

## **CHAPTER 10**

### **ESTIMATE OF IMPACT FROM STATUS QUO – “WHAT IF THE RECOMMENDED HOTEL IS NOT BUILT?”**

While a detailed economic, fiscal and employment projection is recommended for the next phase of analysis, HSP has undertaken a review of projections for critical impact items under two scenarios: if the hotel is built as proposed, and if it is not.

In general, there are many measurable and immeasurable areas of impact. The following would be negative impacts of the status quo:

- The relative, and absolute, strength of the hospitality and tourism industry would likely decline. This would be especially pronounced when comparing Madison to its peers and competitors. Those building and/or expanding their convention, hotel and event package would penetrate the market for events at a higher level relative to Madison. As a result, financial rewards to Madison would decline in relative terms.
- The hotel quality, capacity, and pricing power in Madison would stagnate, relatively speaking, compared to a scenario with a new, high quality, large and well-located facility.
- Hotel taxes collected would be less.
- Sales taxes collected would be less.
- Fewer people would be employed, both in the hotels and from spin-off impacts.
- The quality and quantity of meetings and events would stagnate and potentially decline.
- The incentive for hotels to improve, renovate, and promote high service levels will be less than if a strong new competitor was introduced.
- The existing lower quality hotels serving downtown would continue to serve downtown at similar levels of quality as today.
- Loss of a \$100 million+/- development project and the jobs, taxes and impact associated with it.
- There will be less revenue at Monona Terrace.
- There will be more subsidy needed to support Monona Terrace.

The impacts as measured for hotel room nights, hotel taxes collected, and events and revenue at Monona Terrace are shown below.

**Table 10-1**

<b>Impact of Not Developing Recommended Hotel</b>						
<b>With Hotel</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>Total</b>
Total Monona Terrace Events	692	701	711	711	711	3,526
Total Monona Terrace Attendees	230,447	247,028	267,771	267,771	267,771	1,280,788
Monona Terrace Revenue	\$5,393,169	\$6,340,224	\$8,107,627	\$8,350,856	\$8,601,382	\$36,793,258
Monona Terrace Expense	\$8,582,652	\$8,840,131	\$9,105,335	\$9,378,495	\$9,659,850	\$45,566,464
Monona Terrace Net	-\$3,189,483	-\$2,499,908	-\$997,708	-\$1,027,639	-\$1,058,468	-\$8,773,206
Competitive Set Room Nights	366,479	394,630	407,392	407,392	407,392	1,983,285
Hotel Tax (TOT) Generated	\$4,557,955	\$5,055,306	\$5,375,356	\$5,536,616	\$5,702,715	\$26,227,948
<b>Without Hotel</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>Total</b>
Total Monona Terrace Events	685	683	680	680	680	3,409
Total Monona Terrace Attendees	217,261	216,433	215,681	215,681	215,681	1,080,736
Monona Terrace Revenue	\$5,084,561	\$5,237,098	\$5,394,211	\$5,556,037	\$5,722,718	\$26,994,625
Monona Terrace Expense	\$8,332,672	\$8,565,987	\$8,805,834	\$9,052,398	\$9,305,865	\$44,062,755
Monona Terrace Net	-\$3,248,111	-\$3,328,889	-\$3,411,623	-\$3,496,360	-\$3,583,146	-\$17,068,130
Competitive Set Room Nights	326,839	330,107	333,408	333,408	333,408	1,657,170
Hotel Tax (TOT) Generated	\$4,024,289	\$4,182,403	\$4,346,730	\$4,472,785	\$4,602,496	\$21,628,702
<b>Difference</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>Total</b>
Total Monona Terrace Events	7	18	31	31	31	117
Total Monona Terrace Attendees	13,187	30,595	52,090	52,090	52,090	200,052
Monona Terrace Revenue	\$308,608	\$1,103,126	\$2,713,417	\$2,794,819	\$2,878,664	\$9,798,633
Monona Terrace Expense	\$249,980	\$274,145	\$299,501	\$326,098	\$353,986	\$1,503,710
Monona Terrace Net	\$58,628	\$828,981	\$2,413,915	\$2,468,721	\$2,524,678	\$8,294,923
Competitive Set Room Nights	39,641	64,523	73,984	73,984	73,984	326,114
Hotel Tax (TOT) Generated	\$533,666	\$872,903	\$1,028,626	\$1,063,832	\$1,100,219	\$4,599,246

Source: HSP

As shown, over the next five years, a total of nearly 120 additional events would be foregone as well as more than 200,000 attendees. Revenue at Monona Terrace would be approximately \$10 million less and the net subsidy needed will be \$8.3 more. The number of lost room nights in the competitive set of hotels would be more than 325,000 over five years, leading to a loss of TOT of \$4.6 million over the period. At the hotel alone, more than 300 full-time equivalent jobs would be foregone.