



ERA

Economics Research Associates

**Market Study and Feasibility Analysis
for a Convention/Conference Center**

Prepared for

**City of Hesperia
Hesperia, California**

Submitted by

Economics Research Associates

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General & Limiting Conditions

Every reasonable effort has been made to ensure that the data contained in this study reflect the most accurate and timely information possible. These data are believed to be reliable. This study is based on estimates, assumptions and other information developed by Economics Research Associates from its independent research effort, general knowledge of the market and the industry, and consultations with the client and its representatives. No responsibility is assumed for inaccuracies in reporting by the client, its agent and representatives or any other data source used in preparing or presenting this study.

No warranty or representation is made by Economics Research Associates that any of the projected values or results contained in this study will actually be achieved.

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This study is qualified in its entirety by, and should be considered in light of, these limitations, conditions and considerations.



I. Introduction

The City of Hesperia ("City") and the Hesperia Community Redevelopment Agency ("Agency") have commissioned Economics Research Associates ("ERA") to perform a market study and feasibility analysis related to the potential development of a convention/conference center facility ("Facility") in Hesperia.

Purpose of the Report

It is ERA's understanding that the City and Agency wish to determine the market potential and viability of developing a Facility within the City. The feasibility of the new program elements at the proposed Facility depends upon many factors, including an analysis of the current and anticipated demand for the Facility.

In recent years, Hesperia and the surrounding communities of the Victor Valley have transformed from service stops along the Interstate 15 to fast-growing cities with a significant resident and growing economic base. The Victor Valley includes four incorporated cities and towns – Hesperia, Victorville, Apple Valley and Adelanto – in addition to five unincorporated communities. Unincorporated communities in the Victor Valley include Baldy Mesa, Oak Hills, Oro Grande, Phelan and Spring Valley Lake. At present, it is the largest metropolitan area between San Bernardino and Las Vegas, in addition to being the fastest-growing area of San Bernardino County.

Definition of Competitive Market Area

For purposes of analysis in this report, the competitive market area has been defined as the Victor Valley, which includes the incorporated cities and towns of Hesperia, Victorville, Adelanto and Apple Valley, in addition to the small, unincorporated communities of Baldy Mesa, Oak Hills, Oro Grande, Phelan and Spring Valley Lake. Our research shows that potential user groups for the proposed Facility will come from this area. As such, our analysis of market data, visitor-serving infrastructure, competitive meeting and event facilities, and demand issues presented in this report are primarily focused on this market area.

Organization of the Report

In this study, ERA has provided the following tasks:

- An overview of the local and regional market context (Section III), which includes accessibility, demographic, development and economic characteristics of the local and regional market;
- An analysis of current visitor-serving infrastructure (Section IV), which includes estimated annual tourism volumes, special events, and existing and planned hotels;
- An analysis of supply and demand factors (Section V), which includes an analysis of comparable and competitive facilities, both existing and planned, in addition to event and user profiles, estimated number of annual events, and other demand factors;
- An overview of selected regional facilities (Section VI), with a focus on regional convention facilities that fall within a 50-mile radius of Hesperia;
- Our determination of overall market demand (Section VII), including utilization estimates, our assumptions in deriving these estimates, and types of potential user groups, which are broadly categorized into six categories as follows:
 - Corporate
 - Community groups/social events
 - Associations & conferences
 - Seminars and professional training,
 - Educational
 - Special events

Also included in this section are facility recommendations.

- An overview of selected other regional conference and meeting venues (Appendix), which are primarily located in the urban parts of San Bernardino County and may therefore be competitive with the proposed Facility, in addition to offering lessons on characteristics of success; and

In our analysis of this phase of the study, ERA has considered each of these factors in order to assess the local and regional need and opportunity for new meeting space in the City of Hesperia.

Methodology

The methodology by which this research was conducted included informal interviews with managers of existing facilities in the Victor Valley area, representatives from local Chambers of Commerce, city officials, and other large organizations, in addition to quantitative market data from various sources, which are referenced throughout this report. At the request of the City, ERA has made every effort possible to protect the confidentiality of this project. **Due to the confidential nature of this project, ERA was not able to obtain detailed information on categories such as the specific number of events, annual attendance, and percentage of user groups by specific type.**

The following section contains a summary of our findings, which are discussed at greater length in the body of this report.

II. Executive Summary

Introduction

ERA has performed a market study and feasibility analysis related to the potential development of a convention/conference center facility in Hesperia. The following is a brief summary of the principal findings and recommendations of this report.

Current Market Conditions

Definition of Subject Market Area

The Victor Valley is currently the fastest growing area of San Bernardino County. For purposes of analysis in this report, the competitive market area for the Victor Valley (hereinafter referred to as “the Victor Valley”) includes the incorporated cities and towns of Hesperia, Victorville, Adelanto and Apple Valley, in addition to the small, unincorporated communities of Baldy Mesa, Oak Hills, Oro Grande, Phelan and Spring Valley Lake. As such, our analysis of market data, visitor-serving infrastructure, competitive meeting and event facilities, and demand issues presented in this report are primarily focused on this market area.

Accessibility

In terms of access, Hesperia is conveniently located off the Interstate 15 (“I-15”) freeway at the top of the Cajon Pass. The area is separated from Southern California's major urban centers southwest of the San Gabriel Mountains and southeast of San Bernardino Mountains. Limited freeway access is also available from the Antelope Valley to the west. For this reason, we believe that the demand will come primarily from user groups in the subject market area.

Population Growth

Recent Claritas data (2007) for the incorporated cities and towns in the competitive market area place current population estimates as follows: (1) Hesperia - 91,627; (2) Victorville - 100,093; (3) Apple Valley - 68,940; and (4) Adelanto – 26,650. While population estimates for the unincorporated communities of the subject market area are not available, we estimate that the competitive market area has a current population of 350,000± residents.

Between 2004 and 2007, the Victor Valley cities of Victorville, Adelanto, and Hesperia experienced the strongest growth among all cities in San Bernardino County. Growth in

these cities over the past three years has been three to four times the county average. The principal Antelope Valley cities (Lancaster and Palmdale) in Los Angeles County, located to the west of Hesperia, also experienced growth that was nearly three times the Los County average over the same period. Despite the recent housing slump, this data indicates that the Victor Valley, and the desert areas of the Greater Los Angeles region for that matter, continues to grow.

According to the Victor Valley Economic Development Authority (“VVEDA”), the current (2007) population of this Victor Valley area, is estimated at approximately 350,000 residents.¹ VVEDA projects this population to grow to approximately 427,000 residents by 2012, representing an increase of approximately 23 percent over the five-year period.

Strong resident population growth is likely to result in increased demands for space for events such as parties, receptions, weddings, and other meetings.

Economic Growth & Development

In terms of employment, San Bernardino Association of Governments (“SANBAG”) estimates for employment growth between 2005 and 2030 show that Hesperia will experience twice the percentage change in the number of jobs over Victorville. In summary, strong growth in both the population and business base is certainly favorable for the construction of the proposed Facility.

Recent commercial and retail growth in Hesperia has primarily occurred on both sides of the I-15 freeway near the Main Street exit. This includes three existing hotels, one hotel under construction, one in the planning phase, and several large retail developments. There are new developments situated farther east in the downtown area such as the Hesperia Branch Library and City Hall. The area is currently undergoing revitalization and being developed into the master planned, mixed-use Hesperia Community Civic Plaza.

Supply Issues

ERA has identified a total of 22 facilities in the Victor Valley that have the potential to be competitive with the construction of any new meeting space. These facilities are further detailed in Section V. The median hosting capacity of these selected facilities is

¹ http://www.victorvalleyca.com/regional_profile.php.

approximately 168 persons, with moderate square footage of approximately 2,800. We estimate that these facilities host just under 3,400 events annually, with 25 to 35 percent of these events consisting of small groups of 30± persons who rent these facilities for only a maximum of several hours at a time.

A summary table which outlines specifics for these 22 competitive properties, such as year built, total square footage of all rooms, square footage of the largest room, estimated number of annual events, and event user types appear in Table A. It should be noted that these annual event estimates are informal estimates only. **Due to the confidential nature of this project, ERA was not able to obtain detailed information on categories such as the specific number of events, annual attendance, and percentage of user groups by specific type.**

Though square footage is not known at some venues, ERA estimates that Hesperia currently has roughly 20,000 square feet of non-contiguous, existing meeting/banquet space that is available to the public. Due to the limited current supply and scale of available meeting space in Hesperia, people will frequently use hotels and other facilities in Victorville. The Hesperia Terrace Room is currently the largest facility (7,200 square feet) within the city limits, but its rental fees, food and beverage requirements, and location approximately 6.5 miles southeast of the I-15 could limit its appeal to many types of potential users.



Executive Summary Table A

**Characteristics of Competitive Meeting/Event Facilities
Subject Valley Market Area (2007)**

Name	City	Year Built	Total SF	SF Largest Room	No. Est. Annual Events	Types of Events/Comments
Ambassador Hotel & Conference Center	Victorville	1978	5,832	5,000	150	Corporate, social (50/50)
Apple Valley Country Club	Apple Valley	1951	n/a	n/a	100	Internal club-related & external social events
Apple Valley Inn	Apple Valley	1948	2,500	n/a	75	Social events (weddings, parties)
California Banquet Hall ²	Victorville	2007	5,800	5,800	n/a	Social events
Comfort Suites Hotel ³	Victorville	2003	1,529	1,000	300	Social events (weekends), classes & small groups (weekdays)
The Grange	Hesperia	n/a	3,000	3,000	100	Social events and local area churches, primarily weekends
Hawthorn Suites ³	Victorville	2005	n/a	n/a	300	Training, seminars, classes, local groups
Hesperia Golf & Country Club	Hesperia	1957	n/a	n/a	50	Social events (weddings, parties) on weekends
Hesperia Terrace Room	Hesperia	1999	7,200	7,200	150	Social events (weddings, parties); few community groups on weekdays
Hilton Garden Inn Victorville	Victorville	2006	8,010	7,500	250	Social events (weddings, parties) on weekends; corporate government, club & non-profit on weekdays
Holiday Inn Express Hotel & Suites ³	Hesperia	2002	557	557	575	Local events - depositions, training, seminars, clubs
Kinari Restaurant/Karma Nightclub	Victorville	2002	16,000	16,000	75	Social events and banquets
Maverick Stadium ⁴	Adelanto	1991	1,500	1,500	150	Primary social (quinceaneras, parties) and small meetings
Percy Bakker Community Center	Hesperia	1995	n/a	n/a	60	Internal programs and external social events
Quality Inn & Suites	Victorville	1963	5,869	3,719	250	Mix of corporate, community and social (weddings, parties)
Red Roof Inn	Victorville	1988	350	350	200	Local groups (e.g. traffic schools, training, etc.)
San Bernardino County Fairgrounds ⁵	Victorville	1947	49,708	16,000	90	Major conferences, hospital galas, & social events (quinceaneras & weddings)
SpringHill Suites Hesperia ³	Hesperia	2005	240	240	170	Small meetings
Spring Valley Lake Country Club	Victorville	1971	n/a	n/a	100	Social events (weddings, parties) on weekends; meeting on weekdays
Sterling Inn, Regency Room	Victorville	1995	n/a	n/a	100	Social events (weddings, parties) on weekends
Sunset Hills Memorial Park ⁶	Apple Valley	2006	n/a	n/a	50	Social events (weddings, parties) on weekends
Victor Valley College (PAC)	Victorville	1981	n/a	493	60	Community & performing arts groups
Total					3,355	

NOTE: Estimated annual events represent informal estimates only and are not based on statistical annual reports.

¹ Refers to banquet style (rounds) unless room is not configured for banquets.

² This is a conversion of an existing restaurant, which recently opened.

³ These events are held on an hourly basis, with few exceeding several hours.

⁴ This information includes the conference center only and excludes the 3,800-seat stadium.

⁵ Includes social events and conferences only and excludes all other event types.

⁶ Year built refers to new chapel building with banquet amenities only.

Source: Individual facilities and Economics Research Associates

Outside of some of the area country clubs, there is little modern or updated space of any significant size in the Victor Valley as a whole, with the exception of Hesperia Terrace Room, the Hilton Garden Inn in Victorville and the new chapel at Sunset Hills Memorial Park in Apple Valley. The Hilton Garden Inn is able to draw both business events during the weekdays and social events during the weekends. On the other hand, business at the Terrace Room and Sunset Hills facilities is primarily social and restricted to weekend activities.

Overall, the existing supply of available meeting space is limited in scale. The Victor Valley's current two largest facilities – the San Bernardino County Fairgrounds and Kinari Restaurant/Karma Night Club in Victorville – are not dedicated meeting/banquet venues. At present, the largest dedicated meeting space is the ballroom at the Hilton Garden Inn with approximately 7,500 square feet of space and a hosting capacity of 450± persons for banquets and up to 750 theater/classroom-style.

The City of Hesperia will double its hotel room capacity by adding several new hotels by year end 2009. Among those selected 22 facilities that ERA has identified that have the potential to be competitive, eight (8) of these properties have attached guest rooms.

New Facilities and Competitive Issues

ERA is aware of five new facilities in the competitive market area that are either under construction or are in various planning stages. This includes: two hotels with meeting space in Hesperia, the construction of a new clubhouse in Victorville at the Green Tree Golf Course, the potential addition of a resort-style conference retreat at Sunset Memorial Park in Apple Valley, and the potential relocation and new construction of facilities at the San Bernardino County Fairgrounds (currently in Victorville).

Planned Hesperia Facilities

The Courtyard by Marriott, which is under construction, plans to add approximately 5,000 square feet of meeting space. At the time of preparing this report, it is ERA's understanding that preliminary plans for a 144-room Holiday Inn Hotel at Main Street & the I-15 include moderate meeting space ranging between 2,500 and 3,000 square feet.

Competitive Threats

The San Bernardino County Fairgrounds is in the preliminary stages of planning to relocate to an unspecified location in San Bernardino County, most likely the Victor Valley. At the time of preparing this report, Fairgrounds officials are in early discussions with several cities in the Victor Valley, including Hesperia, regarding the potential site relocation. Once relocated, the new facility would likely add more new, flexible multi-purpose and conference space.

The construction of any new conference/flexible use facilities at the relocated San Bernardino County Fairgrounds represents the biggest competitive challenge for the construction of a new Facility in Hesperia. While a future site has yet to be identified in the Victor Valley, and facility needs have not been defined, it has been ERA's experience in the fairgrounds industry that new or relocated facilities generally contain modern, large-scale, flexible flat floor space that can accommodate a variety of events ranging from consumer shows to meetings. If such a facility were built within the competitive Victor Valley market area, it is our professional opinion that it *could not* support the construction of an additional convention/conference facility within the next ten years, regardless of the size or location.

Demand Issues

The purpose of this study was to determine whether there is sufficient demand for a convention/conference center facility. ERA believes that demand exists for larger, flexible, and moderately-priced meeting space within the City of Hesperia. However, our research also indicates strong demand from small groups seeking space for a limited duration (i.e., several hours) for types of events such as training, classes, and presentations. Examples include the Holiday Inn Express & Suites Hotel (Hesperia), SpringHill Suites (Hesperia), Comfort Suites (Victorville), and Hawthorn Suites (Victorville).

For this reason, a community/cultural center might best serve the current and near-future needs of the City of Hesperia. As a related example, the new community rooms at the Hesperia Library receive strong interest from outside users for potential private events. Community/cultural centers are facilities where the members of a community can gather for social or cultural activities. In general, user groups at community/cultural centers tend to rent the facility on an hourly versus a "by-the-day" basis. Community centers also tend

to be smaller in scale than convention centers and are generally incorporated into either civic centers or mixed-use developments. ERA has included an example of a successful cultural center in Palmdale – the Larry Chimbole Cultural Center – which appears in the Appendix of this report.

Sources of Demand

Based on conversations with meeting venue managers and local/regional tourism officials, the vast majority (i.e., 95± percent) of current users/user groups in the 22 competitive facilities are residents and/or organizations based in the competitive market area. The reason for this is due likely to:

1. The distance between Hesperia and other urban parts of San Bernardino and Riverside counties to the southwest and southeast; and
2. The physical separation between Hesperia and areas to the southwest of the San Gabriel Mountains and southeast of San Bernardino mountains, with the Cajon Pass acting as a “psychological” barrier; and
3. The fact that the urban areas of San Bernardino County down the hill have an existing concentration of convention, conference and other meeting facilities, which are further discussed in Section VI.

As previously shown in Table A, the majority of users at existing competitive facilities are social users, particularly during the weekends. Strong demand also exists from local groups seeking to rent space on a limited or hourly basis. Some of the larger facilities such as the Hilton Garden Inn, Ambassador Hotel, and Quality Inn in Victorville attract a moderate amount of non-social users such as corporate and government business. As the business community in the Victor Valley expands, demand from these types of groups for non-social events (i.e. meetings) will also increase.

Since the proposed Facility in Hesperia is likely to draw the majority of its users from the competitive market area, it will be primarily be competitive with the other facilities in the Victor Valley. If the City decides to pursue the construction of a convention/conference facility, it will be important to situate the facility in an area with convenient freeway and roadway access.

Recommendations for Type of Center

The client could pursue the construction of two types of facilities:

- A convention/conference center; or
- A community/cultural center

As noted, the purpose of this study was to study the feasibility of a **convention/conference facility**. Should the City pursue the first option, ERA recommends the construction of a facility within an existing or future hotel on or near the I-15 and Main Street, providing the location is on or near the I-15, which will also make the Facility more accessible to users from other parts of the Victor Valley, outside of Hesperia. This could be a facility that is located within a hotel or one that is detached and adjacent to hotel sleeping rooms.

If this option is chosen, ERA recommends that the City pursue the possibility of constructing a 15,000 to 20,000± -square-foot facility. Construction of a facility of this scale would allow the area to host banquets of approximately 500 and 800 persons, and meetings and receptions of up to 1,000 persons. The space should be divisible, allowing for smaller group capacities, or one large meeting room.

It is ERA's opinion that a stand-alone conference center facility without an adjacent hotel or freeway accessibility would be not viable at this time. Exceptions could occur if:

1. The facility was owned by or affiliated with outside institution (i.e., UCLA Conference Center) and external utilization was secondary, or
2. The conference center was situated in a resort setting similar to the Lake Arrowhead Resort.

Accessibility will be a key issue. As a related example, the former Essex House in Lancaster (see Appendix discussion of Larry Chimbole Cultural Center) was once a highly utilized conference center. Situated several miles from Highway 14, the facility lost considerable business after new hotels with meeting space were built along the freeway.

ERA recommends that the City pursue the construction of a convention/conference center either by:

- Expanding an existing hotel; or
- Partnering with a new one; or
- Making it part of a mixed-use facility, with hotels nearby

An advantage of building a conference center in conjunction with a hotel operator is:

- The hotelier, unless an independent chain, has a built-in marketing network;
- Some groups prefer to have rooms on-site, as is the case of the Convention Center at Big Bear Lake; and
- The hotel can use the space as a loss leader.

Facility Recommendations for Type of Center

Convention/Conference Center

Key features of a convention/conference facility would include:

- 15,000 to 20,000± square feet of flexible conference, banquet, meeting, and breakout room space that is capable of accommodating both meeting groups and social functions;
- Full-service catering, kitchen and related capabilities;
- Business services, AV equipment, telecommunications, WIFI high-speed Internet access, video links, satellite for teleconferencing and distance learning as appropriate;
- Separate and secure parking that is able to accommodate facility use on peak demand days.
- While convention/conference centers typically do not have outdoor/gazebo areas, the city could include this option as well.

In order to increase utilization, it is essential that the facility offer several break-out rooms of between several hundred to 1,000 square feet. This will allow for increased flexibility for large groups seeking break-out space and/or small groups who just seek modest meeting space.

Capital costs for the project should be maintained in as efficient a manner as possible while creating good quality space. Price points for the space should be competitive with costs for comparable space at other Victor Valley facilities, and achievable rental rates should be reflected in the overall capital costs as the project moves forward toward analysis for implementation.

Community/Cultural Center

While the focus of this research pertains to a convention/conference center, should the client group pursue the construction of a community/cultural center, we would recommend a facility that contains the following components:

- A comparably sized facility of approximately 15,000-20,000 square feet of space
- A 7,000 to 8,000-square-foot, divisible ballroom
- Several smaller break-out rooms ranging from 500 to 1,000 square feet
- A kitchen area

The location for a community/cultural center could be further away from the I-15 within a mixed-use development such as the Hesperia Community Civic Plaza. In general, community/cultural centers tend to be located in these types of civic developments.

Projected Forecast and Utilization

Based on our review of existing facilities and market characteristics of the competitive market area, the forecast of utilization for the proposed Hesperia Facility will generally focus on local community groups and resident users, corporate groups, and events such as trainings and seminars. ERA has broadly defined six categories of potential user groups, which are further discussed in Section VII. We forecast moderate utilization of a total of over 250 event days (as illustrated in Table B) and attendance of approximately 29,000 in a stabilized year of operation (as illustrated in Table C).

Executive Summary Table B

**Event Day Composition Forecast
Stabilized Year of Operations**

User Groups	Major Mtg./Event Day	Large Mtg. Day	Typical Mtg. Day	Total Conference Center
Average Attendance per Event Day	500	200	65	
Corporate Use		6	48	54
Community Groups/Social Events	4	12	96	112
Associations/Conferences	4	6	6	16
Seminars and Professional Training		6	36	42
Educational	2	4	6	12
Special Events	4	12	0	16
Projected Event Days Per Year	14	46	192	252

Source: Economics Research Associates

Executive Summary Table C

**Event Attendance Composition Forecast
Stabilized Year of Operations**

User Groups	Major Mtg./Event Day	Large Mtg. Day	Typical Mtg. Day	Total Conference Center
Average Attendance per Event Day	500	200	65	
Corporate Use	0	1,200	3,120	4,320
Community Groups/Social Events	2,000	2,400	6,240	10,640
Associations/Conferences	2,000	1,200	390	3,590
Seminars and Professional Training	0	1,200	2,340	3,540
Educational	1,000	800	390	2,190
Special Events	2,000	2,400	0	4,400
Projected Attendance Per Year	7,000	9,200	12,480	28,680

Source: Economics Research Associates

Details and definitions of the potential user groups we have defined are presented in Section VII of this report.

Our assumptions in this report are further outlined in Section VII. It is our opinion that the Facility will take a minimum of three years to achieve this projected stabilization. This is due to the scale of the competitive market area and existence of low cost venues in this area, which are likely to be particularly competitive for community group/social events.

This analysis further assumes that no additional significant facility(ies), such as potential facilities at the San Bernardino County Fairgrounds, are built in the competitive Victor Valley market area, or any major meeting space is built in any of the proposed and future hotels.

In the event that the City decides to pursue the construction of a community/cultural center, ERA estimates that the number of potential events could be as high as three times the estimated amount for the proposed convention/conference facility. The reason for this is that many of these users would be utilizing the facility on an hourly basis. We have assumed in this analysis for a convention/conference center that such user groups will be renting the facility for a minimum of one day.

For a community/cultural center, the number of corporate events at would be minimal, if any, and overall attendance would likely be lower. Community/cultural centers in general cater to significantly small sized groups, with groups of 25 to 50 persons being the predominant users of the facility. In addition, larger groups tend to be smaller (i.e., 100 persons) and generate fewer major events (i.e., 300 persons).

A hypothetical example of illustrative event days and attendance for a community/cultural center appears in Table D below, which is characteristic of community/cultural centers in general. Again, the majority of these users, would likely be renting the facility on an hourly basis for several hours or less and have significantly fewer food and beverage requirements. The majority of community/cultural center users tend to seek “turnkey” facilities, meaning that they merely rent a room on an hourly basis and bring in their own food and beverage. Thus, while total attendance may not be significantly lower compared to project attendance for a convention/conference center, any revenue from rent and food and beverage sales would be significantly lower. Depending on the total number of events, which would require a separate study, total rental revenues may be lower as well since the majority of users would be renting the venue on an hourly basis.

Executive Summary Table D

**Illustrative Composition Forecast
Community/Cultural Center**

User Groups	Major Mtg./Event Day	Large Mtg. Day	Medium Mtg. Day	Typical Mtg. Day	Total Conference Center
Average Attendance per Event Day	300	100	50	25	
Estimated Total Event Days	4	24	96	576	700
Estimated Attendance (Range)	1,200	2,400	4,800	14,400	22,800

NOTE: This is a hypothetical forecast only.

Source: Economics Research Associates

Financial Analysis

Table E illustrates a pro forma summary for the proposed Hesperia Convention/Conference Center based on the assumptions of stabilized attendance defined in Table C. The stable year net operating *deficit* is over \$230,000. Operating expenses are made up primarily of wages and salaries, followed by utilities and maintenance of the facility. Revenues are forecast to come primarily from facility rentals and are estimated at nearly \$1.47 million for the stable year of operations. The net operating *deficit* is forecast to range from over \$430,000 in the first year of operations, to over \$230,000 in year 3, with an increase in the *deficit* to nearly \$400,000 in year 10.



Executive Summary Table E

Convention Center Pro Forma Summary

	Year					
	1	2	3	4	5	10
Number of Event Days	126	189	252	256	243	246
Annual Attendance	14,340	21,510	28,680	29,110	27,655	27,999
Operating Revenues						
Food & Beverage	\$226,855	\$350,491	\$481,341	\$503,218	\$492,399	\$353,864
Room Rental	\$442,500	\$673,200	\$897,600	\$911,064	\$865,511	\$876,297
Partnerships	\$78,000	\$80,027	\$84,797	\$86,917	\$89,090	\$100,797
Operating Revenues	\$747,355	\$1,103,718	\$1,463,738	\$1,501,199	\$1,446,999	\$1,330,958
Expenses						
Departmental Expenses						
Food & Beverage	\$268,156	\$373,886	\$513,470	\$536,808	\$525,266	\$377,484
Room Rental	\$123,000	\$187,808	\$250,410	\$254,166	\$241,458	\$244,467
Partnerships	\$5,850	\$3,001	\$3,180	\$3,259	\$3,341	\$3,780
Departmental Expenses	\$397,006	\$564,695	\$767,060	\$794,233	\$770,065	\$625,731
% of Operating Revenue	53%	51%	52%	53%	53%	47%
Operating Expenses						
Salaries & Wages	\$578,540	\$634,332	\$692,551	\$712,470	\$721,247	\$818,445
Marketing & Promotions Expense	\$150,000	\$153,750	\$157,594	\$161,534	\$165,572	\$187,329
Utilities & Maintenance	\$73,850	\$75,696	\$77,589	\$79,528	\$81,517	\$92,229
Operating Expenses	\$802,390	\$863,778	\$927,733	\$953,532	\$968,336	\$1,098,003
% of Operating Revenue	107%	78%	63%	64%	67%	82%
Expenses	\$1,199,396	\$1,428,473	\$1,694,794	\$1,747,765	\$1,738,401	\$1,723,734
% of Operating Revenue	160%	129%	116%	116%	120%	130%
Net Operating Income	(\$452,041)	(\$324,755)	(\$231,056)	(\$246,566)	(\$291,401)	(\$392,776)
% of Operating Revenue	-60%	-29%	-16%	-16%	-20%	-30%

Source: Economics Research Associates

III. Local and Regional Market Context

Introduction

The components of demand for the proposed Facility will come from both the resident and business market. To understand the proposed Hesperia Facility's ability to attract potential user groups, this section first reviews the characteristics of the local and regional market areas, including location, access, demographic, and economic characteristics.

The purpose of this section is to provide a profile of the current and future resident and business market environment. The resident market will provide the demand for social events such as weddings and parties, while the business market will stimulate the demand for meetings and associated events such as seminars and trainings.

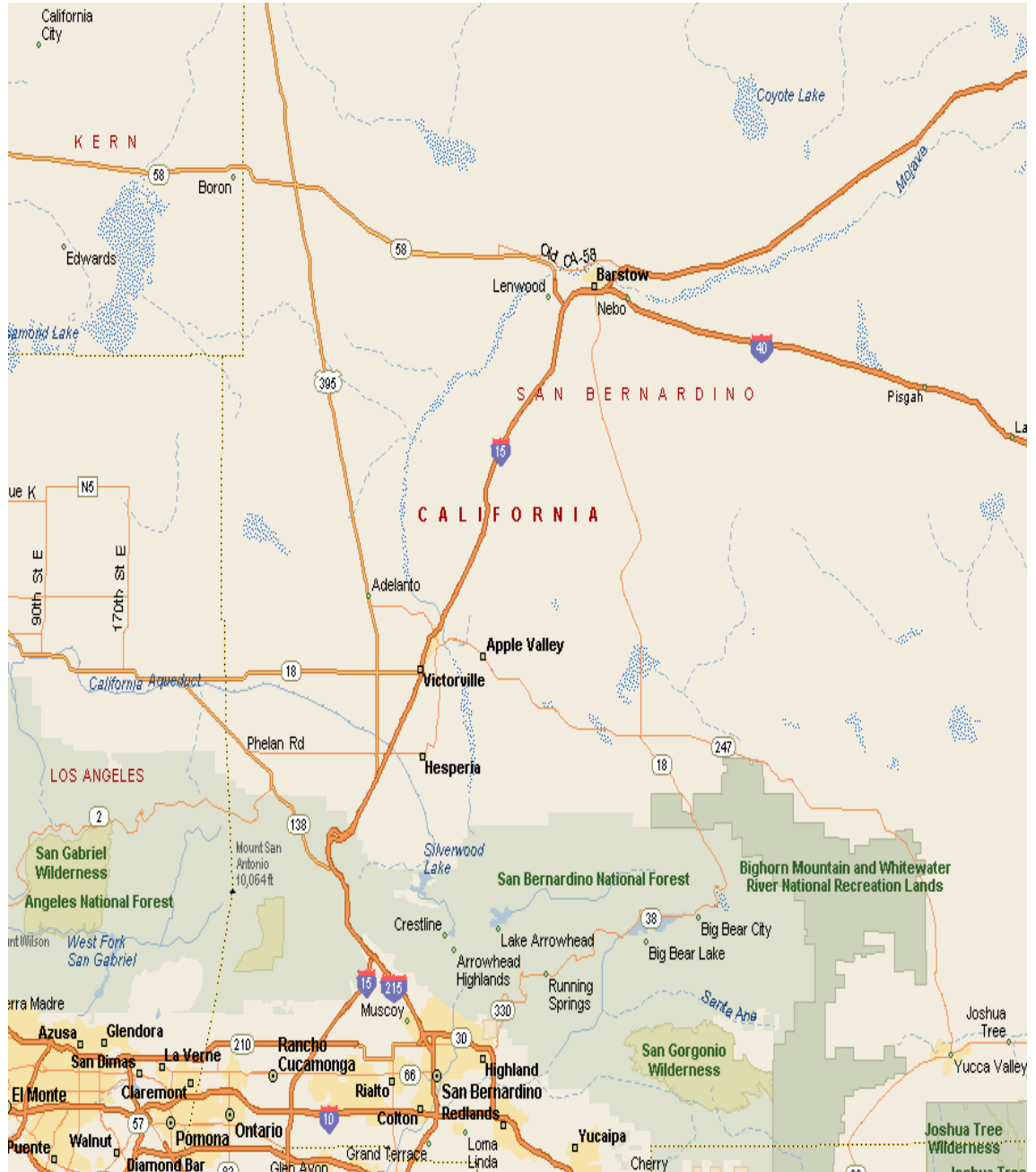
Regional Location Context & Accessibility

Hesperia is part of the Victor Valley region of the Inland Empire, an area that covers Riverside and San Bernardino counties. A regional map showing the respective location of incorporated cities and towns to the southwest and southeast appears in Figure 1 on the following page.

At present, the Victor Valley is the largest metropolitan area between San Bernardino and Las Vegas, in addition to being the fastest-growing area of San Bernardino County. In recent years, the city has transformed from a bedroom community of commuters driving to the urban portions of San Bernardino, Riverside and Los Angeles counties, to a market with a growing retail and commercial business base.

A list of approximate distances and drive times to Hesperia from selected cities in San Bernardino, Riverside and Los Angeles counties appears in Figure 2. Located approximately 72 minutes northeast of Los Angeles, the area is separated from Southern California's major urban centers by the San Gabriel Mountains to the southwest, the San Bernardino Mountains to the southeast, and the Cajon Pass to the south.

Figure 1
Regional Map



Source: Map Pointe

Figure 2
Mileage and Driving Distances
Hesperia

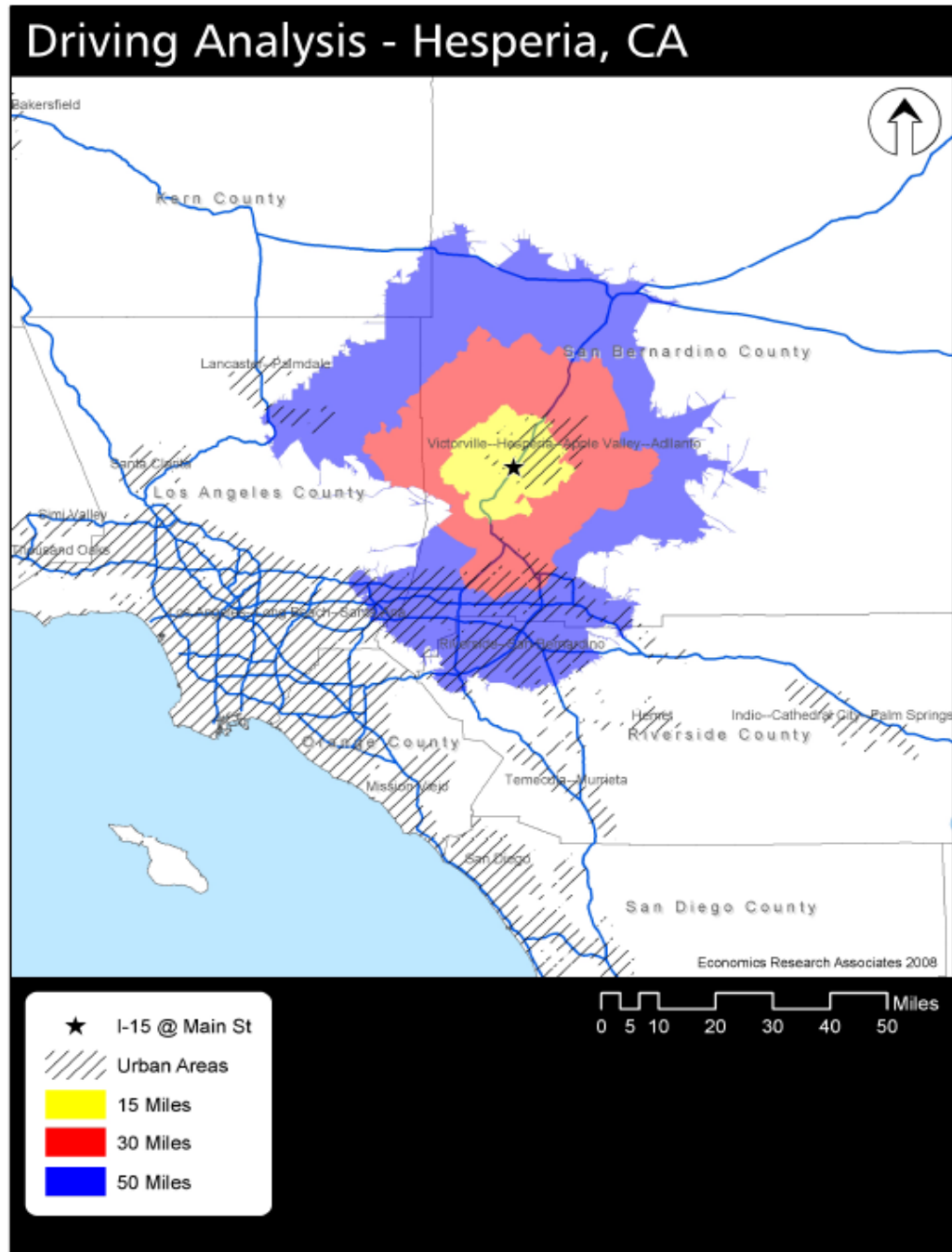
	Miles	Minutes
San Bernardino	30	29
Ontario	39	38
Lake Arrowhead	40	51
Barstow	41	38
Riverside	43	40
Palmdale	47	56
Pomona	47	46
Big Bear Lake	52	73
Lancaster	55	75
Los Angeles	75	72
Palm Springs	84	81

NOTE: Represents miles/minutes from the intersection of I-15 & Main Street

Source: Map Quest and Economics Research Associates

Figure 3 on the following page illustrates urban areas and drive times from Hesperia and the competitive market area in 30-, 60-, and 100-minute increments. As shown, urban areas lie to the southwest and southeast of the area. The Palmdale/Lancaster area of the Antelope Valley is the only urban area to the west of Hesperia. It is situated over an hour from the Victor Valley along California Highway 138. This road consists of a single lane in each direction for most of the segment's length from Palmdale to the Interstate 15 ("I-15") in the Victor Valley. The volumes of traffic that use it are far beyond what it was engineered to handle, making accessibility from this area a challenge.

Figure 3
Regional Context for Hesperia



In summary, the Victor Valley is physically separated by the San Gabriel Mountains to the southwest and San Bernardino Mountains to the southeast from the urban areas to the south, and has limited freeway access to the Antelope Valley to the west. For this reason, the majority of the Facility's users are likely to be from the competitive Victor Valley market area. Future sections of this report will also review the existing and planned facilities in these areas (see Section V).

Transportation

In terms of transportation, rail, bus, freeway and air access are provided in the Victor Valley. Abbreviated passenger service by Amtrak is available in Victorville. Bus service is provided by Victor Valley Transit Authority (VVTAA) on a fixed route schedule between Hesperia, Victorville, Apple Valley, and Adelanto.

It is worth noting that the I-15 corridor between Los Angeles and Las Vegas has long been proposed as a maglev train route. Should this plan ever come to fruition, it is likely to have a significant impact on the population and commercial base in the Victor Valley.

Freeway Access

With the exception of resort conference centers, which tend to be full-service facilities in more remote destinations, freeway and road access are key to the success of any convention/conference facility. As will be explained in the Appendix of this report, the Essex House in Lancaster once served as the Antelope Valley's convention/conference hotel. However, the facility lost significant business when new hotels with meeting space located along California State Highway 14 (which serves as the area's main freeway) were later built.

From a regional location standpoint, Hesperia is the first city at the top of the Cajon Pass when heading north along the I-15 from the urban areas of San Bernardino County. It is also the southernmost city in the Victor Valley.

Hesperia is bisected by the Interstate 15 and US Highway 395. The I-15 serves as the main freeway through the Victor Valley region. Within the Southern California market, it serves as a major transportation corridor linking the San Diego-Tijuana metropolitan area with the Riverside-San Bernardino-Ontario Metropolitan area, and various suburban

communities between them. It is also the route that connects the Greater Los Angeles region to Las Vegas and Nevada.

Due to rapid population growth, in recent years the I-15 has begun to serve as a heavily traveled commuter route between the Victor Valley communities. The City of Hesperia reports that daily traffic counts at the I-15 & Main Street, both northbound and southbound, are 212,000 vehicles per day.²

Future improvements to the I-15 in Hesperia include a potential interchange with Interstate 15 at: 1). Rancho Road; and 2). Muscatel Street; and 3). Eucalyptus Street.

Air Access

The Valley is home to three local airports: Hesperia, Apple Valley and Adelanto. The privately-owned Hesperia Airport is located three miles south of the city on Summit Valley Road. General aviation services are provided in Hesperia, Apple Valley, and at the Southern California Logistics Airport.

From a regional perspective, the closest major airport is Ontario International Airport (“ONT”). ONT is a medium-hub, full-service airport with commercial jet service to major U.S. cities and through service to many international destinations. The airport is located approximately 43 miles southwest of Hesperia off the Interstate 10. Last year the airport recorded a total of over 7 million passengers, compared to 61 million at Los Angeles International.

Demographic and Household Characteristics

In recent years, the City of Hesperia has experienced tremendous population growth as new residents have relocated from more expensive areas of San Bernardino, Riverside, and Los Angeles counties in search of affordable housing.

Comparative Population Growth

Utilizing data from the California Department of Finance (“DOF”), ERA compared recent growth of San Bernardino County cities between 2000 and 2007. As shown in Figure 4, between 2000 and 2007, cities that experienced the greatest growth include: Twentynine

² City of Hesperia: *Community Profile 2007*, p. 22.



Figure 4
Population Growth of San Bernardino County Cities

COUNTY/CITY	2000	2001	2002	2003	2004	2005	2006	2007	% Chg. 2000- 2007	% Chg. 2000- 2003	% Chg. 2004- 2007
San Bernardino County											
Hesperia	62,590	63,605	65,619	68,175	70,610	76,130	80,218	85,876	37.2%	8.9%	21.6%
Adelanto	18,130	18,305	18,798	19,483	21,356	23,382	24,863	27,139	49.7%	7.5%	27.1%
Apple Valley	54,239	55,479	57,227	59,162	61,596	63,868	67,465	70,297	29.6%	9.1%	14.1%
Barstow	21,119	21,249	22,635	23,125	23,322	23,694	23,710	23,943	13.4%	9.5%	2.7%
Victorville	64,029	66,793	69,822	72,820	78,005	86,493	95,085	102,538	60.1%	13.7%	31.5%
Big Bear Lake	5,438	5,577	5,738	5,901	6,053	6,150	6,178	6,207	14.1%	8.5%	2.5%
Chino	67,168	67,804	69,212	70,964	75,730	77,783	79,709	81,224	20.9%	5.7%	7.3%
Chino Hills	66,787	68,622	71,462	73,341	76,731	77,838	77,920	78,668	17.8%	9.8%	2.5%
Colton	47,662	48,216	49,431	50,448	51,006	51,641	51,747	51,797	8.7%	5.8%	1.6%
Fontana	128,928	133,216	140,135	146,462	155,458	160,055	165,359	181,640	40.9%	13.6%	16.8%
Grand Terrace	11,626	11,737	12,000	12,147	12,280	12,395	12,374	12,380	6.5%	4.5%	0.8%
Highland	44,625	45,019	46,138	47,678	49,463	50,875	51,459	52,186	16.9%	6.8%	5.5%
Loma Linda	19,228	19,768	20,321	20,775	21,037	21,595	21,896	22,451	16.8%	8.0%	6.7%
Montclair	33,049	33,468	34,098	34,467	34,878	35,539	35,624	36,622	10.8%	4.3%	5.0%
Needles	4,830	4,913	5,164	5,249	5,408	5,552	5,676	5,759	19.2%	8.7%	6.5%
Ontario	158,007	159,639	163,433	166,464	168,646	170,416	171,008	172,701	9.3%	5.4%	2.4%
Rancho Cucamonga	127,743	131,381	138,082	147,347	155,437	161,867	170,372	172,331	34.9%	15.3%	10.9%
Redlands	63,591	64,713	66,447	67,919	69,123	70,339	71,043	71,375	12.2%	6.8%	3.3%
Rialto	91,882	93,153	95,467	97,029	98,540	99,267	99,130	99,064	7.8%	5.6%	0.5%
San Bernardino	185,382	187,869	191,743	194,996	197,097	199,849	201,699	205,010	10.6%	5.2%	4.0%
Twentynine Palms	14,764	27,657	23,005	22,571	23,891	25,031	27,431	24,830	68.2%	52.9%	3.9%
Upland	68,393	69,415	70,998	72,160	73,023	73,714	74,053	75,169	9.9%	5.5%	2.9%
Yucaipa	41,207	41,937	43,825	45,625	47,631	49,400	50,523	51,784	25.7%	10.7%	8.7%
Yucca Valley	16,865	17,111	17,571	18,049	18,800	19,729	20,522	21,044	24.8%	7.0%	11.9%
Balance Of County Incorporated	292,857 1,417,282	290,201 1,456,646	294,931 1,498,371	299,968 1,542,357	301,124 1,595,121	305,852 1,642,602	308,919 1,685,064	295,978 1,732,035	1.1% 22.2%	2.4% 8.8%	-1.7% 8.6%
County Total	1,710,139	1,746,847	1,793,302	1,842,325	1,896,245	1,948,454	1,993,983	2,028,013	18.6%	7.7%	6.9%

Source: California Department of Finance and Economics Research Associates

Palms (68.2 percent); Victorville (60.1 percent); Adelanto (49.7 percent); Fontana (40.9 percent); and Hesperia (37.2 percent), respectively.

Comparing more recent population growth between 2004 and 2007, Figure 4 shows that the Victor Valley cities of Victorville (31.5 percent), Adelanto (27.1 percent), and Hesperia (21.6 percent) experienced the strongest growth among all cities in San Bernardino County. This compares to a countywide change of 6.9 percent over the same period. Despite the recent housing slump, these data indicate that the Victor Valley continues to grow.

Comparative Demographic Data for Hesperia and the Valley

The City of Hesperia estimates that the city has a current population of just over 91,600 residents, which includes Oak Hills in the “Hesperia Sphere of Influence.” This information is based on 2007 population data from Claritas. This population of the Hesperia area is projected to increase by over 17 percent to reach nearly 107,400 residents by 2012.³ Data for the City of Hesperia appears in Figure 5 on the following page. The median household income is approximately \$49,800, and the median age is approximately 31.7 years, with over 35 percent of the current resident population being between the ages of 0 and 20 years.

ERA compared population, household income and age data from the City of Hesperia to similar data for the Victor Valley, as provided by the VVEDA. VVEDA data includes the cities and towns of Hesperia, Victorville, Apple Valley, Adelanto, and portions of the nearby unincorporated areas that fall within the redevelopment area, as defined by VVEDA.

According to VVEDA, the current (2007) population of this Victor Valley area is estimated at nearly 350,000 residents.⁴ VVEDA projects this population to grow to approximately 427,000 residents by 2012, representing an increase of approximately 23 percent over the five-year period (Figure 6).

³ City of Hesperia, *Community Profile 2007*, p. 10.

⁴ http://www.victorvallevca.com/regional_profile.php.

Figure 5
Demographic & Household Characteristics
2007 Estimate

	2007	2012	% Chg.	CAGR
Population	91,627	107,399	17.2%	3.2%
Households	28,559	--	--	--
Family Households	53,825	--	--	--

Households by Income	Households	% of Total
	\$0-\$24,999	--
\$25,000-\$49,999	--	27.8%
\$50,000-\$99,999	--	36.7%
\$100,000-\$149,999	--	9.6%
\$150,000+	--	3.5%

Est. Median HH Income	\$49,843
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Population by Age	# Persons	% of Total
	0-20	--
21-34	--	19.0%
35-54	--	26.4%
55-64	--	9.1%
65-84	--	9.0%
85+	--	1.2%

Est. Median Age	31.7
-----------------	------

Source: City of Hesperia and Economics Research Associates

Figure 6
Victor Valley Historic & Projected Population
1995-2012

1995	2000	2007 est.	2012 est.	Projected Chg. 2007-2012
231,401	248,818	347,672	426,935	22.8%

Source: Victor Valley Economic Development Authority (VVEDA)

The demand for social/banquet space will increase as the resident population increases. Continued population growth is also likely to stimulate future demand for more businesses and commercial development, which will eventually translate into demand for more available meeting space.

For social events, local household factors such as household income and distribution of age can serve to provide a profile for the potential types of events that can be hosted at a conference/banquet facility. As previously shown in Figure 5, Hesperia has a median household income of over \$49,800, and the median age is 31.7 years.

WVEDA reports that the current median household income level in the Victor Valley is an estimated \$48,546, which is slightly lower than for the City of Hesperia. Figure 7 shows that just over 38 percent of the Victor Valley households earn less than \$35,000 per year. For comparative purposes, the U.S. Census Bureau reported that the median household income nationwide for 2006 was \$48,201, which is comparable to both the Victor Valley and Hesperia.

WVEDA reports that the median age of a Victor Valley resident is 33.8 years. The City of Hesperia reports a slightly younger median age of 31.7 years. Figure 8 shows that over 32 percent of Victor Valley area residents are less than 19 years of age. In fact, roughly one-third of residents in both the Victor Valley and City are less than 20 years of age. This means that the demand for social events such as children's parties and quinceaneras is likely to be strong. However, people hosting these types of events are more budget-sensitive and typically spend less money on social events than more mature age groups.

Figure 7
Victor Valley Household Income Levels
2007 Estimate

Household Income	Total 2007	% Distribution
Under \$35,000	38,667	38.3%
\$35,000-\$49,999	17,367	14.9%
\$50,000-\$74,999	22,938	17.9%
\$75,000-\$99,999	15,510	11.9%
\$100,000-\$149,999	10,704	14.3%
\$150,000-\$199,999	2,403	5.7%
\$200,000+	1,638	8.5%

Source: Victor Valley Economic Development Authority (VVEDA)

Figure 8
Victor Valley Age Groups
2007 Estimate

Age Group	Total 2007	% Distribution
Under 19 yrs	112,646	32.4%
20 - 24 yrs	25,032	7.2%
25 - 34 yrs	40,678	11.7%
35 - 54 yrs	94,219	27.1%
55 - 74 yrs	55,975	16.1%
75 yrs and older	19,122	5.5%

Source: Victor Valley Economic Development Authority (VVEDA)

Regional Market Demographics and Household Characteristics

ERA estimates that the vast majority of users (i.e., 95± percent) for the proposed Facility will come from the competitive market area, as defined in this analysis. Before proceeding to a discussion of development patterns and the economic and business environment of the Valley, ERA looked at regional population, household income levels and population by age within a 10-, 30-, and 50-mile radius from Hesperia. This radius utilized the intersection of the I-15 & Main Street as the starting point.

It should be noted that no single analytic technique regarding age, income, and population density can reliably predict future use for convention/conference centers. However,

ideally convention/conference centers are best situated in more densely populated markets with above average household incomes, strong employment growth and commercial development.

As shown in Figure 9, there are approximately 221,200 residents within a 10-mile radius of Hesperia. The population is projected to increase by approximately 21 percent to reach nearly 266,200 by 2012. This represents an average annual rate of just under 4 percent. While age group characteristics within these 10 miles are similar to Hesperia and the Victor Valley as a whole, overall median household income levels are slightly lower at approximately \$47,000. The data presented in Figure 9 illustrates how fast the market area within a 10-mile radius is growing.

Looking at the area within a 30-mile radius (Figure 10), which includes the entire competitive market area and many of the unincorporated communities in the Victor Valley, there are approximately 824,100 residents. This number is projected to increase by roughly 16 percent in 2012. Similar to previous information discussed for the Victor Valley (Figure 8) and Hesperia (Figure 5), roughly one-third of the population is below 19 years of age. Household income levels are also comparable at approximately \$47,200.

A review of the area within a further 50-mile radius (Figure 11), which includes Barstow, Lake Arrowhead, Palmdale, and urban portions of San Bernardino County such as the major cities of San Bernardino, Rancho Cucamonga and Fontana, to as far east as Pomona (Los Angeles County), shows a current population of just under 3.4 million persons. This number is projected to increase by 11 percent to over 3.7 million people by 2012. The median household income in this market area is the highest at over \$53,600. With an existing supply of competitive facilities in these areas (see Section VI), ERA believes that the proposed Facility has highly limited potential to draw from this area within the next 10 years. However, it was included in this analysis to demonstrate the scale of the regional market outside of the competitive Victor Valley area.

Figure 9
Local Market Characteristics
0-10 Mile Radius

	2007	2012	% Chg.	CAGR
Population	221,172	266,180	20.3%	3.8%
Households	68,982	81,962	18.8%	3.5%
Family Households	53,825	--	--	--

Households by Income	Households	% of Total
	<\$15,000	9,190
\$15,000-\$24,999	8,253	12.0%
\$25,000-\$34,999	8,058	11.7%
\$35,000-\$49,999	11,210	16.3%
\$50,000-\$74,999	15,159	22.0%
\$75,000-\$99,999	8,864	12.9%
\$100,000-\$149,999	6,265	9.1%
\$150,000-\$249,999	1,571	2.3%
\$250,000-\$499,999	326	0.5%
\$500,000+	85	0.1%

Est. Median HH Income	\$47,028
--------------------------	----------

Population by Age	# Persons	% of Total
	0-4	17,358
5-9	18,061	8.2%
10-14	21,610	9.8%
15-17	12,395	5.6%
18-20	10,710	4.8%
21-24	12,608	5.7%
25-34	29,379	13.3%
35-44	29,875	13.5%
45-49	15,400	7.0%
50-54	13,011	5.9%
55-59	10,495	4.8%
60-64	7,951	3.6%
65-74	11,755	5.3%
75-84	8,023	3.6%
Age 85 and over	2,542	1.2%

Est. Median Age	31.1
Est. Average Age	33.6

Source: Claritas (2007) and Economics Research Associates



Figure 10

**Regional Market Characteristics
0-30 Mile Radius**

	2007	2012	% Chg.
Population	824,071	941,280	14.2%
Households	243,557	275,057	12.9%
Family Households	191,289	--	--

Households by Income	Households	% of Total
	<\$15,000	34,290
\$15,000-\$24,999	28,826	11.8%
\$25,000-\$34,999	27,998	11.5%
\$35,000-\$49,999	37,763	15.5%
\$50,000-\$74,999	49,033	20.1%
\$75,000-\$99,999	30,171	12.4%
\$100,000-\$149,999	25,772	10.6%
\$150,000-\$249,999	7,699	3.2%
\$250,000-\$499,999	1,567	0.6%
\$500,000+	436	0.2%

Est. Median HH Income	\$47,180
--------------------------	----------

Population by Age	# Persons	% of Total
	0-4	69,290
5-9	71,051	8.6%
10-14	79,715	9.7%
15-17	46,308	5.6%
18-20	40,327	4.9%
21-24	48,281	5.9%
25-34	115,878	14.0%
35-44	114,512	13.9%
45-49	56,283	6.8%
50-54	47,906	5.8%
55-59	38,189	4.6%
60-64	28,025	3.4%
65-74	37,750	4.6%
75-84	23,017	2.8%
Age 85 and over	7,539	0.9%

Est. Median Age	29.9
Est. Average Age	32.4

Source: Claritas (2007) and Economics Research Associates

Figure 11

**Regional Market Characteristics
0-50 Mile Radius**

	2007	2012	% Chg.	CAGR
Population	3,377,837	3,748,671	11.0%	2.1%
Households	1,006,285	1,107,474	10.1%	1.9%
Family Households	776,412	--	--	--

Households by Income	Households	% of Total
<\$15,000	117,606	11.7%
\$15,000-\$24,999	101,188	10.1%
\$25,000-\$34,999	103,668	10.3%
\$35,000-\$49,999	151,189	15.0%
\$50,000-\$74,999	202,033	20.1%
\$75,000-\$99,999	135,239	13.4%
\$100,000-\$149,999	134,822	13.4%
\$150,000-\$249,999	46,577	4.6%
\$250,000-\$499,999	10,618	1.1%
\$500,000+	3,344	0.3%

Median HH Income	\$53,649
------------------	----------

Population by Age	# Persons	% of Total
0-4	267,451	7.9%
5-9	269,819	8.0%
10-14	301,477	8.9%
15-17	178,502	5.3%
18-20	170,593	5.1%
21-24	203,729	6.0%
25-34	502,938	14.9%
35-44	489,176	14.5%
45-49	238,906	7.1%
50-54	204,794	6.1%
55-59	163,670	4.9%
60-64	117,091	3.5%
65-74	146,355	4.3%
75-84	88,187	2.6%
Age 85 and over	35,147	1.0%

Est. Median Age	30.9
Est. Average Age	32.9

Source: Claritas (2007) and Economics Research Associates

Development Characteristics

Development patterns throughout the Victor Valley vary by type of development (i.e., residential, retail and commercial) and by city/town.

The City of Hesperia has been experiencing rapid growth in residential growth, in addition to extreme growth in industrial and, more recently, commercial/retail development. A review of recent development patterns in Hesperia provides insight into locations for the proposed Facility, in addition to the types of future events certain areas could best accommodate. For instance, a conference/convention center targeting corporate events would not perform well in a residential community and vice versa.

Corporate events tend to be held either in conference centers or downtown area hotels. A recent survey in 2006 of corporate meeting planners by *Meetings and Conventions* magazine, an industry trade publication, indicated that 74 percent of corporate planners held their event at a downtown hotel location.⁵ Social events, however, tend to be more “facility-driven,” meaning that they are more concerned about cost and amenities versus location and available hotels. Current examples would be the Hesperia Terrace Room, which is situated in a residential section of Hesperia and whose patronage consists almost entirely of social events, in addition to meeting facilities at the local area golf clubs such as the Hesperia Golf & Country Club.

Residential Development

Most of the residential development in Hesperia is occurring east of the I-15. The City reports that 6,168 single-family residences, both pending (2,020 units) and approved (4,148 units), are located within 2 miles of Main Street & the I-15.⁶ Large-scale planned projects such as Rancho Las Flores in the southern portion of Hesperia will contain over 16,000 homes. Assuming an average of 3.5 persons per household, the Rancho Las Flores project, alone, would increase the local population by 56,000 residents at build out.

Residential development in other parts of the Victor Valley has been scattered. In Victorville, newer residential development has occurred primarily west of the I-15. In

⁵ *Meetings and Conventions magazine: “2006 Meetings Market Report,” August 2006.*

⁶ *City of Hesperia: Retail Hesperia 2007.*

Apple Valley, residential development has been occurring in the south and southwest portions of the town, particularly near Bear Valley Road and Itoya Vista Roads within the Multi-Family redevelopment area. Residential development in Adelanto has been primarily located in the south and north/central parts of the city.

Retail Development

For years, Victorville has served as the retail center for the entire Victor Valley, but the City of Hesperia is in the process of diversifying its retail base. The majority of commercial and retail growth in Hesperia is presently occurring on the west side of the city near the I-15. Examples of major commercial/retail developments currently under development along the I-15 include the following:

- High Desert Gateway Center: a 361,000-square-foot retail center at the I-15 and Main Street, which will be anchored by a 180,000-square-foot SuperTarget, which is the largest retail store to open in Hesperia since the K-Mart opened at Main Street and E Avenue in 1988.
- Hesperia Commons: a 223,000-square-foot complex along the I-15 with retail and commercial components.
- Hesperia Power Center: a 281,000-square-foot power center off the I-15.

Most major retail development in Victorville is concentrated near the I-15. Dunia Plaza (south of the Victor Valley Mall) is a planned 364,000-square-foot project. Also nearby this area at Civic and Roy Rogers Drives, Desert Sky Plaza is planning for a major expansion that will add approximately an additional 500,000 square feet of retail space. The Midtown Spectrum Business Complex on Amargosa Road east of the I-15 is another mixed-use, retail and commercial project.

In Apple Valley, several large retail developments are being built in the southwest portion of the town. One example is the Jess Ranch Marketplace, which is located at the corner of Bear Valley Road and Jess Ranch Parkway. The project will consist of approximately 500,000+ square feet of retail space that is being built in several phases. Apple Valley Commons is another major development that is being built at Highway 18 and Dale Evans Parkway in Central Apple Valley.

The City of Adelanto is planning to build Adelanto Marketplace in several phases at Highway 395 & Palmdale Road in the southern section of town.

Commercial/Industrial Development

A review of most recent (June 2007) development activity in the City of Hesperia reports several commercial and industrial projects in excess of 100,000 square feet that are pending approval as follows:

- Plans to construct seven industrial buildings totaling 151,000 square feet on seven lots and 20+ acres on the northeast corner of Cedar Street and Caliente Road.
- Plans to construct a 162,242-square-foot industrial building park on 10+ acres north of Joshua Street on the west side of Caliente Road.
- Plans to construct a 47,214-square-foot hotel, 60,000 square feet of offices, 273,000 square feet of commercial, 836,300 square feet of retail, and 19,500 square feet of restaurants at the northeast corner of Poplar Street and Highway 395.

In addition, a site plan has been approved to allow construction of a 556,700-square-foot industrial condominium business park on roughly 13 acres located at the southeast corner of Poplar Street and Highway 395.

While it appears that the intersection of Poplar Street and Highway 395 is the site of several significant developments, since the types of companies and scale of potential tenants (i.e., number of employees per company) within these planned and proposed projects are unknown at this time, it is difficult to project whether this or any other location would be suitable for a convention/conference facility.

In general, industrial tenants tend to not be big users of such space compared to corporate tenants in commercial developments. In general, it is the corporate parent company (outside of the area) of an industrial tenant that hosts meetings at a corporate level, so the resulting demand for meeting space from the local market is likely to be minimal.

Many corporate tenants in today's market also tend to build or demand meeting space within their respective office spaces and hold meetings on-site. This means that that they would generate little demand for external convention/conference space.

A lot of recent commercial development in Victorville within the past few years has been occurring at the Southern California Logistics Airport ("SCLA"). A brief review of the planned and proposed commercial development in the City of Victorville shows that most commercial projects are smaller in scale compared to many of the industrial and retail (see above) projects that are in the various planning stages. Several large-scale industrial projects have been planned for Phantom West and Sabre Boulevard near SCLA, as well as in the Foxborough Industrial Park Center off Bear Valley Road near the intersection of Nisqualli Road and Hesperia Road on Victorville's east side.

Future Hotels

As noted previously, the I-15 northbound and southbound at Main Street is a heavily trafficked intersection with approximately 212,000 vehicles passing daily. In recent years it has been the site of construction for three new hotels, including a Holiday Inn Express Hotel & Suites, SpringHill Suites and Country Hearth Inn. At this time, a Courtyard by Marriott (135 rooms) is under construction, and a full-service Holiday Inn (144 rooms) is in the planning stage. The new hotels are proposed at or near the intersection of the I-15 and Main Street.

A discussion of planned and proposed hotels in the Victor Valley follows in the next section.

Other Development

Other new developments exist slightly farther east in the downtown area such as the Hesperia Branch Library and City Hall. This area is currently undergoing revitalization and being master planned for mixed-use within Hesperia's Community Civic Plaza.

Based on current growth, development patterns and accessibility issues, ERA believes that, at present, it makes the most sense to build the proposed Facility near the I-15 at any one of the freeway exits. As will be discussed in Section V, the newer hotels with meeting space that have recently been built along the I-15 have achieved the highest utilization rates in the Victor Valley. Providing a location at or near the I-15 will also make

the Facility more accessible to users from other parts of the Victor Valley outside of Hesperia.

Economic Characteristics

Demand for convention/conference space in the Victor Valley region will come from both the resident and business market. The final part of this section focuses on the business environment. ERA reviewed (a) resident commute patterns; (b) current labor market data; (c) projected labor market data; and (d) characteristics of existing businesses.

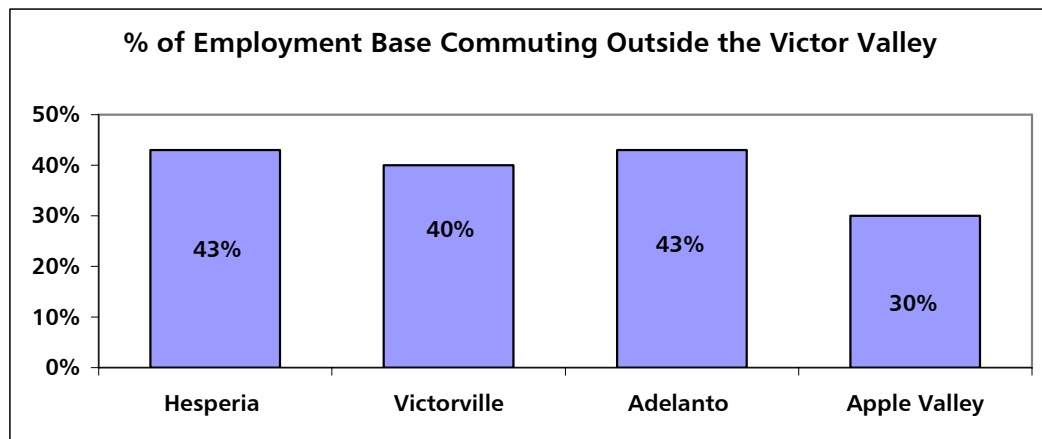
Local Resident Commute Patterns

According to a San Bernardino Association of Governments (“SANBAG”) study for the Victor Valley that was conducted in July 2006, roughly 40 percent of the available workforce commutes outside of the Victor Valley, primarily to other parts of San Bernardino County. shows that 43 percent of residents in Hesperia and Adelanto commuted outside of the Valley (i.e., San Bernardino County Mountain/Desert, San Bernardino County Valley, and other counties) in 2006. For example, data for the City of Hesperia shows that 29 percent of residents lived and worked in Hesperia, 20 percent worked in Victorville, 3 percent in Adelanto, and 5 percent in Apple Valley. The remaining 43 percent commuted to jobs outside the Victor Valley (i.e., San Bernardino County Mountain/Desert – 3 percent, San Bernardino County Valley – 25 percent, and other counties – 15 percent).

As commute times increase, more residents telecommute or choose to work locally, and Victor Valley cities attract more businesses, these percentages are likely to decline somewhat, although to what extent and which cities will be most impacted with a decline in commuters remains to be seen.

Figure 12
Victor Valley Commuter Characteristics

	Adelanto	Apple Valley	Hesperia	Victorville	SB Co Mtn/Desert	SB Co. Valley	Other Counties	Total
Hesperia	3%	5%	29%	20%	3%	25%	15%	100%
Victorville	4%	6%	9%	41%	3%	21%	16%	100%
Adelanto	24%	4%	5%	24%	3%	22%	18%	100%
Apple Valley	4%	31%	8%	27%	4%	16%	10%	100%



Source: SANBAG: *Victor Valley Transportation Study Fact Sheet*, Volume I, Issue I, July 2006; and Economics Research Associates

Current Labor Market Data

ERA reviewed recent (August 2007) labor force data from the California Employment Development Department (“EDD”). Figure 13 shows that the current labor forces in Hesperia and Victorville are comparable at 31,900 versus 31,400, respectively. This is in spite of the fact that Hesperia has a population of nearly 86,000 compared to roughly 103,000 in Victorville (refer to Figure 4), according to estimates from the California Department of Finance.

Latest EDD statistics for San Bernardino County report an average unemployment rate of 5.7 percent. Unemployment rates for cities in the Valley are higher, ranging from 6.9 percent in Victorville to 8.7 percent in Adelanto (Figure 13). As of August 2007, Hesperia had an unemployment rate of 7.4 percent.

It should be noted that the EDD data tracks the active work force for all resident laborers living in an area and does not account for Hesperia residents who are commuting outside the area. For example, as of August 2007, Hesperia had an active (employed) work force of 29,500 residents (Figure 11). Assuming 43 percent are commuters, based on SANBAG data (Figure 13), an estimated 12,700 Hesperia residents are commuting outside of the Victor Valley and 16,800 work within the Victor Valley.

Figure 13
Victor Valley Labor Force – August 2007

	Labor Force	Employment	Unemployment	Rate
San Bernardino County	914,600	862,900	51,700	5.7%
Hesperia	31,900	29,500	2,400	7.4%
Victorville	31,400	29,200	2,200	6.9%
Barstow	11,100	10,300	800	7.1%
Apple Valley	27,600	25,900	1,700	6.2%
Adelanto	6,900	6,300	600	8.7%

Source: California Employment Development Department: Labor Market Information Division

Projected Labor Market Data

ERA reviewed projected employment data from SANBAG, which estimates the number of jobs in the local market. This is in contrast to EDD data, which measures the resident laborers, and does not constitute a measurement of local jobs. For instance, EDD data show a total of 29,500 laborers living in Hesperia as of August of 2007, but the actual number of jobs in Hesperia might be significantly less.

The projected number of jobs from SANBAG over a 25-year period between 2005 and 2030 appears in Figure 14 on the following page. SANBAG measures these data in five-year increments. As shown, Hesperia is projected to experience over twice the percentage change (301 percent) in the number of jobs compared to Victorville (137 percent). Overall, local employment among the major cities and towns in the Victor Valley is forecasted to increase by over 110 percent during the same period.

Figure 14
Projected Jobs
2005-2030

<u>VICTOR VALLEY</u>								
	2005	2010	2015	2020	2025	2030	% Chg.	CAGR
Hesperia	17,150	20,109	31,957	44,088	56,332	68,765	301%	5.7%
Victorville	38,108	47,362	57,873	68,611	79,439	90,415	137%	3.5%
Barstow	15,184	18,256	21,363	24,533	27,728	30,965	104%	2.9%
Adelanto	3,136	4,010	5,321	6,665	8,020	9,394	200%	4.5%
Apple Valley	16,130	19,338	21,867	24,443	27,043	29,670	84%	2.5%
Total	89,708	109,075	138,381	168,340	198,562	229,209	110%	3.8%
<u>SELECTED SAN BERNARDINO COUNTY</u>								
<u>CITIES</u>	2005	2010	2015	2020	2025	2030	% Chg.	CAGR
San Bernardino	88,791	99,337	110,056	120,965	131,943	143,045	61%	1.9%
Rancho Cucamonga	64,670	74,870	81,515	88,315	95,173	102,133	58%	1.8%
Twentynine Palms	6,169	6,665	7,410	8,172	8,943	9,725	58%	1.8%
Fontana	32,530	37,661	41,758	45,954	50,186	54,488	68%	2.1%
<u>ANTELOPE VALLEY</u>								
	2005	2010	2015	2020	2025	2030	% Chg.	CAGR
Lancaster	52,791	59,684	62,937	66,081	69,026	71,816	36%	1.2%
Palmdale	45,876	53,695	61,591	69,133	76,059	82,470	80%	2.4%
Total	98,667	113,379	124,528	135,214	145,085	154,286	56%	1.8%

Source: SANBAG, SCAG; and Economics Research Associates

A review of SANBAG data for selected large and fast-growing cities in San Bernardino County, including San Bernardino, Rancho Cucamonga, Twentynine Palms, and Fontana, shows that the percent change in growth in employment over the 25-year period significantly lags the Victor Valley. For example, the number of jobs over the same period in the City of San Bernardino is forecast to grow by 61 percent, 58 percent in Rancho Cucamonga and Twentynine Palms, and 68 percent for Fontana.

For comparative purposes, ERA also looked at data from the Southern California Association of Governments (“SCAG”) for the North Los Angeles/Antelope Valley communities of Lancaster and Palmdale to the west of Hesperia (Figure 14). Similar to the Victor Valley, the Antelope Valley has experienced rapid growth over the past decade. The number of local jobs in Lancaster is projected to grow by only 36 percent over the subject period, and 80 percent in Palmdale, versus 301 percent in Hesperia.

These figures demonstrate the comparatively strong growth in employment levels in the Victor Valley over the next 25 years. Growth in employment in the Victor Valley and the

continued diversification of the economy are likely to result in increased demands by corporate and business users for meeting space over and above present levels.

Characteristics of Existing Business Establishments

Locations of Existing Business Establishments

County Business Patterns (“CBP”) is a source of local employment data that categorizes the number of firms, employees, and measures of outputs for firms by Standard Industrial Classification (“SIC”) code according to zip code. CBP data for 2005 (the most recent year available) reports a total of 31,273 countywide business establishments, of which 3,566 are located in the Victor Valley cities. This means that the Victor Valley had approximately 13 percent of the countywide business establishments that year.

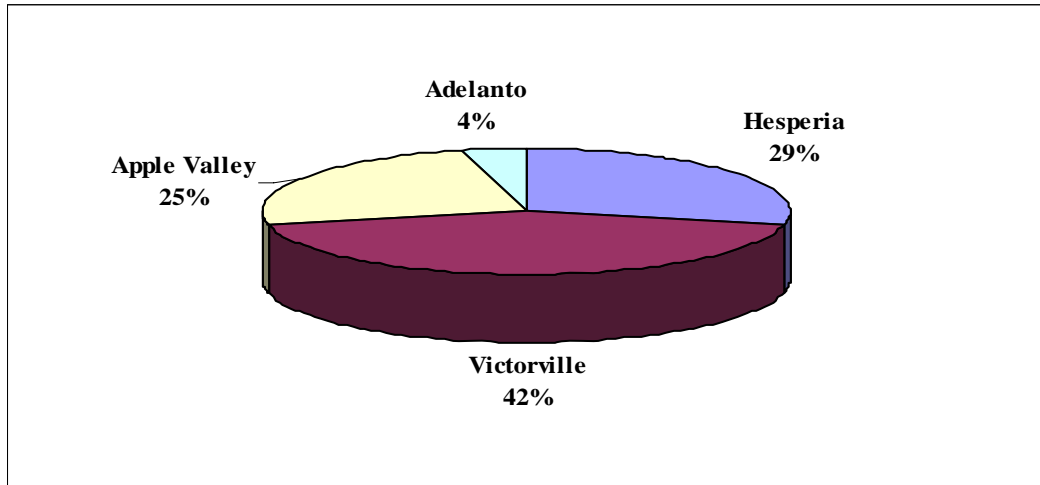
As shown in Figure 15 on the following page, 71 percent of Victor Valley area business establishments are located in the cities of Hesperia (29 percent) and Victorville (42 percent). In 2005, CBP data indicates that the City of Hesperia had a total of 1,023 business establishments, and Victorville had a total of 1,524.

The information presented in Figure 15 is relevant since business establishments tend to prefer to hold meetings at venues in the local market area for convenience purposes, unless no appropriate venues are located locally. In discussions with Hesperia hotel managers, many Hesperia-based businesses utilize facilities in Victorville due to the lack of available space in the local market area (see Section V).

Business Licenses

It should be noted that a business establishment is defined as a place of business such as a factory, assembly plant, retail store or commercial office where business is conducted, goods are stored, or services conducted, and differs from a business license, which can be issued to anyone conducting business. Business license data can include persons without a business establishment, conducting business locally, in addition to persons who are licensed to conduct business in a city but reside outside the area. Typically, the number of business establishments is a more reliable means of determining the potential demand for convention/conference space. The higher the number of business establishments, the greater the potential demand for meeting space.

Figure 15
Locations of Victor Valley Business Establishments
2005



Source: County Business Patterns (2005) and Economics Research Associates

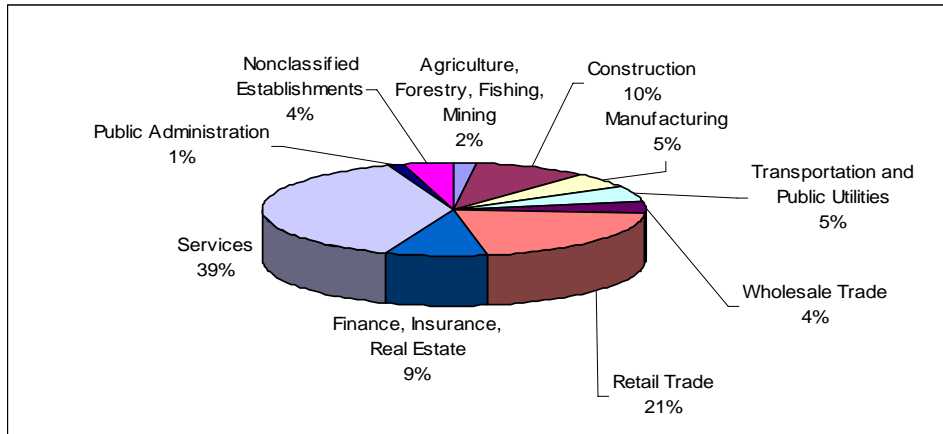
The incorporated cities report the following current number of business licenses as follows:

- Hesperia – 4,509 business licenses
- Victorville – 6,917 business licenses
- Apple Valley – 3,314 business licenses
- Adelanto - unknown

Types of Existing Businesses by Industry

A review of the current types of businesses by industry appears in Figure 16. As shown, services comprise the largest sector at 39 percent of total establishments, followed by retail trade (21 percent), and construction (10 percent). The services sector (SIC Code 70-87) includes hotels, museums and art galleries, personal, business, automotive repair, amusement, recreation, health, legal, educational, engineering, and accounting services.

Figure 16
Top Victor Valley Establishments
By Establishment and SIC Code - 2006



Source: Victor Valley Economic Development Authority (VVEDA)

Largest Victor Valley Employers

Figure 17 lists the top Victor Valley employers. School districts and hospitals/health care are currently the largest employers in the region, followed by Southern California Logistics Airport (“SCLA”) and local government. It should be noted that SCLA is an area of Victorville, versus a single employer, and presently has over 2,200 employees spread throughout 64 companies. Based on this current data, the average company size of a firm at SCLA would consist of 34 employees.

In general, school districts and government tend to use public meeting space for a nominal charge, as opposed to dedicated meeting/conference space. Exceptions may include annual banquets.

As will be discussed at greater length later in this report, the local hospitals such as Victor Valley Community Hospital in Victorville (115 beds) and St. Mary’s Medical Center in Apple Valley (186 beds) hold annual gala fundraisers and other community events that can draw over 500 people. While SCLA is still in its infancy with approximately 2,200 employees and 64 companies, it is projected to be a major business cluster in the region over the next few or several years.

Figure 17
Leading Victor Valley Employers

Company	Employment Range	Industry
School Districts	4,000 - 5,000	Education
Hospitals & Health Care	2,000 - 3,000	Health Care
SCLA ¹	2,000 - 3,000	Manufacturing
Local Government	500 - 1,000	Government
WalMart	500 - 1,000	Distribution
Verizon	500 - 1,000	Communications
Federal Corrections	500 - 1,000	Corrections
Roadway	500 - 1,000	Trucking
County of San Bernardino	250 - 500	Government
CABO Yachts	250 - 500	Manufacturing
Fiber Care Baths	250 - 500	Manufacturing
WalMart	250 - 500	Retail
Stater Bros. Markets	250 - 500	Retail, Grocery
Robar Enterprises	250 - 500	Manufacturing
AFG Glass	350 - 400	Manufacturing
Double Eagle Transportation	100 - 250	Transportation
Lewis Center	100 - 250	Research
Arizona Pipeline Company	100 - 250	Non-Manufacturing
In-N-Out	100 - 250	Fast Food
K-Mart	100 - 250	Retail
Graco Children's Products	100 - 250	Non-Manufacturing

Source: Victor Valley Economic Development Authority, City of Hesperia, and ERA

Southern California Logistics Airport

Located in Victorville, SCLA is seen as a major business cluster in the region. SCLA is located approximately 15 minutes northeast of Hesperia. The development of this former air base into a commercial airport could generate approximately 25,300 total direct jobs by the year 2013.⁷

A 407,612-square-foot distribution center for Newell Rubbermaid was recently completed.

⁷ City of Victorville General Plan: Southern California Logistics Airport Community Plan Element, p. 40.

Top Hesperia Employers

According to the City of Hesperia, the top employers with more than 200 employees and their number of employees (as of April 2007) are as follows. Some of these local employers appear in Figure 17.

- Hesperia Unified School District (2,329)
- County of San Bernardino (356)
- Stater Bros. Markets (334)
- Robar Enterprises (288) – cement and steel products
- Arizona Pipeline Company (220) – pipe fabricator
- City of Hesperia (203)

Summary and Implications for a Proposed Facility

Hesperia is conveniently located off the I-15 at the top of the Cajon Pass. The area is separated from Southern California's major urban centers by the San Gabriel Mountains to the southwest and the San Bernardino Mountains to the southeast. Limited freeway access is also available from the Antelope Valley to the west. For this reason, we believe that the demand will come primarily from user groups in the competitive Victor Valley market, which includes the incorporated cities and towns of Hesperia, Victorville, Adelanto and Apple Valley, and the unincorporated communities of Baldy Mesa, Oak Hills, Oro Grande, Phelan and Spring Valley Lake.

The Victor Valley region is the fastest growing area of San Bernardino County. Comparing more recent population growth between 2004 and 2007, the Victor Valley cities of Victorville (31.5 percent), Adelanto (27.1 percent), and Hesperia (21.6 percent) experienced the strongest growth among all cities in San Bernardino County, according to data from the California Department of Finance. As the resident base grows, it will drive the demand for event space for social functions such as parties, weddings and quinceaneras.

In terms of employment, SANBAG estimates for employment growth between 2005 and 2030 show that Hesperia will experience twice the percentage of growth in the number of

jobs compared to Victorville. During this 25-year period, local employment is projected to increase by over 300 percent in Hesperia.

In summary, strong growth in both the population and business base is certainly favorable for the construction of the proposed Facility. With the growth of area employers anticipated to generate approximately 25,300 total direct jobs by the year 2013, the demand for meeting space from commercial businesses are anticipated to increase as well. As noted, however, industrial tenants are generally not big users of meeting space.

Therefore, the viability of the proposed Facility will be strongly contingent upon increased demand from the commercial business sector in the Victor Valley. SANBAG projections (Figure 14) estimate the number of future jobs but not the type of jobs. If new jobs are in the industrial sector, the demand for meeting space will be minimal. The services and retail sectors, currently the largest industry sectors in the Victor Valley (Figure 16), accounting for 60 percent of all industries in the Victor Valley, according to VVEDA. These types of employers might need meeting space for trainings and seminars, but they will likely need space on a limited and/or hourly basis. Potential demand for meeting space exists from some of the area's top employers such as local hospitals (Figure 17), however, school districts and other government employers will likely seek space at internal or public buildings for a nominal charge.

Future sections of this report will focus on existing meeting space and demand factors (Section V), including a discussion of those facilities that are likely to compete with the proposed facility. The following section first examines the visitor-serving infrastructure and tourism characteristics of the local market.

IV. Visitor-Serving Infrastructure

Introduction

At this time, the Victor Valley is primarily a resident community with a growing commercial business base. As the region continues to grow, the demand for hotels, meeting space and other types of activities will occur. This section focuses on the existing, planned, and proposed visitor-serving infrastructure in the area.

Tourism and Annual Events

Estimated Annual Overnight Visitors

Utilizing data from Smith Travel Research (“STR”), and the American Travel Survey, ERA estimates that there are nearly one-half million annual overnight visitors to the competitive Victor Valley cities and towns of Hesperia, Victorville, Apple Valley and Adelanto. This estimate includes overnight visitors only and excludes day-trippers and persons passing through en route to and from Los Angeles and Las Vegas. Our estimates appear in Figure 18.

Annual Events

The competitive Victor Valley market is home to various attractions including parks, campgrounds, museums and several golf courses.

The Hesperia and Victorville chambers of commerce list a total of 34 annual events, which appear in Figure 19. The largest single annual event is the annual San Bernardino County Fair in May. This event attracts an annual average of 105,000 visitors over a 10-day period. The Fairgrounds also hosts over 150 events throughout the year.

The majority of the events listed in Figure 19 are held outdoors at various venues and locations throughout the Greater Victor Valley. Exceptions include the Red Cross Economic Summit and High Desert Opportunity Conference. Due to space constraints, these large regional events are generally held at either the Fairgrounds or the Hilton Garden Inn (discussed in the following section).

The construction of a Facility in Hesperia has the potential to accommodate several of these regional and annual events, both in conjunction with or without other area facilities. This will become increasingly true as many events outgrow their existing venues, require

modern facilities with amenities, or new citywide events that require indoor space are added in the future.

Figure 18
Estimated Victor Valley Visitor Market
2006

Inland Empire Visitor Market	2006
Number of Hotel/Motel Rooms ¹	1,862
Average Occupancy Rate ¹	65.2%
Room Nights Sold per Annum	443,120
Average Length of Stay (Nights) ²	2.8
Number of Parties per Annum	158,257
Average Number of Persons per Party ²	2.3
Number of Persons Staying in Hotels & Motels	363,991
Overnight Visitors Not Staying in Commercial Accommodations	25%
Estimated Other Visitors ³	121,330
Estimated Total Overnight Visitors per Annum	485,322

Note: Figures may not add, due to rounding.

¹ Data obtained from Smith Travel Research (August 2007).

² American Travel Survey.

³ Represents estimated number of visitors staying with family, friends, at campgrounds, vacation homes, condos and/or other accommodations. This is based on conversations with hotel managers and the local chamber.

Source: Smith Travel Research, American Travel Survey, and Economics Research Associates



Figure 19

Annual Greater Victor Valley Area Events

January

Bridal Fair
Martin Luther King Celebration

February

Civil War Days
Motorcycle Grand Prix

March

An Evening Affaire - Festival of Food, Fun & Fine Art
Roy Rogers/Dale Evans Film Festival
Red Cross Economic Summit

April

Home and Recreation Show
Victorville Teen Expo

May

Cinco de Mayo Celebration
Mother Earth Inter-Tribal Council Pow Wow
San Bernardino County Fair
Spring Festival (Calico Ghost Town)

June

Hesperia Days Rodeo (Hesperia)
High Desert Festival of the Arts
Huck Finn Jubilee
Juneteenth Celebration

July

4th of July Fireworks Celebration

August

Roy Rogers and Dale Evans Celebrity
Golf Tournament

September

Hesperia Days
Relay for Life
Victor Valley Air Show

October

Spice of Life Festival
Calico Days
High Desert Opportunity Conference
Halloween Carnival
Roadrunner Classic Golf Tournament

November

Art and Craft Fair
California Route 66 Birthday Celebration
Home and Recreation Show

December

Annual Children's Holiday Parade
Annual Tree Lighting Ceremony
Christmas in Calico

Source: Hesperia and Victorville chambers of commerce

Existing Hotel Infrastructure

ERA reviewed data from STR on existing and planned hotels in the Greater Victor Valley and competitive Victor Valley markets.

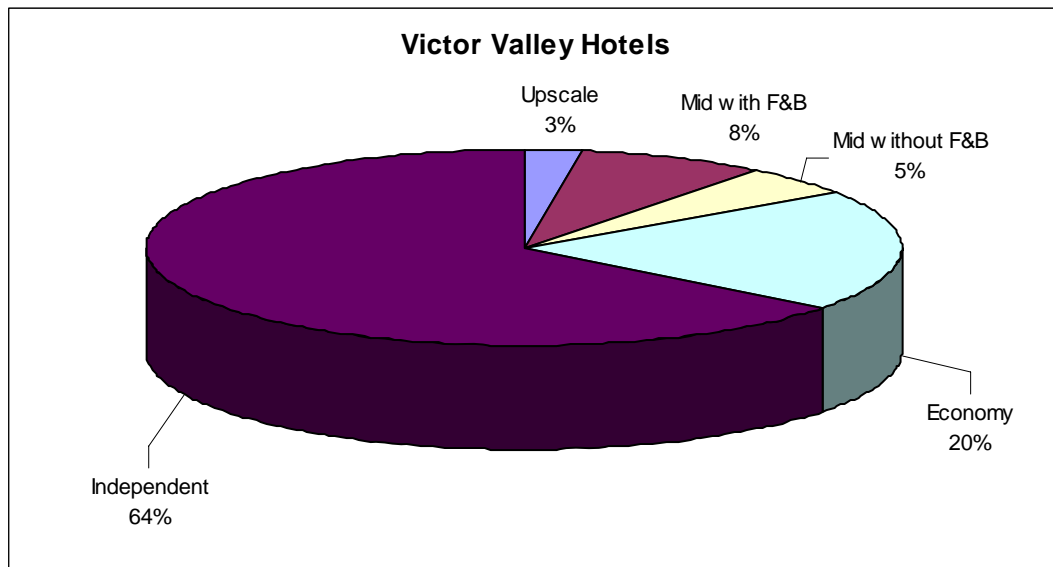
Regional Market Hotels

According to recent STR data as of July 2007, there are 115 lodging facilities (hotels/motels) and 6,605 rooms in the Greater Victor Valley market area, as defined by STR. STR defines the "Victor Valley" market to include the San Bernardino County cities of Hesperia, Adelanto, Apple Valley, Baker, Barstow, Big Bear Lake, Lake Arrowhead, Helendale, Needles, Phelan, Twentynine Palms, Victorville, Yermo, and Yucca Valley.⁸

⁸ For a complete list of Victor Valley hotels, as defined in this report, please refer to Figure 22.

The Greater Victor Valley market, as defined by STR, is dominated by independent and economy hotels, which comprise approximately 84 percent of the total market (Figure 20). This type of hotel product is the least likely to contain meeting space, as they tend to be small, limited-service facilities.

Figure 20
Greater Victor Valley Hotel Types



* NOTE: "F&B" stands for food and beverage

Source: Smith Travel Research

At this time, the Greater Victor Valley, as defined by STR, does not have any categories of "luxury" or "upper upscale" hotel product. Upscale hotels have only been added in the past two years. These include the SpringHill Suites in Hesperia (July 2005), the Hilton Garden Inn (August 2006) in Victorville, and Hawthorn Suites (November 2005) in Victorville. These new facilities, however, possess only small-scale meeting space, with the exception of the Hilton Garden Inn, which contains a total of 7,500 square feet.

Overall, the Greater Victor Valley regional hotel market, as defined by STR, has shown moderate growth over the past five years. The supply of hotels in the market area has increased from 111 to 115 in the last five years. What is more surprising, however, is the number of current projects in various stages of construction and planning. As shown in Figure 21, a total of 17 hotel projects are currently in various stages of planning. Five are under construction, 2 are in the final planning stages, 9 are in the planning stages, and 1 is

in the pre-planning stage. Assuming they are all built, these hotels will add an additional 1,124 rooms.

Figure 21
Greater Victor Valley Planned and Proposed Hotels

Hotel Type	Under Constr.	Final Planning	Planning	Pre-Planning	Total
Luxury					
Upper Upscale					
Upscale	1	1	1		3
Mid with F&B	1		1		2
Mid without F&B	3		4		7
Economy		1			1
Independent			3	1	4
Total	5	2	9	1	17

Source: Smith Travel Research (July 2007)

Performance of Selected Hotels – Competitive Victor Valley Market

STR ran a selected report for those 31 properties that located in the incorporated communities of the competitive market area for the Victor Valley market as follows - Hesperia, Victorville, Apple Valley, and Adelanto. A complete list of these hotels appears in Figure 22. These hotels have a total of nearly 1,900 rooms.⁹ As discussed, the Greater Victor Valley market area, as defined by STR, contains hotel inventory in excess of 6,600 rooms. Thus, the 1,862 rooms in the subject market area represent 28 percent of the total supply.

Within this competitive market area, Hesperia currently has 418 rooms or 22 percent of the total, and Victorville has 1,336 rooms or 72 percent of the total. A summary of performance characteristics of these hotels between 2001 and 2006 appears in Figure 23.

⁹ It should be noted that these figures only include hotels/motels that report to Smith Travel Research and may exclude independently-owned venues, bed and breakfasts, etc.

Figure 22
Selected Victor Valley Hotels

Name of Establishment	City & State	Zip Code	Open	
			Date	Rooms
Budget Inn	Adelanto, CA	92301	Jun 1945	22
Days Inn Adelanto	Adelanto, CA	92301	Mar 1990	36
Apple Valley Lodge	Apple Valley, CA	92307		30
Apple Valley Motel	Apple Valley, CA	92307		20
SpringHill Suites	Hesperia, CA	92345	Jun 2005	63
Econo Lodge	Hesperia, CA	92345	Nov 1997	50
Days Inn Victorville	Hesperia, CA	92345	Jan 1992	24
Hesperia Country Club Inn	Hesperia, CA	92345		32
Thrifty Motel	Hesperia, CA	92345		25
Holiday Inn Express Hotel & Suites	Hesperia, CA	92345	Nov 2002	100
La Quinta Inn & Suites	Hesperia, CA	92345	Oct 2003	53
Super 8	Hesperia, CA	92345	May 1991	71
Motel 6	Victorville, CA	92392		63
New Corral Motel	Victorville, CA	92392	Jun 1953	20
Travel Inn Motel	Victorville, CA	92392		34
Days Inn	Victorville, CA	92392	Jun 1983	68
Budget Inn	Victorville, CA	92392	Jun 1985	80
Green Spot Motel	Victorville, CA	92392		41
Quality Inn & Suites	Victorville, CA	92392	Jun 1963	168
Ambassador Hotel	Victorville, CA	92392	Jul 1978	162
Hawthorn Suites Ltd.	Victorville, CA	92392	Nov 2005	75
Comfort Suites	Victorville, CA	92392	Mar 2003	77
Travelodge	Victorville, CA	92392	Jun 1974	43
Budget Inn	Victorville, CA	92392		40
Howard Johnson Express	Victorville, CA	92394	Jun 1989	98
Mojave Village Inn	Victorville, CA	92394	Jun 1986	21
Sunset Inn	Victorville, CA	92394	Jun 1988	53
Hotel Extended Studio	Victorville, CA	92395	Jun 2007	60
Hilton Garden Inn	Victorville, CA	92395	Aug 2006	139
Red Roof Inn	Victorville, CA	92395	Sep 1988	94
Total Properties:			31	1,862

Source: Smith Travel Research and Economics Research Associates, August 2007



Figure 23

**Performance Characteristics
Victor Valley Hotels¹ – 2001-2006**

	2001	2002	2003	2004	2005	2006	Average Annual Growth
Available Roomnights (Supply)	492,385	498,485	557,323	556,625	574,682	628,262	5.0%
Occupied Roomnights (Demand)	296,471	293,692	343,488	349,003	389,489	409,810	6.7%
Annual Occupancy	60.2%	58.9%	61.6%	62.7%	67.8%	65.2%	1.6%
Average Daily Rate	\$ 49.75	\$ 51.27	\$ 51.70	\$ 54.87	\$ 59.17	\$ 65.42	5.6%
Revenue/Available Room (RevPAR) ²	29.96	30.21	31.86	34.40	40.10	42.67	7.3%
<i>Year-To-Year % Growth</i>							
Annual Occupancy	-	-2.2%	4.6%	1.8%	8.1%	-3.8%	
Average Daily Rate	-	3.1%	0.8%	6.1%	7.8%	10.6%	
Revenue/Available Room	-	0.8%	5.5%	8.0%	16.6%	6.4%	

(1) 31 properties with 1,862 rooms.

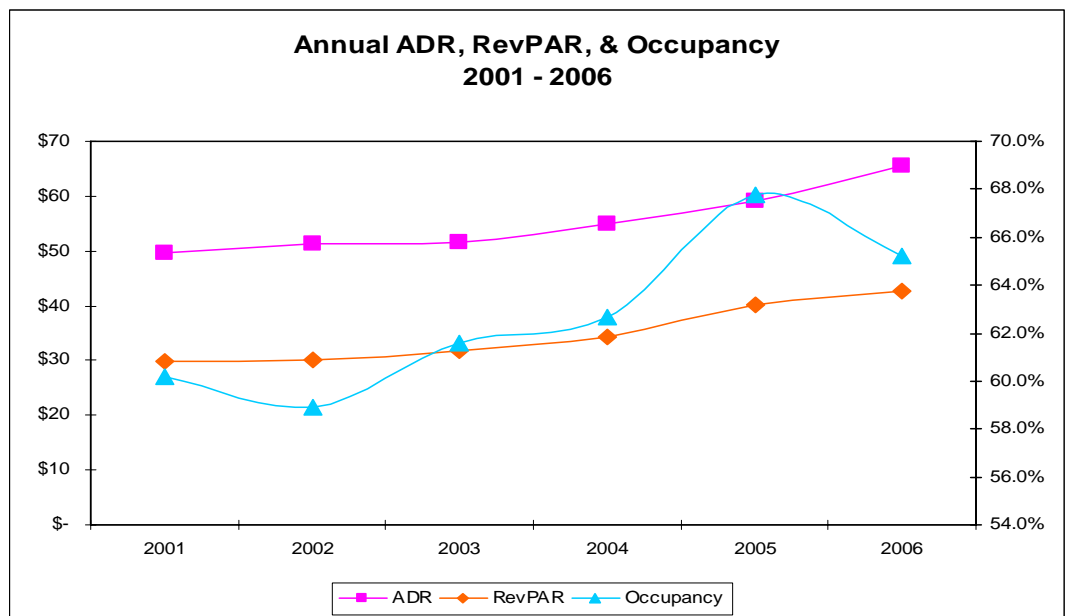
(2) Revenue per available room (RevPAR) is the best measure of year-to-year growth because it considers simultaneous changes in both room rate and annual occupancy levels.

Source: Smith Travel Research and Economics Research Associates, August 2007

These hotels reported average annual occupancy increasing from 60.2 percent in 2001 to a peak of 67.8 percent for 2005, then falling slightly to 65.2 percent during 2006. However, the average daily rate has shown continued growth, increasing from \$49.75 in 2001 to \$65.42 for 2006, so RevPAR (revenue per available room) increased by 42 percent for 2006.

Figure 24 graphically illustrates the annual change in annual ADR, RevPAR & occupancy.

Figure 24
ADR, RevPAR & Occupancy
Selected Victor Valley Hotels – 2001-2006



Source: Smith Travel Research (July 2007) and Economics Research Associates

Hotels under Construction – Competitive Market Area

ERA is aware of 2 hotels and 205 rooms that are under construction in the competitive Victor Valley market, as defined by ERA, as follows:

- Courtyard by Marriott, Hesperia (135 rooms) – I-15 & Main Street
- Country Inn Suites, Victorville (70 rooms) – Dunia Road

As will be further discussed in the following section, the Courtyard by Marriott is planning to include 5,000 square feet of meeting space. Meeting space at the remaining three hotels under construction is likely to be minimal (i.e. up to several hundred square feet),

given the brand and type of hotels planned, which are primarily mid-scale without food and beverage service.

Planned and Proposed Hotels – Competitive Market Area

At this time, STR reports four hotels within the competitive market area that are in various planning stages as follows:

- Holiday Inn & Suites (full-service), Hesperia (144 rooms) – I-15 & Main Street
- Cambria Suites, Victorville (100 rooms) – Mariposa Road
- Value Place, Victorville (number of rooms not specified) – I-15 Business Loop & Valley Center Drive
- An unnamed hotel, Victorville (number of rooms not specified) – I-15 & Wild Wash Road

At the time of preparing this report, it is ERA's understanding that preliminary plans for a 144-room Holiday Inn & Suites (full-service) at Main Street & the I-15 in Hesperia include moderate meeting space ranging between 2,500 and 3,000 square feet.

Summary and Implications for the Proposed Facility

The competitive Victor Valley market has approximately 1,900 hotel rooms, the majority of which are located in Victorville. To date, most of the hotel construction in the Victor Valley has consisted of independent and economy product. But in the past two years, three upscale hotels have been constructed. This signals a change in the type of lodging product that is being built in the competitive market area. This includes two hotels in Victorville – the Hawthorn Suites and Hilton Garden Inn in Victorville- and the SpringHill Suites in Hesperia. As will be discussed in the following section, these hotels have all added meeting space. The conference center space at the Hilton Garden Inn is located in a separate facility behind the hotel. The conference center opened approximately one year before the hotel was officially open in August 2006.

A total of two new hotels and 279 rooms are either under construction or planned in Hesperia. This includes one hotel currently under construction (135 rooms), and a 144-room Holiday Inn (full-service) that is planned near the I-15 and Main Street. Upon completion, the number of existing rooms in the Hesperia market will effectively double. It should be noted that all of these hotels are located at or near the I-15 and Main Street.

The Courtyard by Marriott in Hesperia, currently under construction, plans to add approximately 5,000 square feet of meeting space. At the time of preparing this report, it



is ERA's further understanding that the planned 144-room Holiday Inn (full-service) and Main Street is planning to add moderate conference space ranging between 2,500 and 3,000 square feet.

According to our research coupled with STR data, no other hotels with significant meeting space are planned for the Victor Valley at this time.

The following section examines the characteristics of the supply of competitive available meeting/banquet space in the Victor Valley, in addition to the current user and demand profiles.

V. Supply and Demand Factors

Introduction

The following is a review of supply and demand factors that will impact the proposed Facility. This includes a description of the significant local facilities with which the proposed Facility in Hesperia is likely to be competitive, in addition to event and user profiles.

Due to the confidential nature of this project, ERA was often not able to obtain detailed information on categories such as the specific number of events, annual attendance, and percentage of user groups by specific type. Further, in most instances, management does not possess statistics on the actual number of events and therefore provided estimates. However, the information presented in this section provides a reasonable gauge of demand levels, event users, and rental fees for the existing meeting and banquet venues in the competitive Victor Valley market. Every reasonable effort has been made to obtain as much information as possible.

Potential Competitive Supply Characteristics

ERA has identified a total of 22 facilities in the competitive Victor Valley market that contain meeting and/or banquet capacities and are open to the public. A list of these facilities, including location, room type, room capacity and square footage (as available) appears in Figure 25. This list excludes public facilities such as schools and churches, restaurants without dedicated banquet space, as well as clubs whose space is primarily restricted to internal users. Several of these more significant facilities are briefly discussed at the end of this section.

As shown in Figure 25, existing meeting space in the Victor Valley is currently small in scale, with a median capacity of 168 persons and square footage (as known) of just under 2,800 square feet. The largest rooms in the area are located at the San Bernardino County Fairgrounds (47,200 square feet, collectively, in four buildings that can be used for meetings), followed by Kinari Restaurant/Karma Night Club (16,000 SF), the Hilton Garden Inn (7,500 SF), Hesperia Terrace Room (7,200 SF), and the Ambassador Hotel and Quality Inn & Suites Green Tree, which both contain approximately 5,800 square feet. With the exception of the Hesperia Terrace Room, all of these facilities are located in Victorville.



Figure 25
Competitive Valley Meeting Space
2007

Name	City	Room	Max. Capacity	Sq. Footage
Ambassador Hotel & Conference Center ¹	Victorville	Banquet Room ¹	350	5,000
		Conference Rooms/Suites	32	832
Apple Valley Country Club	Apple Valley	Banquet Area	150	n/a
		Clubhouse	50	n/a
Apple Valley Inn	Apple Valley	Meeting Rooms (4)	200	2,500
California Banquet Hall	Victorville	Banquet Hall	290	5,500
Comfort Suites Hotel	Victorville	Conference Room	80	1,000
		Meeting Room	55	529
The Grange	Hesperia	Exhibit Hall	135	3,000
Hawthorn Suites	Victorville	Roy Rogers Mtg. Rm.	60	n/a
		Dale Evans Mtg. Rm.	20	n/a
		Hawthorn Mtg. Rm.	80	n/a
Hesperia Golf & Country Club	Hesperia	Banquet Room	120	n/a
Hesperia Terrace Room	Hesperia	Ballroom	322	7,200
Hilton Garden Inn Victorville ²	Victorville	Mojave Room	15	510
		Oasis Ballroom ²	750	7,500
Holiday Inn Express Hotel & Suites	Hesperia	Boardroom	50	557
Kinari Restaurant/Karma Night Club	Victorville	Night Club/Dance Floor	600	16,000
Maverick Stadium	Adelanto	Stadium	3,800	n/a
		Conference Center	185	1,500
Percy Bakker Community Center	Hesperia	Banquet Room 1-2	400	n/a
Rick Novack Community Center	Hesperia	Assembly Rooms 1&2	100	n/a
Quality Inn & Suites	Victorville	Ballroom	240	3,719
		Meeting rooms (4)	70	2,150
Red Roof Inn	Victorville	Meeting Room	35	350
San Bernardino County Fairgrounds ³	Victorville	Building #1	1,957	14,000
		Building #2	1,957	14,000
		Building #3	3,200	3,200
		Building #4	2,286	16,000
		Building #5	n/a	2,508
SpringHill Suites Hesperia	Hesperia	Meeting room	20	240
Spring Valley Lake Country Club	Victorville	Via Verde Room	80	n/a
		Mirage Room	200	n/a
Sterling Inn	Victorville	Dining/Banquet Room	250	n/a
Sunset Hills Memorial Park ⁴	Apple Valley	New Building	250	n/a
Victor Valley College	Victorville	Meeting Room	90	n/a
		Auditorium/Theater	493	n/a
Median			168	2,754

¹ Ballroom is divisible into three sections.

² Ballroom is divisible into three separate areas of 2,500 square feet each.

³ Excludes horse arena, satellite wagering facility, livestock barns, patio grass area, and show arenas.

⁴ Sunset Hills has a new, 20,000-square-foot building with views. Outdoor patio can also accommodate several hundred persons.

Source: Individual facilities, local chambers of commerce, Eventective, and Economics Research Associates

The following is a more detailed description of these competitive venues, their levels of utilization levels, rental charges, and user profiles. The locations of these facilities appear in the map on the following page (Figure 26). As noted, every reasonable effort has been made to obtain as much information as possible.

Ambassador Hotel & Conference Center, Victorville

The Ambassador Hotel is a 162-guest room hotel that is the former Ramada Inn of Victorville. Built in 1972, the hotel was recently purchased by the owners of the historic Apple Valley Inn. The hotel has approximately 5,800 square feet of meeting and banquet facilities, making it one of the larger venues in the Victor Valley. The largest room (Convention ABC), which is divisible into three sections, contains 5,000 square feet of space (Figure 27).

Management estimates that an average of three groups/events per week utilize meeting space. This would suggest an annual total of roughly 150± events. The mix is fairly evenly divided between corporate and social events. Prices start at \$27 to \$45 per person.

Apple Valley Country Club, Apple Valley

The Apple Valley Country Club is a private country club that contains a main dining room that can seat up to 200 persons for a banquet, and a small meeting room that can accommodate an additional 50 persons. Both venues are highly utilized for internal club events ranging from arts and crafts, bingo and social member events. Because it is a private club, outside users must be sponsored by a member.

The number of non-club related events is not available, but management estimates that it is approximately 8 per month. This would suggest that roughly 100 events are held at the facility on an annual basis. Prices start at \$27 to \$45 per person.

Figure 26
Victor Valley Meeting Facilities

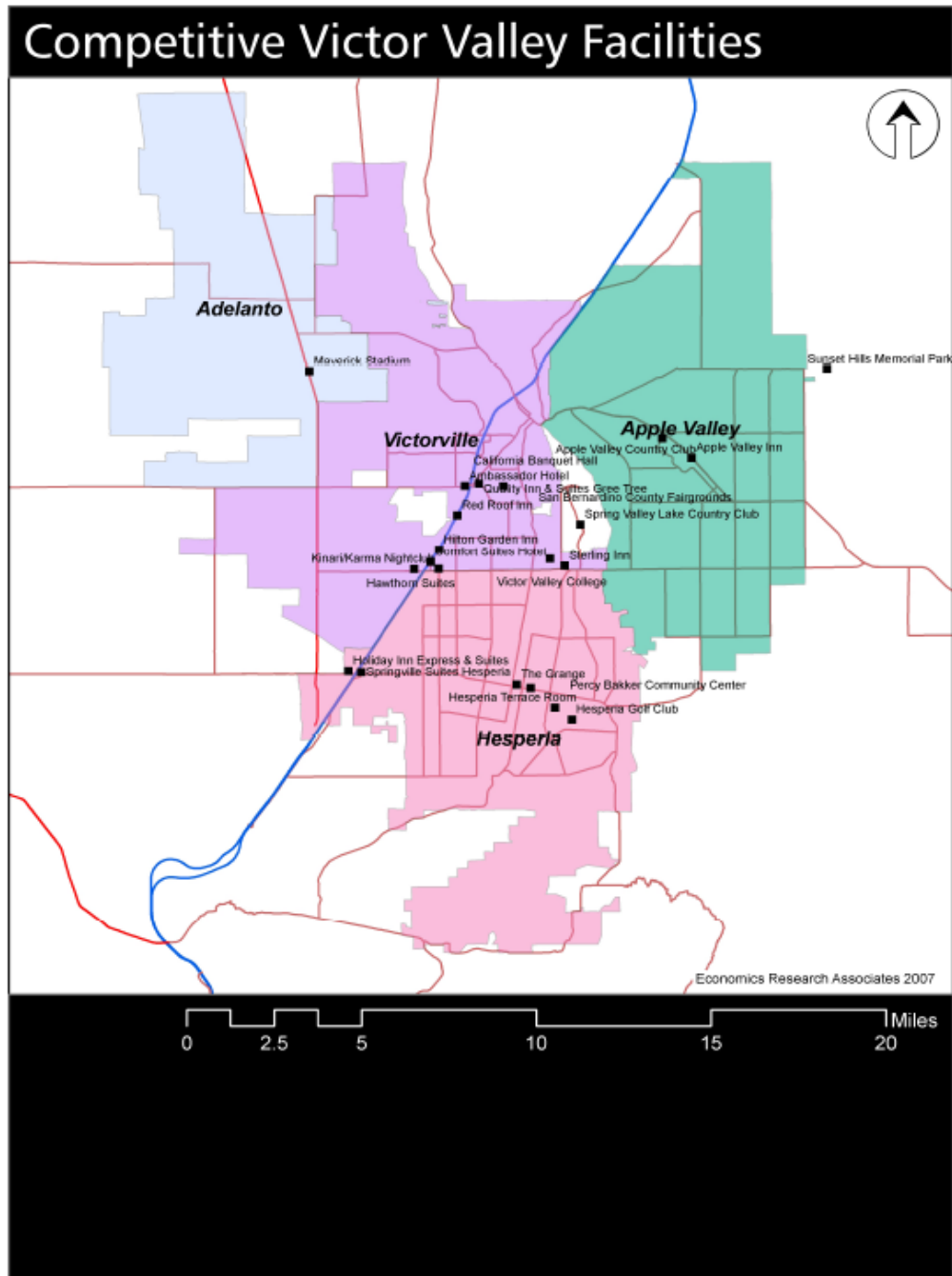


Figure 27

Ambassador Hotel Conference Facilities

Room	Sq. Ft.	Theater	Classroom	U-Shape	Dining
Suites	312	30	16	12	N/A
Conference Rooms	520	32	24	16	N/A
Convention ABC	5000	600	300	N/A	250-450
Convention A	1500	150	64	45	54-64
Convention B	1500	150	64	45	54-64
Convention C	2000	200	100	72	72-100

Source: Ambassador Hotel and Conference Center

Apple Valley Inn, Apple Valley

The Apple Valley Inn is owned by the same owners of the Ambassador Hotel. The historic inn has been converted to a banquet facility with an estimated 2,500 square feet of meeting space, with meeting and banquet rooms that can accommodate 120 people banquet-style or up to 200 persons theater style. The pool terrace area is frequently used for outdoor weddings. Internet access, audio/visual equipment, meeting planners and food and beverage service are also available.

According to management, fewer groups utilize this facility than the Ambassador Hotel. An estimated 1 or 2 events are held at the Apple Valley Inn on a weekly basis. This would suggest an annual average of approximately 75 events per year. The majority of them are weddings, parties and smaller social events.

California Banquet Hall, Victorville

The California Banquet Hall is a conversion of an existing restaurant building located at 15010 Circle Drive in Victorville. The facility recently opened in September 2007, contains approximately 5,500 square feet, and can host up to 290 persons. Since the facility just opened, a user profile is not available. The venue rents for \$2,800 on weekends, which includes set up, tables and chairs. Guests can bring in their own food & beverage.

Comfort Suites Hotel, Victorville

The Comfort Suites Hotel is a 77-room hotel with a 1,000-square-foot conference room and a smaller meeting room. The facility opened in 2003. The conference room is capable of hosting up to 80 persons theater-style, 70 banquet style, and 50 classroom style. Rates

for the room start at \$150 for the first two hours and \$50 per hour for each hour thereafter.

The smaller meeting room is approximately one-half the size, with a capacity of 55 persons and approximately 530 square feet, and rents for \$35 per hour up to \$200 for an 8-hour day. This room is utilized as the breakfast room during the morning hours so it is not available until after 10:00 AM.

In terms of user groups, Victor Valley Community College currently utilizes the conference room for a class weekly on Monday and Wednesday mornings while their campus facility is undergoing renovation. Various other groups utilize it throughout the week, with social events such as parties and receptions being more popular on the weekends.

Management estimates that the conference room is utilized nearly every day, for an average of ± 300 events per year.

The Grange, Hesperia

The Grange is an agricultural fraternity situated on Yucca Street. The 3,000-square-foot facility is now being utilized as an exhibit hall. A kitchen, tables and chairs are available. The venue is rented out for private events, and two local area churches use it for services during the weekends. The venue can hold up to 135 persons.

The venue rents for \$100 during the weekday and \$900 for both Friday and Saturday evenings. This includes the set up of tables and chairs. All food and alcohol must be brought in, and the renter must provide liability insurance. In addition, a weekly outdoor market is held in the parking lot on Fridays between 8 AM and 3 PM.

Based on conversations with management, an estimated $100\pm$ events utilize the facility annually.

Hawthorn Suites, Victorville

Hawthorn Suites is a newer 75-room hotel in Victorville with I-15 frontage. The hotel opened in late 2005 and has 1,500 square feet in three small meeting rooms. The largest room, Hawthorn Room, contains 750 square feet and can accommodate up to 70 persons. The smaller rooms – Roy Rogers and Dale Evans – accommodate 60 and 20 persons, respectively. These three rooms can be combined into one larger one and accommodate $125\pm$ persons.

Prices for the three rooms are as follows:

- Hawthorn Room: \$300 for 1-4 hours; \$600 for 4-8 hours
- Roy Rogers: \$250 for 1-4 hours; \$500 for 4-8 hours
- Dale Evans: \$125 for 1-4 hours; \$250 for 4-8 hours

In the past, the hotel provided a food and beverage service but has since discontinued it due to: (1) a lack of demand; (2) the fact the most users only use the meeting rooms for a few hours; and (3) the clean up costs involved with food service.

The Hawthorn Suites host an estimated 6 events per week in their meeting rooms, for a total of approximately 300 per year. Most are local corporate and training groups that rent the rooms for several hours. Regular groups such as Mary Kay and a real estate class are held on a weekly basis.

Hesperia Golf & Country Club, Hesperia

The Hesperia Golf & Country Club hosts both indoor and outdoor weddings on a terraced area overlooking the 18th green. The venue is also capable of hosting indoor receptions in their banquet room, which can seat 120 guests or 80 to 90 with a dance floor. There is additional seating for about 45 persons in the lounge area.

The cost of the venue is a flat room rental plus food and beverage charges. Buffet prices start at \$19 per person and \$27 for sit-down dinners. There is a \$450 minimum room charge.

In terms of utilization, the venue is used almost exclusively on weekends for weddings and social events. Based on discussions with management, ERA estimates that approximately 50± events are held at the Hesperia Golf Club on an annual basis. All events are catered in-house.

Hesperia Terrace Room, Hesperia

The Hesperia Terrace Room is located on the second floor of the Hesperia Senior Center in a residential section of Hesperia adjacent to Old Town. It is situated near the Hesperia Golf Club, approximately 2 blocks east of "I" Avenue and 6.5 miles east of the I-15 freeway.

Event locations include a gazebo for outdoor weddings, a banquet room/ballroom with seating for up to 322 guests and a conference room. In total, the room contains 7,200 square feet of space, making it the largest facility in Hesperia and the third largest in the Victor Valley. On-site amenities include remote control projection screens, overhead projectors, DVD/VCR capabilities, and satellite feed for multi-site meetings. All events are catered in-house.

According to management, the facility primarily hosts weddings and parties since the cost to hold meetings would be prohibitive because of minimum food and beverage requirements. The Hesperia Chamber of Commerce has utilized the venue for some of their social functions, albeit at reduced rates. The same is true for the High Desert Hispanic Chamber of Commerce.

The venue hosts an estimated 150± events annually. Prices range from \$25 to \$38 per person depending on menu options and number of guests.

Hilton Garden Inn, Victorville

The Hilton Garden Inn is the Victor Valley's newest and largest dedicated meeting facility with approximately 7,500 square feet of space.¹⁰ The Conference Center facility was completed in 2005, approximately one year before the 139-room hotel opened in August 2006. Located on Mariposa Road at Cottonwood Avenue with freeway visibility, the venue opened with 60 pre-booked events through 2007. Many of these events were quinceaneras, weddings, and meetings.

The Conference Center contains a 7,500-square-foot ballroom – the Oasis Ballroom – which is also divisible into three separate areas of approximately 2,500 square feet, respectively. The ballroom can seat 750 persons theater style and 450 banquet style. The three rooms are approximately 2,500 square feet each and can seat 250 persons theater style or 125 classroom style (Figure 28).

A separate room, the Mojave Room, is located inside the Hilton Garden Inn and can seat an additional 40 persons classroom style and 16 for banquets. Other amenities include on-

¹⁰ This figure excludes the large, free-span buildings at the San Bernardino County Fairgrounds, which can be used for conferences.



site audio/visual equipment, catering and a full-service kitchen. Menu prices start at approximately \$29 per person to as high as \$40.

Figure 28
Hilton Garden Inn

ROOM WITH FOOD

	Sq. Ft.	Rounds	Chairs	Saturday Rates		Weekday Rates	
				Room Rental	Food Minimum	Room Rental	Food Minimum
Three Sections	7500	450	750	\$1,000	400 meals or \$10,000	\$750	400 meals or \$7,000
Two Sections	5000	300	500	\$800	250 meals or \$7,000	\$550	250 meals or \$7,000
One Section	2500	150	250	\$500	100 meals or \$4,000	\$300	100 meals or \$3,000

ROOM WITHOUT FOOD

	Sq. Ft.	Rounds	Chairs	Saturday Rates	Weekday Rates
				Room Rental ¹	Room Rental ¹
Three Sections	7500	450	750	\$4500-\$5000	\$3000-\$3500
Two Sections	5000	300	500	\$3000-\$3500	\$2000-\$2500
One Section	2500	150	250	\$1500-\$2000	\$1000-\$1500

¹ NOTE: Lower rates pertain to events before 2:00 PM; higher rates are after 5:00 PM

Source: Hilton Garden Inn

Based on conversations with management, an estimated 250 events have been held at the venue since it opened last year. These include corporate, government, non-profit, club, and social events such as weddings and quinceaneras. They also generate a fair amount of business from the various businesses at SCLA. Some of the local hospitals and the Victor Valley Association of Realtors have also used it for their gala events.

The venue is booked nearly every weekend for an average of two social engagements per weekend, and an average of three times per week for other events during the weekdays. Their meeting and banquet space is completely booked during the holiday season this year and next.

Management attributes their success to the fact that they are the newest and largest facility, with the exception of the San Bernardino County Fairgrounds, which, similar to most fairgrounds, is dated and lacks the aesthetics and amenities that many social groups are seeking. The Hilton Garden Inn has thereby been able to capture a significant portion of the local demand for larger groups seeking dedicated meeting space.

Holiday Inn Express Hotel & Suites, Hesperia

The Holiday Inn Express Hotel & Suites is a mid-scale hotel without food & beverage service that has 100 guest rooms. In conversations with management, an estimated 70 percent of the hotel business comes from SCLA, with the remaining 30 percent being travelers en-route to other destinations or visiting friends and relatives.

The facility has a small meeting room with a 50-person capacity that rents for \$175 for two hours, \$325 for four hours, and \$450 for an eight-hour day. Limited food and beverage is available for an additional charge. The facility will also rent out their breakfast room (75 person capacity) for baby showers and meetings. Management estimates that the facility is utilized, on average, 12 times per week, for a total of approximately 575 times annually. Common event types and user groups include depositions, training and seminars. Due to the limited scale of their space, however, they frequently refer groups to Victorville hotels such as the Ambassador and Hilton Garden Inn.

It should be noted that a 144-room, full-service Holiday Inn is in the planning stages nearby at the I-15 and Main Street and is tentatively planning to add 2,500 to 3,000 square feet of meeting space.

Kinari Restaurant/Karma Night Club, Victorville

Karma Night Club is adjacent to the Kinari restaurant on Cottonwood Avenue in Victorville. Both venues have the same owner. With nearly 16,000 square feet of space, it is currently the second largest facility in the Victor Valley. The venue has a capacity of up to 600 persons for a banquet and 700 for a reception.

Karma is rented nearly every weekend during daytime and early evening hours for banquets and social events. Tables, chairs, décor, and a full-service bar are included. Based on conversations with management, the venue hosts 75 to 100 events annually. Holiday periods are especially popular and frequently book out a year or more in advance.



Prices to rent the venue depend on food selection, ranging from \$18 to \$30 per person. The restaurant caters the events.

Maverick Stadium and Conference Center, Adelanto

Maverick Stadium is home to the minor league baseball team, the High Desert Mavericks. When the team is not playing home games, a conference center, which is run by the City of Adelanto, can be rented to outside groups. The room is approximately 1,500 square feet and can accommodate up to 185 persons. Groups are not required to utilize the stadium concessionaire. A limited service kitchen is attached.

The conference room is available to non-profit organizations with only a deposit required. With regard to private/for-profit groups, a \$375 rental fee, deposit and additional charge of \$.50 per person is required.

Management estimates that non-profit and private users utilize the facility roughly 150 times per year. Groups are primarily social in nature, ranging from quinceaneras, to small meetings, and birthday parties.

Percy Bakker Community Center, Hesperia

The Percy Bakker Community Center is the city's largest community center that is run by the Hesperia Parks & Recreation Department. The venue contains two rooms –the North Room, with a capacity of 230 persons, and the South Room, with a capacity for 130. During the weekdays the South Room is utilized for events ranging from daily Meals on Wheels programs to various senior activities. The North Room is the site of, on average, one large social event or wedding each weekend. Examples include the Kiwanis Club of Hesperia Horse Derby Night.

In addition, it is utilized approximately 5 to 10 times per year for social events associated with the Parks & Recreation district. In total, utilization for the North Room is estimated at 60± events annually. The room rents for \$500 for five hours and \$60 for each additional hour. Catering is not provided, however, guests cannot bring in alcohol. The venue has an ABC license and a deposit is required.

Quality Inn & Suites Green Tree, Victorville

The Quality Inn & Suites Green Tree is an older hotel that was built in 1963. It has freeway proximity and adjacency to the public Green Tree Clubhouse and Golf Course.

The venue contains a 3,700-square foot ballroom that can be divided into Rooms A, B, C, and the Fairway (Figure 29). The Ballroom can accommodate 300 to 400 persons for a reception and approximately 250 for a banquet. In addition, the venue contains four smaller rooms which range in size from 120 to 840 square feet. Collectively, the Quality Inn contains just under 6,000 square feet of space.

Management reports that the facility hosts an average of 6 events per week for ten months out of the year (approximately 240 events) and then only an average of two per week during the summer months of July and August (approximately 16 events). This would indicate that the facility hosts 250± events annually.

Figure 29
Quality Inn & Suites

<u>Capacities by Seating Style</u>						
Room	Sq. Ft.	Theater	Classroom	Banquet	1/2 Day	Full Day/Night
Suite G Board	120	6	6	6	\$100	\$150
A	374	15	N/A	15	\$150	\$175
B	790	60	40	49	\$225	\$275
Club	869	60	40	49	\$225	\$275
Fairway	1292	140	80	70	\$400	\$475
Mojave	768	60	36	56	N/A	N/A
Mariana	840	60	45	56	\$200	\$300
	816	60	45	56	\$200	\$300

Source: Quality Inn & Suites

Management reports that a typical user profile does not exist. Groups range from corporate meetings, to weddings and social events. The local Rotary Chapter utilizes the facility weekly.

Red Roof Inn, Victorville

The Red Roof Inn in Victorville is a 94-room economy facility on the east side of I-15 that was completed in 1988. The facility contains a small meeting room of approximately 350 square feet that seats 35 persons. Since the motel is a limited service facility, guests can bring in outside food and beverage service.

The meeting room rents for \$150 per day. An hourly rate is not available. Management estimates that it is rented out an average of 18 times per month, or approximately 200

times per year. User groups include local traffic schools, Mary Kay Cosmetics, and other small user groups.

San Bernardino County Fairgrounds, Victorville

The San Bernardino County Fairgrounds (“SBCF”) is the largest public venue in the Victor Valley. The state of California owns the property, located on the west side of Seventh Street, roughly between Desert Knoll Drive and Victor Street.

The venue has over 57,000 square feet of free-span indoor exhibit space and a seating capacity for over 8,000 people. Building sizes and rental costs appear in Figure 30. The largest building is the DCB Building (Building #4) which contains 16,000 square feet and is used for some of the large area-wide events that the Hilton Garden Inn and other area hotels are incapable of hosting such as the High Desert Opportunity Conference in October, and some of the local hospital gala events.

While not shown in-room capacities (in total persons) are as follows: (1) Building #4 – 2,286 persons; (2) Buildings #1 & 2 - 1,957 persons each; (3) Building 3 – 350 persons; and (4) Building #5 – 250 persons.

The Fairgrounds also has a 10,300-square-foot satellite wagering facility that can be used for meetings and special events on Mondays and Tuesdays only. Due to its limited availability, however, it is seldom used. Teleconferencing facilities are not available.

The SBCF hosts a variety of annual events ranging from sporting events, consumer shows, conferences, and quinceaneras. Facilities run at average annual occupancy of 66 percent.¹¹ This past year, the venue hosted 46 event weekends and had an overall attendance of 420,000 persons. Management estimates that they host an average of 6 conferences annually, including 50 quinceaneras and 35 weddings. Social events must use their alcohol and beverage concessionaire but can bring in their own catering.

¹¹ Per Ken Alstott, General Manager, August 20, 2007.

Figure 30
San Bernardino County Fairgrounds Facilities

Facilities	Footage (SF)	Set-up day & Tear-down day	Private/Non-profit Event			Commercial Event		
			Full Day	Half Day	Deposit	Full Day	Half Day	Deposit
Building # 1	14,000	\$ 100.00	\$ 625.00	\$ 340.00	\$ 312.50	\$ 812.50	\$ 442.00	\$ 406.25
Building # 2	14,000	\$ 100.00	\$ 650.00	\$ 350.00	\$ 325.00	\$ 845.00	\$ 455.00	\$ 422.50
Building # 3	3,200	\$ 50.00	\$ 350.00	\$ 200.00	\$ 250.00	\$ 455.00	\$ 260.00	\$ 250.00
Building # 4	16,000	\$ 100.00	\$ 1,200.00	\$ 625.00	\$ 600.00	\$ 1,560.00	\$ 812.50	\$ 780.00
Building # 5	2,508	\$ 50.00	\$ 250.00	\$ 150.00	\$ 250.00	\$ 325.00	\$ 195.00	\$ 250.00

Source: San Bernardino County Fairgrounds

Since it is the largest single venue in the Victor Valley, it is used for events ranging from the High Desert Opportunity conference, to St. Mary’s Medical Group and Victor Valley Community Hospital’s annual galas. Saint Mary’s utilizes Building #4 and hosts 700 persons for an annual banquet dinner. Victor Valley Community Hospital (“VVCH”) also utilizes Building #4 and hosts 500 to 550 persons. Both groups report that the amount of labor and amenities required to “dress up” these buildings are extensive, however, the fairgrounds is the only facility capable of hosting groups of this size. For example, VVCH tried to host their event at the new Hilton Garden Inn, which has a 7,500-square-foot ballroom, but was only able to handle 400 guests.

At this time, the Fairgrounds is considering relocating to another area of San Bernardino County. Discussions have begun with city officials in the Victor Valley communities about the possibility of relocating, but nothing can be confirmed at this point, and it is too early to say whether the fair will even remain in the Victor Valley.

SpringHill Suites, Hesperia

SpringHill Suites has a small 240-square-foot meeting room that can accommodate 20 persons. The room is rented on an hourly basis at a cost of \$70/hour. Users can bring in their own food, which is not provided by the hotel since a restaurant is not on-site.

Management estimates use at an average of 14 times per month for small meetings. This would indicate an average of nearly 170 events per year.

Spring Valley Lake Country Club, Victorville

Spring Valley Lake Country Club is a private country club in the upscale Spring Valley Lake community encompassed by unincorporated San Bernardino County. Facilities include an 18-hole Robert Trent Jones designed championship course, tennis and racquetball courts, and fitness center. Social activities are offered for adults, as well as teens and small children.

The Mirage banquet room offers floor-to-ceiling windows with views of the greenbelts, lakes and mountains. This room can accommodate up to 200 persons banquet style. The Via Verde room is a newer, smaller meeting space with a capacity of up to 80 persons. The room is divisible and can be broken down into groups of 40 persons each. Daily rental for the room is \$495 for the Mirage Room and \$395 for the Maverick Room. Meal service starts at \$25 per person up to \$35.

Management estimates that 100± outside events are held at the facility on an annual basis. The Mirage Room is used for weddings nearly every weekend, and the Via Verde Room is used at least once a week for meetings and smaller functions. Once current construction is finished on the Via Verde room, management plans to more actively market it to corporate and business groups.

Sterling Inn, Regency Room, Victorville

The Sterling Inn is a dining area that is part of a senior citizen residential community. Unlike the Hesperia Terrace Room, however, it is not a stand-alone banquet facility but rather a dining area for the center that is available on weekends between 7PM and 11PM. The facility has a capacity for 250 persons banquet style. A minimum of 75 guests and a non-refundable deposit of \$400 are required to reserve the room.

Food and beverage service is supplied by Sterling Catering, which also does off-site catering. Prices start at \$16 per person for a simple meal up to \$25. Beverage service is bring your own ("BYO"), meaning that guests can bring their own drinks (usually alcoholic beverages), as opposed to a fully licensed facility where such drinks must be bought at the restaurant. Only wine and champagne are permitted. A \$95 corkage fee, which applies to groups bringing their own alcohol on the premises, and other fees may apply.

According to the sales and catering staff, the venue is utilized nearly every Friday and Saturday, for an estimated total of 100± events annually.

Sunset Hills Memorial Park, Apple Valley

Sunset Hills Memorial Park has a new 20,000-square-foot chapel building which serves as a banquet facility. Completed in December 2006, the facility is just under one year old and can accommodate 300 persons reception-style or 250 banquet-style with round tables. In addition, there is a back patio area that can accommodate 250 to 300 persons for an event.

The cost to rent the venue is \$3,000 per day, which includes set up charges, tables, chairs, linens and a bartender. Alcohol fees are additional and served by a non-profit group, but guests have the option of bringing in their own catering or alcohol. At this time, the facility does not have a full-service kitchen though one is in the process of being built.

While the venue is relatively new, management reports an average of one event being held each weekend, with minimal activity during the weekday. This would indicate that the venue is hosting 50± events annually. Management has been approached by local area groups such as the local hospitals to rent the venue for retreats and similar types of events.

Because of its location on 96 acres and scenic views, management believes that potential demand exists in the area for a small resort/retreat-style facility. At present, the Victor Valley does not possess this type of product. As such, the owner of the facility has preliminary plans to build a Glen Ivy type resort and conference center that would feature a restaurant, spa, small conference facility and bungalows. This facility would be comparable to a small resort in the Coachella Valley. At this time, no entitlements have been issued, and the project is in the preliminary design stages.

Victor Valley College, Victorville

Victor Valley College has a 493-seat proscenium theater that was built in 1981 and is rented out to various outside groups, including dance schools, local theater groups, churches, and community forums. Management estimates that it is utilized by outside groups for approximately 60 days per year, on average. The venue rents for \$120 per hour, though fees are being revised.

Other Facilities in the Competitive Victor Valley Market

There are a multitude of small meeting rooms that are situated in public facilities throughout the Victor Valley. This includes rooms belonging to area clubs, social, educational and religious organizations, and other private entities throughout the Victor Valley as follows. Due to their restricted utilization, size, or other factors, however, they are not likely to be competitive with the proposed Facility at this time. Exceptions could occur if these facilities started to actively market to outside parties.

Some of the more notable facilities in the Victor Valley are as follows.

Public Organizations

- The **Mojave Desert Air Quality Management District** in Victorville has a board/chamber room with a 100-person capacity that is utilized primarily by public agencies such as the City of Victorville's City Council and Planning Commission meetings. In addition, their conference room can host 25 persons.
- The **Hesperia Library** has two small meeting rooms that can accommodate 6 to 8 persons, in addition to a community room with a capacity of 109 that is only available to meetings/events that are open to the public. Requests for this space are frequent from potential private users, who are then referred to other facilities in the region.
- The **Learning Support Center Annex** at 15621 Juniper Street in Hesperia is a new facility that is owned by the School Board that can host 300± people. It is planned to be used twice per month for board meetings.
- **Desert Mountain Educational Services Center** in Apple Valley has a divisible meeting room that can host a 200-person capacity. The facility is owned by the County Superintendent of Schools. As such, its utilization is restricted to area schools.
- The **San Bernardino County Business Resource Center** on Main Street in Hesperia has a 1,000-square-foot conference/training room with future plans for satellite conferencing, which will be networked to the main Workforce

Investment Business Resource Office in San Bernardino. In a partnership with Victor Valley Community College, plans are underway to expand the training room by another 1,050 square feet. The College plans to use the room for customized training and business-related courses. The room is also occasionally provided to social and non-profit groups such as the High Noon Toastmasters club.

- The **Southern California Logistics Airport** in Victorville has a small room that can accommodate up to 40 persons for a presentation, but the room does not have chairs available. The Boeing building also has a meeting room, and the West Winds Golf Course, which is owned by the City of Victorville and located on the property, has a gymnasium available. Larger meetings and events that are held in conjunction with the existing businesses are generally held off-site at area hotels in Victorville.
- **Area High Schools** within the Victor Valley Union High School, Snowline Joint Unified School, Apple Valley Unified, and Hesperia Unified school districts offer gymnasiums and other venues that can be occasionally be rented to outside groups for a nominal fee. For example, Silverado High School in Victorville has a 370-seat proscenium theater, Serrano High School in Phelan has a 284-seat theater, and Granite Hills in Apple Valley has 300± seats.
- **Victor Valley Activities Center** in Victorville has a large auditorium that is often rented for special events, such as wedding receptions, anniversaries, or large meetings with 2,067 square feet of tiled floor and a large stage. It has a seating capacity of 182 persons and a dining capacity of 134 persons. The small auditorium is used primarily for scheduled classes, programs, and smaller meetings with 1,054 square feet of carpeted floor, including a low stage. It has a seating capacity of 108 persons and a dining capacity of 55 persons.

Area Clubs/Social Groups

Based on information from the *High Desert Insider* publication, it is ERA's understanding that there are more than 130 various clubs and social organizations throughout the Victor Valley. While most of these organizations are small and meet in public areas such as local parks and restaurants, several social clubs/organizations have their own venues as follows. Outside organizations/individuals can rent these facilities as well.

- The **Veteran's of Foreign War Post 2924** on Hesperia Road in Hesperia has a patio area that can seat up to 250 people and a small meeting room that can host between 50 and 60 persons. They also provide catering services and have a full-service kitchen. The venue hosts an average of 3 to 5 outside events per month, for an annual average of 50.
- The **Victor Valley Moose Lodge** on "E" Avenue in Hesperia has a room with a 200-person capacity that is used by outside groups approximately once per month. Outside users include weddings, receptions, birthday parties, local non-profits, etc. The facility has a kitchen but prefers that outside groups provide their own catering. Alcohol is available.
- The **Hesperia B.P.O. Elks Lodge** on "E" Avenue in Hesperia has a room with, similar to the Victor Valley Moose Lodge, a 200-person capacity. The venue requires a \$250 deposit and rents for \$100/hour until midnight and \$200/hour thereafter. The facility has a kitchen and alcohol is available. The venue is primarily used by outside groups on weekends, for an average of 2 to 3 events per month, or 30 additional events annually.
- The **High Desert Church in Victorville** is utilized by outside groups such as the annual Hesperia Unified School District's annual "District in Service" presentation, which attracts roughly 1,000 educators. This event cannot be held at the fairgrounds due to technological issues.
- The **High Desert Christian School** has a chapel that is available to outside groups such as the Hesperia Chamber of Commerce's Coffee Club Meetings.

Other Private

- **Local restaurants.** There are several restaurants in the Victor Valley that have available separate available banquet space, including the Cask N' Cleaver in Victorville (capacity 55), and John's Incredible Pizza in Victorville (capacity 45). In addition, there are many restaurants in town such as HomeTown Buffet (Victorville) that do not have separate banquet rooms but frequently let local groups such as realtor associations utilize their facilities in the morning before regular operating business hours.

Planned and Proposed Facilities

ERA is aware of five facilities in the Victor Valley that are in various planning stages as follows:

- **Courtyard by Marriott.** Located next to the existing SpringHill Suites by Marriott, the new Courtyard by Marriott in Hesperia is planned to have 135 rooms and 5,000 square feet of meeting space. The facility is projected to open in May of 2008.
- **Holiday Inn.** Situated on the west side of the I-15 & Main Street, the same developer who is building the Courtyard by Marriott is planning a 144-room hotel that is projected to open in late 2008. At this time, the developer is planning to add 2,500 to 3,000 square feet of conference/meeting space.
- **Green Tree Golf Course Clubhouse.** The City of Victorville is building a new golf clubhouse at their golf course located off of the I-15 at 14144 Green Tree Road. The facility will contain approximately 14,000 square feet of banquet space and a hosting capacity for up to 200 persons. According to the City of Victorville Planning Department, the total square footage of the project, which is currently under construction, is approximately 22,200 square feet.
- **San Bernardino County Fairgrounds.** The San Bernardino County Fairgrounds is preliminarily planning to relocate to an unspecified location in San Bernardino County, most likely the Victor Valley. Once relocated, the new facility would likely add more new, flexible multi-purpose and conference space. At this time, no further details regarding location or potential

configuration of space are known. Since the fairgrounds presently contains the largest amount of meeting space in the Victor Valley, and events such as the High Desert Opportunity are expanding, it can be safely assumed that a new fairgrounds would likely contain a larger building(s) (i.e., in excess of 20,000 square feet) that could host these events. Fairgrounds facilities were originally built for agricultural purposes, and it has been ERA's experience that when these types of facilities rebuild or relocate, they tend to construct moderate, flexible space that can be utilized equally by consumer shows and for meeting/social event purposes.

- **Sunset Hills Memorial Park.** As discussed, Sunset Hills Memorial Park is in the preliminary stages to add a resort-style conference retreat with bungalows and a spa. The project is in the early design stages, and no permits have been issued.

User Profiles and Demand Characteristics

ERA estimates that the 22 potentially competitive facilities in the Victor Valley currently host nearly 3,400 events annually. This information appears in Figure 31. Based on conversations with hotel managers, we estimate that 25 to 35 percent of total Victor Valley-wide events consist of small groups of 30± persons who rent these facilities for only several hours at a time.

Other characteristics of Victor Valley area events and meeting venues are noted as follows:

- Though square footage is not known at some venues, ERA estimates that the Hesperia currently has roughly 20,000 square feet of existing meeting/banquet space that is available to the public.
- Due to the limited current supply and size of available meeting space in Hesperia, people have to use hotels in Victorville. The Hesperia Terrace Room is currently the largest facility within the city limits, but its rental fees and food and beverage requirements restrict its appeal to many types of potential users.

Figure 31
Victor Valley Meeting Characteristics

Name	City	Year Built	Guest Rooms	No. Est. Annual Events
Ambassador Hotel & Conference Center	Victorville	1978	162	150
Apple Valley Country Club	Apple Valley	1951	0	100
Apple Valley Inn	Apple Valley	1948	0	75
California Banquet Hall ¹	Victorville	2007	0	n/a
Comfort Suites Hotel ²	Victorville	2003	77	300
The Grange	Hesperia	n/a	0	100
Hawthorn Suites ²	Victorville	2005	75	300
Hesperia Golf & Country Club	Hesperia	1957	0	50
Hesperia Terrace Room	Hesperia	1999	0	150
Hilton Garden Inn Victorville	Victorville	2006	139	250
Holiday Inn Express Hotel & Suites ²	Hesperia	2002	100	575
Kinari Restaurant/Karma Nightclub	Victorville	2002	0	75
Maverick Stadium	Adelanto	1991	0	150
Percy Bakker Community Center	Hesperia	1995	0	60
Quality Inn & Suites	Victorville	1963	168	250
Red Roof Inn	Victorville	1988	94	200
San Bernardino County Fairgrounds ³	Victorville	1947	0	90
SpringHill Suites Hesperia ²	Hesperia	2005	63	170
Spring Valley Lake Country Club	Victorville	1971	0	100
Sterling Inn, Regency Room	Victorville	1995	0	100
Sunset Hills Memorial Park ⁴	Apple Valley	2006	0	50
Victor Valley College (PAC)	Victorville	1981	0	60
			Total	878
				3,355

NOTE: Estimated events represent informal estimates and are not based on statistical reports.

¹ This is a conversion of an existing restaurant, which recently opened.

² These events are held on an hourly basis, with few exceeding several hours.

³ Includes social events and conferences only and excludes all other event types.

⁴ Year built refers to new chapel building with banquet amenities only.

Source: Individual facilities, Smith Travel Research, and Economics Research Associates

- Outside of some of the area country clubs, there is little modern or updated space of any significant size, with the exception of Hesperia Terrace Room, the Hilton Garden Inn (Victorville) and the new chapel at Sunset Hills Memorial Park (Apple Valley). The Hilton Garden Inn is able to draw both business events during the weekdays and social events during the weekends. On the other hand, business at the Terrace Room and Sunset Hills facilities is primarily social and restricted to weekends.
- The vast majority of current users in existing Victor Valley facilities, whether for social or corporate purposes, are locally-based. Based on conversations with management, ERA estimates that this figure is in the 95± percent range.
- Most Victor Valley facilities have a hosting capacity for fewer than 200 guests. The typical group size at most facilities of a moderate scale is for a large social event is in the 100- to 150-person range.
- Among potentially competitive Victor Valley facilities (Figure 31), a total of one-half are located in Victorville.
- Meeting venues without guest rooms report strong demand during the weekends, but minimal demand during the weekdays.
- Hotels that rent meeting space by the hour, report strong utilization during the weekdays from smaller groups seeking space ranging from several hundred up to 1,000 square feet.
- Weekday demand from business groups declines significantly during the summer months of July and August.
- Demand for social events is high during the holiday season, with most of the newer venues reporting advance booking and few available dates both this year and next. This is true for both facilities with and without guest rooms.

Summary and Implications for the Proposed Facility

At this time, the Victor Valley has a variety of smaller meeting rooms that can accommodate smaller groups of up to 150 to 200 persons, however, capacities beyond

400 persons are limited. Only three area venues in Victorville – Hilton Garden Inn, San Bernardino County Fairgrounds and Karma Night Club - can accommodate groups of 400± persons. However, the Fairgrounds is an older facility that is not a purpose-built meeting venue and does not provide one-stop shopping and many services/amenities associated with meeting space, the Karma Night Club is not a dedicated banquet space, and the Hilton Garden Inn is limited to groups of 400± persons.

Therefore, ERA believes that demand exists for larger flexible, moderately-priced meeting space within the City of Hesperia. Our research also indicates that demand is also strong from small groups seeking space for a limited duration (i.e., several hours) for types of events such as training, classes, and presentations. Examples include the Holiday Inn Express & Suites Hotel (Hesperia), SpringHill Suites (Hesperia), Comfort Suites (Victorville), and Hawthorn Suites (Victorville).

Based on conversations with venue managers and local/regional tourism officials, the vast majority (i.e., 95± percent) of users/user groups are residents and/or organizations are based in the Victor Valley. The reason for this is likely due to:

- The distance between Hesperia and other urban parts of San Bernardino and Riverside counties to the southeast and southwest;
- The physical separation between Hesperia and areas to the southwest of the San Gabriel Mountains and southeast of San Bernardino mountains, with the Cajon Pass acting as a “psychological” barrier; and
- The fact that the urban areas of San Bernardino County down the hill have an existing concentration of convention, conference and other meeting facilities, which are further discussed in Section VI.

Since the proposed Facility in Hesperia is likely to draw the majority of its users from the competitive Victor Valley market, it will be competitive with other facilities in the area. It is therefore important that any proposed convention/conference facility be located in an area with convenient freeway and roadway access.



Based on our research, we believe that a convention/conference center containing approximately 15,000 to 20,000 square feet of flexible space located on or near the I-15 freeway or a community/civic center, that is part of a mixed-use or civic development in the City of Hesperia would best meet the demand from social and business groups. Our specific facility recommendations and utilization forecasts appear later in this report (Section VII). As will be further discussed, the primary users of would likely be social groups.

VI. Selected Regional Venues

Introduction

The market for conferences and conventions in the Greater Los Angeles region is competitive. ERA has identified a total of 23 meeting facilities in San Bernardino, Los Angeles, Orange, and Riverside (excluding Palm Springs) which contain 50,000 or more square feet of meeting space. This includes two facilities with over 500,000 square feet, four containing between 100,001 and 300,000, and 17 at between 50,000 and 100,000.

A list of these facilities and characteristics of their meeting space appears in Figure 32. The public buildings at the National Orange Show in San Bernardino and San Bernardino County Fairgrounds in Victorville currently have the largest amount of meeting space within the county, albeit space that is not dedicated specifically for meetings and banquets.¹² As discussed in the previous section, the Hilton Garden Inn presently contains the largest amount of hotel space of any hotel in the Victor Valley at 7,500 square feet.

This section reviews the existing convention facilities within a 50-mile radius of Hesperia. Other significant conference and meeting facilities are further discussed in the Appendix of this report. This includes facilities in the resort mountain lakes area, San Bernardino, Riverside and Ontario, but excludes the desert resort communities.

Regional Convention Facilities

There are three convention facilities within roughly 50 miles of Hesperia as follows: (1) The Convention Center at Big Bear Lake; (2) The Riverside Convention Center; and (3) The Ontario Convention Center.

Not profiled in this section due to its distance from Hesperia (84 miles east) another significant regional convention facility is the Palm Springs Convention Center, a new 261,000-square-foot facility with 120,000 square feet of exhibit space that reopened in the fall of 2005 after a \$32.3 million dollar expansion. The facility attracts smaller national conventions, tradeshow, and statewide association business.

¹² NOTE: An exception is the Valencia Room at the National Orange Show, which is discussed in the Appendix of this report.

Figure 32
Greater Los Angeles Convention Facilities
2007

Facility/Size	Location	Total Exhibit/Meeting Space (SF)	Largest Space (SF)	Number of Rooms
Greater than 300,001 SF				
Los Angeles Convention Center	Downtown LA	867,000	347,000	64
Anaheim Convention Center	Anaheim	813,600	221,000	51
100,001-300,000 SF				
Fairplex	Pomona	258,000	105,600	19
Long Beach Convention & Entertainment Ctr.	Long Beach	224,000	224,000	36
California Mart	Downtown LA	160,000	35,000	10
National Orange Show	San Bernardino	150,000	40,000	6
50,001-100,000 SF				
The Westin Bonaventure Hotel & Suites	Downtown LA	110,000	26,108	27
Orange County Fair & Exposition Center	Costa Mesa	101,200	36,000	5
The Century Plaza Hotel & Spa	Los Angeles	100,000	25,134	25
Palm Springs Convention Center	Palm Springs	92,000	29,000	31
Ontario Convention Center	Ontario	90,000	70,000	21
The Queen Mary Hotel	Long Beach	85,000	50,000	15
Millenium Biltmore Hotel	Los Angeles	70,000	16,800	17
Hilton Anaheim	Anaheim	57,100	28,500	75
The Beverly Hilton	Beverly Hills	55,100	20,000	20
Hilton Los Angeles Airport	Los Angeles	55,000	13,585	45
Shrine Auditorium & Expo Center	Los Angeles	54,000	54,000	4
Autry Museum of Western Heritage	Los Angeles	50,000	8,300	7
Hilton Burbank Airport & Convention Ctr.	Burbank	50,000	15,015	40
Los Angeles Airport Marriott	Los Angeles	50,000	12,320	40
San Bernardino County Fairgrounds	Victorville	50,000	16,000	5
University Student Union, Cal State Northridge	Northridge	50,000	7,500	25
Wilshire Grand Hotel and Centre	Los Angeles	50,000	11,131	27

Source: Amusement Business, Los Angeles Business Journal, individual facilities and Economics Research Associates

The Convention Center at Big Bear Lake, Big Bear

Though the Convention Center at Big Bear Lake is situated over 50 miles from Hesperia in the resort community of Big Bear Lake, it is noteworthy since it is privately-owned and began as a community center for one citywide event - Oktoberfest. It primarily functions as an event center for festivals and shows.

The building sits on 3.8 acres of land, bordering Highway 18 — the main thoroughfare of the Big Bear Valley — and Division Drive. The site is easily accessible from the highway, is approximately four miles to the downtown area, less than four miles from either of Big Bear's two ski resorts, and is less than one-half mile from the area's airport.

The Center was built in 1976 as a permanent home to the Big Bear Lake Oktoberfest — Big Bear's largest special event, attracting over 20,000 persons annually. Unlike most convention centers, the Convention Center at Big Bear Lake is privately held and operated by Big Bear Enterprises, LLC.

The Center contains 11,000 square feet of meeting space with a capacity of 1,400 people and banquet seating for up to 800 people. In addition, two full-service bars and a full-service kitchen are available. A small restaurant (seasonal) is located on the property, providing an additional source of revenue.

While the facility markets to conferences, executive meetings, business retreats, workshops, and receptions, it is primarily used by local groups for events such as fundraisers, receptions, and other local community events (i.e. church groups). The managing director of the facility estimates that approximately 60 percent of utilization is generated locally, a decrease from an estimated 80 percent in 2001. Some of this decrease can be attributed to growth in the second home resident market. The average group size ranges from 40 to 150 persons.

In the past, management has tried to make the convention center a full-service facility that attracted outside user groups, most notably corporate groups and weddings. The challenge has been that lodging is not available on-site, so management has to refer groups seeking accommodations to facilities such as Northwoods, which is located approximately 4.5 miles away. Only small, limited service hotels are located nearby.

At present, the facility hosts approximately 60 to 70 events annually. Annual events include a weekly outdoor Farmer's Market on Tuesdays, several consumer and craft shows, the Big Bear Lake Independence Day Festival and Carnival, and annual Oktoberfest celebration (which the owner produces), which runs over a period of seven Saturdays and six Sundays commencing in September. A \$10 gate fee is charged for this event.

Fees to rent the entire facility range from \$2,500 to \$10,000 per day, depending on the day of the week, time of year, and type of event.

Riverside Convention Center, Riverside

The Riverside Convention Center is located in the historic downtown Riverside area approximately 40 miles south of Hesperia. Built in the 1970s, the facility is owned by the City of Riverside and managed by Entrepreneurial Hospitality Corp., which is a subsidiary of The Historic Mission Inn Corp. The Center consists of 15 rooms with 45,000 total square feet of exhibit, meeting and function space. The Ontario International Airport is located approximately 30 miles west of the Center.

The entire venue is capable of hosting up to 2,500 people for board meetings, conventions, trade shows or banquets. The Center's largest exhibit hall is 20,800 square feet and is capable of accommodating 1,250 people for banquet functions and 1,500 for a reception. The center's 10,400-square-foot ballroom is divisible into six rooms and is predominantly used for banquet functions, receptions, meetings and trade shows.

Two hotels – the historic Mission Inn and Marriott Hotel – and approximately 500 rooms are within walking distance of the Riverside Convention Center. The Mission Hotel contains an additional 20,000 square feet of meeting space. A special feature of the Riverside Convention Center is its catering services. Meals are prepared by Mission Inn Executive Chef, Gary Palm.

Events held at the Riverside Convention Center are primarily smaller regional events. The two-story center can fit between 800 to 900 people comfortably for breakfasts, lunches or dinners, but not enough for the larger annual State of the Inland Empire meeting. The event recently relocated from Riverside to Ontario.

At present, the city is proposing an ambitious \$785 million five-year "Riverside Renaissance" plan, which would address that by adding meeting space and hotel rooms

and spawning a downtown with a night life that might attract more groups with more money to spend. Approved last year, the Riverside Renaissance program plans to build 30 years of public projects within five years. Under this program, the city has earmarked \$15 to \$20 million for rehabilitating the convention center and studying a potential expansion. An RFP for a feasibility study relating to a proposed expansion has been issued at this time.

The Riverside Convention Center booked 30,991 room nights in fiscal year 2006 and hosted 139 events.

Ontario Convention Center, Ontario

The Ontario Convention Center is two blocks from the Ontario International Airport approximately 37 miles southwest of Hesperia. The facility is currently managed by SMG, the world's largest private facility management company. Originally built in 1997 and run by the City of Ontario for two years, the City then turned over management to SMG in 1999.

The Center has 225,000 total square feet of exhibit, meeting and function space, making it the largest public assembly facility in the Inland Empire. This includes a 70,000-square-foot exhibit hall (divisible into two sections – Exhibit Hall A & B), a 20,000-square-foot ballroom (divisible into two sections), and 24 meeting rooms with a total of 24,000 square feet of space. The exhibit hall holds 5,550 persons at theater style capacity and 4,120 persons at banquet capacity. The ballroom has a lesser capacity of 1,800 theater style seating and 1,175 banquet style. In total, the venue can accommodate up to 10,000 attendees.

There are approximately 400 to 500 events per year held at the Center, including small, private affairs. The months of January through April are peak seasons. Management reports that in fiscal year 2006, the center hosted a total of 487 events.¹³

Though the Center initially intended to compete with other regional convention facilities to capture a share of the national market, the events of 9/11 forced management to reorient their marketing strategy toward a state, regional or local level. Further, they could not

¹³ Per telephone conversation with Theresa Moretti, Director of Marketing & PR, September 13, 2007.

compete for national events based on the size of their facility compared to Anaheim and Los Angeles, and the fact that Ontario is not a travel destination like Anaheim or Palm Springs. Management reports since corporate travel has resumed pre-9/11 levels, they are subsequently reorienting their target groups. Ontario is presently trying to attract more local and regional business, in addition to hosting social, military, educational, religious, and fraternal (“SMERF”) events and consumer shows.

The Center recently signed a contract with the Big Train Show for 2007-2009. The event was previously held at the Queen Mary but relocated due to the affordability and accessibility of Ontario. The Center is also trying to diversify away from traditional shows, association meetings and consumer shows. For example, it has hosted martial arts fights and in 2006 signed a deal through 2008 with Jam it on Basketball, which is a member of the Amateur Athletic Union.

The Center has approximately 10 hotels/motels within walking distance, comprising 2,500 guestrooms. The Marriott, Doubletree, Country Suites by Ayres, and Sheraton are adjacent to the Center, and the Hilton is within two minutes. In addition, 10 hotels are being built in the region within the next 24 months, two of which will be within walking distance of the hotel.

Another asset upon which the Center plans to capitalize in terms of attracting national events is the construction of Piemonte – a \$900-million, 93-acre, mixed-use urban center in Ontario that will contain an 11,000-seat sports arena. In addition, the mixed-use town center called The Historic Guasti District is being built on the site of a former vineyard and winery near the Ontario airport. The area will have more than 225,000 square feet of retail/restaurants, 600,000 square feet of office, 400 residential units and at least two hotels.

In total, more than 2 million square feet of new development is planned adjacent to Interstate 10 and the Ontario airport. Management believes that these factors, in addition to the Center’s proximity to the Airport, will help solidify Ontario’s ability to capture more national and regional meeting business.

At this time, officials at the Ontario Convention Center are in early talks to potentially triple their facility's existing exhibit space.

Other Regional Facilities

ERA has included a discussion of several other regional facilities in the Appendix of this report. This includes ten facilities, nine of which are located in the Inland Empire or Mountain resort areas, and one facility in the Antelope Valley. Because these facilities will not be directly competitive with the proposed Facility because of their respective distances, ERA has included a brief overview of them since they might provide lessons for success, or an example of the types of user groups that are likely to patronize such facilities.

Implications for a Convention/Conference Center in Hesperia

The proposed facility will not be competitive with the mountain resort markets since they offer a different type of product. It is also not likely to attract individuals and groups from the more densely populated areas of San Bernardino County down the hill, which have a choice of meeting, hotels and convention facilities. The key points learned from reviewing these facilities (in addition to those listed in the Appendix) are as follows:

- The Ontario and Riverside convention centers are planning to expand their facilities. Should the City of Hesperia decide to build a convention/conference center, it is unlikely that they will be able to compete with these facilities, particularly for groups in the Lower Inland Empire.
- The adjacency of hotel rooms is important for the viability of a convention/conference center. In the case of the Convention Center at Big Bear Lake, they have limited activity from groups because of the lack of nearby hotels within walking distance.
- Freeway accessibility is important for the viability of a conference center. The Essex House in Lancaster (see discussion of Larry Chimbole Center in the Appendix) lost business after new hotels with meeting space were built along Highway 14.
- In order to attract business groups to a banquet hall, it is important to add break-out rooms. For this reason, the Valencia Room at the National Orange Show is not able to compete with San Bernardino area hotels that offer break-out rooms.



The following section presents our facility recommendations and utilization forecast for the proposed Facility.

VII. Utilization and Facility Recommendations

Introduction

Based on our research, it is ERA's opinion that the Facility in Hesperia will be primarily served by resident, community, and business groups in the competitive Victor Valley. Within the next ten years, we do not envision an available market outside of this region. This is due to: (1) the physical separation of the Cajon Pass from the other urban areas of San Bernardino County; and (2) the supply of facilities in those outside areas.

To some extent, the proposed Facility has the potential to generate activity from Barstow to the north, though activity is more likely to be from the smaller local employers versus the major military employers in that region. It is ERA's understanding that the military employers appear to be more self-contained and host events on their respective bases.

With regard to current market conditions, the primary strength for the proposed Facility lies in: (1) the rapid growth of area, both in the resident and business base; (2) the lack of existing facilities that can accommodate groups of 400 or more; and (3) the dated nature of some of the larger existing facilities.

Newer hotels with small conference space such as the Holiday Inn Express Hotel & Suites (Hesperia), SpringHill Suites (Hesperia), Hawthorn Suites (Victorville), and Comfort Suites (Victorville) report high utilization of their existing conference space, however, it should be noted that many of these events are held for a duration of several hours only. In comparison, a standard convention/conference venue will seldom rent for a period of one-half day or less.

Facility Recommendations

Should the City of Hesperia decide to pursue the option of building a convention/conference center, ERA recommends the construction of a facility **in conjunction with an existing or future hotel, or mixed-use development on or near the I-15**. This could be a facility that is located within a hotel or one that is adjacent to sleeping rooms.

The closure of the Essex House in Lancaster (see Appendix) following the completion of accessible new hotels with meeting space situated off Highway 14 provides a lesson in the importance of accessibility of these facilities. This will become increasingly true if new

hotels with conference space are built in the Victor Valley on or near I-15. The review of the Convention Center at Big Bear Lake further demonstrates the difficulty of attracting meeting groups for overnight stays without attached rooms.

At present, we believe that a stand-alone conference center facility without an adjacent hotel or freeway accessibility **would not** be viable at this time. Exceptions could occur if: (a) the facility was owned by or affiliated with an outside institution (i.e. UCLA Conference Center) and external utilization was secondary, or (b) the conference center was situated in a resort setting similar to the Lake Arrowhead Resort. Given the current nature of the Victor Valley as a resident market with few significant attractions and competition from the nearby mountain and desert resort areas, we do not believe this type of product is viable in the market at this time.

Should the City decide to pursue the construction of a convention/conference center, ERA recommends that a Facility of approximately **15,000 to 20,000± square feet of flexible meeting space** (and with freeway accessibility) be built. Our research indicates the facility would best be located on or near the I-15 with visibility and easy access from the freeway. The project could be either part of a new or existing hotel, or alternatively as part of a mixed-use development with an adjacent hotel component. It makes most sense to build the facility in conjunction with a hotel since the hotel can use the space as a loss leader; compared to a stand-alone conference center which is solely dependent on revenue from meetings and conferences.

Further, interviews with local hotel managers at the more upscale hotels in the area would indicate that the majority of hotel guests are business travelers, some traveling independently and others in small groups. As the future business community continues to grow in the Victor Valley, there is likely to be more demand from business travelers for meeting space.

Facility Specifications

If the City pursues the construction of a convention/conference center, ERA recommends that the City construct a 15,000 to 20,000±-square-foot facility. Construction of a facility of this scale would allow the area to host banquets of approximately 500 and 800 persons, and meetings and receptions of up to 1,000 persons. The space should be divisible, allowing for smaller group capacities, or one large meeting room.

Key features of a convention/conference facility would include:

- 15,000 to 20,000± square feet of flexible conference, banquet, meeting, and breakout room space that is capable of accommodating both meeting groups and social functions;
- Full-service catering, kitchen and related capabilities;
- Business services, AV equipment, telecommunications, video links, satellite for teleconferencing and distance learning as appropriate;
- While convention/conference centers typically do not have outdoor/gazebo areas, the city could include this option as well.
- Separate and secure parking that is able to accommodate facility use on peak demand days.

In order to increase utilization, it is essential that the facility offer several break-out rooms of between several hundred to 1,000 square feet. This will allow for increased flexibility for large groups seeking break-out space and/or small groups who just seek modest meeting space.

Projected Forecast and Utilization

ERA formulated an event composition forecast for stabilized operations for the proposed Facility in Hesperia. Our forecast is based on a combination of: (a) current levels of demand at the competitive facilities surveyed in Section V; (b) projected levels of demand based on resident and employment growth; and (c) ERA's experience with conference centers in comparable markets of a similar scale.

A summary of our event forecast and projected attendance in a stabilized year of operation appear in Figure 33 and Figure 34, respectively. In summary, we project a total of 252 event days, generating annual attendance of approximately 28,680.

Figure 33

**Event Day Composition Forecast
Stabilized Year of Operations**

User Groups	Major Mtg./Event Day	Large Mtg. Day	Typical Mtg. Day	Total Conference Center
Average Attendance per Event Day	500	200	65	
Corporate Use		6	48	54
Community Groups/Social Events	4	12	96	112
Associations/Conferences	4	6	6	16
Seminars and Professional Training		6	36	42
Educational	2	4	6	12
Special Events	4	12	0	16
Projected Event Days Per Year	14	46	192	252

Source: Economics Research Associates

Figure 34

**Event Attendance Forecast
Stabilized Year of Operations**

User Groups	Major Mtg./Event Day	Large Mtg. Day	Typical Mtg. Day	Total Conference Center
Average Attendance per Event Day	500	200	65	
Corporate Use	0	1,200	3,120	4,320
Community Groups/Social Events	2,000	2,400	6,240	10,640
Associations/Conferences	2,000	1,200	390	3,590
Seminars and Professional Training	0	1,200	2,340	3,540
Educational	1,000	800	390	2,190
Special Events	2,000	2,400	0	4,400
Projected Attendance Per Year	7,000	9,200	12,480	28,680

Source: Economics Research Associates

Forecast Assumptions

In our analysis, we have made the following assumptions:

- For clarification purposes, the average meeting size has been defined as 500 for major events; 200 for large groups; and 65 for a typical meeting.
- With the exception of corporate events and special events, ERA has assumed that the remaining categories of event types (community groups/social events, associations/conferences, seminars and professional training, and educational events) are all **one day in length**. We have assumed an average length of two (2) days for corporate and special events.
- Since the focus of this study is for a proposed convention/conference center, we have assumed that a majority of these events will last at least one day in duration. In the event that a **community/cultural center** is built, the number of **events** will **increase significantly** due to the fact that many users will be renting the facility for a period of several hours or less.
- The number of event days in this Phase I analysis excludes set-up and tear-down days. Since the facility will be a purpose-built meeting venue, we anticipate that most events, with the exception of all major events and large community/social events, will not require set-up time of more than several hours (i.e. same-day turnaround).
- It is our opinion that the Facility will take a minimum of **five years to achieve this projected stabilization**. This is due to the scale of the competitive market area and existence of low-cost venues in this area, which are likely to be particularly competitive for community group/social events.
- This analysis assumes that **no** additional significant facility(ies), such as potential new meeting/conference facilities at the relocated San Bernardino County Fairgrounds, **are built in the competitive Victor Valley market area**. It is our opinion that the Victor Valley **could not** support the addition of two significant facilities within the next 10 years.

Potential User Groups by Category

The following broad category of user groups have been defined.

Corporate Use

Growth of employment in the Victor Valley and the continued diversification of the economy are likely to result in increased demands by corporate and business users for meeting space over and above present levels. At present, the largest employers in the Victor Valley are the area school districts, which generally utilize public facilities, and local hospitals, which are likely to utilize the proposed Facility for some of their annual social events (see next category).

As larger area employers in the competitive Victor Valley market continue to grow and add employees, this represents another potential growth opportunity for corporate use as well. The Hilton Garden Inn reports that they host several events for employers there. The Hilton might have the slight advantage of being situated closer to SCLA, however, the proposed Hesperia Facility will have larger meeting capacities.

ERA forecasts that corporate use will generate a total of 27 events and 54 event days annually in a stabilized year of operations. The majority of these groups will consist of smaller groups seeking meeting space for professional purposes. Projected attendance from these events is estimated at approximately 4,320 persons.

Community Groups and Social Events

Based on our analysis, ERA believes this category will represent the single largest percentage of potential users and attendance. This category includes community groups hosting non-training events. Examples could include the High Desert Hispanic Chamber of Commerce's SBA Day and annual awards banquet dinner, local chamber breakfasts, etc. Social events represent activities, whether individual or group related, ranging from gala events, to weddings, receptions, and parties. We have assumed an average length of one (1) event day for this category.

Larger examples of community/social events could include the Victor Valley Community Hospital and St. Mary's Medical Group annual fundraisers. The majority of these users are projected to be smaller social events, averaging 65 persons per event. ERA forecasts a total of 112 event days from this category, representing approximately 45 percent of total

use days. Based on this estimate, annual attendance in this category will be roughly 10,640, representing approximately 37 percent of attendees.

Associations/Conferences

Convention/conference centers in the more central, urban locations of Los Angeles (i.e., Ontario) with more hotel stock and nearby attractions are more likely to be competitive for regional group association business. As such, we project that demand in the foreseeable future will come primarily from local associations and conferences. Due to its current size, the Victor Valley does not have a lot of associations or association business. Examples of local associations could include the Victor Valley Association of Realtors, which hosts 2 to 3 larger events that are currently held in area hotels, the Annual High Desert Leaders Economic Summit, which is an annual fundraiser for the Red Cross, and the High Desert Opportunity (“HDO”) conference that is held at the Fairgrounds in Victorville.

It should be noted that the HDO currently utilizes four buildings at the Fairgrounds. Therefore it would be difficult for a facility of 20,000± square feet to entirely house this single event. Also, the event is growing in size.

We forecast 4 event days per year from major groups during stabilized operations, as well as 6 from both large and small meeting groups in a stabilized year. We project annual attendance of approximately 3,600 from these events.

Seminars and Professional Training

As noted in this report, there are many groups in the area which rent smaller conference rooms on an hourly basis for seminars and training purposes. However, we have assumed groups seeking space for these purposes will rent it on a daily basis. If the facility decides to rent out the venue on an hourly basis similar to the Hawthorn Suites, Comfort Suites, SpringHill Suites, or Holiday Inn Express & Suites, utilization from this user group category could be increased.

ERA forecasts use of 6 large events annually and 36 smaller events (approximately 3 per month), for a total of 42 use days and attendance of 3,540 in a stabilized year of operation.

Educational

Educational institutions are generally frequent users of meeting space, though they tend to utilize public facilities for a nominal charge. The Hesperia School District is composed

of 22 schools with nearly 22,000 students. Other area educational institutions such as Victor Valley College could be potential users as well. As discussed, the College is presently utilizing the conference room at the Comfort Suites in Victorville as a classroom two days per week.

As the Victor Valley continues to expand and student enrollments increase, distance learning could **represent another niche** for the proposed Facility.

ERA anticipates that a total of 12 event days from this category will generate attendance of nearly 2,200 in a stabilized year.

Special Events

This category includes entertainment, small concerts, consumer shows, and other types of citywide events. The overall suitability of the facility to serve this market will depend heavily on final design. We anticipate a total of 8 events, 16 event days and attendance of 4,400 from this category of user in a stabilized operating year.

Conclusions

The client could pursue the construction of two types of facilities:

- A convention/conference center; or
- A community/cultural center

As noted, the purpose of this study was to study the feasibility of a convention/conference facility. Should the City pursue the first option, ERA recommends the construction of a 15,000 to 20,000-square-foot facility within an existing or future hotel on or near the I-15 and Main Street. Another option would be to partner with a mixed-use development on or near the I-15, or with a facility such as the San Bernardino County Fairgrounds, should they decide to relocate to Hesperia.

While the focus of this research pertains to a convention/conference center, should the client group pursue the construction of a community/cultural center, we would recommend a facility that contains the following components:

- A comparably sized facility of approximately 15,000-20,000 square feet of space
- A 7,000 to 8,000-square-foot, divisible ballroom

- Several smaller break-out rooms ranging from 500 to 1,000 square feet
- A kitchen area

In summary, we believe the City should wait to see what the location and facility plans are for the San Bernardino County Fairgrounds. If the Fairgrounds decide to add significant (e.g. 20,000+ square feet) meeting/conference facilities in a location outside of Hesperia, we do not believe the Victor Valley could support construction of two new convention/conference facilities.

At this time, the demand for meeting/banquet space in the Victor Valley is primarily from social user groups. Thus, it might make more sense from a utilization standpoint, to build a community/cultural center, particularly given the demand from social groups in the area. Similar to these types of centers, this venue could be located further inland from the I-15 in an area such as the Hesperia Community Civic Plaza. However, if the convention/conference center option is chosen, we believe it is imperative that the facility be located near the freeway.

For a community/cultural center, the number of corporate events would be minimal, and overall attendance would likely be lower since smaller (i.e. 25 persons) and medium size groups (i.e. 50 persons) would be the predominant users of the facility. This means that there would be fewer major event days (300 persons) and less large (100 persons) ones.

A hypothetical example of illustrative event days and attendance for a community/cultural center appears in Figure 35. The majority of these users, would likely be renting the facility on an hourly basis for several hours or less and have significantly fewer food and beverage requirements. This is characteristic of community/cultural centers in general. Thus, while total attendance may not be significantly lower, any revenue from rent and food and beverage sales will be lower compared to that of a convention/conference center.

A financial analysis for a convention/conference center appears in the following section.

Figure 35

Illustrative Composition Forecast

Community/Cultural Center - Stabilized Year of Operations

User Groups	Major Mtg./Event Day	Large Mtg. Day	Medium Mtg. Day	Typical Mtg. Day	Total Conference Center
Average Attendance per Event Day	300	100	50	25	
Estimated Total Event Days	4	24	96	576	700
Estimated Attendance (Range)	1,200	2,400	4,800	14,400	22,800

NOTE: This is a hypothetical forecast only.

Source: Economics Research Associates

VIII. Financial Analysis

Based on the estimates of utilization presented in Section VII (Utilization and Facility Recommendations) of this report, ERA has prepared 10-year forecasts into an operating pro forma for the proposed Hesperia Convention/Conference Center. Note that this analysis considers only the net operating income of the proposed facility and does not consider combined cash flows accounting for capital costs associated with implementation of the project. The analysis presented in this section offers a statement of likely future outcomes in terms of financial operations for the proposed facility.

This forecast is based on assumptions regarding estimated utilization described previously. A majority of the following discussion is based on the stabilized year, year 3. In years 4 through 10, ERA has assumed minimal fluctuation. Assumed rental rates and operating expenses have been based on industry standings and adjusted to the Hesperia marketplace.

For clarity purposes, ERA has provided the tables within this section in years 1 through 5 and year 10.

Forecast of Performance

Figure 36 illustrates a pro forma summary for the proposed Hesperia Convention/Conference Center based on the assumptions of attendance outlined in the previous section, along with the growth and change in event mix that is expected as the operations of the proposed facility stabilizes in year 3. The stable year net operating *deficit* is over \$230,000. Operating expenses are made up primarily of wages and salaries, followed by utilities and maintenance of the facility. Revenues are forecast to come primarily from facility rentals and are estimated at nearly \$1.47 million for the stable year of operations. The net operating *deficit* is forecast to range from over \$430,000 in the first year of operations, to over \$230,000 in year 3, with an increase in the *deficit* to nearly \$400,000 in year 10.

Events and Attendance

Figure 37 illustrates the 10-year forecast for events and attendance for the proposed Hesperia Convention/Conference Center. Note that there is an increase in facility use in years 1 through 3, with stabilized operations occurring in year 3 with 252 events. In years

4 through 10 (post stabilization), ERA has forecast slight even fluctuation. Average attendance is expected to increase during the first three years, yielding a total projected convention/conference center attendance of over 14,000 attendees in year 1, and then growing to nearly 29,000 by year 3.

Revenues

Space Rental

Figure 38 illustrates the average forecasted space required by events and by event category, as well as the market rate that can be achieved per square foot by each category of user. Total room rental revenue is forecast to be slightly over \$255,000 during the stable year of operations (year 3). Equipment and service rentals are estimated at a blended average of \$2,500 per event and are forecast to grow at a rate of 2.0 percent per year, yielding combined room rental revenue of nearly \$900,000 in year 3. These revenues are gross.

Room rental expenses are estimated at 10 percent of gross room rental revenues, and equipment and service expenses are estimated at 35 percent of equipment and service gross revenues. This yields a total net income from room rental and related service of nearly \$650,000 in year 3.

Food and Beverage

ERA forecasts that the proposed facility will receive nearly \$227,000 in food and beverage revenues in the first year of operation, and over \$480,000 in year 3 (stabilized year) of operations.

ERA has assumed approximately 30 percent for the cost of goods sold (COGS) and approximately 60 to 70 percent for total payroll, in addition to 10 percent for non-operating expenses. After expenses, the net operating food and beverage income *deficit* is slightly over \$40,000 in year 1, reducing to approximately \$32,000 in year 3.

Advertising and Partnerships

ERA has forecast that the proposed facility will receive appreciable revenue from naming rights, advertising sales, along with vending commissions. As detailed in Figure 40, revenues net of sales commissions and cost of sales, are expected to reach over \$80,000 in year 3, the first stabilized year of operations. Note that there is a higher sales



commission in the first year, which significantly reduces the amount of net revenue received.

Operating Expenses

ERA has forecasted operating expenses for the proposed Hesperia Convention/Conference Center, which are detailed on Figure 41. This forecast anticipates 8 full-time equivalent (FTE) positions with a total base salary of \$383,000 in year 1. Over and above the salary and wage costs, ERA has applied an additional 30 percent to fringes and taxes.

In addition to the FTE's, there is a need for part-time staff to cover the events. The total FTE and the part time staff is expected to yield a total wage and salary of nearly \$700,000 in year 3.

In addition to wage and salary costs, there are additional marketing and promotion costs associated with the facility, which are estimated at nearly \$160,000 in year 3, and utilities and maintenance costs, which are estimated to total over \$75,000. Based on the assumptions stated above, operating expenses for the proposed facility will be slightly over \$925,000 in the stable year of operations.

In the event that an outside operator runs this facility, labor costs could be substantially reduced to the operator by utilizing employees from the City of Hesperia or another district (i.e. Parks and Recreation).

Conclusion

Figure 42 presents a combined 10-year pro forma for the proposed Hesperia Convention/Conference Center by key revenue and expense categories. As indicated, the facility can be expected to operate with at a *deficit* ranging from approximately \$450,000 in year 1 to approximately \$290,000 in year 3 (stabilized year), to approximately \$400,000 in year 10.



Figure 36
Convention Center Pro Forma Summary

	Year					
	1	2	3	4	5	10
Number of Event Days	126	189	252	256	243	246
Annual Attendance	14,340	21,510	28,680	29,110	27,655	27,999
Operating Revenues						
Food & Beverage	\$226,855	\$350,491	\$481,341	\$503,218	\$492,399	\$353,864
Room Rental	\$442,500	\$673,200	\$897,600	\$911,064	\$865,511	\$876,297
Partnerships	\$78,000	\$80,027	\$84,797	\$86,917	\$89,090	\$100,797
Operating Revenues	\$747,355	\$1,103,718	\$1,463,738	\$1,501,199	\$1,446,999	\$1,330,958
Expenses						
Departmental Expenses						
Food & Beverage	\$268,156	\$373,886	\$513,470	\$536,808	\$525,266	\$377,484
Room Rental	\$123,000	\$187,808	\$250,410	\$254,166	\$241,458	\$244,467
Partnerships	\$5,850	\$3,001	\$3,180	\$3,259	\$3,341	\$3,780
Departmental Expenses	\$397,006	\$564,695	\$767,060	\$794,233	\$770,065	\$625,731
% of Operating Revenue	53%	51%	52%	53%	53%	47%
Operating Expenses						
Salaries & Wages	\$578,540	\$634,332	\$692,551	\$712,470	\$721,247	\$818,445
Marketing & Promotions Expense	\$150,000	\$153,750	\$157,594	\$161,534	\$165,572	\$187,329
Utilities & Maintenance	\$73,850	\$75,696	\$77,589	\$79,528	\$81,517	\$92,229
Operating Expenses	\$802,390	\$863,778	\$927,733	\$953,532	\$968,336	\$1,098,003
% of Operating Revenue	107%	78%	63%	64%	67%	82%
Expenses	\$1,199,396	\$1,428,473	\$1,694,794	\$1,747,765	\$1,738,401	\$1,723,734
% of Operating Revenue	160%	129%	116%	116%	120%	130%
Net Operating Income	(\$452,041)	(\$324,755)	(\$231,056)	(\$246,566)	(\$291,401)	(\$392,776)
% of Operating Revenue	-60%	-29%	-16%	-16%	-20%	-30%

Source: Economics Research Associates

Figure 37
Projected Convention Center Events

Projected Events & Attendance		Year					
		1	2	3	4	5	10
Projected Convention Center Event Days							
Corporate Use	Major	0	0	0	0	0	0
	Large	3	5	6	6	6	6
	Small	24	36	48	49	46	47
Associations	Major	2	3	4	4	4	4
	Large	3	5	6	6	6	6
	Small	3	5	6	6	6	6
Seminars and Professional Training	Major	0	0	-	0	0	0
	Large	3	5	6	6	6	6
	Small	18	27	36	37	35	35
Educational	Major	1	2	2	2	2	2
	Large	2	3	4	4	4	4
	Small	3	5	6	6	6	6
Special Events	Major	2	3	4	4	4	4
	Large	6	9	12	12	12	12
	Small	0	0	-	0	0	0
Community Groups and Social Events	Major	2	3	4	4	4	4
	Large	6	9	12	12	12	12
	Small	48	72	96	97	93	94
Total Projected Event Days		126	189	252	256	243	246
Projected Per Event Convention Center Attendance							
Corporate Use	Major	500	500	500	500	500	500
	Large	200	200	200	200	200	200
	Small	65	65	65	65	65	65
Associations	Major	500	500	500	500	500	500
	Large	200	200	200	200	200	200
	Small	65	65	65	65	65	65
Seminars and Professional Training	Major	500	500	500	500	500	500
	Large	200	200	200	200	200	200
	Small	65	65	65	65	65	65
Educational	Major	500	500	500	500	500	500
	Large	200	200	200	200	200	200
	Small	65	65	65	65	65	65
Special Events	Major	500	500	500	500	500	500
	Large	200	200	200	200	200	200
	Small	65	65	65	65	65	65
Community Groups and Social Events	Major	500	500	500	500	500	500
	Large	200	200	200	200	200	200
	Small	65	65	65	65	65	65
Per Event Convention Center Attendance		4,590	4,590	4,590	4,590	4,590	4,590
Projected Total Convention Center Attendance							
Corporate Use	Major	0	0	0	0	0	0
	Large	600	900	1,200	1,218	1,157	1,172
	Small	1,560	2,340	3,120	3,167	3,008	3,046
Associations	Major	1,000	1,500	2,000	2,030	1,929	1,953
	Large	600	900	1,200	1,218	1,157	1,172
	Small	195	293	390	396	376	381
Seminars and Professional Training	Major	0	0	0	0	0	0
	Large	600	900	1,200	1,218	1,157	1,172
	Small	1,170	1,755	2,340	2,375	2,256	2,284
Educational	Major	500	750	1,000	1,015	964	976
	Large	400	600	800	812	771	781
	Small	195	293	390	396	376	381
Special Events	Major	1,000	1,500	2,000	2,030	1,929	1,953
	Large	1,200	1,800	2,400	2,436	2,314	2,343
	Small	0	0	0	0	0	0
Community Groups and Social Events	Major	1,000	1,500	2,000	2,030	1,929	1,953
	Large	1,200	1,800	2,400	2,436	2,314	2,343
	Small	3,120	4,680	6,240	6,334	6,017	6,092
Projected Total Attendance		14,340	21,510	28,680	29,110	27,655	27,999

Source: Economics Research Associates



Figure 38
Conference Center Space Rental

Room Rental		PSF Space Required	PSF Rental Rate	Year					
				1	2	3	4	5	10
Rental Rate Per Event Type									
Corporate Use	Major	20,000	\$0.05	\$0	\$0	\$0	\$0	\$0	\$0
	Large	17,500	\$0.05	2,625	3,938	5,250	5,329	5,062	5,125
	Small	15,000	\$0.05	18,000	27,000	36,000	36,540	34,713	35,146
Associations	Major	20,000	\$0.05	2,000	3,000	4,000	4,060	3,857	3,905
	Large	17,500	\$0.05	2,625	3,938	5,250	5,329	5,062	5,125
	Small	15,000	\$0.05	2,250	3,375	4,500	4,568	4,339	4,393
Seminars and Professional Training	Major	20,000	\$0.10	0	0	0	0	0	0
	Large	17,500	\$0.10	5,250	7,875	10,500	10,658	10,125	10,251
	Small	15,000	\$0.10	27,000	40,500	54,000	54,810	52,070	52,718
Educational	Major	20,000	\$0.10	2,000	3,000	4,000	4,060	3,857	3,905
	Large	17,500	\$0.10	3,500	5,250	7,000	7,105	6,750	6,834
	Small	15,000	\$0.10	4,500	6,750	9,000	9,135	8,678	8,786
Special Events	Major	20,000	\$0.10	4,000	6,000	8,000	8,120	7,714	7,810
	Large	17,500	\$0.10	10,500	15,750	21,000	21,315	20,249	20,502
	Small	15,000	\$0.10	0	0	0	0	0	0
Community Groups and Social Events	Major	20,000	\$0.05	2,000	3,000	4,000	4,060	3,857	3,905
	Large	17,500	\$0.05	5,250	7,875	10,500	10,658	10,125	10,251
	Small	15,000	\$0.05	36,000	54,000	72,000	73,080	69,426	70,291
Total Room Rental Per Event Revenue				\$127,500	\$191,250	\$255,000	\$258,825	\$245,884	\$248,948
Equipment and Services Rental		\$2,500	2.0%	\$315,000	\$481,950	\$642,600	\$652,239	\$619,627	\$627,349
Total Room Rental Revenues				\$442,500	\$673,200	\$897,600	\$911,064	\$865,511	\$876,297
Room Rental Expenses (10% of Gross)			10%	\$12,750	\$19,125	\$25,500	\$25,883	\$24,588	\$24,895
Equipment and Service Expenses (35% of Gross)			35%	\$110,250	\$168,683	\$224,910	\$228,284	\$216,869	\$219,572
Total Room Rental Expenses				\$123,000	\$187,808	\$250,410	\$254,166	\$241,458	\$244,467
Net Income				\$319,500	\$485,393	\$647,190	\$656,898	\$624,053	\$631,830

Source: Economics Research Associates



Figure 39
Food and Beverage

		Year 1		Year 2		Year 3		Year 4		Year 5		Year 10	
		Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Food Revenue Per Capita Per Event													
Corporate Use	Major	\$25.00		\$25.75		\$26.52		\$27.32		\$28.14		\$32.62	
	Large	\$25.00		\$25.75		\$26.52		\$27.32		\$28.14		\$32.62	
	Small	\$25.00		\$25.75		\$26.52		\$27.32		\$28.14		\$32.62	
Associations	Major	\$25.00		\$25.75		\$26.52		\$27.32		\$28.14		\$32.62	
	Large	\$20.00		\$20.60		\$21.22		\$21.85		\$22.51		\$26.10	
	Small	\$20.00		\$20.60		\$21.22		\$21.85		\$22.51		\$26.10	
Seminars and Professional Training	Major	\$7.00		\$7.21		\$7.43		\$7.65		\$7.88		\$9.13	
	Large	\$7.00		\$7.21		\$7.43		\$7.65		\$7.88		\$9.13	
	Small	\$7.00		\$7.21		\$7.43		\$7.65		\$7.88		\$9.13	
Educational	Major	\$7.00		\$7.21		\$7.43		\$7.65		\$7.88		\$9.13	
	Large	\$7.00		\$7.21		\$7.43		\$7.65		\$7.88		\$9.13	
	Small	\$7.00		\$7.21		\$7.43		\$7.65		\$7.88		\$9.13	
Special Events	Major	\$2.50		\$2.58		\$2.65		\$2.73		\$2.81		\$3.26	
	Large	\$2.50		\$2.58		\$2.65		\$2.73		\$2.81		\$3.26	
	Small	\$2.50		\$2.58		\$2.65		\$2.73		\$2.81		\$3.26	
Community Groups and Social Events	Major	\$20.00		\$20.60		\$21.22		\$21.85		\$22.51		\$26.10	
	Large	\$20.00		\$20.60		\$21.22		\$21.85		\$22.51		\$26.10	
	Small	\$20.00		\$20.60		\$21.22		\$21.85		\$22.51		\$26.10	
Food Revenue Per Capita Per Event													
Corporate Use	Major	\$0		\$0		\$0		\$0		\$0		\$0	
	Large	\$15,000		\$23,175		\$31,827		\$33,274		\$32,558		\$38,214	
	Small	\$39,000		\$60,255		\$82,750		\$86,511		\$84,651		\$99,357	
Associations	Major	\$25,000		\$38,625		\$53,045		\$55,456		\$54,264		\$63,690	
	Large	\$12,000		\$18,540		\$25,462		\$26,619		\$26,047		\$30,571	
	Small	\$3,900		\$6,026		\$8,275		\$8,651		\$8,465		\$9,936	
Seminars and Professional Training	Major	\$0		\$0		\$0		\$0		\$0		\$0	
	Large	\$4,200		\$6,489		\$8,912		\$9,317		\$9,116		\$11,116	
	Small	\$8,190		\$12,654		\$17,378		\$18,167		\$17,777		\$21,777	
Educational	Major	\$3,500		\$5,408		\$7,426		\$7,764		\$7,597		\$9,136	
	Large	\$2,800		\$4,326		\$5,941		\$6,211		\$6,078		\$7,316	
	Small	\$1,365		\$2,109		\$2,896		\$3,028		\$2,963		\$3,597	
Special Events	Major	\$2,500		\$3,863		\$5,305		\$5,546		\$5,426		\$6,546	
	Large	\$3,000		\$4,635		\$6,365		\$6,655		\$6,512		\$7,862	
	Small	\$0		\$0		\$0		\$0		\$0		\$0	
Community Groups and Social Events	Major	\$20,000		\$30,900		\$42,436		\$44,365		\$43,411		\$51,952	
	Large	\$24,000		\$37,080		\$50,923		\$53,238		\$52,093		\$62,952	
	Small	\$62,400		\$96,408		\$132,400		\$138,418		\$135,442		\$161,143	
Total Food Revenue		\$226,855		\$350,491		\$481,341		\$503,218		\$492,399		\$593,864	



Figure 39-A

Food and Beverage

	Inflation	Year 1		Year 2		Year 3		Year 4		Year 5		Year 10	
		Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Food Revenue Per Capita Per Event													
Cost of Goods													
Food		\$68,057	30.0%	\$105,147	30.0%	\$144,402	30.0%	\$150,965	30.0%	\$147,720	30.0%	\$106,159	30.0%
Allowance		(\$454)	-0.2%	(\$701)	-0.2%	(\$963)	-0.2%	(\$1,006)	-0.2%	(\$985)	-0.2%	(\$708)	-0.2%
Cost of Goods		\$67,603	29.8%	\$104,446	29.8%	\$143,440	29.8%	\$149,959	29.8%	\$146,735	29.8%	\$105,451	29.8%
Payroll & Benefits													
Payroll													
Manager	2.5%	\$34,028	15.0%	\$52,574	15.0%	\$72,201	15.0%	\$75,483	15.0%	\$73,860	15.0%	\$53,080	15.0%
Servers		\$6,976	3.0%	\$10,515	3.0%	\$14,440	3.0%	\$15,097	3.0%	\$14,772	3.0%	\$10,616	3.0%
Set up		\$6,976	3.0%	\$10,515	3.0%	\$14,440	3.0%	\$15,097	3.0%	\$14,772	3.0%	\$10,616	3.0%
Chef		\$51,250	15.0%	\$52,574	15.0%	\$72,201	15.0%	\$75,483	15.0%	\$73,860	15.0%	\$53,080	15.0%
Cook		\$25,625	10.0%	\$35,049	10.0%	\$48,134	10.0%	\$50,322	10.0%	\$49,240	10.0%	\$35,386	10.0%
Dishwashers		\$5,813	2.5%	\$8,762	2.5%	\$12,034	2.5%	\$12,580	2.5%	\$12,310	2.5%	\$8,847	2.5%
Janitors		\$11,626	5.0%	\$17,525	5.0%	\$24,067	5.0%	\$25,161	5.0%	\$24,620	5.0%	\$17,693	5.0%
Payroll & Benefits	1.25	\$177,868	78.4%	\$234,391	66.9%	\$321,897	66.9%	\$336,527	66.9%	\$329,292	66.9%	\$236,646	66.9%
Non Operating Expense													
Non Operating Expense	1.00	\$22,686	10.0%	\$35,049	10.0%	\$48,134	10.0%	\$50,322	10.0%	\$49,240	10.0%	\$35,386	10.0%
Total Expenses		\$268,156	118%	\$373,886	107%	\$513,470	107%	\$536,808	76.9%	\$525,266	76.9%	\$377,484	76.9%
Net Income		(\$41,301)		(\$23,395)		(\$32,130)		(\$33,590)		(\$32,868)		(\$23,620)	
Per Capita Increase	3.0%												
Expenses Increase				3.0%		3.0%		3.0%		3.0%		4.0%	

Source: Economics Research Associates



Figure 40
Advertising and Partnerships

Partnerships

Increase	Year					
	1	2	3	4	5	10

Revenue

Naming Rights	2.50%	\$50,000	\$51,250	\$52,531	\$53,845	\$55,191	\$62,443
Advertising	2.50%	\$25,000	\$25,625	\$26,266	\$26,922	\$27,595	\$31,222
Vending Commission	2.50%	\$3,000	\$3,152	\$6,000	\$6,150	\$6,304	\$7,132
Other							

Revenue	\$78,000	\$80,027	\$84,797	\$86,917	\$89,090	\$100,797
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Sales Commissions

	7.50%	3.75%	3.75%	3.75%	3.75%	3.75%
Naming Rights	\$3,750	\$1,922	\$1,970	\$2,019	\$2,070	\$2,342
Advertising	\$1,875	\$961	\$985	\$1,010	\$1,035	\$1,171
Vending Commission	\$225	\$118	\$225	\$231	\$236	\$267
Sales Commissions	\$5,850	\$3,001	\$3,180	\$3,259	\$3,341	\$3,780

Partnerships	\$72,150	\$77,026	\$81,617	\$83,657	\$85,749	\$97,017
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Source: Economics Research Associates



Figure 41
Operating Expenses

Operating Expenses

	CPI	Year							
		1	2	3	4	5	10		
Salaries & Wages									
	Number	Base							
General Manager	1	\$100,000	2.50%	\$100,000	\$102,500	\$105,063	\$107,689	\$110,381	\$124,886
Event Co-ordinator	3	\$45,000	2.50%	\$135,000	\$138,375	\$141,834	\$145,380	\$149,015	\$168,597
Accounting	1	\$40,000	2.50%	\$40,000	\$41,000	\$42,025	\$43,076	\$44,153	\$49,955
Housekeeping	2	\$34,000	2.50%	\$68,000	\$69,700	\$71,443	\$73,229	\$75,059	\$84,923
Engineer/ AV	1	\$40,000	2.50%	\$40,000	\$41,000	\$42,025	\$43,076	\$44,153	\$49,955
Total Salaries	8			\$383,000	\$392,575	\$402,389	\$412,449	\$422,760	\$478,315
Fringe Benefits & Taxes			30%						
Total Salaries				\$114,900	\$117,773	\$120,717	\$123,735	\$126,828	\$143,494
Conference Center Staff (Part Time)									
No. of Events				126	189	252	256	243	246
Average Staff / Event				16	16	16	16	16	16
Average Hours/Person				4	4	4	4	4	4
Average \$/Hour			2.50%	\$10.00	\$10.25	\$10.51	\$10.77	\$11.04	\$12.49
Conference Center Staff (Part Time)				\$80,640	\$123,984	\$169,445	\$176,286	\$171,659	\$196,636
Salaries & Wages	1.00			\$578,540	\$634,332	\$692,551	\$712,470	\$721,247	\$818,445
Marketing & Promotions Expense									
Marketing Costs	1.00		2.50%	\$150,000	\$153,750	\$157,594	\$161,534	\$165,572	\$187,329
Marketing & Promotions Expense				\$150,000	\$153,750	\$157,594	\$161,534	\$165,572	\$187,329
Utilities & Maintenance									
Utilities(@\$2/sq. ft. gla)	1.00		2.50%	\$40,000	\$41,000	\$42,025	\$43,076	\$44,153	\$49,955
Building R & M			2.50%	\$15,000	\$15,375	\$15,759	\$16,153	\$16,557	\$18,733
Cleaning			2.50%	\$10,000	\$10,250	\$10,506	\$10,769	\$11,038	\$12,489
Building Supplies			2.50%	\$8,850	\$9,071	\$9,298	\$9,530	\$9,769	\$11,052
Utilities & Maintenance				\$73,850	\$75,696	\$77,589	\$79,528	\$81,517	\$92,229
Operating Expenses				\$802,390	\$863,778	\$927,733	\$953,532	\$968,336	\$1,098,003

Source: Economics Research Associates



Figure 42
Detailed Convention Center Pro Forma

	Year 1		Year 2		Year 3		Year 4		Year 5		Year 10	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Number of Event Days	126		189		252		256		243		246	
Annual Attendance	14,340		21,510		28,680		29,110		27,655		27,999	
Operating Revenues												
Food & Beverage	\$226,855	30.4%	\$350,491	31.8%	\$481,341	32.9%	\$503,218	33.5%	\$492,399	34.0%	\$353,864	26.6%
Room Rental	\$442,500	59.2%	\$673,200	61.0%	\$897,600	61.3%	\$911,064	60.7%	\$865,511	59.8%	\$876,297	65.8%
Partnerships	\$78,000	10.4%	\$80,027	7.3%	\$84,797	5.8%	\$86,917	5.8%	\$89,090	6.2%	\$100,797	7.6%
Operating Revenues	\$747,355	100.0%	\$1,103,718	100.0%	\$1,463,738	100.0%	\$1,501,199	100.0%	\$1,446,999	100.0%	\$1,330,958	100.0%
Expenses												
Departmental Expenses												
Food & Beverage	\$268,156	35.9%	\$373,886	33.9%	\$513,470	35.1%	\$536,808	35.8%	\$525,266	36.3%	\$377,484	28.4%
Room Rental	\$123,000	16.5%	\$187,808	17.0%	\$250,410	17.1%	\$254,166	16.9%	\$241,458	16.7%	\$244,467	18.4%
Partnerships	\$5,850	0.8%	\$3,001	0.3%	\$3,180	0.2%	\$3,259	0.2%	\$3,341	0.2%	\$3,780	0.3%
Departmental Expenses	\$397,006	53.1%	\$564,695	51.2%	\$767,060	52.4%	\$794,233	52.9%	\$770,065	53.2%	\$625,731	47.0%
Operating Expenses												
Salaries & Wages	\$578,540	77.4%	\$634,332	57.5%	\$692,551	47.3%	\$712,470	47.5%	\$721,247	49.8%	\$818,445	61.5%
Marketing & Promotions Expense	\$150,000	20.1%	\$153,750	13.9%	\$157,594	10.8%	\$161,534	10.8%	\$165,572	11.4%	\$187,329	14.1%
Utilities & Maintenance	\$73,850	9.9%	\$75,696	6.9%	\$77,589	5.3%	\$79,528	5.3%	\$81,517	5.6%	\$92,229	6.9%
Operating Expenses	\$802,390	107.4%	\$863,778	78.3%	\$927,733	63.4%	\$953,532	63.5%	\$968,336	66.9%	\$1,098,003	82.5%
Expenses	\$1,199,396	160.5%	\$1,428,473	129.4%	\$1,694,794	115.8%	\$1,747,765	116.4%	\$1,738,401	120.1%	\$1,723,734	129.5%
Net Operating Income	(\$452,041)	-60.5%	(\$324,755)	-29.4%	(\$231,056)	-15.8%	(\$246,566)	-16.4%	(\$291,401)	-20.1%	(\$392,776)	-29.5%

Source: Economics Research Associates

Appendix

Other Regional Facilities

ERA has identified several other regional facilities, including hotels, conference centers, and university facilities.

Santos Manuel Student Union, Cal State University San Bernardino

Santos Manuel Student Union at Cal State San Bernardino re-opened in April 2006. The student union has been expanded to more than 83,000 square feet, which is more than twice its previous size. Renovations include 22,000 square feet of existing space and the addition of 40,000 square feet of new indoor space. The renovated student union features larger dining areas with more restaurant choices; more office space for student clubs and organizations; additional space for the university's Cross Cultural Center, Women's Resource Center and Adult Re-Entry Center; a 200-seat theater for films, concerts and speakers; meeting rooms; student lounges and a large two-story lobby area at the hub of the building. In addition, a 7,700-square-foot Events Center is available for banquets, lectures, conferences and special events.

Funding for the renovation and expansion project was provided mainly through student fees. In March 2001, Cal State San Bernardino students voted to increase campus fees for students to expand the student union and construct a recreation center. Construction on the \$18 million project began in June 2004.

Along with student fees, the building was funded through a major gift from the San Manuel Band of Mission Indians, who contributed \$3 million to the university. This gift represents the largest ever received by the Cal State San Bernardino main campus. It is also the largest gift from a Native American tribe to any of the 23 campuses of California State University, resulting in the first building named after a tribe at a CSU campus.

Etiwanda Gardens, Rancho Cucamonga

Etiwanda Gardens is 10-acre, outdoor/indoor special event venue in the rural eastern section of Rancho Cucamonga, approximately 29 miles south of Hesperia. The venue was originally built in 1966 as a Buddhist temple, with landscaped grounds, Koi ponds, and other Japanese influences. Etiwanda Gardens is used for weddings, anniversaries, meetings, conferences, reunions and picnics.



In addition to the grounds/garden area, other on-site facilities include a banquet hall and wedding chapel. The Banquet Hall can accommodate up to 800 people, in addition to three break-out rooms. Full state-of-the-art audio/video and telecommunications equipment as well as internet conferencing are available. On- and off-site catering is also available. The venue is catered exclusively by Stone Mountain Catering.

A room rental fee is charged in addition to per-person meal/banquet charges. Wedding ceremonies are charged \$750 for use of the chapel or \$1,000 for a garden ceremony, over a maximum two-hour period. Reception fees for utilization of the banquet hall for a four- to five-hour period depend on the day and number of persons in the party. For example, Saturday rental fees start at \$250 for groups of 300 or more, to as high as \$1,500 for smaller parties of between 50 to 99 guests. Between Sundays and Fridays, rates are lower. Groups of 250 or more are waived the rental fee, and small groups of 50 to 99 guests are charged \$1,000. Four banquet packages are available and range from \$34 to \$67 per person.

Management estimates that an average of 4 groups per week, or 16 groups per month, utilize the venue. These groups include Rotary clubs, area businesses, school events, and other local groups. With regard to weekend banquets and weddings, an average of 10 events per month utilize the facility. These groups include weddings, retirement parties, and quinceaneras. This would suggest demand for 300 events annually.

The Rancho Cucamonga Chamber of Commerce has utilized the facility for business networking events.

Northwoods Resort, Big Bear Lake

Northwoods Resort is an 11-year-old facility that is the largest resort and conference venue in the Big Bear area. It is situated approximately 1.5 blocks from Big Bear Lake and within walking distance of the city's Bavarian Village. The facility has 148 rooms that range in price from \$109 per night to \$239, depending on the weekday/weekend and season.

With a combined total of over 4,100 square feet of meeting space, the conference/meeting rooms can accommodate from 10 to 400 people theater style. Banquet style seating is available for up to 280 persons.

The Northwoods Conference Center contains a ballroom on the first floor that is divisible into four spaces ranging from 900 to 1,800 square feet. Smaller meeting rooms are situated on the second floor of the facility, accommodating groups ranging between 20 to 90 persons. Luncheon buffet prices start at \$13 per person, and dinner prices can run as high as \$50 per person.

While the number of annual events is not available, management estimates that they are evenly divided between social and corporate events. Because Big Bear Lake is a resort destination, the facility attracts users/groups from all over the country. The busiest periods are during December for Christmas parties and the summer months for weddings. During the summer the venue hosts an average of three weddings per month.

Hilton San Bernardino, San Bernardino

Hilton San Bernardino has 250 guest rooms and 14,000 square feet of meeting space. The largest meeting room contains approximately 5,000 square feet of space. At this time, it is the most upscale hotel meeting facility in the immediate San Bernardino market and is currently undergoing an extensive interior renovation.

Their competitors are the Clarion Hotel and, to some extent, the National Orange Show (“NOS”). According to management, however, the NOS is capable of hosting large banquets but does not have break-out rooms. For this reason, the Hilton and Clarion have a competitive advantage since they offer both banquet space and break-out rooms.

Management would not provide user profiles or an average number of weekly events, but reported that they generate a fair amount of corporate business during the weekdays. Fees are provided on a sliding scale depending on food and beverage options. Rental of the ballroom, exclusive of food and beverage charges, is \$2,400 per day. The fee is waived if more than \$8,000 in food and beverage sales are charged. Breakfast packages start at \$12 to \$19, \$17 to \$24 for lunch, and \$26 to \$30 for dinner.

Castaway Restaurant and Banquet Center, San Bernardino

The Castaway is a restaurant and banquet center that sits upon a hilltop in San Bernardino. The venue is over 30 years old. Owned and operated by Specialty Restaurants Corp., headquartered in Anaheim, it is one of three of the company's restaurants. The others are in Burbank and in Tampa, Florida. In addition to the banquet business, the restaurant



features lunch and dinner buffets on Tuesdays, Wednesday, Thursdays, and Sundays only. Weekend luncheon buffets and dinners are available on Fridays and Saturdays.

The facility has 5 event spaces. Areas and capacities are as follows:

- Waikiki: 250 to 300 person capacity, depending on whether the dance floor is included.
- Gazebo: 225-person capacity
- View: 200-person capacity
- Terrace: 70-person capacity
- VIP Room: 70-person capacity

There is a small charge for ceremonies but no charge for room rental, if meals are included. Prices start at \$17 up to \$40 per person, depending on the time of day and day of the week.

Management estimates that, on average, the venue hosts 36 events per month, excluding weekly Rotary meetings and another group that utilizes the facility on a weekly basis. This includes an average of 30 social events (83 percent of monthly events) and 6 meetings (17 percent). This would indicate that The Castaway Restaurant and Banquet Center hosts approximately 430 events annually.

Clarion Hotel and Convention Center, San Bernardino

Formerly the Radisson Hotel, the Clarion Hotel and Convention Center is situated in downtown San Bernardino on E Street, adjacent to the Carousel Mall and approximately 25 minutes from Ontario International Airport.

The hotel features 230 guest rooms and approximately 19,000 square feet of meeting space, including a 12,996-square-foot ballroom on the street level, a 1,800-square-foot and 1,620-square-foot meeting room on the lower level, and a 2,500-square-foot room on the upper level. Last renovated in 2000, the facility is capable of accommodating groups of 10 to 1,300.

The ballroom rents for a flat fee of \$4,000, exclusive of food charges. Per person food and beverage service can range from \$13 to \$17 for breakfast, \$16 to \$20 for lunch, and \$23 to \$36 for dinner.

The Clarion primarily targets SMERF groups during the weekends and government-related businesses during the weekdays.

Lake Arrowhead Resort, Lake Arrowhead

The Lake Arrowhead Resort recently underwent a \$17 million transformation. It is situated adjacent to the Lake Arrowhead Village shopping district. The facility has 173 renovated guestrooms, 11,000 square feet of meeting space, and a full-service spa.

The largest room is the Lake Arrowhead Ballroom, which can accommodate up to 400 persons reception-style or 300 for a banquet. Comprising over 4,000 square feet, the room is divisible into three sections. The boardroom features a business center, wet bar, lounge, and restroom and offers conference-style seating for 16. Banquet prices range from \$17-\$28 per person for breakfast, \$21-\$42 per person for lunch, and \$42-\$68 per person for dinner.

While management would not provide statistics on the number of events held on-site, they estimate that on average three groups per day use the space. This would mean that more than 1,000 events are held at the resort annually. In terms of utilization, this number makes the venue comparable to banquet/meeting facilities in more urban parts of Los Angeles such as Almansor Court in Alhambra and Descanso Gardens in La Canada/Flintridge.

Larry Chimbole Cultural Center, Palmdale

While the Chimbole Center is not likely to be a potential competitor, it is worth discussing since, similar to the Victor Valley, (a) the Antelope Valley is a fast-growing market that is comparable in size; and (b) the Antelope Valley currently has limited hotel/meeting capacities; and (c) the Center has achieved high utilization.

Located 47 miles east of Hesperia, The Larry Chimbole Cultural Center is currently the largest meeting facility in the Antelope Valley with approximately 21,800 square feet of

space¹⁴ It is ERA's further understanding that the City of Palmdale has been pursuing the development of a convention/conference center for years, though no plans have been formalized or funding sources identified.

It should be noted that the City of Lancaster formerly held a hotel & convention center in Lancaster. The Essex House contained two large banquet and meeting rooms with a total of over 33,000 square feet each, for a combined total of over 67,000 square feet. In discussions with city officials, it is ERA's understanding that demand and utilization for the venue declined as Antelope Valley hotels with meeting facilities were built along Highway 14. The Essex House is presently being converted to a senior facility.

Meeting rooms at the Center can accommodate conferences and a large upstairs banquet room includes a commercial kitchen and stage. The Center is used for events ranging from meetings, banquets, special events, fundraisers, receptions, anniversaries and family reunions.

Facilities and rooms at the Center include the following:

Manzanita Ballroom, which will accommodate up to 270 people for a dinner/dance, 300 for dining and 350 with theater-style seating. The hourly fee for the room is \$115 per hour, or \$128 per hour if the kitchen and stage are included. A \$376 deposit is required.

Primrose Room, which will accommodate 40 people with seating at 30-inch round tables. The venue is utilized for meetings, luncheons, dinner parties and receptions. The room rents for \$40 per hour with a \$130 deposit.

Lilac Room, which will accommodate 50 people with theater-style seating or 30 people with classroom-style seating. The room is used for smaller meetings. The room rents for \$40 per hour with a \$130 deposit.

Sage Room, which will accommodate 20 people. The room rents for \$40 per hour with a \$130 deposit.

¹⁴ This excludes the Antelope Valley Fairgrounds which has the Poppy Pavilion at 28,100 capacity with a 2200 person capacity.

Joshua Room, which will accommodate 50 people with theater-style seating or 30 people with classroom-style seating. The room is frequently used for recreation programs, instructional classes and occasional meetings. The room rents for \$40 per hour with a \$130 deposit.

In addition, there is an outdoor fountain and gazebo, Poncitlán Square, which is a frequent location for outdoor wedding ceremonies, reception photos and intimate gatherings. The venue rents for \$51 per hour with a \$130 deposit.

It should be noted that equipment and staffing services are additional. The Center does not have an outside caterer, so guests can bring in their own food and beverage. If alcohol is served, a deposit is required.

One unique feature of the Center is that rooms can be rented on an hourly basis. Management estimates that an average of 80 groups utilize the facility on a weekly basis, many for a short period of time. This includes a variety groups ranging from local non-profit organizations and crafts classes to companies looking for training space. The ballroom is utilized nearly every weekend for social events such as quinceaneras and weddings. Based on these average numbers, ERA estimates that the Center generates between 900 and 1,000 events annually, which includes repeat user groups that utilize the facility on a weekly basis throughout the year.

NOS Event Center, San Bernardino

Adjacent to downtown San Bernardino, the National Orange Show Events Center is home to the National Orange Show which attracted 120,000 persons in 2006. Approximately 300 events are held on the grounds each year.

The facility contains the 5,000-person capacity, 30,000-square-foot Orange Pavilion, which is used for sporting and concert events, a speedway with 9,500 permanent seats, and several other buildings with meeting space as shown in Figure 43. The Events Center also has a satellite wagering facility that can seat up to 250 people and is available for teleconferencing.

According to Events Center sales staff, the facility is primarily used for events such as consumer shows, sporting events, and concerts. These types of events comprise an estimated 70 percent of total annual events. Weddings are the second largest event,

comprising an estimated 20 percent of business, followed by weekday meeting business at 10 percent.

Figure 43

National Orange Show Facilities

Venue	Capacity ¹	SF	Uses
Dome	1,500	n/a	Receptions, quinceaneras, dances, small concerts
Citrus	3,500	24,300	Tradeshows, exhibits, small concerts, dance parties
Damus	5,000	40,000	Sporting events, car shows, exhibits, dance parties, auctions
Orange Pavilion	5,000	30,000	Concerts, sporting events, car shows, exhibits, dance parties, auctions
L'Orange Room	150	3,400	Banquets, receptions
Renaissance Room	600	8,400	Banquets, receptions, corporate meetings
Executive Club	280	8,500	Client parties, employee events, networking receptions, corporate presentations, holiday parties, celebrations
Valencia Ball Room	800	12,000	Large banquet, receptions, quinceaneras, dances, corporate functions
Breakout Ball Rooms	200	3,450	Banquets, receptions, quinceaneras, corporate meetings

¹ Capacities for Dome, Citrus and Damus are for theater style arrangements only. Capacities for remaining six venues are for banquet-style.

Source: National Orange Show

To increase the amount of social and weekday business that their other older facilities were unable to attract, the facility recently added the Valencia Room ballroom/banquet hall. The venue opened approximately three years ago and is the newest facility at the National Orange Show grounds.

Offering state-of-the-art technology such as WIFI high-speed Internet access, the 15,000-square-foot venue contains a Grand Ballroom which can hold between 500 and 600 guests banquet style and 1,000 for a reception, three break-out rooms that can seat 200 guests per room, a Design Center and Bridal Suite. Management reports high utilization and advance weekend bookings. The Valencia Room averages 12 to 15 events per month, for



an annual estimate of 140 to 180 events per year. Meal packages start at \$18 to as high as \$27 per person.

It is ERA's understanding that the City of San Bernardino was pursuing discussions at one point with the NOS about the possible construction of a convention center on site. However, the plan was cancelled.

UCLA Conference Center, Lake Arrowhead

The UCLA Conference Center in Lake Arrowhead is owned by the University of California. It is located in the resort community of Lake Arrowhead, over 40 miles southeast of Hesperia. At present, it is not certified by the International Association of Conference Centers but is seeking certification.

The history of the facility dates back to the early 1920s when it was built as North Shore Tavern, with a main lodge and nine guest cottages. The facility is open for conferences approximately 9.5 months out of the year. For a period of 2.5 months between mid-June through Labor Day, it is closed to conferences and used for UCLA's Alumni Association's Family Resort camp program.

The Center can accommodate conferences of up to 200 persons in 12 meeting rooms that range in size from approximately 250 to 1500 square feet. The largest room is the Pineview Room at 1500 square feet. Their Complete Conference Plan rate is per person, per night that includes lodging, three full meals, meeting rooms, audio-visual equipment, and coffee service during meetings. Package prices start at \$165 per person/night for double occupancy, up to \$225 per person/night for the Deluxe Single Plan.

Management reports that occupancy has grown from 11,000 for a 12-month season to 31,000 for their nine-month conference season. The center hosts over 300 conferences each year, most of which are University of California groups (41%) but also include a significant portion of other academic groups (24%), and some corporate groups (10%). The remainder is composed of charity, religious, and health organizations.

Management reports that the Center grosses \$6 million annually but would not report net income, expenses, nor provide an idea of what percentage is generated by conferences, etc.

Planned and Proposed Regional Facilities

Aside from the proposed expansions of the Ontario and Riverside Convention Center's, ERA is aware of the following additional venues which are in various planning stages:

- **San Manuel Village** in Highland is a proposed 12-acre, mixed-use development project located in the City of Highland, California. This commercial real estate investment project will include a hotel and conference center (square footage unknown), restaurants, retail space, and offices. In December 2006, the Victoria Development Corp., an enterprise of the San Manuel Tribe, broke ground on the Village.

- The **Arrowhead Resort** in San Bernardino has been closed since 1991. Formerly owned by a Christian ministry, the City of San Bernardino approved the Arrowhead Specific Plan in 2005, which included the construction of several thousand residential units, a new hotel and 25,000 square feet of conference space. It is ERA's understanding, however, that this plan is on hold at this time.