

MARKET AND FINANCIAL FEASIBILITY ANALYSIS

RETAIL ■ DINING ■ LODGING ■ CONFERENCE CENTER

KINGMAN COUNTY, KANSAS

AND THE CITIES OF KINGMAN, NORWICH AND CUNNINGHAM



KINGMAN
COUNTY
ECONOMIC
DEVELOPMENT
COUNCIL

Place
Dynamics

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Economic Development Council

By Place Dynamics LLC

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Project Overview

While many communities place a priority on attracting industry as an economic development strategy, there is a strong argument to be made to maintain and grow the service sector as well. These businesses are critical to the quality of life enjoyed by residents. Access to these businesses, within the local economy, can be an important consideration in decisions to remain or move to the area. In turn, the primary businesses that will provide local employment see these services as an indicator that the community can sustain the workforce necessary for them to be competitive.

The Kingman County Economic Development Council has sought to understand the potential for retail, dining, and lodging businesses in the County, and specifically within the three largest cities of Kingman, Cunningham, and Norwich. In addition, the Council has been asked to examine the potential market for a conference center capable of accommodating activities with a minimum of 100 attendees.

In 2015 the Council retained Place Dynamics to complete a market study and fiscal analysis related to these objectives. In doing so we have extensively toured the region to examine the existing business base and competition, spoken with several business owners in the county, and compiled detailed demographic and market data presented in the following chapters.

Location and Context

Kingman County is located in the south central part of Kansas about 20 miles west of the City of Wichita, and is part of the Wichita Metropolitan Statistical Area. Its principal cities are Kingman, which is the county seat and has a population of 3,177, along with Cunningham (population 454) and Norwich (population 491).

Wichita is the dominant city within the region, drawing people from all of southwestern and southcentral Kansas for employment, shopping, and entertainment. Many of these people travel along US Highway 54, which bypasses Cunningham and bisects Kingman as it passes through the county. Eventually the route will also bypass Kingman, but current plans do not call for that improvement for over a decade. Travel on the highway has grown steadily over the last ten years, increasing by about 20 percent between Wichita and Kingman, and somewhat less further to the west.

Historically, it has been the east side of Wichita that has attracted the most investment from chain retailers. This is changing as more developers see an opportunity on the west side, and many of the larger national chains have stores west of I-235 on either side of US Highway 54. Due to the presence of the airport, many hotels have also developed in the area.

Pratt, lying about 35 miles due west, intercepts traffic before it reaches Kingman. With a population of 6,835, Pratt is about twice the size of Kingman and has added new residents over the past decade. A much larger assortment of retail stores are found in Pratt, including national chains like Walmart and Tractor Supply Company. The city also has several hotels, including four that have recently opened or will soon open.

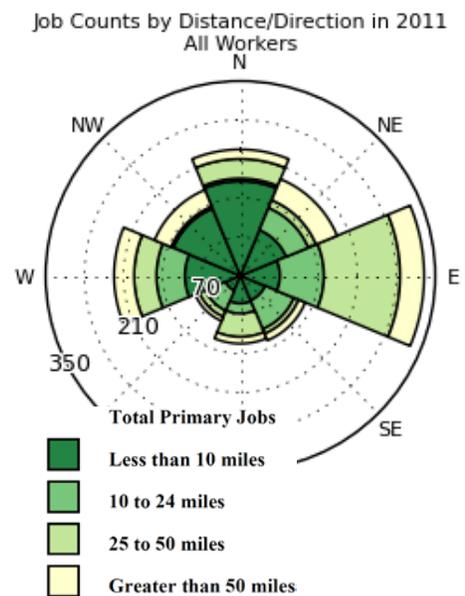
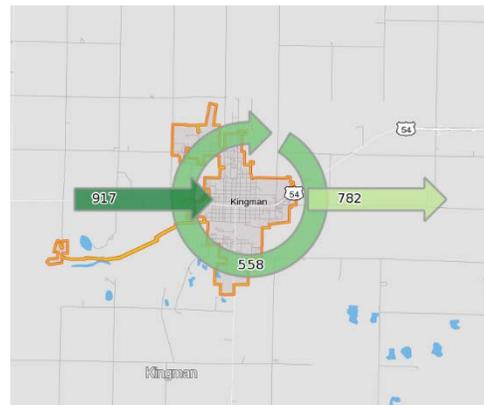
Demographic and Economic Conditions

Like many of the rural counties in the state, Kingman County has seen a decline in its population. From a peak of 13,386 residents in 1910, the number of residents has steadily dropped to an estimated 7,698 in 2014. The population is aging, with a median age of 44, compared to 36 for all of Kansas. It is a very homogenous population, with 96.7 percent white. Incomes lag the state average.

The employment picture has changed only slightly over the past decade. In 2002 there were 1,547 jobs in the City of Kingman. By 2011 the count had dropped to 1,475. Most of the losses were in jobs held by persons under the age of 30, and in sectors including construction, wholesale and retail trade, transportation and warehousing, educational services, and accommodation and food services. Job gains were largest among manufacturing, finance and insurance, and administration and support.

More people come into the community to work than leave. This is not unexpected, as most businesses locate in the city rather than in the surrounding countryside. Most of the city's workers are drawn from Kingman itself (588, or 37.8 percent), followed by Wichita (7.0 percent), Cunningham (2.2 percent), Norwich (2.2 percent), Hutchinson (1.7 percent), and Pratt (1.6 percent). Of the 1,340 working people living in the city, a majority (588, or 41.6 percent) also work in the city. Top destinations for work include Wichita (16.9 percent), Hutchinson (3.7 percent), El Dorado (2.5 percent) and Pratt (2.2 percent).

Results for all of Kingman County are somewhat different. While 1,103 people commute into the county to work, and 1,265 county residents are also employed in the county, 2,083 residents leave to work in another county. Most county residents work in Kingman (919, or 27.4 percent) followed by Wichita (19.6 percent) Hutchinson (3.5 percent), Pratt (3.3 percent), Cunningham (3.1 percent), and Cheney (2.4 percent).



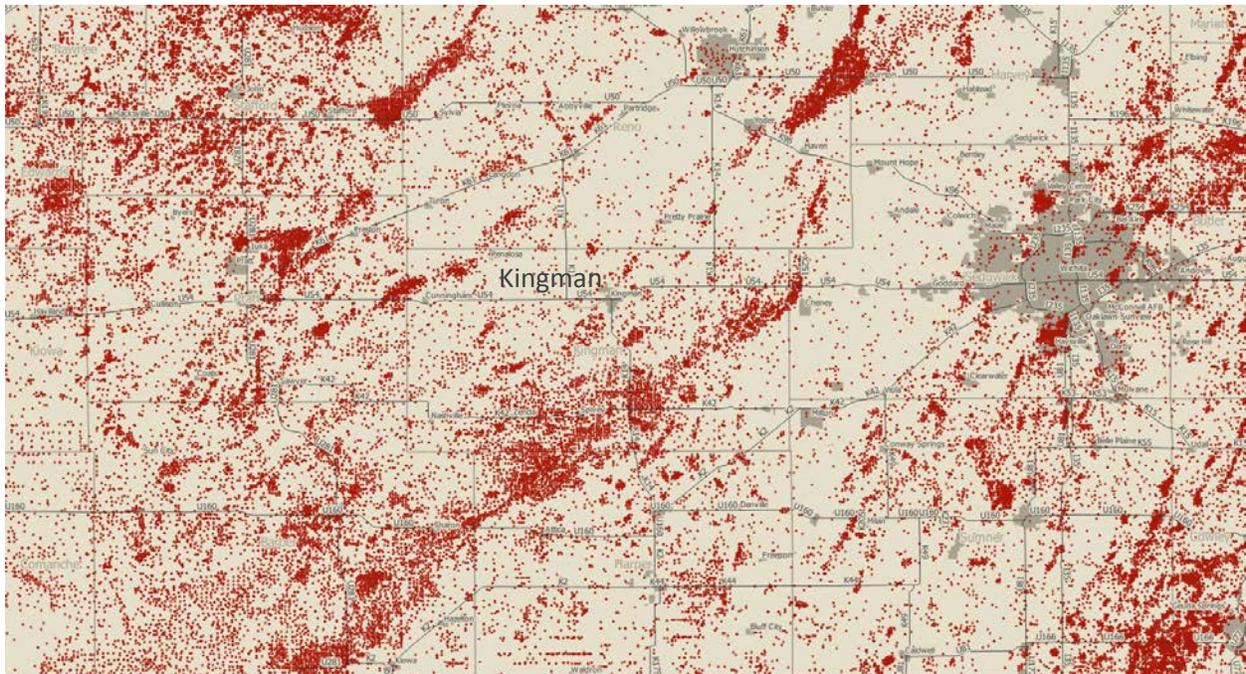
Meanwhile, workers in the county originate from the City of Kingman (664, or 28.0 percent), followed by Wichita (7.1 percent), Cunningham (3.3 percent), Pratt (3.3 percent), Norwich (1.9 percent), and Hutchinson (1.7 percent).

The overall job count in Kingman County declined from 3,517 in 2002 to 3,348 in 2011. Sectors experiencing the greatest losses include construction, manufacturing, retail trade, educational services, and accommodation and food services. Sectors gaining the most employment include wholesale trade, finance and insurance, professional, scientific and technical services, and administration and support. There was a decline in the number of jobs held by persons under 30 as well as those held by persons between 30 and 54, while the number of jobs held by persons aged 55 or older increased significantly.

Oil and Gas

The oil and gas industry is among the major generators of employment and customer traffic in the region. This industry has traditionally been centered around Pratt, however, some of it spills over to other communities including those in Kingman County, where several oil and gas related businesses are located.

OIL AND GAS WELLS IN THE REGION





There are 49 businesses in the county that have some component of retail in their operations, though this may be very limited in some of them. A majority of the business (38) are located in Kingman, with most of the remainder (6) in Norwich. Similarly, eleven of thirteen restaurants in the county are in Kingman. Norwich and Zenda each have one.

Several businesses appear to have closed somewhat recently. Alco, of course, closed its Kingman store when the company filed for bankruptcy and liquidated in 2014. Losing that anchor has had a serious impact on the strength of Kingman's retail sector overall. Cunningham's last gas station, Convenience Xpress, also closed. Given the current state of the parent company of Radio Shack, there should be some concern concerning the fate of this business.

Several restaurants have recently closed, including the restaurant at the Kingman Country Club, which was recently acquired and will reopen in July of 2015, Ling's Place (Cunningham), Game Day (Norwich), and Sonic (Kingman). The former Kingman Sonic was an older design, smaller than current store prototypes.

The county's retail and dining businesses appear to be facing all of the challenges typical of establishments in rural communities. There is a limited and declining population base and businesses have not figured out, either individually or collectively, how to attract customers from beyond the area. Competition in surrounding larger communities (Wichita, Hutchinson, and Pratt) has grown stronger over time. The internet is increasingly used for purchases and to research shopping and dining options, but most county businesses have little or no online presence.

Business practices may also be a factor holding back the area's potential. During the area reconnaissance, most of the independent retail businesses were observed to be closed on the weekend and during the evenings. Restaurants were closed on Monday, and some during the weekend, especially on Sunday. Other businesses were not open during their posted hours. Building appearance varies from good to poor. Some businesses do not have good signage or make effective use of display windows. Even among some of the chains, merchandising and maintenance are not consistently good. There does not appear to be much advertising for most of the businesses.

The Kingman County Economic Development Council may consider business training and technical assistance, along with new business attraction, as a strategy for developing its commercial sector. Enabling the businesses already in the county to compete more effectively can help to capture a greater share of the available market potential, and to begin to expand the trade area for all businesses.

Commercial Districts

Kingman has the largest concentration of commercial uses in the county. These are found along US Highway 54 (D Avenue) and in the historic downtown. The downtown is a charming environment with a good deal of potential. Several attractive historic buildings remain, as do the original brick streets. With the right business mix and some investment in both building rehabilitation and streetscaping (particularly trees to provide shade) the downtown could be positioned as a destination shopping area for Wichita residents and other visitors.

The US Highway 54 commercial area contains most of the larger retail uses, including Dollar General and White's Foodliner. The highway has the highest traffic volume in the city. Several large buildings are currently vacant, including the former bowling alley and the Alco store. There are also commercial lots available for development.

Outlying communities typically have small commercial districts centered on their traditional downtown. Norwich is a bit of an anomaly. Perhaps because of the manufacturing plants in the community, the community sustains a larger commercial sector than typical of a community with fewer than 500 residents and a location well off of any major highway. Aside from workers at its businesses, the community will not draw from beyond the immediate area.

Cunningham has the advantage of being located on US Highway 54, along a stretch of four-lane divided roadway, with an interchange. Unfortunately the downtown core is several blocks from the highway and is not visible, so most traffic will bypass without stopping, or even being aware of businesses that may be located in the community. Future development may need to be located near the interchange where it will be visible and easily accessible.

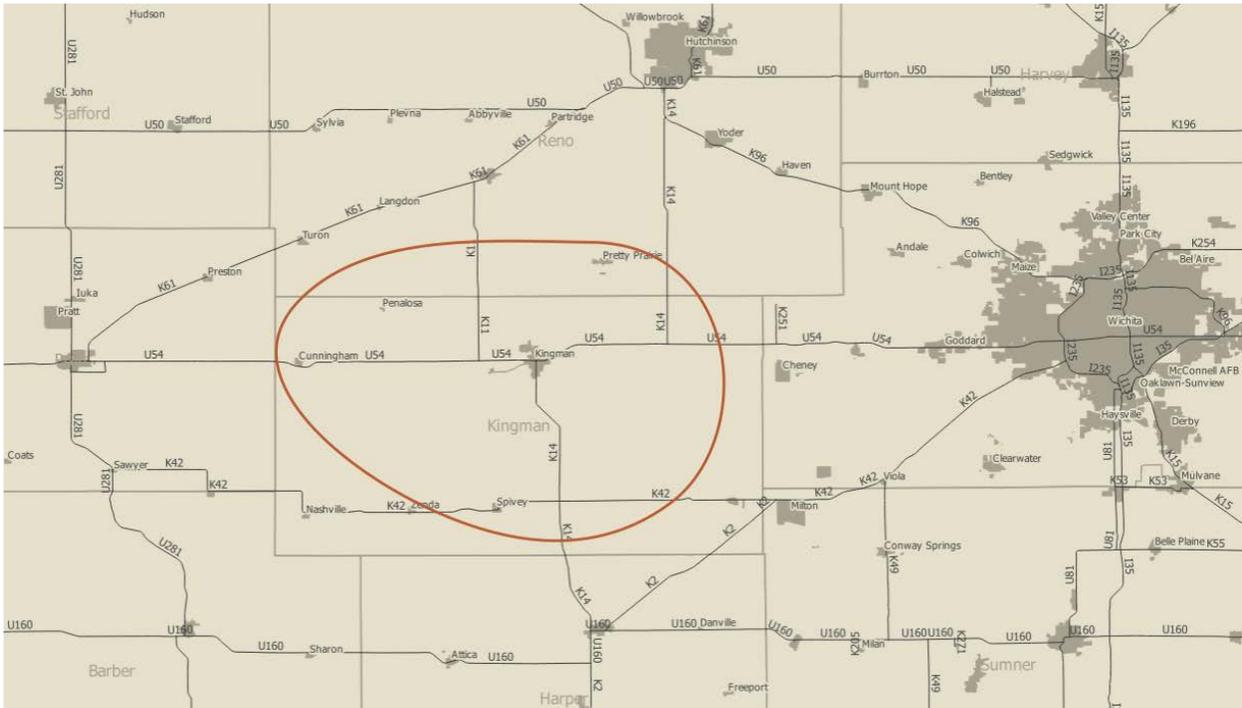
Of the remaining very small communities in the county, only Zenda has any retail and dining businesses, having two retail businesses and a popular restaurant with limited hours. Zenda is a hamlet located along minor highways south and west of Kingman. The Lumber Yard is a well-known restaurant that attracts visitors from a considerable distance, however, it is closed on Sunday and Monday, and only open for lunch on Tuesday and Wednesday.

Trade Area

Kingman has a trade area roughly equal to Kingman County, though it extends as far north as Pretty Prairie and stops short of the county line in the south. This trade area was drawn based on patterns of employment and the relative strength of competitive retail and dining concentrations in surrounding communities. The trade area is typically the territory from which the community's businesses will draw 75 to 85 percent of their sales. Additional sales will be attributable to people living outside of the trade area, visitors to the community, and persons passing though on US Highway 54 on the way to other destinations.

It is important to note that this is an approximation of the trade area for the community in general, and individual businesses may have a smaller or larger trade area based on their own unique circumstances.

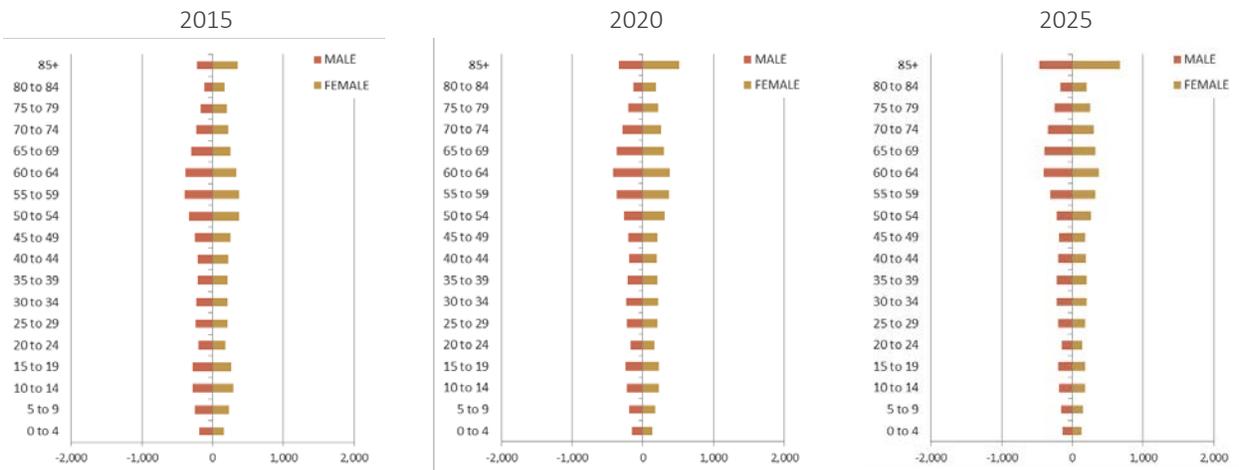
TRADE AREA – CITY OF KINGMAN



Market Demographics

The trade area is currently estimated to have a population of 9,010 residents. Over time this population is projected to decrease to 8,945 persons in 2020, and then to 8,868 persons in 2025. Over time it will also continue to age, with growth in the size of the oldest cohorts, while the population under the age of 60 will decline in size. The current median age is 44.2 years.

CURRENT YEAR AND PROJECTED AGE DISTRIBUTION



The population is overwhelmingly white and non-Hispanic. There are 3,702 households and 2,524 families. Average household size is 2.23 and average family size is 2.71. Of the 4,350 housing units in the trade area, 85 percent are occupied. About three percent are occupied seasonally. Three quarters of occupied housing (75.5 percent) is owned, while one quarter are rented. Mean household income is \$49,511, while per capita income is \$24,563.

Existing Businesses

The following is a list of the retail businesses in Kingman County at the time this analysis was completed, in June of 2015.

Kingman Retail Businesses

4-G Feed & Supply	Folk's Homecenter	NAPA Auto Parts
Arendsdorf Lumber	H & H Drive-thru Liquor	Newberry Family Motors
Attitudes Dance & Athletic Wear	Happy Jack's Antiques and Collectibles	Nu-2-U
Bayak Retail Liquor	Harrel's Outdoor Haven	Prairieland John Deere
Big Dog Outfitters	Heartland Herb Shop	Radio Shack
Bobz Bikz	Henning Retail Liquor	Rick's Hobby & Gift Shop
Casey's Convenience Store	J & B Fishing & Hunting Supplies	Southwestern Nurseries
Cleo's Flower Shop	Kingman Drug	T & W Meat Company
Convenience Mart (Conoco)	Kingman General Store	The Studios
Country Crafts	Kingman True Value	The Thrift Shop
Dixon's True Value Hardware	Automotive/Bumper to Bumper	Unique Antiques and Collectibles
Dollar General	Mollie's Attic	Walds Mart
Erin's		White's Foodliner

Kingman Restaurants

Café Cleo's	Grumpy's Steakhouse & Bar	Pizza Hut
Sweet Pea's Coffee Shop	Houdini's Pizza	Smitty's Carry-out
China Restaurant	Jeri's Kitchen	Subway
Don Chuy's	McDonald's	

Other Retail Businesses

Alamo Guns and Ammo, Norwich	Cunningham Liquor, Cunningham	Rowan's Honey Shop, Norwich
Blasi Service, Zenda	Eagle Grocery Store, Norwich	The Painted Window, Norwich
Brick House Designs, Norwich	Lamp Post Antiques, Cunningham	Ye Olde General Store, Norwich
Country Cottage, Zenda	Main Street Auto Supply, Norwich	

Other Restaurants

RedZ, Norwich	The Lumber Yard Steakhouse, Zenda
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The Kingman County Club's restaurant space is scheduled to formerly reopen on 1 July 2015. The restaurant will seat about 60 people and is unique in that it does have an outdoor dining patio.

Retail Market Conditions

It is possible to estimate how well a local market is performing based on available data about the area, and about consumer behavior in general. The US Bureau of Economic Analysis conducts the annual Consumer Expenditure Survey, which documents how much is spent by consumers on various product lines. This information is further broken out based on characteristics of the consumer unit, such as age, income, race, and other variables. Indexing this information to the trade area population produces the expected product line market potential in the trade area. The Economic Census, conducted every five years, documents the share of each product line sold at each type of retail store. By multiplying the product line potential by the corresponding share, expected sales for each retail store type can be generated.

Sales estimates can be generated for each retail business in the trade area, and aggregated by store classification (NAICS). Dividing the estimated sales of businesses *in the study area* by the market potential for the trade area produces the market share, or the percent of the available market that is captured by existing businesses *in the study area*.

A gap analysis, on the other hand, uses the estimated sales of all businesses *in the trade area*. This is subtracted from the market potential. If sales are greater than the market potential there is said to be a surplus, or businesses in the trade area are capturing extra sales from consumers outside of the trade area. If sales are less than the market potential there is said to be a gap, or that existing businesses are not capturing all of the potential sales.

While a gap is sometimes used as an indicator of the possibility to attract new businesses, the size of the market and strength of the competition are the factors most businesses will use to make a site decision. Any prospective business will determine the market share it expects to capture, apply that percentage to the available market potential, and assess whether the resulting sales are adequate to support a store. The ability to capture market share is based on the strength of competition, so that weak competitors may lose sales to a new store.

Market Potential

Households in the trade area are estimated to be currently spending about \$81 million per year at all types of retail stores. Assuming a two percent rate of inflation, this will grow to \$106 million in 2020 and \$140 million in 2025. These estimates represent only the sales potential generated by residents of the trade area. Some businesses may capture additional sales from individuals visiting or passing through the community, who live beyond the normal trade area, or even via online sales to consumers outside of the area. These amounts will generally be minor in comparison to the trade area potential.

ESTIMATED MARKET POTENTIAL BY RETAIL STORE TYPE

DESCRIPTION	NAICS	2015	2020	2025
New car dealers	441110	\$12,752,319	\$16,684,606	\$22,003,705
Used car dealers	441120	\$1,192,470	\$1,560,178	\$2,057,568
Recreational vehicle dealers	441210	\$270,342	\$353,704	\$466,466
Motorcycle, boat, other vehicle dealers	441220	\$954,959	\$1,249,429	\$1,647,750

ESTIMATED MARKET POTENTIAL BY RETAIL STORE TYPE (CONTINUED)

DESCRIPTION	NAICS	2015	2020	2025
Automotive parts and accessories stores	441310	\$898,744	\$1,175,879	\$1,550,752
Tire dealers	441320	\$595,697	\$779,385	\$1,027,855
Furniture stores	442110	\$991,750	\$1,297,564	\$1,711,232
Floor covering stores	442210	\$426,332	\$557,796	\$735,622
Other home furnishings stores	442290	\$646,755	\$846,187	\$1,115,954
Appliance, television, other electronics stores	443110	\$1,804,776	\$2,361,295	\$3,114,082
Computer and software stores	443120	\$422,627	\$552,948	\$729,230
Camera and photographic supplies stores	443130	\$79,574	\$104,111	\$137,302
Home centers	444110	\$3,136,944	\$4,104,248	\$5,412,693
Paint and wallpaper stores	444120	\$233,260	\$305,187	\$402,482
Hardware stores	444130	\$482,337	\$631,070	\$832,257
Other building material dealers	444190	\$2,860,603	\$3,742,694	\$4,935,876
Outdoor power equipment stores	444210	\$134,902	\$176,500	\$232,769
Nursery, garden center, farm supply stores	444220	\$767,557	\$1,004,240	\$1,324,395
Supermarkets and other grocery stores	445110	\$10,168,694	\$13,304,299	\$17,545,746
Meat markets	445210	\$111,840	\$146,327	\$192,977
Fish and seafood markets	445220	\$36,855	\$48,220	\$63,592
Fruit and vegetable markets	445230	\$69,267	\$90,627	\$119,518
Other specialty food stores	445290	\$111,827	\$146,310	\$192,954
Beer, wine, and liquor stores	445310	\$666,518	\$872,045	\$1,150,055
Pharmacies and drug stores	446110	\$6,013,929	\$7,868,376	\$10,376,836
Cosmetics, beauty supplies, perfume stores	446120	\$305,009	\$399,060	\$526,282
Optical goods stores	446130	\$223,725	\$292,713	\$386,031
Other health and personal care stores	446190	\$421,950	\$552,062	\$728,061
Gasoline service stations with conv. stores	447110	\$6,245,672	\$8,171,578	\$10,776,700
Other gasoline stations	447190	\$2,200,040	\$2,878,442	\$3,796,097
Men's clothing stores	448110	\$137,790	\$180,279	\$237,752
Women's clothing stores	448120	\$716,790	\$937,818	\$1,236,797
Children's and infant's clothing stores	448130	\$153,822	\$201,254	\$265,415
Family clothing stores	448140	\$1,718,483	\$2,248,392	\$2,965,185
Clothing accessories stores	448150	\$103,648	\$135,608	\$178,841
Other clothing stores	448190	\$203,189	\$265,845	\$350,597
Shoe stores	448210	\$434,588	\$568,597	\$749,867
Jewelry stores	448310	\$511,764	\$669,571	\$883,032
Luggage and leather goods stores	448320	\$44,345	\$58,019	\$76,516
Sporting goods stores	451110	\$691,334	\$904,512	\$1,192,873
Hobby, toy, and game stores	451120	\$369,139	\$482,966	\$636,937

ESTIMATED MARKET POTENTIAL BY RETAIL STORE TYPE (CONTINUED)

DESCRIPTION	NAICS	2015	2020	2025
Sewing, needlework, and piece goods stores	451130	\$116,179	\$152,004	\$200,463
Musical instruments and supplies stores	451140	\$114,102	\$149,286	\$196,879
Book stores and news dealers	451210	\$451,002	\$590,073	\$778,189
Prerecorded tape, CD, and record stores	451220	\$77,333	\$101,180	\$133,436
Department stores (excl. discount department stores)	452111	\$1,515,815	\$1,983,230	\$2,615,489
Discount department stores	452112	\$2,897,491	\$3,790,958	\$4,999,525
Warehouse clubs and supercenters	452910	\$6,631,279	\$8,676,091	\$11,442,052
All other general merchandise stores	452990	\$962,816	\$1,259,708	\$1,661,307
Florists	453110	\$145,373	\$190,200	\$250,836
Office supplies and stationery stores	453210	\$498,564	\$652,301	\$860,256
Gift, novelty, and souvenir stores	453220	\$400,891	\$524,509	\$691,724
Used merchandise stores	453310	\$207,686	\$271,728	\$358,356
Pet and pet supplies stores	453910	\$241,796	\$316,356	\$417,211
Art dealers	453920	\$379,511	\$496,536	\$654,833
Manufactured (mobile) home dealers	453930	\$14,669	\$19,192	\$25,310
All other miscellaneous store retailers	453990	\$460,212	\$602,122	\$794,080
Non-store retailer	999900	\$5,900,113	\$7,719,464	\$10,180,450
		\$81,326,998	\$106,404,877	\$140,327,046

Market Share and Gap Analysis

Kingman County is estimated to capture about 57 percent of the market potential in the trade area (market share). That means that nearly half (43 percent) of all purchases made by households in the trade area are occurring outside of the county. Based on an examination of data compiled by the Kansas Department of Revenue, a growing percentage of spending by local households is being captured elsewhere.

The following table breaks out estimated sales by retail category, indicating the market share being captured in Kingman County, and the sales gap or surplus. A gap occurs when businesses in the category are not capturing all of the potential spending attributable to that category. A surplus occurs when the estimated sales of businesses in the category exceeds what would normally be expected to be spent at that type of store.

A surplus is shown for several retail types. Much of this is attributable to the lack of other similar stores in the market. For example, home centers, paint and wallpaper stores, and hardware stores all sell similar merchandise. Because there are no home centers (such as Home Depot or Lowe's) or paint and wallpaper stores in the county, trade area residents may be inclined to divert some of what they might normally spend at these stores to the area's hardware stores, rather than drive the greater distance to another store type.

2015 ESTIMATED MARKET SHARE AND GAP OR SURPLUS

DESCRIPTION	NAICS	NUMBER	MARKET SHARE	GAP OR (SURPLUS)
New car dealers	441110	1	50%	\$6,352,300
Used car dealers	441120	1	402%	(\$3,607,500)
Recreational vehicle dealers	441210	-	-	\$270,300
Motorcycle, boat, and other motor vehicle dealers	441220	2	863%	(\$7,295,000)
Automotive parts and accessories stores	441310	3	88%	\$138,500
Tire dealers	441320	-	-	\$788,300
Furniture stores	442110	-	-	\$991,800
Floor covering stores	442210	1	75%	\$106,300
Other home furnishings stores	442290	-	-	\$646,800
Appliance, television, and other electronics stores	443110	1	9%	\$1,913,500
Computer and software stores	443120	-	-	\$490,800
Camera and photographic supplies stores	443130	-	-	\$92,400
Home centers	444110	-	-	\$3,137,000
Paint and wallpaper stores	444120	-	-	\$233,300
Hardware stores	444130	2	580%	(\$2,317,700)
Other building material dealers	444190	1	35%	\$1,860,600
Outdoor power equipment stores	444210	-	-	\$134,900
Nursery, garden center, and farm supply stores	444220	2	47%	\$407,600
Supermarkets and other grocery stores	445110	2	70%	\$3,728,400
Meat markets	445210	1	134%	(\$38,200)
Fish and seafood markets	445220	-	-	\$36,900
Fruit and vegetable markets	445230	-	-	\$69,300
Other specialty food stores	445290	-	-	\$111,800
Beer, wine, and liquor stores	445310	4	128%	(\$183,500)
Pharmacies and drug stores	446110	1	23%	\$5,068,500
Cosmetics, beauty supplies, and perfume stores	446120	-	-	\$404,200
Optical goods stores	446130	-	-	\$301,200
Other health and personal care stores	446190	2	53%	\$262,200
Gasoline service stations with convenience stores	447110	3	107%	(\$569,600)
Other gasoline stations	447190	-	-	\$2,200,000
Men's clothing stores	448110	-	-	\$150,800
Women's clothing stores	448120	1	13%	\$678,100
Children's and infant's clothing stores	448130	-	-	\$170,200
Family clothing stores	448140	-	19%	\$1,515,700
Clothing accessories stores	448150	-	-	\$112,600
Other clothing stores	448190	-	-	\$220,400
Shoe stores	448210	-	-	\$553,400

2015 ESTIMATED MARKET SHARE AND GAP OR SURPLUS

DESCRIPTION	NAICS	NUMBER	MARKET SHARE	GAP OR (SURPLUS)
Jewelry stores	448310	-	-	\$604,200
Luggage and leather goods stores	448320	-	-	\$44,300
Sporting goods stores	451110	5	74%	\$210,200
Hobby, toy, and game stores	451120	1	33%	\$250,500
Sewing, needlework, and piece goods stores	451130	-	-	\$118,100
Musical instruments and supplies stores	451140	-	-	\$116,100
Book stores and news dealers	451210	-	-	\$458,000
Prerecorded tape, compact disc, and record stores	451220	-	-	\$78,700
Department stores (excl. discount department stores)	452111	-	-	\$1,925,100
Discount department stores	452112	-	-	\$4,138,600
Warehouse clubs and supercenters	452910	-	-	\$7,080,200
All other general merchandise stores	452990	4	511%	(\$4,020,800)
Florists	453110	1	81%	\$27,800
Office supplies and stationery stores	453210	-	-	\$868,300
Gift, novelty, and souvenir stores	453220	2	61%	\$157,700
Used merchandise stores	453310	9	426%	(\$688,600)
Pet and pet supplies stores	453910	-	-	\$246,000
Art dealers	453920	-	-	\$385,400
Manufactured (mobile) home dealers	453930	-	-	\$14,700
All other miscellaneous store retailers	453990	-	-	\$468,200
Non-store retailer	999900	-	-	\$8,052,300
All Retail Stores ¹		49	57%	\$39,671,200

Dining Market Conditions

There are thirteen restaurants in Kingman County, with eleven located in the City of Kingman. McDonald's, Subway, and Pizza Hut are the only chains. Sonic had a location in Kingman that closed, in part due to the restaurant's age. Of the remaining restaurants, The Lumberyard, in Zenda, is perhaps the most distinctive. It is known for its specials, including steaks, crab dinners, and brunches. The restaurant is only open Wednesday through Saturday, but does draw from Wichita and other communities a similar distance.

The remaining restaurants are not particularly noteworthy. They serve traditional fare, including American, Mexican, and Chinese cuisine. Many also have limited hours. Most are not open on Monday and many are not open for lunch. As with the retail sector, the restaurants in Kingman County have almost no web presence.

¹ For this analysis, Newberry Motors was split into two parts; new car sales and used car sales.

The Kingman Country Club and its restaurant closed in 2014. In 2015 the property was acquired and it was announced that the restaurant would reopen. The restaurant seats about 60 people in one room, with a bar and a patio to accommodate additional guests. The restaurant will be open daily for lunch and dinner on Monday through Saturday, and for Sunday brunch.

Dining out has been steadily growing in popularity. This is partially attributable to the growing number of two-worker families. With less time to prepare food, people are preferring to pick up food that is already prepared or eat at a restaurant. Early in 2015, the monthly amount spent on food away from home exceeded that spent on grocery store purchases for the first time.

TRADE AREA MARKET POTENTIAL FOR DINING OUT AT RESTAURANTS

TOTAL SPENDING	2015	2020	2025
Full Service Restaurants	\$5,242,050	\$6,202,779	\$7,225,123
Limited Service Restaurants	\$4,522,553	\$5,351,417	\$6,233,440
Other venues	\$513,926	\$608,116	\$708,345
TOTAL	\$10,099,329	\$11,941,088	\$13,893,434

Kingman County’s restaurants are estimated to capture about \$6,711,400 in annual sales, or 66 percent of the market potential. Aside from Subway, McDonald’s, and The Lumberyard, they are not effective in capturing any significant sales from outside of the trade area.

Opportunities for Growth

Many Kingman County businesses leave a great deal of potential sales on the table due to poor business practices, including having limited hours, doing little advertising (especially online), and merchandising or food at restaurants that does not draw customers. Simply addressing these issues with technical assistance and training would substantially improve the retail climate, attracting more traffic and helping to encourage new business formation. It would also help to attract the capital necessary to invest in property rehabilitation.

There are a limited number of immediate opportunities to attract new retail and dining businesses to Kingman and Cunningham. In order to be viable, development in Cunningham would need to be located at the US Highway 54 interchange. It must have the visibility and ease of access of this location, as opposed to being located in the city center, in order to capture passing traffic on the highway.

With more than \$1.5 million in unmet local demand for gas, and additional potential from passing traffic, a gas station and convenience store would be the most promising business to attract to Cunningham. A well-stocked convenience store can also help to capture unmet demand for many other items such as groceries, personal care products, and auto parts.

During field work for this analysis there was discussion of a possible truck stop in Cunningham. This development was confirmed as the study came to a conclusion.

Typically, a truck stop will differ from a standard gas station in that it will have a larger convenience store and restaurant, and will be designed to provide easy access for trucks and vehicles towing trailers. West

of Wichita, only one gas station in the region, a Sinclair in Pratt, can accommodate semis. Its design is lacking, and is summed up in an online review. "This station is the only one you can get a semi in to, but it is a pothole filthy dive. The parking lot turns into a mudhole after any rain or snow." It is also only a gas station, offering no prepared food, and a minimal convenience store.

A modern truck stop at the Cunningham interchange could be positioned to capture a large share of the truck traffic and vehicles with trailers passing through the community, in addition to standard vehicles and local potential. This is especially true if it is developed to a modern standard with paved surfaces, and offers amenities such as prepared foods, such as a fast food restaurant (Subway, Hardees, or similar) located inside the convenience store.

Opportunities for new retail and dining businesses in Kingman require more creativity. The local market potential in any category is not very strong. Businesses will need to look beyond the normal product mix to identify unmet opportunities to capture sales. For example, a home furnishings store might diversify its product mix by including gardening supplies and sewing/needlework supplies. Areas with a decent opportunity to capture sales include:

- Furniture, home furnishings, art (home decor)
- Health and personal care, and beauty supplies
- Clothing and accessories
- Hobbies, toys, games, sewing/needlework, books, office supplies, and similar goods

Existing and potential stores should also be considering a broader market. There are more than 670,000 people living in the Wichita metropolitan area. Downtown Kingman has the potential to become a destination shopping area for these consumers, if it can improve the merchandising at existing businesses and develop new businesses selling unique products and offering quality dining to visitors in addition to residents.

Downtown Kingman can leverage its historic buildings, brick streets, history, small town atmosphere, riverfront park, Activity Center, and possible new conference facility to become a visitor destination. A broader tourism effort could encompass the Cannonball Route, expansion or enhancements to the Kingman State Fishing Lake and Wildlife Area, bicycle trails, and motorcycle touring. Under this scenario, the business mix would tend to focus more heavily on specialty goods including clothing, home décor and art, gifts and novelties, and restaurants.

Ultimately, the viability of a retail or dining business does not depend on sales leakage (the gap) or the local trade area potential. It comes down to management, including operating practices (like hours and customer service), product offerings, and the ability to capture sales from people walking through the door or purchasing online. Any business that is better than its competitors can capture new sales as well as take sales from existing businesses.

[Alco Building](#)

No new use is immediately apparent for the former Alco building. Ideally, a similar discount general merchandise stores could be found to replace Alco. The leading contenders are Family Dollar and Dollar Tree. In fact, Dollar Tree is in the process of acquiring Family Dollar, eliminating one of the possibilities. Shopko, the parent of Pamida, acquired several closed Alco locations when they first became available

at auction. The fact that they did not already choose the Kingman location suggests that they do not view it as a productive site. The unmet demand for general merchandise in the trade area is somewhat low to support a store the size of the vacant Alco space.

Walmart has recently begun to aggressively open its Walmart Express format stores in rural communities in the region. The chain will open about 300 locations this year. Walmart Express stores are about 12,000 square feet, which is smaller than the Alco space. They usually include a gas station and pharmacy in addition to a selection of food and general merchandise. Because the space needs are considerably different, the existing Alco store may not be suitable for a Walmart express store, however, the location may be viable. At the same time, this use may have a negative impact on some businesses already in Kingman, such as Kingman Pharmacy and White's Foodliner.

Case Studies

Examples are provided of three communities from which Kingman and Kingman County may learn techniques and strategies to improve their retail environments.

Case Study #1 – Nashville, Indiana

Nashville has a population of 802 residents and is the only incorporated town in its county. It is located about 25 miles south of Indianapolis. This small community has been extremely successful in leveraging its history and setting to develop a strong tourism market that supports numerous galleries and small shops, restaurants, and lodging establishments. It is a frequent day-trip destination for Indianapolis residents and will attract people from greater distances. It is also a destination for motorcycle touring.



Nashville is notable for how it has repurposed existing buildings and spaces to create a unique environment. Alleys are used as passageways, back yards have become outdoor restaurant seating areas, and garages and other outbuildings now house shops. Public streetscaping is minimal but has used modern rustic designs. The overall approach is lush, with numerous trees, gardens, and flower baskets, mostly provided by individual property owners.

Case Study #2 – Paxico, Kansas

Despite having only 220 residents, Paxico has a small but thriving downtown with multiple antique shops, a gallery, a winery, restaurants, a bed and breakfast inn, and other businesses. It is located midway between Topeka and Junction City along Interstate 70. Paxico is an example of how a concentration of complementary businesses can create sufficient drawing power to bring visitors from larger nearby communities, as well as capture traffic passing on the interstate. The city is promoted by an independent business association.



Case Study #3 – Marquette, Michigan

Marquette is much larger than Kingman, with a population of 21,300. Still, the City is more than two hours north of Green Bay, the nearest metropolitan area. Such a remote location would not normally support the City's business mix except for the tourists that are drawn to the area, and just as importantly, the effectiveness of the local business community in using the internet to capture additional sales.

The city's downtown department store, Getz's (www.getzs.com) sells the highest volume of Carhartt products of any store in the country. A candy shop and restaurant, Doncker's (www.donckersonline.com) brings in over a third of its sales through the internet. Other small, independent businesses in the community tell the same story. They demonstrate that the market for business is no longer solely defined physically by people coming into a shop, but by how well a business can reach out to its customers.



Economic Impact

Employment and sales tax revenue are the two primary impacts of additional retail and dining businesses in Kingman County (or of better performing existing businesses). Aside from these interests, though, there are other benefits from a healthier retail environment. Having more and better stores to shop will help residents to meet their needs locally, which will become more important as the population ages and becomes less mobile. In fact, additional shopping and dining, and livelier business districts may help to attract new residents to the county and its cities.

The potential for these businesses to have a greater impact is real. If Kingman were to develop a destination shopping district, it would actually expand its trade area and attract visitor spending, enabling the community to sustain a greater number of businesses and at a higher volume of sales. The draw of the downtown district could lure a larger number of activities to the potential conference center, improving its financial performance. Aside from sales at stores and restaurants, the additional traffic could result in more overnight stays. Such environments often spawn the startup of small businesses such as bed and breakfast inns and other businesses serving visitors.

Each one percent of trade area retail market share that can be captured would result in additional sales of \$813,270. This might be translated as two to four new businesses, a similar number of jobs, and \$13,100 in new sales tax revenue.



Lodging Analysis

The lodging market west of Wichita has been in transition for the past several years, as new hotels have opened and existing ones have been renovated on the west side of Wichita and in Hutchinson, Pratt, and Harper. In particular, Pratt has seen four new hotels opened or soon opening, and has captured much of the growing demand for lodging in the US Highway 54 corridor west of Wichita. A new chain hotel in Kingman would face stiff competition, but may find a niche as the first new property outside of Wichita, and by positioning itself as a quality, but budget-minded alternative to the other midscale chains.

Existing Supply

The only two hotels located in Kingman County are found within the City of Kingman on US Highway 54. Both are independent hotels first built in the 1960's. The larger of the two is the Copa Motel, with 30 rooms. It was extensively remodeled in 2013. The rooms are smaller than typical of a new chain hotel, but they are attractive overall, and the property appears to be well managed. Amenities are typical of a chain and include an outdoor pool, microwave and refrigerator, and new flat panel televisions. There is a web site for the hotel and it does include an online reservation system. Reservations may also be made through online booking sites. Rooms start at \$65 per night for a single queen, or \$70 for a king or two queen beds.

Kingman's second hotel is located adjacent to the Copa. The Welcome Inn was built around the same time, but is about half of the size, with only 16 rooms. It has been several years since any substantial remodeling was done. While it has no pool, rooms are equipped with a refrigerator and microwave. The motel has a single page web site that does not allow online booking. It is not listed with any of the major online booking services and does not appear in some directories when searching for a hotel in Kingman. It does not appear to be as well managed as its primary competitor. Prices start at \$45 per night for a single room.

Several communities in adjacent counties have hotels. Those competing most directly with Kingman are located east and west along US Highway 54. Pratt, 35 miles to the west, has ten hotels including both chains and independent properties. Three of the chain hotels have been opened in recent years, and a fourth is scheduled to open in 2016. Pratt has advantages as a larger community with more shopping and

dining alternatives for travelers, more heavily traveled north-south routes passing through the city, and a location more central to serving the oil and gas industry.

Wichita has the largest selection of rooms in the area. Those located on the west side of the city will compete most directly with Kingman. There are 22 hotels on the west side of Wichita and one additional hotel in Goddard. These span a range from cheap independents priced at \$30 per night, to better quality hotels with conference centers, and an extended stay hotel. Again, guests will find a far greater selection of stores and restaurants in the area. The following is a list with summary details for each of these properties.

COMPETING HOTELS IN AND AROUND KINGMAN COUNTY

	NAME	LOCATION	ROOMS	BUILT	RATE	COMMENTS
1	Copa Motel	Kingman	30	1964	\$65	The hotel is an older single-story property in a U shape surrounding the parking lot. There is an outdoor pool. The rooms have been recently remodeled and are comparable in quality to an economy to mid-tier chain. Online booking is available.
2	Welcome Inn	Kingman	16		\$45	This is a small independent hotel dating to roughly the same time as the adjacent Copa, however, it has not been significantly remodeled. It does not accept online bookings, though it does have a web site.
3	Evergreen Inn & RV Park	Pratt	16	1949	--	This is a small hotel outside of the city, with an RV park in the rear. It receives very good reviews for the unique rural atmosphere. It has a web site but does not provide online reservations.
4	Motel 6	Pratt	67	1981	\$56	This is one of the oldest chain hotels in the area. It is not very attractive and appears to need maintenance. Guests rate it average to poor.
5	American Inn	Pratt	40		--	Guests give this hotel the poorest marks of any in Pratt. It is an older and unattractive property. It was formerly the Hillcrest Motel. Online booking is unavailable and the hotel has no web site.
6	Economy Inn	Pratt	25		\$70	Although the property is old it does get good reviews.
7	Days Inn	Pratt	47	1989	\$72	The building appears slightly newer than some of the other hotels that were in Pratt prior to the new hotel boom.
8	Super 8	Pratt	45	1991	\$60	The building is typical of a Super 8. Although receiving good reviews, guests comment that it is in need of updating.
9	Pratt Budget Inn	Pratt	40	1955	--	This is one of several small, older hotels that appear to cater to budget-minded travelers. It gets poor reviews and does not appear to accept online bookings.
10	Best Western Plus	Pratt	70	2014	\$99	The building and grounds are attractive and the location has very good visibility. This is the top-ranked hotel in Pratt.

COMPETING HOTELS IN AND AROUND KINGMAN COUNTY (CONTINUED)

	Name	Location	Rooms	Built	Rate	Comments
11	Holiday Inn Express & Suites	Pratt	87	2011	\$126	This is Pratt's largest hotel. It is an attractive modern building and includes a 1,092 square foot meeting room.
12	Comfort Suites	Pratt	67	2008	\$125	Comfort Suites is a modern all-suites hotel with good customer feedback and a single 800 square foot meeting room.
13	Hampton Inn	Pratt	70	2015	--	This hotel is under construction and will open in the middle of 2015.
14	Lodge Inn	Medicine Lodge	16		--	This is a small, old hotel with few amenities and no online reservations.
15	Copa Budget Inn	Medicine Lodge	54	1964	\$55	The hotel is an older building that appears very dated. It gets average reviews.
16	Cobblestone Inn & Suites	Harper	45	2013	\$96	The hotel is relatively new and part of a recently launched chain. Guest give it very good reviews.
17	Harper Inn	Harper	24		\$65	This is a typical older independent budget hotel. There is a web site but no online reservation system.
18	Motel 61	Arlington	10		--	Old and poorly maintained, the hotel is in a very rural location with little traffic and no online presence.
19	Quality Inn	Hutchinson	93	1985	\$70	This is an older chain format hotel.. It gets average reviews.
20	Trails West Motel	Hutchinson	40		\$50	This is an old hotel with poor marks from guests.
21	Atrium Hotel & Convention Center	Hutchinson	218	1977	\$72	Hutchinson's largest hotel was formerly a Ramada, and is still listed as so on some sites. Guests have rated it average to poor with many service issues. It was apparently undergoing some renovation in 2015.
22	Hutchinson Inn	Hutchinson	30		\$50	Guests comment about an unsafe location and the poor quality of the rooms. From the outside it appears run down.
23	Budget Host Inn	Hutchinson	97	1970	\$50	The hotel is an older property and not particularly attractive. It gets poor reviews online.
24	Astro Motel	Hutchinson	30		\$45	This is a downtown hotel from the 1960's. It appears to be reasonably well maintained and gets average reviews.
25	Sunflower Inn	Hutchinson	48		--	The hotel is an older property with average to poor reviews. It does not take online reservations.
26	Hampton Inn	Hutchinson	69	2002	\$105	Renovated in 2012, the Hampton is one of the city's better hotels.
27	Holiday Inn Express	Hutchinson	76	2014	\$110	This is Hutchinson's newest hotel. It is an attractive building and the hotel gets good reviews.
28	Econo Lodge	Hutchinson	48		--	The hotel appears to have been built in the 1980's and is a nondescript building. Reviews are consistently poor. It may be undergoing a transition as it is no longer listed on the Econo Lodge site and cannot be booked online.
29	Fairfield Inn & Suites	Hutchinson	89	2012	\$129	The hotel is attractive and gets good reviews. It has a single 1,200 square foot meeting room.

COMPETING HOTELS IN AND AROUND KINGMAN COUNTY (CONTINUED)

	Name	Location	Rooms	Built	Rate	Comments
30	Days Inn	Hutchinson	67	1999	\$65	The hotel was remodeled in 2010. It appears to be in decent condition and gets average reviews.
31	Comfort Inn & Suites	Hutchinson	69	1997	\$95	Renovated in 2012, the hotel get average marks from guests. It has a single 1,200 square foot meeting room.
32	Super 8	Hutchinson	68	1981	\$64	This is an older prototype buildings without much character. Reviews are generally poor to average.
33	Rodeway	Goddard	35	2004	\$65	The hotel is in decent shape and appears to cater to truckers and travelers seeking economy lodging.
34	Top Hat Motel	Wichita	29		\$36	This is an old hotel with few amenities, catering to travelers unwilling to pay more for a room. It does not have a web site or online reservation system.
35	Western Holiday Motel	Wichita	40		\$30	Other than the 1950's cowboy sign, this property does not have much going for it. There are several trucks parked in the lot. There is a web site but it does not accept reservations online.
36	Deluxe Inn	Wichita	34		--	Dating perhaps to the 1960's the hotel is nondescript and gets poor reviews online. Yelp reports that it has closed.
37	Regency Inn	Wichita	48		--	Catering to budget travelers, the hotel is old and unattractive, with poor reviews. It has no web presence.
38	Motel 6	Wichita	132		\$46	The older hotel get poor reviews from guests.
39	Doubletree by Hilton Wichita Airport	Wichita	302		\$100	This is Wichita's top-ranked hotel and sits on airport property. It has a large conference facility attracting statewide events.
40	Value Place Wichita West	Wichita	118	2006	\$63	The facility is good for a value chain, and it gets good reviews from guests.
41	Comfort Suites Airport	Wichita	78	2007	\$140	The hotel is a basic prototype format. It gets good reviews.
42	Best Western Airport Inn & Conference Center	Wichita	129		\$94	The building appears to date from about the 1960's, but is well maintained. Guest reviews are generally good. It has conference facilities.
43	Holiday Inn Express & Suites Wichita Airport	Wichita	84		\$109	While this hotel has received average to good reviews, newer ones indicate that quality is sliding.
44	Clarion Inn & Suites Airport	Wichita	202	1972	\$90	The last major remodeling of this property was a long time ago. Guests complain of the need for updates, but new ownership (in 2012) has no plans to do any.
45	Scotsman Inn	Wichita	70		\$47	Recent reviews indicate that the quality of this property is declining. It is a nondescript hotel, perhaps around 30 years old.
46	Howard Johnson Inn Wichita Airport	Wichita	50	1995	\$54	This is a typical chain prototype. It gets average to better remarks.
47	Springhill Suites Airport	Wichita	121	2014	\$129	This is an attractive hotel with excellent guest reviews. While the chain caters to extended stay guests, this one appears to have a large share of short term travelers.

COMPETING HOTELS IN AND AROUND KINGMAN COUNTY (CONTINUED)

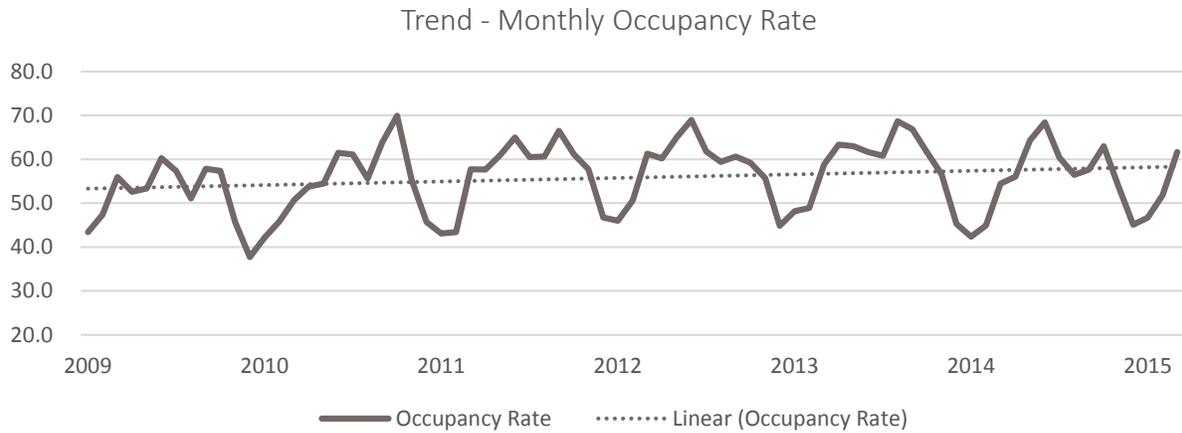
	Name	Location	Rooms	Built	Rate	Comments
48	Wichita Inn Airport	Wichita	80		\$74	The hotel is plain and unremarkable, but guests indicate that it is average to better.
49	America's Best Value Inn	Wichita	48		\$42	This is an aging property near the airport. Reviews are average.
50	Candlewood Suites Wichita Airport	Wichita	83		\$69	This is a very nice extended stay hotel with excellent customer reviews. It opened in 2007.
51	Quality Suites Airport	Wichita	50		\$85	This is an older hotel that appears to have seen some upgrades. It gets decent reviews.
52	Days Inn Wichita West	Wichita	42		\$60	The hotel is a basic format from the 1980's. It appears to have been renovated. Reviews are good.
53	Hampton Inn Wichita West	Wichita	121		\$112	The Hampton Inn is a typical prototype from the 1990's. It gets good reviews, however, it will be replaced by a new Hampton Inn under construction on the airport, and this facility will be rebranded.
54	La Quinta Inn & Suites Wichita West	Wichita	140		\$69	The hotel is aging and in need of renovation, but reviews are average. It has five meeting rooms, with largest at over 2,000 square feet.
55	Hampton Inn Wichita Airport	Wichita	110	2016	--	This new hotel is under construction with plans to open in early 2016. It will be on the airport property.

Market Trend

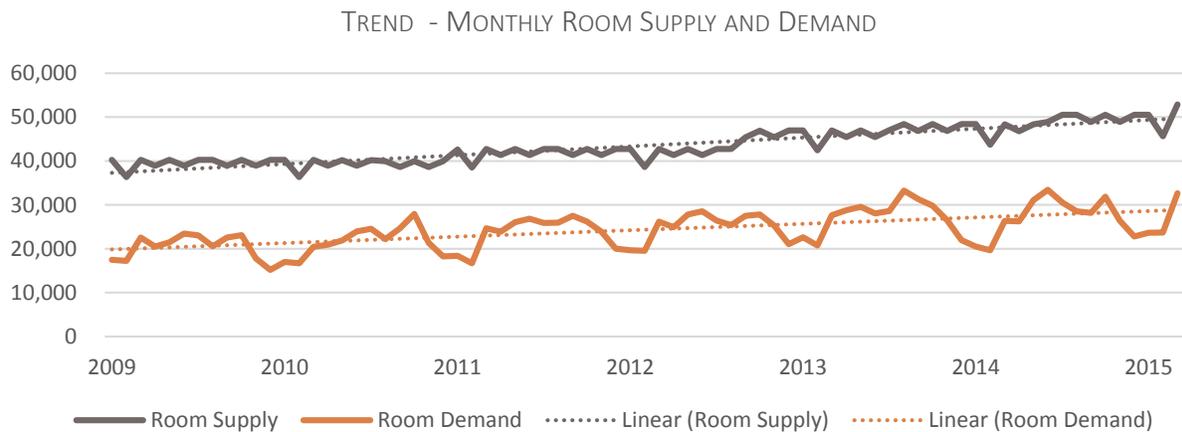
Data provided by Smith Travel Research (STR) was used to document trends in lodging demand within the local area. Smith Travel Research conducts a monthly survey of hotel performance measures, reporting aggregate data from those properties that respond. Reports may be generated using a customer-defined set of comparable properties. Reporting hotels included in the set for Kingman County include:

- Rodeway Inn, Goddard
- Comfort Suites, Pratt
- Best Western Plus, Pratt (opened 2014)
- Holiday Inn Express and Suites, Pratt (opened 2011)
- Super 8, Pratt
- Days Inn, Pratt
- Motel 6, Pratt
- Howard Johnson, Wichita
- Value Place West, Wichita
- Fairfield Inn and Suites, Hutchinson (opened 2012)
- Atrium Hotel and Conference Center, Hutchinson
- Super 8, Hutchinson
- Comfort Inn and Suites, Hutchinson
- Hampton Inn, Hutchinson
- Days Inn and Suites, Hutchinson
- Quality Inn South, Hutchinson

The STR report looks back over the current year and five preceding years. Despite the fact that three of the hotels in the set opened during this period, demand for rooms has continued to increase and occupancy rates have risen from an average of 51.7 percent in 2009 to 55.7 percent in 2014. The peak year, however, occurred in 2013, when occupancy averaged 58.7 percent. Nationally, the average occupancy rate is currently 64 percent, and the Wichita market, with over 120 hotels, averages 60 percent.

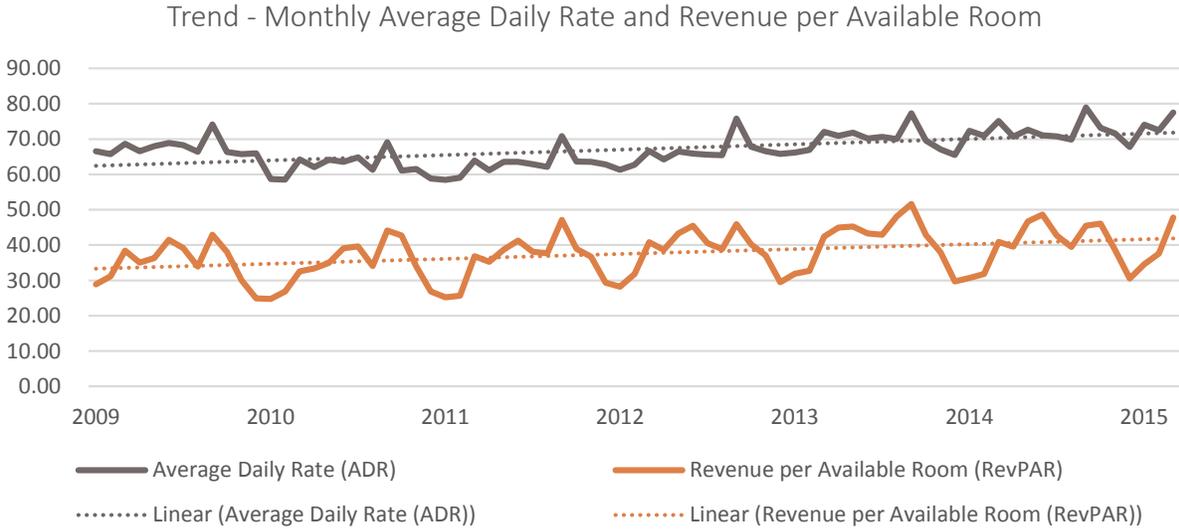


Demand and supply are often discussed in terms of room nights. Supply is determined by multiplying the number of available rooms by the number of days in the year. Current supply is 584,439 room nights among the hotels in the set. This is an increase of 110,669 nights, however, it should be noted that not all of the hotels in the set reported consistently, so these numbers should be considered more of a general trend rather than an absolute.



Demand has grown steadily from a 2009 count of 244,765 annual rooms to 325,386 annual rooms in 2014. The corresponding increase in traffic on US Highway 54 suggests that some of this is certainly due to increased visitation, while a portion is likely made up of room nights shifted from other hotels, such as older hotels in Pratt, Hutchinson, and the west side of Wichita, that have not reported data and are not included in the set making up this analysis. The combined annual growth from these sources come to an average of 5.85 percent per year.

Average daily rate (ADR) and revenue per available room (RevPAR) are also trending upward. This will in part be a reflection of the introduction of new hotels in the market. Anecdotally, some of the older properties are attempting to lure budget-minded travelers by advertising low rates. This can lead to a cycle in which the hotel earns too little revenue to fund maintenance and upgrades, develops a poor reputation that drives away customers, and eventually closes. Alternatively, some hotels are competing by investing in upgrades to offer a quality similar to the newer hotels. Kingman’s Copa Motel and The Atrium in Hutchinson are examples of this strategy.



The average daily rate (ADR) is the average rate charged for an occupied room. Between 2009 and 2014 this rate increased from an annual average of \$67.78 to \$72.14. That works out to an increase of 1.25 percent per year.

Meanwhile, revenue per available room (RevPAR) grew from \$35.02 to \$42.17 between 2009 and 2014. RevPAR is the total revenue earned divided by the total number of rooms available. RevPAR increased by 2.75 percent each year.

Taken all together, these trends demonstrate solid market growth *among hotels that are comparable to what may be considered in Kingman*. This comparable set tends to be comprised of the midscale and some economy tier chain hotels in nearby communities. None of the several independent hotels in the region are included. Based on similar situations and observations made during a reconnaissance of these hotels,

it is likely that they have collectively lost a significant number of room nights due to the arrival of newer hotels in the market.

Chains are often more effective at attracting guests for reasons including name recognition, brand preference, online reservation systems, and negotiated corporate accounts. Particularly among midscale hotels, travelers are also lured by rewards programs, upgraded free breakfasts, and other amenities not usually provided by independent operators. Additionally, many guests will seek out newer properties with an expectation that the rooms will be a higher quality than older properties in the area.

Demand Generators

Two primary sources of travel demand dominate the local market. The first of these is business related travel associated with the oil and gas industry and construction activity. This is readily apparent when observing the vehicles parked in front of area hotels on week days. There are numerous contractor vehicles in the lots, however, far fewer vehicles can be seen on weekend nights.

The second source of demand is from travelers further west who are coming into Wichita for business, shopping, or other purposes. There are few towns of any significant size across southern Kansas or southern Colorado, between Wichita and Colorado Springs. Even the largest cities (Dodge City has about 28,000 residents and Garden City has about 26,000 residents) are still too small to offer the full range of shopping, services, health care, and other services that people in the region require. As a result, they travel into Wichita to meet these needs, often staying at least one night due to the distance involved.

Kingman County and the surrounding counties do not have a strong tourism market. In fact, Kingman County does very little to promote tourism, aside from the Kingman Activity Center. In 2014 the Activity Center hosted 161 arena events. About 100 of these were horse-related. These activities can bring in overnight guests, though many will travel with a recreational vehicle.

Aside from Kingman County’s role with the Activity Center, the some state or regional tourism organizations are promoting the Cannonball Route. The Cannonball was a stage line that operated from a starting point in Kingman to Garden City, and then on through Colorado to Santa Fe. It roughly parallels today’s US Highway 54. Despite the point of origin in Kingman, there is nothing to commemorate the route. Similarly, Kingman was the original home of aircraft manufacturer Clyde Cessna, but no attempt has been made to capitalize on the connection.

Projected Market Demand

Using the five-year average growth rate of 5.85 percent, demand for hotel rooms in the region is anticipated to grow to 457,661 annual room nights in 2020 (Scenario 1). One new hotel, a Hampton Inn in Pratt, is expected to be added in late 2015, bringing the total supply to 602,689 annual room nights. Assuming no other changes to supply, and based on current percentage growth trends, occupancy is expected to increase in each of the next several years to 75.9 percent in 2020. A more conservative estimate of future growth uses the annual average

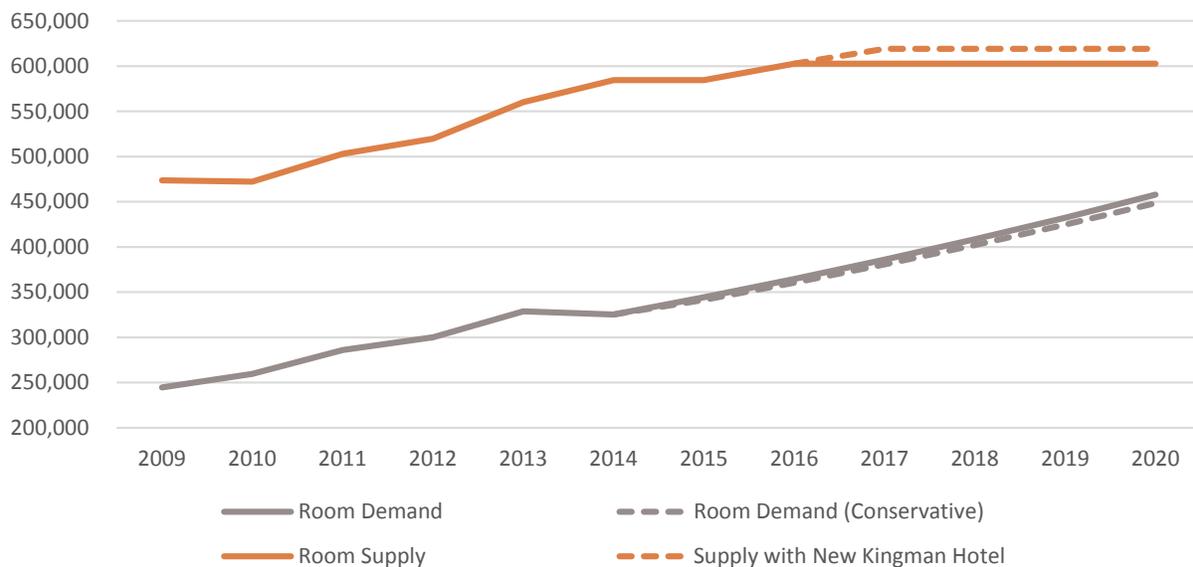
PROJECTED OCCUPANCY RATE

YEAR	SCENARIO 1	SCENARIO 2
2009	51.66%	51.66%
2010	55.01%	55.01%
2011	56.82%	56.82%
2012	57.74%	57.74%
2013	58.69%	58.69%
2014	55.67%	55.67%
2015	58.93%	58.43%
2016	60.49%	59.82%
2017	64.03%	63.17%
2018	67.77%	66.70%
2019	71.74%	70.45%
2020	75.94%	74.42%

increase in the number of rooms occupied (16,124 per year, or about 44 rooms per night), resulting in a 2020 occupancy rate of 74.4 percent (Scenario 2).

A portion of the growth reflected in these numbers is due to the transfer of room nights from other hotels, either outside of the area or in the same communities, but not in the comparative set. Generally, this will be due to one of two reasons. The first is unaccommodated demand, which occurs when there is a demand for rooms, but all of the area hotels are at capacity. The second reason is that while the market may have rooms available, they do not meet the needs of potential guests. For example, this may be the case when the traveler may be seeking a different quality of room (usually a higher tier) or when they prefer to stay with a particular chain that may not be locally represented.

Projected Market Supply and Demand



Unaccommodated demand may occur infrequently within Kingman during events at the Kingman Activity Center, given the size of these events, distance from which some people will travel, and relatively limited number of rooms available in Kingman’s two hotels. It is less likely to occur in Pratt, where there is a greater number of hotel rooms.

Until the last few years it may have been more challenging to find better quality rooms in the market, particularly along the US Highway 54 corridor. Recently developed hotels in Pratt, in particular, have changed the picture. The newer chain hotels are in an upper midscale tier, while older hotels are largely economy tier chains and independents. In the past it is likely that travelers would have stayed in Wichita where they could find this class of lodging.

Potential Hotel Development

Lodging trends indicate good potential to accommodate additional hotels in the market. The critical issues are where to locate the hotel and its character and amenities.

As the location for a hotel, Kingman has some disadvantages relative to Pratt. These include its smaller population size, less significant north-south routes passing through the city, fewer travel-generating activities within the community, and fewer restaurants or other businesses to meet the needs of travelers. These negatives are partially offset by the city's closer proximity to Wichita and the lack of significant hotel competition within the community.

To be competitive, a hotel in Kingman will need to be comparable to the new hotels in Pratt in terms of property tier, design, and amenities. Those hotels feature a contemporary designs clad in a combination of EIFS and masonry, along with landscaped grounds. Interior rooms are spacious and use quality materials, such as granite and tile in the bathrooms. Hotel amenities include an indoor pool, fitness center, business center, and meeting room. Critical guest services include wireless internet, television channel selection, and a morning breakfast including hot items (eggs, sausage, etc.). All of the newer Pratt hotels have received excellent reviews for customer service and cleanliness. To be competitive, a Kingman hotel will need to do the same.

Because of Kingman's relatively small size, a hotel with approximately 45 to 50 rooms is recommended, based on the review of market conditions. Sufficient land can be obtained to allow future expansion if conditions warrant it. A two-acre site on US Highway 54 should be adequate. One possible site is the vacant land on the south side of the highway across from the John Deere dealership. The recommended hotel will be a midscale tier, chain hotel. This recommendation can be described as the market-justified hotel. Further analysis explores the financial feasibility of the project.

Financial Analysis

The following analysis is based on the scenario of a 45-room midscale hotel as described above. The analysis assumes an opening date of 1 January 2017. The financial projections assume that the new hotel will capture a 1.75 percent market share in its first year (based on the comparable set) and that will grow to stabilize at 2.25 percent in the third year.

Actual performance will depend on a variety of factors that cannot be accounted for in this analysis, such as actual construction costs, operator capabilities and performance, marketing strategies, evolving market conditions, and other issues. The estimates and forecasts provided here are strictly for illustrative purposes. Any potential hotel developer should carefully consider these factors and prepare their own estimates based upon the unique characteristics of their proposed project and current market conditions.

Development Cost Analysis

Cost estimates are based on the 2014/15 annual survey of hotel development costs conducted by HVS International. According to RS Means, construction costs in the Wichita market are running at about 85 percent of the national average. This differential was taken into consideration when estimating the development cost. Soft costs, including architecture, engineering, legal services, fees, and other costs were estimated at eight percent of the construction cost.

It is estimated that the total cost to develop the market-justified hotel will be \$3,442,500. This breaks down to a cost of \$76,500 per room (key), which is consistent with the published development cost ranges contained in franchise information provided by several midscale hotel chains.

ESTIMATED DEVELOPMENT COST OF A 45-ROOM MIDSACLE HOTEL IN KINGMAN

	COST PER KEY	TOTAL COST	PERCENT
Land acquisition (2 acre site)	\$2,650	\$120,000	3.5%
Direct construction costs	\$55,150	\$2,481,750	72.1%
Soft costs	\$4,400	\$198,000	5.8%
Furniture, fixtures, and equipment	\$11,100	\$499,500	14.5%
Pre-opening and working capital	\$4,300	\$193,500	5.6%
TOTALS	\$76,500	\$3,442,500	

Project Financing

It is assumed that the project will be financed through a conventional commercial loan, which will typically require a maximum 80 percent loan-to-value ratio.

ESTIMATED FINANCING TERMS

Project Cost.....	\$3,442,500
Amount financed.....	\$2,750,000
Equity required.....	\$692,500
Interest rate.....	5.37%
Term	15 years
Amortization	25 years
Monthly payment.....	\$16,675
Annual Payment.....	\$200,100
Debt coverage ratio.....	1.6%

With an annual debt service of \$200,100, the proposed hotel would need to generate net revenue prior to debt service of \$320,160.

Project Feasibility

The following financial projections are based on characteristics of the proposed hotel and market conditions as they exist on 1 June 2015. A variety of factors may influence the performance of any hotel. These include actual development costs, features of the hotel, operation and management, changes within the regional market, and overall economic conditions.

These estimates are guided by the 2014 STR Host Report, which documents average annual revenue and expenses for hotels, breaking out chain and independent properties. In our analysis we have reduced the amount of revenue from food and beverage services, as these will generally not be provided by the recommended hotel.

The analysis does indicate that the recommended project would likely be financially feasible and would be likely to meet the conditions necessary to obtain commercial financing.

FINANCIAL ANALYSIS FOR THE PROPOSED HOTEL

	2017	2018	2019	2020	2021
PROPERTY DESCRIPTION					
Rooms	45	45	45	45	45
Annual Room Nights	16,425	16,425	16,425	16,425	16,425
Estimated Market Demand	385,897	408,472	432,367	457,661	484,434
Market Share Captured	1.75%	2.00%	2.25%	2.25%	2.25%
Room Nights Captured	6,753	8,169	9,728	10,297	10,900
Real Estate Valuation	\$3,400,000	\$3,400,000	\$3,400,000	\$3,400,000	\$3,400,000
ADR	\$90.00	\$95.00	\$96.90	\$98.84	\$100.81
Occupancy	41.12%	49.74%	59.23%	62.69%	66.36%
Average Daily Room Revenue	\$1,665	\$2,126	\$2,583	\$2,788	\$3,011
Daily RevPAR	\$37.00	\$47.25	\$57.39	\$61.96	\$66.90
Annual Room Revenue	\$607,788	\$776,097	\$942,668	\$1,017,772	\$1,098,857
REVENUE					
Rooms	\$607,788	\$776,097	\$942,668	\$1,017,772	\$1,098,857
Food and Beverage	\$33,766	\$43,116	\$52,370	\$56,543	\$61,048
Telecommunications	\$3,377	\$4,312	\$5,237	\$5,654	\$6,105
Other Operated Departments	\$21,610	\$27,595	\$33,517	\$36,187	\$39,070
Rentals and Other Income	\$8,104	\$10,348	\$12,569	\$13,570	\$14,651
Cancellation Fees	\$675	\$862	\$1,047	\$1,131	\$1,221
Total Revenue	\$675,320	\$862,330	\$1,047,409	\$1,130,857	\$1,220,952
DEPARTMENTAL EXPENSES					
Rooms	\$158,025	\$201,785	\$245,094	\$264,621	\$285,703
Food and Beverage	\$24,953	\$31,863	\$38,702	\$41,785	\$45,114
Telecommunications	\$4,876	\$6,226	\$7,562	\$8,165	\$8,815
Other Operated Departments and Rentals	\$13,584	\$17,346	\$21,069	\$22,747	\$24,559
Total Departmental Expenses	\$201,438	\$257,220	\$312,426	\$337,318	\$364,192
Total Departmental Profit	\$473,882	\$605,110	\$734,983	\$793,540	\$856,761

FINANCIAL ANALYSIS FOR THE PROPOSED HOTEL (CONTINUED)

UNDISTRIBUTED OPERATING EXPENSES

Administrative and General	\$57,402	\$73,298	\$89,030	\$96,123	\$103,781
Marketing	\$45,246	\$57,776	\$70,176	\$75,767	\$81,804
Utility Costs	\$27,013	\$34,493	\$41,896	\$45,234	\$48,838
Property Operations and Maintenance	\$31,740	\$40,529	\$49,228	\$53,150	\$57,385
Total Undistributed Operating Expenses	\$161,401	\$206,097	\$250,331	\$270,275	\$291,808
GROSS OPERATING PROFIT	\$312,481	\$399,013	\$484,652	\$523,265	\$564,953
Franchise Fees	\$9,454	\$12,073	\$14,664	\$15,832	\$17,093
Management Fees	\$18,234	\$23,283	\$28,280	\$30,533	\$32,966
INCOME BEFORE FIXED CHARGES	\$284,792	\$363,657	\$441,708	\$476,900	\$514,894
Property Taxes	\$61,112	\$61,112	\$61,112	\$61,112	\$61,112
Insurance	\$7,429	\$9,486	\$11,521	\$12,439	\$13,430
Reserve for Capital Replacement	\$12,156	\$15,522	\$18,853	\$20,355	\$21,977
AMOUNT AVAILABLE FOR DEBT SERVICE AND OTHER FIXED CHARGES	\$204,096	\$277,538	\$350,221	\$382,992	\$418,374
DEBT SERVICE	\$200,100	\$200,100	\$200,100	\$200,100	\$200,100
PROFIT	\$3,996	\$77,438	\$150,121	\$182,892	\$218,274
DEBT COVERAGE RATIO	1.02	1.39	1.75	1.91	2.09

Economic Impacts

Primary economic impacts of a new hotel will be attributable to the taxes it pays and the new jobs it generates. The City of Kingman levies a 6.0 percent lodging tax. There is no county lodging tax. Given the hotel's small size, staffing will likely include only a general manager, desk clerks, and housekeeping staff. Maintenance and other functions can be contracted to vendors in the community.

The hotel may generate some sales taxes through incidental merchandise or food sales (such as vending), however, this amount will be minimal and has not been calculated.

Lodging taxes potentially generated for the City of Kingman are based on annual room revenue. They are projected to start at \$36,467 in 2017 and grow to \$65,931 by 2021.

ESTIMATED LODGING TAXES GENERATED FOR THE CITY OF KINGMAN

	2017	2018	2019	2020	2021
Lodging tax generated	\$36,467	\$46,566	\$56,560	\$61,066	\$65,931

The hotel will also generate property taxes as itemized in the financial analysis. Based on a valuation of \$3,400,000, the hotel will generate an annual property tax payment of \$61,112.

The proposed hotel would create the need for up to 12 full-time equivalent (FTE) employees. The following table offers a breakdown of staffing, hours, wage rates, and payroll. Median hourly wage rates are taken from the U.S. Bureau of Labor Statistics' 2014 State Occupational Employment and Wage Estimates for the State of Kansas.

ESTIMATED STAFFING AND PAYROLL FOR THE PROPOSED HOTEL

POSITION	FTE NUMBER	WEEKLY HOURS	ANNUAL HOURS	HOURLY RATE	ANNUAL WAGES	ANNUAL PAYROLL
General Manager	1	40	2,080	\$19.97	\$41,538	\$41,538
Front Desk Clerk	5	36	1,872	\$8.94	\$16,736	\$83,678
Head Housekeeper	1	40	2,080	\$16.06	\$33,405	\$33,405
Housekeeper	5	36	1,872	\$8.88	\$16,623	\$83,117
	12					\$241,738



Conference Center Analysis

A Kingman conference facility can position itself in a niche between the area hotels that feature only a meeting room, and the full service conference centers in Hutchinson and Wichita. Such a facility is unlikely to be a profitable venture, with the result that it will need a continual subsidy from local governments, grants, or private donations. A conference center could have a significant impact on the local economy by generating demand for hotel nights, creating business opportunities for local restaurants and caterers to serve events, and through spending by event attendees at businesses in the community.

Rural communities the size of Kingman (or even Kingman County) do not typically support private conference centers capable of hosting events with 100 or more attendees. There are some exceptions. Areas with scenic or recreational attractions such as state or national parks, or lakes or mountains, can attract facilities that are often developed as resort conference centers or executive retreat centers. Historic or architecturally unique properties may also accommodate meeting uses, particularly when they are located in destination communities for shopping, the arts, and/or dining. Lastly, it may be possible to find conference centers developed as a component of institutional uses, such as two- or four-year college campuses or religious centers.

Community-developed conference centers often fall into one of three categories. They may consist of meeting rooms tied to event centers such as sports facilities, as is the case with the Kingman Activity Center. They are often developed as community buildings or park shelters, and may house other activities (dance studios, fitness centers, etc.) in the same building. Still others are developed as part of a museum or cultural center. The hypothetical conference center for Kingman and Kingman County is largely based on such a center, the Buffalo Bill Cultural Center in Oakley, Kansas.

Project Considerations

The minimum requirement for the proposed conference center was that it be capable of hosting events with 100 attendees. A typical conference will be the most space-consuming activity for which the center may be used, requiring a room capable of seating everyone banquet style, along with at least three break-out rooms capable of seating smaller groups of attendees in a classroom format. Due to the need to move

quickly between rooms and have them already set up for meals, presentations, or other activities, the same space cannot always be used for both activities.

Additional facility needs will include a pre-function or lobby space, restrooms, storage for furniture and equipment, and possibly other small meeting spaces like a board room. Ideally, the facility can also provide an attractive outdoor space that can be used for small activities such as receptions. It will be necessary to provide a kitchen or food preparation room. If all events will be catered it is not necessary to provide a full commercial kitchen. This can save considerably on the cost of the facility.

Ample parking should be provided in close proximity to the center. This does not need to be designated solely for the use of the facility.

Ideally, a conference center will be attached to a hotel for the convenience of attendees who will spend the night, though this is not a requirement. Many conference centers are still built as free-standing structures, particularly when they are developed by the public sector. This should be the case for this center, where a privately-developed facility is not financially feasible, local governments would assume an unreasonably high level of risk attaching a public convention center to a private hotel, and greater public benefits will be realized by locating the center in downtown Kingman.

Kingman Activity Center and Competing Venues

It is worthwhile to begin the analysis with an examination of meeting facilities already existing in the community and surrounding area. The Kingman County Activity Center is best known as a venue for horse events, hosting about 100 such activities every year and drawing people from a considerable distance. Most of the meeting room use is booked by local organizations.

2014 KINGMAN ACTIVITY CENTER BREAKDOWN OF EVENTS

- 161 Arena Events
- 73 Extension Meetings
- 56 4H Meetings
- 29 Reunions, birthday parties, showers
- 36 Outside events (schools, classes, membership dinners)

The indoor arena seats up to 1,000 people. There is also an outdoor arena, stalls for 140 horses, and 45 camper hookups. Two meeting rooms are located in the main building. The North Room measures 48 by 50 feet and has a carpeted floor. The South Room is 29 feet by 58 feet and has a tile floor. There is a kitchen adjoining this room. A second building houses the final room. While capable of holding some events, the character of the rooms is not ideal for most conferences or the type of activity that might normally be scheduled in a banquet space. Additionally, the fact that alcohol may not be served will discourage many people from renting space in the facility.

ANNUAL EVENTS, BUDGET, AND FACILITY RENTAL INCOME

YEAR	EVENTS	ANNUAL BUDGET	RENTAL INCOME
2012	479	\$112,630	\$53,410
2013	411	\$223,037	\$49,530
2014	355	\$128,238	\$38,810

Facility use has been trending down over the past three years. There is no clear explanation for the decline. Room rental rates are generally favorable when compared to other venues in the region. Hotel meeting rooms in the area are priced at \$150 per day compared with \$100 per day at the Activity Center, although the hotel spaces are more attractive in terms of design finishes and furnishings.

The Activity Center has been marketed through some trade show attendance and word of mouth. The Center does have a page on the County's web page. Most of the marketing effort appears to be directed toward booking the arena, rather than meeting rooms.

Current paid staffing for the Kingman Activity Center includes a full-time director and one part-time equipment operator. Most event set-up, clean-up, and basic maintenance needs are met using community service workers. Community service averages 2,500 hours per year. The Activity Center budget for 2015 is comprised of salaries and wages (\$51,514), contractual services (\$38,000), and commodities (\$23,100).

Competitive Environment

Competition can be divided into smaller venues that may host business and organizational meetings, training sessions, and social events with up to perhaps 50 attendees, and larger facilities capable of supporting a full conference. The following is a comparison of the Kingman Activity Center meeting rooms and similar spaces within the area.

COMPARISON OF MEETING ROOM RENTAL COSTS

LOCATION	ROOM SIZE	DAILY RATE	SERVICES PROVIDED
Activity Center – North	2,400	\$100	
Activity Center – South	1,682	\$100	Kitchen (\$25)
Comfort Suites (Pratt)	800	\$150	
Holiday Inn Express (Pratt)	1,092	\$150	Projector (\$50), coffee service (\$12)
Atrium Hotel (Hutchinson)	varies	\$250	Full service conference center ²
Fairfield Inn (Hutchinson)	1,200	\$300	Projector (\$50), coffee \$10 per pot, soda \$1.75 per can)
Comfort Inn (Hutchinson)	1,200	\$250	Beverage and snack service available

Based on discussions with hotel staff, it appears that the meeting rooms at these properties are used an average of ten to 15 times per month. The majority of these bookings are with private businesses for meetings and training sessions.

Kingman is surrounded by larger communities with several large venues capable of hosting the conferences, business meetings and training sessions, and social events that make up the primary market. Wichita and Hutchinson present the most competition, though several hotels have small meeting rooms. The larger facilities include both stand-alone conference centers and conference hotels. Both Wichita and Hutchinson have a greater number of hotel rooms available for multi-day activities,

² Pricing is discounted if events will utilize the hotel's food services. The room price drops to \$135. Screens may be rented for \$65 per day. A projector may be rented for \$125 per day. Coffee is \$18 per gallon. Snacks are \$18 per dozen. Lunch meals run from \$10.95 and up. An 18 percent gratuity is added to the bill.

along with a greater variety of activities, restaurants, and other amenities to draw attendees and keep them occupied outside of programmed events.

The following is a partial list of regional venues that would provide competition for a conference center in Kingman. It is not a complete inventory of all available spaces. Many sites such as Pratt Community College, Hutchinson Community College, the Kansas State Fairgrounds, the Kansas Cosmosphere, and Strataca could host activities, but feature rooms with an institutional or industrial look such as concrete block walls, tile or concrete floors, or similar materials. This may be suitable for trade shows, but most guests at a conference, business meeting, or banquet will prefer a more finished look to the space. Additionally, there are several more spaces available in central or eastern Wichita, and the eastern Wichita suburbs.

LARGEST CONFERENCE CENTERS IN REGION (WESTERN WICHITA AND HUTCHINSON)

FACILITY	MEETING SPACE (SQ. FT.)	MEETING ROOMS	LARGEST ROOM (SQ. FT.)	HOTEL ROOMS
Doubletree Wichita Airport	22,000	12	7,200	302
Best Western Wichita Airport Inn	10,000	5	5,000	129
La Quinta Wichita Airport	6,172	6	3,000	140
Atrium Hotel Hutchinson	33,000	10	5,100	215

It is somewhat difficult to compare the pricing of different venues, as different fees may be charged for different spaces, some may include services or resources for which others charge a fee, or some may require that the function also purchase a minimum food service order. In general, private function spaces charge a price beginning at about \$600 per day for the main ballroom, and \$150 to \$300 for each breakout room. Nearly all of these and other centers prohibit guests from bringing outside food and drinks.

Public facilities tend to have lower rates. Again, comparison is difficult because the character of the space differs significantly. Most public function spaces are not designed to the same standard as would be a conference center or hotel banquet and meeting space. Meeting room pricing tends to run in a range from \$100 per day to \$300 per day. The nicest large banquet rooms can be between \$400 and \$600 per day, though some unique spaces are higher.

Comparative Facilities

A search was made of Kansas and surrounding states to identify other publicly owned convention facilities in communities similar to Kingman. Few good examples exist. Most public facilities are community centers that were developed with a large ballroom that can also be divided and function as meeting space, but the facility itself will usually contain other public uses (like a gym or classrooms) and tends to have an institutional finish. Still, an examination of these facilities can provide insight into the possible design and operation of a conference center in Kingman.

Buffalo Bill Cultural Center, Oakley, Kansas

The Buffalo Bill Cultural Center opened in 2012. The facility serves as both a tourist information center and event center operated as a non-profit entity. A part time event coordinator is responsible for management, marketing, and providing logistical support during scheduled activities. Someone is on

hand during all activities to supervise and provide support, such as with audiovisual resources. The organization is also responsible for set-up and tear-down, cleaning, and maintenance. Volunteer and community service labor is utilized to reduce costs.

The entire building encompasses 8,000 square feet including the cultural center, tourism offices, common areas, and event space. The main meeting space is a 3,200 square foot room that may be divided into three separate spaces, each with their own entry. Each space has an overhead projector and sound system. There is a small lobby and offices for the city's tourism coordinator. The facility provides a catering kitchen equipped with a large refrigerator and freezer, and a warming oven is being considered. Table linens may be rented.

Several techniques have been used to market the center. This initially included some print advertising, but that failed to produce any bookings. Center staff conducted outreach to major businesses within a 30 to 60 minute drive. They have attended a small number of trade shows and approached statewide organizations such as the Farm Bureau. Because the facility also houses a tourism information center, they have drawn traffic that will become aware of the space. The center has also worked with the state tourism department to promote the space.

Most events are drawn from the local area, although the space has hosted statewide activities. There are typically 11 to 18 events per month. Business uses make up half or more of all bookings. Large social events comprise about ten percent of the total. A local church uses the space every Sunday for services. The organization is beginning to program its own events in the center.

Construction costs ran just under \$1 million, half of which was provided through a grant from the state. Aside from the wages of the part-time coordinator, operating expenses are running at about \$6,000 per year, not including utilities, debt service, or building maintenance. Annual income from the event center, rent paid for the city tourism coordinator's office, and a gift shop is approaching \$30,000 after 2.5 years in operation. The goal is to achieve \$5,000 per month, or \$60,000 per year. Grants and donations provide additional operational support.

[Onawa Community Center, Onawa, Iowa](#)

The Community Center was developed in 2003 at a cost of \$1.2 million, and contains meeting or banquet space along with other functions, including a fitness center. As the name implies, it was developed to serve as a community center more than a meeting facility, although it does have that capability. Much of the funding to construct the facility came from private donations. Donations also funded a \$500,000 endowment to help fund future maintenance and operations. Onawa is located along the Missouri River midway between Omaha and Sioux City.

There are four meeting spaces in the 10,600 square foot facility. At 3,600 square feet, the largest (Kelly Hall) is capable of seating 420 people at tables. The breakout room is a small meeting room that can seat up to 60 people at tables. The breakout room is divided from Kelly Hall by a sliding divider, allowing multiple functions to occur at once. A large kitchen and beverage bar are attached to these rooms. Renters have access to a television and VCR, a podium, easels, overhead projector, and audio equipment.

The Westendorf Conference Room will seat 14 people at a large boat shaped table and is equipped with a kitchenette, a dry erase cabinet, and a 42" flat screen television, along with easels, a podium, and overhead projector. It is used mostly for occasional business meetings. The activity room has a lounge, foosball and ping pong tables, and a dart board. It is often used for meetings of area youth groups.

Rental fees are \$200 per day for Kelly Hall and \$50 for four hours in the smaller rooms. The building is maintained by the city's parks and recreation department, and there is a half-time coordinator who oversees its programming.

There is almost no marketing of the facility, aside from the City website. The large room is booked almost every weekend, and occasionally during the week. The smaller rooms are used sporadically. Weddings, parties, and organizational meetings (like Ducks Unlimited or Pheasants Forever) make up most bookings. The space is also used for fundraising activities like trade shows and sales.

City Limits Conference Center, Colby, Kansas

The City Limits Conference Center is a privately developed facility attached to a Comfort Suites in Colby, with a population about twice the size of Kingman's. It opened in 2003 or 2004, and features a single 5,500 square foot room that may be divided into four spaces. Two of these measure 50 feet by 60 feet, and a third measures 50 feet by 50 feet. One of the larger rooms has an additional divider to create two 25 foot by 30 foot spaces. Adding in hallways, restroom facilities, a lobby, and kitchen will bring the total square footage closer to 7,000 square feet.

Social functions and business meetings make up the bulk of reservations. About three-quarters of these originate in northwestern Kansas. They include weddings, family gatherings, social organization banquets, business meetings, training functions, and similar activities. Many of the business activities are related to agriculture. For example, Pioneer may schedule its regional sales meetings at the facility. The facility attracts a minimal number of statewide meetings. Selling points for the conference center include the attached hotel, the fact that it is the nicest banquet space in the region, and the location on Interstate 70, which makes it easily accessible to people traveling from the east or west.

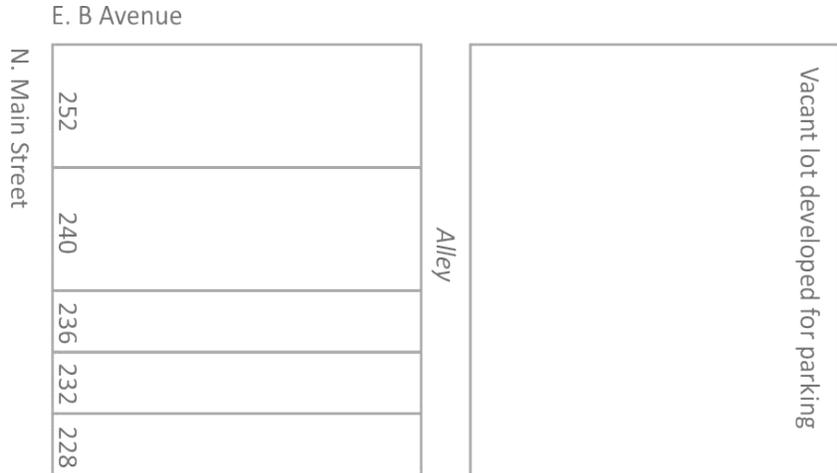
The entire space rents for \$700 per day. The smaller rooms rent for \$125 to \$250. No outside food or beverages are permitted. The facility earns most of its profits from food sales through its restaurant, while room rental fees barely cover expenses. Restaurant entrees run from about \$12 to \$25 per plate. A gratuity is added.

Potential Conference Center Development

After reviewing a number of options, the recommended site for a conference center is on the 200 block of North Main Street in downtown Kingman, including 228, 232, 236, and 240 North Main Street. The vacant lot at 121 East B Avenue, already owned by Kingman County, could be developed for parking. The conference center depicted does not use the bank's parking lot on the corner of Main Street and B Avenue, though this lot could be incorporated into the development.

This location presents the best opportunity to create a distinctive space, minimizes development costs, and has the greatest economic impact of all possible locations. Shopping and dining venues are immediately adjacent to the downtown location, offering services to event attendees and bringing potential customers to those businesses. Existing and new public parking can serve the facility and the downtown district in general, whereas a parking lot constructed as part of a highway site would sit unused most of the time. Redevelopment in the downtown would also help to remove blighted structures and replace them with a productive use.

Other locations considered included the former bowling alley, however, the low ceiling heights and configuration of the space are not conducive to creating a competitive conference space. Additionally,

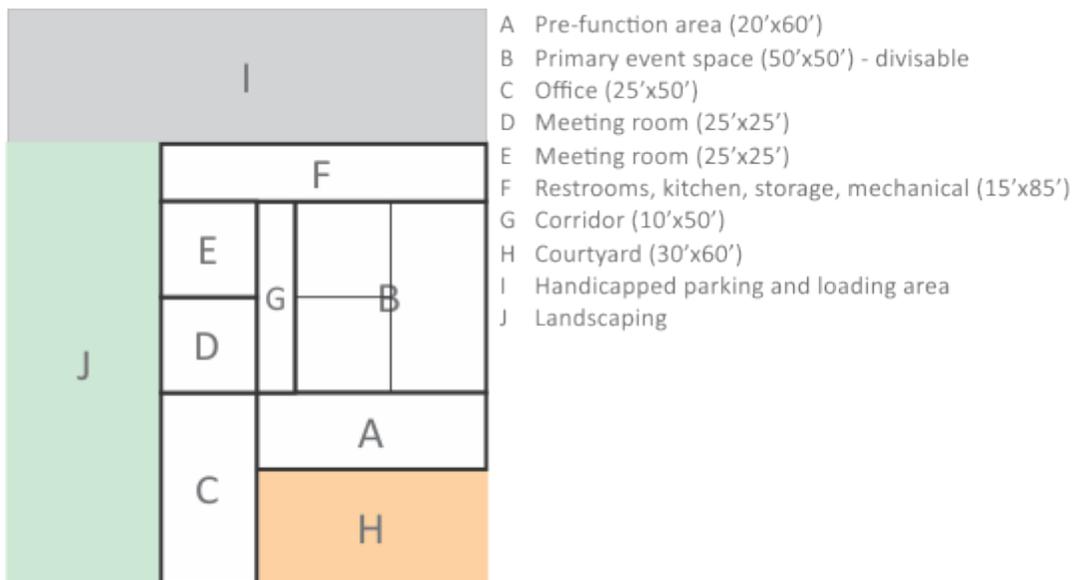


the building would require considerable renovation and replacement of many mechanical systems that would raise the cost to at least that of developing a new facility. Parking at the site may not be sufficient, and there is little opportunity to create a distinctive space. The former Alco building presents similar challenges, and its larger size would require a second tenant in the building, which may conflict with the conference center.

Bare ground sites along the highway would place the facility at the edge of town, where it may not help to bring customers to businesses elsewhere along the highway or in the downtown. Site acquisition and development costs would also be greater than at the downtown location.

Conference Center Facility

The proposed conference center is modeled after the facility in Oakley, Kansas, which opened in November of 2012. That facility is approximately 8,000 square feet. The one illustrated below is a similar size, although more space is allocated to hosting activities.



Significant features of the design include the following:

- Pre-function area (A) – This is a flexible space that can be used for receptions, as an area to set up displays, and to accommodate functions like coat checking or bar service.
- Primary event space (B) – The primary event space can be configured as a single large room or divided into three smaller spaces using accordion-style partitions.
- Office (C) – This office space is envisioned as a location for convention center staff and/or other related activities. Alternatively, it (or a larger space that could be accommodated on the site) could be used as a museum/cultural space, or leased out to a private business to provide income.
- Meeting rooms (D and E) – These rooms can be set up as classrooms or boardrooms to host breakout sessions or smaller meetings.
- Service area (F) – Restrooms, storage, laundry (for table linens), and mechanical systems can be accommodated in this area. It will also contain a catering kitchen. A full commercial kitchen is not recommended due to the cost to build it, and the higher insurance premiums it would command.
- Corridor (G) – A single corridor is shown to provide access to meeting rooms and service areas.
- Courtyard (H) – As an additional amenity, this concept shows a courtyard through which the main entrance would be accessed. The courtyard can be used for receptions during good weather, and might feature a fountain, landscaping, artwork, or other focal point. It may be possible to retain the historic building façades as an entry into the courtyard.
- Parking and loading (I) – The rear part of the site can be used to provide handicapped parking stalls and for loading and unloading of catering or other service vehicles.
- Side yard (J) – Landscaping in this area will improve the appearance of the site and downtown. The space could be developed as a small park serving the conference center as well as the downtown in general.

MEETING SPACE CONFIGURATION – GUESTS ACCOMMODATED

	PRIMARY EVENT SPACE			MEETING ROOMS (D/E)	PRE-FUNCTION SPACE
	FULL	HALF	QUARTER		
Dimensions	50 x 50	25 x 50	25 x 25	25 x 25	20 x 60
Total floor area (square feet)	2,500	1,250	625	625	1,200
Cocktail – guests standing	416	208	104	104	200
Banquet – round tables served	208	104	52	52	100
Banquet – round tables buffet	227	114	57	57	109
Auditorium seating	312	156	78	78	150
Classroom seating	156	78	39	39	75

Meeting spaces should be designed with a clear span and ceiling heights of at least 20 feet in the main meeting space. Walls should be finished plaster, except for folding partition panels. Floors should be carpeted. Resources that should be provided include:

- Wireless and hard-wired internet
- Individually adjustable lighting and climate controls for each space
- Ceiling mounted projector, screen, and audio system for each room and partition.
- Podium, portable stage, and portable dance floor
- White board in each of the two dedicated meeting rooms
- Banquet tables and chairs for the primary event space
- Classroom tables and chairs for the two dedicated meeting rooms
- Bistro tables and lounge chairs for the pre-function area

Services

Services that should be provided for an additional fee include the following. Competitive pricing is suggested and has been used in the financial projections.

- Event set-up and clean-up (included in the room pricing)
- Audiovisual resources including a projector, screen, and sound system (\$25 to \$50 additional per room)
- Coffee/tea and water/soda beverage services (\$15 per 30-cup urn and \$1 per can or bottle)
- Snack items – donuts, granola bars, cookies, etc. (\$1 to \$2 each)
- Table linens (\$5 per table)

Larger meal services should be catered by outside vendors, and the center should have a list of approved caterers for events. An additional fee can be charged for use of the catering kitchen.

Alcoholic beverage service should be considered as it will help to attract social events such as weddings and reunions, organizational dinners, and some conferences. One option may be to contract with a separate organization to provide alcoholic beverage service on an as-needed basis. The conference center should receive a minimum fee for each use.

Staffing and Management

The most efficient structure for operation of the proposed convention center would be to combine its management with the Kingman Activity Center. There are considerable cost savings to be gained by hiring only one management employee, jointly marketing both facilities, and utilizing common staff for routine activities.

Additional staffing would be required to supplement the one full-time and one part-time employee at the Kingman Activity Center. The following is a possible staffing structure with job responsibilities.

- Manager – This person will be responsible for overall management of the facilities including policy development, budgeting, financial recordkeeping, human resources, scheduling, and

maintenance. They would continue to have the role of coordinating events produced by the Activity Center.

- Sales Coordinator – This person will have the primary responsibility for marketing both spaces, coordinating bookings, and overseeing set-up of the conference center for events. They will be the primary person on-hand during weekday events to address any guest needs.
- Equipment Operator – This person will continue to have the existing duties associated with the Activity Center and will assist in conference center set-up and maintenance.
- Attendant – One or more individuals should be trained concerning the conference center and its equipment, to be on hand during booked activities to address any guest issues. This is a part time position on an as-needed basis.

A considerably greater effort will need to be made to market the conference facility, in comparison to what is currently done for the Activity Center. This would include a dedicated web site, use of social media, listings on event planning sites, and management of directory and review sites such as Yelp, Google+, and Trip Advisor. The facility should partner with the Wichita Convention and Visitor’s Bureau and the Kansas Department of Tourism to expand its marketing reach. Regionally, there should be a sustained campaign of outreach to wedding and other event planners, businesses and social organizations, and to statewide organizations. The facility should be represented at trade shows or other events for the meeting planning and tourism industry.

Financial Analysis

The figures used in this analysis are based on the performance of similar venues that have been researched. They assume a stabilized rate. That is, it will take up to three years to develop an awareness of the new facility, during which utilization will grow to the figures estimated. These estimates also assume that the center is developed as described, that it is well managed, and that the required marketing occurs.

Projected revenue is based on the following pricing and utilization of the spaces available. The convention center is anticipated to earn a stabilized revenue of \$88,600 per year.

ROOM/EQUIPMENT RENTED	AVG. RENTAL PRICE	ANNUAL RENTALS	ANNUAL REVENUE
Primary Event Space - Full	\$600	36	\$21,600
Primary Event Space – Half	\$300	48	\$14,400
Meeting Rooms	\$150	240	\$36,000
Pre-Function Space (if set up)	\$75	10	\$750
Kitchen	\$25	80	\$2,000
Projector/AV Equipment	\$25	100	\$2,500
Table Linens	\$100	36	\$3,600
Beverage Services	\$25	150	\$3,750
Snack Services	\$25	100	\$2,500
Alcoholic Beverage Fee	\$50	30	\$1,500
TOTAL			\$88,600

Once utilization stabilizes in the third year, the conference center is projected to have an annual operating deficit of \$80,814. Revenues may be sufficient to cover departmental and operating expenses, however, they will not provide sufficient funds to develop a reserve or to cover debt service.

CONFERENCE CENTER ESTIMATED OPERATING PRO FORMA

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
REVENUE					
Room and Equipment Rentals	\$25,493	\$50,985	\$77,250	\$77,250	\$77,250
Food and Beverage Services	\$3,746	\$7,491	\$11,350	\$11,350	\$11,350
Total Revenue	\$29,238	\$58,476	\$88,600	\$88,600	\$88,600
DEPARTMENTAL EXPENSES					
Rooms and Equipment	\$2,549	\$5,099	\$7,725	\$7,725	\$7,725
Food and Beverage	\$1,498	\$2,996	\$4,540	\$4,540	\$4,540
Total Departmental Expenses	\$4,047	\$8,095	\$12,265	\$12,265	\$12,265
OPERATING EXPENSES					
Wages and Salaries	\$40,425	\$43,733	\$47,040	\$47,040	\$47,040
Marketing and Promotions	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500
Utilities and Maintenance	\$16,750	\$16,750	\$16,750	\$16,750	\$16,750
Contracted Services	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Total Operating Expenses	\$68,675	\$71,983	\$75,290	\$75,290	\$75,290
Total Expenses	\$72,722	\$80,078	\$87,555	\$87,555	\$87,555
GROSS OPERATING PROFIT (LOSS)	(\$43,484)	(\$21,602)	\$1,045	\$1,045	\$1,045
Reserve for Capital Replacement	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
AMOUNT AVAILABLE FOR DEBT SERVICE					
	(\$53,484)	(\$31,602)	(\$8,955)	(\$8,955)	(\$8,955)
DEBT SERVICE	\$71,859	\$71,859	\$71,859	\$71,859	\$71,859
PROFIT (LOSS)	(\$125,343)	(\$103,461)	(\$80,814)	(\$80,814)	(\$80,814)

Debt service has been estimated using a \$1 million cost of construction along with furniture and fixtures. This does not include the cost of land acquisition, as a portion of the property is already publicly owned and the City/County is seeking to acquire the remaining lots that have been recommended as the preferred site. Assumptions used in calculating the debt service include a 20-year term and a municipal bond rate of 3.75 percent.

Other assumptions used in the financial analysis include:

- Wages and salaries include a full-time marketing specialist at \$15 per hour, and a part-time attendant at \$9 per hour for 800 annual hours.
- Expenses for marketing and promotions use a standard percentage of 7.5 percent of sales.
- The reserve for capital replacement is equal to one percent of the project development cost.

Opportunities may exist to shrink the operating deficit. In the case of both Oakley, Kansas and Onawa, Iowa, private donations significantly lowered the City’s cost to develop the facility, and hence its costs for debt service. In Onawa, donations were also used to fund an endowment for operational support and future capital replacement, ensuring the future financial stability of the center. In Oakley, a tourism grant from the state funded half of the construction cost.

Economic Impact

If constructed and operated as recommended, the conference center is likely to have an impact on use of the Activity Center as well. The close proximity of the facilities will help to foster cross-over bookings. Large events at the Activity Center may very well end up leasing banquet space at the conference center. Increased marketing associated with the conference center may also help to increase the number of events at the Activity Center.

Activities held at the conference center will generate demand for services that can be provided by businesses in the county. These businesses include caterers, photographers, printers, and businesses at which guests may make purchases, such as florists, gift shops, gas stations, and hotels. Those using the facility may also make purchases for their events, such as food and table decorations, at area businesses.

It is estimated that the facility will be used for 324 events per year. About three quarters of these will be smaller activities held in the center’s meeting rooms, including business meetings, training session, and similar events. A total of 84 event days have been projected for the larger conference space.

The amount of retail goods and services sales attributable to persons visiting the conference center for events has been estimated at \$305,472, generating \$15,734 in sales taxes and \$2,896 in lodging taxes. These figures include only attendees from outside of the area, which are estimated to be 20 percent of small event participants, and 50 percent of large event participants.

Estimated Conference Center Visitor Spending and Tax Generation

EVENT SIZE	EVENTS PER YEAR	AVERAGE ATTENDANCE	PERCENT LOCAL	ESTIMATED SPENDING						
				TOTAL	RETAIL	LODGING	DINING	TRANS.	SALES TAX	LODGING TAX
Small	240	20	80%	\$56,832	\$9,207	\$8,979	\$13,469	\$14,378	\$2,927	\$539
Large	84	100	50%	\$248,640	\$40,280	\$39,285	\$58,928	\$62,906	\$12,807	\$2,357
Total	324			\$305,472	\$49,486	\$48,265	\$72,397	\$77,284	\$15,734	\$2,896

These figures were based on Kansas Department of Tourism reports that one-day visitors spend an average of \$74 per day. It is further estimated that only 80 percent of this spending will occur in Kingman County. The total spending is then broken out by the percentage typically spent on different goods and services.

The sales estimates do not include the amount spent on event catering, which is estimated at \$159,750. Pricing is based on rates charged at other conference centers and meeting spaces in the region, and estimates of the percent served are informed by discussions with comparable facilities.

	EVENTS PER YEAR	PERCENT SERVED	NUMBER	AVERAGE MEAL COST	AVERAGE ATTENDANCE	PER EVENT SPENDING	TOTAL
LUNCH							
Small Event	240	30%	72	\$13	20	\$250	\$18,000
Large Event	84	15%	13	\$13	100	\$1,250	\$15,750
DINNER							
Small Event	240	0%	-	-	-	-	-
Large Event	84	60%	50	\$25	100	\$2,500	\$126,000
Total							\$159,750

Conceptual rendering of the downtown convention center site development

