollar increase in output in all industries for every dollar increase in direct spending
⁴Earnings represents the dollar increase in earnings of households in all industries for every dollar increase in direct spending

Source: CBRE Hotels

Total Economic Impact

The following table summarizes the local economic impact of the proposed Hotel and Conference Center beginning with construction in 2018 through the proposed facilities first 10 years (2019 through 2028) of operations.

Proposed Hotel and Conference Center - Wichita Falls			
Total Economic Impact			
Year	Construction	Operations	Total Economic Impact
2018	\$45,893,817	--	\$45,893,817
2019	--	\$2,246,305	\$2,246,305
2020	--	\$2,440,802	\$2,440,802
2021	--	\$2,618,180	\$2,618,180
2022	--	\$2,701,705	\$2,701,705
2023	--	\$2,774,604	\$2,774,604
2024	--	\$2,859,899	\$2,859,899
2025	--	\$2,945,785	\$2,945,785
2026	--	\$3,032,851	\$3,032,851
2027	--	\$3,120,507	\$3,120,507
2028	--	\$3,220,559	\$3,220,559
Total	\$45,893,817	\$27,961,197	\$73,855,014

Source: CBRE Hotels

FISCAL IMPACT

In addition to the economic impact, the fiscal benefit to the local community was identified. This analysis estimates fiscal impacts for the governmental units that levy taxes in the jurisdiction. The fiscal impacts are tax revenues that result from the spending and income related to the activities at the new hotel. CBRE Hotels estimated fiscal impact by multiplying the applicable tax rates by the estimated amounts of direct and indirect spending.

Hotel Occupancy Tax

The City of Wichita Falls will benefit from the collection of a 7% City Hotel Occupancy Tax levied on the Rooms Revenue of the proposed Hotel and Conference Center. The following table summarizes the potential hotel occupancy taxes for the period 2019 through 2028, the first 10 years of hotel operations.

Proposed Hotel and Conference Center - Wichita Falls Potential Hotel Occupancy Tax Revenues		
Year	Projected Rooms Revenue ¹	Potential Hotel Occupancy Tax Revenue ²
2019	\$5,161,000	\$361,270
2020	\$5,591,000	\$391,370
2021	\$5,992,000	\$419,440
2022	\$6,189,000	\$433,230
2023	\$6,347,000	\$444,290
2024	\$6,544,000	\$458,080
2025	\$6,741,000	\$471,870
2026	\$6,938,000	\$485,660
2027	\$7,135,000	\$499,450
2028	\$7,372,000	\$516,040
Total	\$64,010,000	\$4,480,700

¹ CBRE Hotels' projections for the proposed Subject Hotel scheduled to open January, 2019

² City of Wichita Falls occupancy tax currently 7% of Rooms Revenue

Source: CBRE Hotels

Sales Tax

The following table summarizes the potential sales taxes generated by the proposed Hotel and Conference Center for the period 2018 through 2028, which encompasses the period from construction through the first 10 years of operations. Since the City of Wichita Falls collects only occupancy taxes on Room Revenues, all other hotel sales were considered in the calculation of sales tax revenues. The table on the following page presents the taxable revenues realized by the City of Wichita Falls from the construction spending and operation of the proposed Hotel and Conference Center.

**Proposed Conference Center Hotel - Wichita Falls
Potential Sales Tax Revenues**

Year	Impact from Construction	Non-Rooms Revenues	Impact from Hotel Operation	Total Taxable Revenues	Potential Sales Tax Revenues (7%)
2018	\$45,893,817	--	--	\$45,893,817	\$3,212,567
2019	--	\$2,685,000	\$1,891,655	\$4,576,655	\$320,366
2020	--	\$2,892,000	\$2,040,657	\$4,932,657	\$345,286
2021	--	\$3,107,000	\$2,186,205	\$5,293,205	\$370,524
2022	--	\$3,201,000	\$2,253,221	\$5,454,221	\$381,795
2023	--	\$3,296,000	\$2,320,468	\$5,616,468	\$393,153
2024	--	\$3,396,000	\$2,388,866	\$5,784,866	\$404,941
2025	--	\$3,497,000	\$2,466,706	\$5,963,706	\$417,459
2026	--	\$3,603,000	\$2,536,486	\$6,139,486	\$429,764
2027	--	\$3,711,000	\$2,615,708	\$6,326,708	\$442,870
2028	--	\$3,821,000	\$2,695,621	\$6,516,621	\$456,163
Total	\$45,893,817	\$33,209,000	\$23,395,591	\$102,498,408	\$7,174,889

Source: CBRE Hotels

Property Tax

Projected property tax estimates from the CBRE Hotels market study for the proposed Hotel and Conference Center were used as a baseline for estimating expected property tax receipts related to the development. For purposes of this analysis, CBRE Hotels has assumed no tax rebates are associated with the development. The following table presents the total property taxes generated by the proposed Hotel and Conference Center.

Proposed Conference Center Hotel Wichita Falls, Texas Forecasted Property Tax	
Year	Forecasted Property Tax
2019	\$246,000
2020	\$253,000
2021	\$261,000
2022	\$269,000
2023	\$277,000
2024	\$285,000
2025	\$294,000
2026	\$302,000
2027	\$311,000
2028	\$321,000
Total	\$2,819,000

Source: CBRE Hotels

TOTAL PROJECTED ECONOMIC, EMPLOYMENT AND FISCAL IMPACT SUMMARY

The table below presents the total projected economic, employment and fiscal impacts for the proposed Hotel and Conference Center in Wichita Falls, Texas.

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