

Belton Hotel Market and Financial Feasibility Analysis

Presented to:

City of Belton

July 18, 2023



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The City of Belton engaged Hunden Strategic Partners (HSP) to study the market and financially feasibility of a conference center and hotel development within the Belton city limits.

This deliverable has been prepared under the following general assumptions and limiting conditions:

- The findings presented herein reflect analysis of primary and secondary sources of information assumed to be correct. HSP utilized sources deemed to be reliable but cannot guarantee accuracy.
- No responsibility is taken for changes in market conditions after the date of this report and no obligation is assumed to revise this report to reflect events or conditions occurring thereafter.
- HSP has no control over construction costs or timing of construction and opening.
- Macroeconomic events affecting travel and the economy cannot be predicted and may impact the development and performance of the project.

We have enjoyed serving you on this engagement and look forward to providing you with continuing service.

Sincerely yours,

Hunden Strategic Partners



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INTRODUCTION

Hunden Strategic Partners was retained by the City of Belton to study the market and financially feasibility of a conference center and hotel development within the Belton city limits. HSP's analysis includes a comprehensive understanding of the market, current and future hotel growth trends, competitive Belton hotel analysis, recommendations, and demand and financial projections.

The City of Belton, Bell County, and the surrounding region continue to be positively influenced by the growth of major Texas cities and the I-35 corridor. The continued development of Interstate 14 will also help Belton and the surrounding region to grow and expand. Each of these factors positively influence the Belton area population growth. That being said, Belton is still a relatively small market within Texas and is not currently considered a primary destination for traditional leisure travel. The key demand generator for the local community remains the Bell County Expo Center.

A primary focus of the analysis was to determine the opportunity for conference center and hotel development in downtown Belton or on the land adjacent to the Bell County Expo Center. The Bell County Expo Center currently offers more than 100,000 square feet of flat floor event space and a newly completed, 170,000square foot equine facility, but does not offer a true ballroom, breakout meeting rooms, or adequate hotel options. This limits the type, and quality, of events that Belton is able to attract. Today's corporate and state association meeting planners covet branded, walkable, high quality hotel properties that can offer significant room blocks. The midscale 76-room La Quinta Inn and Suites and the independent Expo Inn & Suites are the only walkable hotel options surrounding the facility, but both hotels do not offer the appropriate size, amenities or function space to enhance the overall meetings and events package of Belton. A conference center hotel development in Belton would significantly enhance the Bell County Expo Center's ability to attract higher rated conferences and conventions. This represents the primary opportunity and gap for Belton.

With that being said, the Belton market presents a variety of challenges. While occupancy rates and average daily rates of the competitive hotel set were rising before the pandemic and have showed strong recovery after the pandemic, they remain relatively low due to the market dynamics, and the business mix of the community generally consists of lower paying groups. Therefore, the type of hotel that can be financially supported from a feasibility perspective is a limited-service product. If there was no outside incentive or inducement, a limited-service hotel is what the market would bear, and it would likely be smaller than needed to lure additional business. Therefore, HSP conducted analysis of a 150-room conference center hotel with a ballroom and bank of meeting rooms (select service plus) with assumed assistance of public funding. The more robust product is less viable, but has the most ability to induce new group demand, and corporate demand, to Belton and the Bell County Expo Center.

HSP also considered downtown Belton with regards to market opportunity for a conference center and hotel. The development of a hotel and conference center in downtown Belton would likely help to revitalize and increase downtown activity and spending. This site features accessibility to Belton's restaurants, retailers and entertainment options, which have gained traction since coming out of the COVID-19 pandemic. Natural growth, the Bell County Expo Center, University of Mary Hardin-Baylor and recreational assets continue to drive visitation to Belton, supporting continued development of the downtown corridor. Currently, the lack of lodging facilities downtown does not allow Belton to capitalize on visitation to its downtown businesses. Placement of the hotel downtown would ease accessibility to Belton's businesses, encouraging visitation to the city's unique restaurants, retailers and public areas.



The City should be expected to participate in order to induce the development of such a hotel. The following analysis breaks down the market and models that led to this suggestion.

Following the SWOT analysis, recommendations are provided for the project.

SWOT Analysis

Strengths

- Bell County Expo Center. The presence of a high-quality, flexible event facility in the local market is an asset that must be leveraged. With 55,000 square feet of exhibit space, the complex can host a wide range of events, from conventions and exhibits to entertainment and sporting events. In 2018, the facility underwent a \$30 million dollar renovation for a new equine event center. Interviews with the facility's management revealed that since the opening of the equine center, the Bell County Expo Center has been booked for an event every week throughout the year, generating more convention and event business in the city than ever before. As the primary demand generator for Belton and Temple hotel properties, the Bell County Expo Center, which is currently lacking an appropriate hotel and ballroom package, is the driving force behind the opportunity for a new conference hotel in Belton.
- Surrounding Demand Generators. While the Expo Center will play a critical role in the success of any new hotel, Belton offers a variety of other demand generators. The University of Mary Hardin Baylor, located in downtown Belton, positively impacts the hotel market throughout the entire year, and conversations with local corporations indicates partnership opportunities if a new, high-quality hotel is developed. In addition, Belton Lake is a natural asset that will continue that will continue to drive visitation and demand throughout the local market.
- Visibility and Access. Assuming the hotel is developed near Interstate 35, the hotel could have significant visibility to traffic traveling in and out of Belton and through the region. This is vital to groups and leisure travelers, who aside from possible off-site advertising such as billboards, would be unaware of hotel options within Belton. If developed near the Bell County Expo Center, the proposed hotel would be very accessible just off the highway and would service area businesses and any overflow from the Temple area well. If developed in downtown Belton, additional marketing and signage would be needed, but the site would have better access to downtown Belton's related shopping, dining and entertainment assets.
- Opportunity for Groups to "Own" the Community. Smaller markets can attract groups that do not like being one of many events in town. In a smaller market, a group is able to book an entire conference facility and not host simultaneous events with other groups. This gives the sense of added importance and attention, as well as eliminates competition for shared facility space and amenities. In Belton, a group will likely "own the hotel" and establishments while in town, providing a sense of attention and pride to the group.
- Flight to Quality. There is a flight to quality that occurs when new, well-located hotels open with the services and amenities customers expect. As a result, this draws business from the existing hotels, such as some of the properties in the Temple area, that may be older or of a lesser quality than customers desire.



 Community Growth. The City of Belton, and the surrounding region, continues to grow and develop in all directions. As the population increases and more citizens continue to visit the area, the need for a high-quality lodging option will only increase.

Weaknesses

- Lack of Traditional Demand Generators. While the presence of the Expo Center and the university are critical to the success of any future conference hotel development, the lack of significant corporate and leisure demand will present challenges. If there is not a major event occurring at the Bell County Expo Center, demand generated by local corporations will be necessary to fill room nights on weekdays throughout the year. In addition, Belton does not offer tourist destination activities that generate traditional weekend demand. A market that lacks primary demand drivers for hotel room nights will present challenges to hotel developers.
- Small Market. The population of Belton and the business community are small in comparison to those of larger cities and markets, such as Austin or Waco. As a result, there is not a critical mass of hotel demand from these traditional sources. This is the largest hindrance to the development and viability of a hotel, especially one with full-service amenities like catering and ballroom space.

Opportunities

- Meetings and Events. Conversations with local stakeholders, hoteliers, and Expo Center representatives indicated that the Bell County Expo Center is hindered by the lack of available, walkable high-quality hotel rooms blocks. The La Quinta does not offer the brand, amenities, or room blocks to adequately support such a large event facility. A new, high quality hotel development located within walking distance of the Expo Center will allow Belton to pursue larger, higher-rated events that the city cannot currently attract. In addition, the development of function space as part of a hotel, including ballroom space, would complement the Expo Center and enhance the attractiveness of the entire events package.
- Lack of Existing High Quality Select or Full-Service Hotel. There is no direct competitor for the Project in Belton, suggesting it would own the market. There has been a cycling down and decline of the existing hotels due to a lack of reinvestment and updates to the properties, which is necessary to compete with the surrounding market's level of quality. Therefore, the proposed hotel would be the highest quality hotel in Belton and the competitive set. This would set it apart from all competitors, regardless of location. Depending upon the amenities and function space offered, the hotel could fill a gap in the market for high quality, select or full-service lodgings and larger meeting space.
- Catalytic Development. The proposed hotel can serve as a catalytic development to retain and attract businesses, groups and visitors to Belton. Development is often a catch-22 situation, where an investment such as a hotel is not necessarily feasible without other amenities and demand generators. Yet the other amenities and demand generators may not occur as quickly without a hotel. To start the development trend, public entities can spur development by investing in this area now, helping to bridge the risk gap that has kept other developers at bay. The Bell County Expo Center expansion is a project that will help spur additional restaurants, bars and retail shops, and other types of businesses (either new or relocated). Businesses and



entrepreneurs notice when the city is aggressive and takes and active role in improving itself via public-private partnerships, key public investments and other quality of life enhancements. These create an environment where others are then more willing to invest time, money, talent and effort into a new business in Belton, move there as residents or visit with their group.

Threats

 Economic downturns. Belton does not have an abundance of tourist attractions or tourism demand generators that lure large amounts of visitors regularly. The tourism base is relatively limited, causing Belton to be heavily reliant on the demand generated by the expo center. The performance of regional businesses and the overall economy can greatly impact the demand for the Project.

Implications and Recommendations

Recommended Facility. Based on market opportunities and indications of the public sector's needs for function space, a 150-room "select-service plus" hotel is recommended, including approximately 12,800 square feet of function space. HSP recommends the function space of the hotel to include the following:

- 7,500-square foot ballroom,
- Four 1,200-square foot meeting rooms &
- One 500-square foot boardroom.

As discussed in Chapter 3, a hotel in downtown Belton is recommended due to the proximity Belton's restaurants, retailers and entertainment options, which have gained traction since coming out of the COVID-19 pandemic. In addition, any hotel should be developed in a position that will allow for expansion. Natural growth, the Bell County Expo Center, University of Mary Hardin-Baylor and recreational assets continue to drive visitation to Belton, supporting continued development of the downtown corridor. Currently, the lack of lodging facilities downtown does not allow Belton to capitalize on visitation to its downtown businesses. Placement of the hotel downtown would ease accessibility to Belton's businesses, encouraging visitation to the city's unique restaurants, retailers and public areas.

Recommendation: 150-room Select-Service Plus Hotel

- Room Count. A select service branded hotel with 150 rooms is the recommended hotel.
- Room Mix. A balanced room mix is important to attract and accommodate all visitor segments. The double-double room configuration is very important to the large sports tourism demand, where teams or families put as many as five individuals per room. The ability to meet the room block needs of tournament organizers will make the hotel a more appealing property in the market. On the other hand, corporate transient guests typically require a king configuration, so the proper room mix is essential.
- Strong Brand. HSP recommends the hotel be associated with a strong select-service brand from the following brand families: Marriott, Hilton, or Hyatt. There are also other brands that may work, however the above have the best loyalty programs and would capture at least their fair



share of the market. For this specific situation, HSP's projections in Chapter 5 of this report assume a Courtyard by Marriott development.

- Amenities. Services that cater to the business traveler like complimentary Wi-Fi, a business center, and a fitness center will help attract the business travelers that regularly visit Belton and the surrounding region. These amenities have come to be expected by modern business travelers.
- Food and Beverage: While Courtyard by Marriott hotels do not feature traditional restaurants, the properties feature a bistro that sells fresh cooked and prepared breakfast (not complimentary), appetizers, and sandwiches. Each hotel also features a 24-hour "mini-mart."
- Function Space. Unlike most of the competitive set hotels, which typically have just one or two small meeting rooms, the proposed hotel should include a 7,500-square foot ballroom and four 1,200-square foot meeting rooms, plus a boardroom for 20 24 people. This will allow for larger meetings onsite and should attract more group business, including trainings, to the hotel. If the meeting and function space were built adjacent to the proposed hotel, instead of connected directly to it, additional challenges would arise. Due to the weather and the catering requirements for events, even if separated by a short distance, walking between facilities would be a hindrance in attracting guests and in efficiently run operations. Guests with limited mobility or handicaps could see the short distance between the facilities as a reason to book their events with another hotel in the market.

By designing in these recommendations for the 150-room select-service conference hotel, HSP believes the hotel project will provide the most feasible option while still generating significant economic impact for Belton. The recommended property will have inducement capability to bring in new group business to itself, the Bell County Expo Center, and the rest of the market. If the local companies are able to steer group and contract business to the property, regardless of location, it will help the hotel, local establishments and the community.

Financial Projections

The next table shows the projected performance of the hotel based on several assumptions about the property.

The figures are shown as earned (cash basis) and in nominal amounts, not discounted. PAR stands for "per available room" and are shown on an annual basis and POR stands for "per occupied room" and are shown on a per night basis.



			Year 1			Year 2	Year 3	Year 4	Year 5	Year 10
Room Count	150					150	150	150	150	15
Available Room Nights	54,750					54,750	54,750	54,750	54,750	54,75
Occupancy Rates	65%					71%	77%	77%	77%	77
Occupied Room Nights	35,781					39,098	42,115	42,115	42,115	42,11
Average Daily Rate	\$133					\$136	\$139	\$142	\$145	\$16
RevPAR	\$87					\$97	\$107	\$109	\$112	\$12
Percent of Change from Prior Year						11.7%	10.1%	2.2%	2.2%	2.2
	\$	%	%	PAR	POR	\$	\$	\$	\$	
REVENUE										
Rooms	\$4,760	73.5%	73.5%	\$31,730	\$133	\$5,315	\$5,850	\$5,979	\$6,111	\$6,81
Hotel Food and Beverage	1,360	21.0%	21.0%	\$9,066	\$38	1,523	1,681	1,722	1,760	1,96
Other Operated Departments	291	4.5%	4.5%	\$1,943	\$8	326	360	369	377	42
Rentals and Other Income	104	1.6%	1.6%	\$691	\$3	116	128	131	134	21
Total Revenue	\$6,476	100.0%	100.0%	\$43,171	\$181	\$7,251	\$8,003	\$8,202	\$8,382	\$9,41
DEPARTMENTAL EXPENSES										
Rooms	\$1,280	26.9%	26.9%	\$8,535	\$36	\$1,323	\$1,404	\$1,435	\$1,467	\$1,63
Hotel Food and Beverage	952	70.0%	70.0%	\$6,346	\$27	1,051	1,160	1,171	1,197	1,33
Other Operated Departments	134	46.0%	46.0%	\$894	\$4	147	162	166	170	18
Rent and Other Income	11	11.0%	11.0%	\$76	\$0	12	13	13	7	1
Total Departmental Expenses	\$2,378	36.7%	36.7%	\$15,851	\$66	\$2,532	\$2,739	\$2,785	\$2,840	\$3,17
Gross Operating Income	\$4,098	63.3%	63.3%	\$27,319	\$115	\$4,718	\$5,265	\$5,416	\$5,542	\$6,24
UNDISTRIBUTED OPERATING EXPENSES										
Administrative and General	\$518	8.0%	8.0%	\$3,454	\$14	\$544	\$560	\$566	\$578	\$65
Info & Telecom Systems	\$142	2.2%	2.2%	\$950	\$4	\$145	\$152	\$148	\$151	\$16
Marketing	\$479	7.4%	7.4%	\$3,195	\$13	\$500	\$528	\$533	\$545	\$61
Utility Costs	\$304	4.7%	4.7%	\$2,029	\$9	\$305	\$312	\$320	\$327	\$36
Property Operations and Maintenance	\$317	4.9%	4.9%	\$2,115	\$9	\$319	\$328	\$336	\$344	\$38
Total Undistributed Expenses	\$1,761	27.2%	27.2%	\$11,742	\$49	\$1,813	\$1,881	\$1,903	\$1,945	\$2,18
Gross Operating Profit	\$2,337	36.1%	36.1%	\$15,577	\$65	\$2,906	\$3,384	\$3,514	\$3,598	\$4,06
Franchise Fees	\$291	4.5%	4.5%	\$1,943	\$8	\$326	\$360	\$369	\$377	\$42
FIXED EXPENSES										
Property Taxes	\$ 127	2.0%	2.0%	\$848	\$4	196	201	208	214	24
Insurance	78	1.2%	1.2%	\$518	\$2	80	80	82	84	9
Management Fee	259	4.0%	4.0%	\$1,727	\$7	290	320	328	335	37
Reserve for Replacement	\$65	1.0%	1.0%	\$432	\$2	\$109	\$160	\$246	\$251	\$28
Total Fixed Expenses	\$529	8.2%		\$3,525	\$15	\$674	\$762	\$864	\$884	\$1,00
Cash Flow from Operations	\$1,516	23.4%	23.4%	\$10,109	\$42	\$1,905	\$2,262	\$2,281	\$2,336	\$2.63

Table 1

The property is projected to generate a total of nearly \$6.4 million in gross revenue in the first year, increasing to more than \$9.4 million in the tenth year. Approximately \$1.51 million is estimated to be available to satisfy debt and equity requirements in the first year (23.4 percent of gross revenue), increasing to \$2.63 million in the tenth year.

The model used by HSP assumes the following, based on bank and lending requirements, as well as investor equity expectations:

- 1.4x minimum debt service coverage in every year beginning in Year 2.
- Loans are full recourse.
- Refinance after stabilization.

 Construction mini-perm upfront, which funds construction for up to two years and the first three years of operations (construction should take no more than 12 months for either hotel).

Table 2 **ROI and Financial Structure Assumptions - 150-Key Hotel** Constr. Yr1 Constr. Yr2 Year 1 Year 2 Year 3 Year 4 Year 5 Year 10 Net Operating Income \$0 \$0 \$1,516 \$1,905 \$2,262 \$2,281 \$2,336 \$2,635 Interest and Debt Reserve W/D \$290 \$870 \$0 \$0 \$0 \$0 \$0 \$0 \$1,905 \$290 \$870 \$1.516 \$2,262 \$2.281 \$2.336 \$2.635 Debt Service Payment (\$290) (\$870) (\$1,358) (\$1,358) (\$1,243) (\$1,358) (\$1,243) (\$1,243) Net Income to Repay Equity \$0 \$158 \$547 \$904 \$1.037 \$1.093 \$1 392 \$0 Princ. Amount*** \$3,625 \$10,875 \$14,500 \$14,302 \$14,087 \$13,860 \$13,656 \$12,383 Interest \$290 \$870 \$1,160 \$1,144 \$1,127 \$1,040 \$1,024 \$929 Less Payment (\$290) (\$870) (\$1,358) (\$1,358) (\$1,358) (\$1,243) (\$1,243) (\$1,243) Loan Balance \$3,625 \$10,875 \$14.302 \$14.087 \$13,856 \$13,656 \$13,437 \$12,068 Assumptions Refi Loan Amount (\$000's) \$14,500 \$13,860 Amortization Period (Years) 25 25 Loan Interest Rate 8.00% 7.50% Annual Debt Service Payment (\$000's) (\$1,358) (\$1,243) Equity: Developer's Equity (\$000's) \$5,500 \$14,500 Private Debt Total Supportable Private Financing \$20,000 10-Yr Avg. Debt (Private) Coverage Ratio 1.12 1.40 1.67 1.83 1.88 2 12 1.81 2.9% 9.9% 16.4% 18.9% 19.9% 25.3% Return on Private Equity* 18% *On developer's equity only **On project cost ***Assumes 50% draw in Construction Year 1; 75% average during Construction Year 2 Source: Hunden Strategic Partners

The supportable equity and debt are shown for the proposed hotel below.

HSP assumed a debt structure that includes an initial interest rate of 8.0 percent and a loan amount of \$14.5 million. In addition, HSP assumed that the property would be refinanced in Year 4 with an interest rate of 7.50 percent with a remaining loan balance of \$13.8 million. The total supportable financing totals \$20 million or 44 percent of the estimated project costs. The estimated project cost is \$45 million or \$300,000 per room. Given the above assumptions, the 10-year average debt service coverage ratio is 1.81 and the average return on equity is 18 percent. These are favorable projections to acquire private investors / developers' interest in the project. While the supportable financing in today's environment is approximately \$20 million, the likely range of cost to develop the project is \$30 - \$45 million.



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ECONOMIC & DEMOGRAPHIC ANALYSIS

Analysis of local market area characteristics such as population, demographics, a diversified economy, access, quality of downtown and tourist attractions, gives a better insight into the potential demand for a real estate project. This chapter profiles the Belton, Texas, area, including an overview of the economic characteristics of the metropolitan market and a description of local attractions.

The following figure shows a map of the Belton regional area and interstate highways.



Figure 1-1

As shown, Belton is located in central Texas, north of Austin on Interstate 35. Belton is also serviced by Interstate 14 to the west.

Overview

The City of Belton is within Bell County and is part of the Killeen-Temple metropolitan statistical area (MSA). The city is approximately one hour north of the Austin-Bergstrom International Airport and two hours south of the Dallas/Fort Worth International Airport. Belton is the county seat of Bell County and lies near the center of the county, between two more prominent cities; Killeen and Temple.

The city is known for the Bell County Expo Center, public schools, parks and the University of Mary Hardin-Baylor. Many of the parks and trails are centered around Belton Lake. The city also offers several sports fields, park complexes and water-based recreational activities. The Belton Journal, established in 1866, is the local print news source for residents.

To understand Belton, one must also understand the city's placement and history within the dynamics of the county's other larger population centers. Despite Belton's easy access to a feeder trail of the Chisholm Trail in the 1860s, the railroad eventually bypassed Belton and, instead, nearby Temple became the hub of local transportation access and business. From this time onward, until 1970, Temple was the largest city in the area, fueled by the headquarters of two multi-national companies; Wilsonart International and McLane Company. Baylor Scott & White Medical Center employs over 12,000 people as the area's largest employer besides Fort Hood.

After World War II, the federal government created Fort Hood near the tiny town of Killeen, and with expansion of the base came expansion of the City of Killeen. Before the war, Killeen had only 1,260 people, but the population exploded as the military base grew. By 1960, 23,377 people called Killeen home, and by 1970, it had taken the title as the county's largest city away from Temple, with 35,507 citizens.

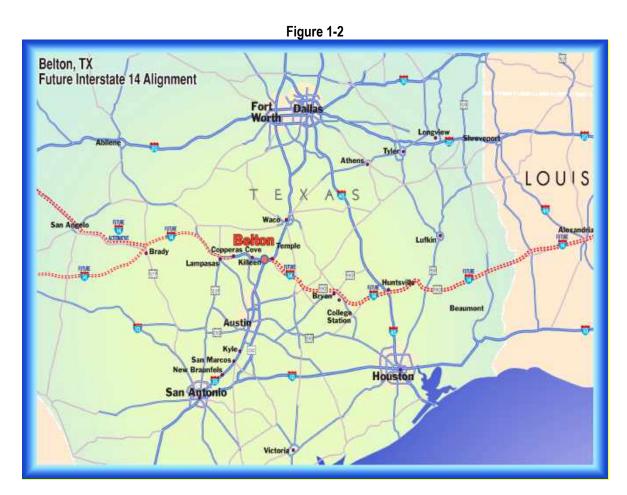
Between Killeen and Temple lies Belton, the stable and rapidly growing county seat that has experienced growth due to its proximity to both Temple, Killeen, and Interstate 35. Both Stillhouse Hollow Lake and Belton Lake are popular recreation destinations that are closest to Belton.

Regional Access

Belton is situated along the heavily traveled I-35 corridor between the Dallas-Fort Worth Metroplex and San Antonio. More specifically, it lies halfway between Waco, home of Baylor University and Austin, the state capital, home of University of Texas and one of the nation's fastest growing cities. Currently, Interstate 35 is the only long-distance limited access highway in the immediate area; however, a short segment of the future Interstate 14 has been constructed as an east-west link, connecting Fort Hood, Killeen, Belton, and Temple (via I-35). Interstate 14 is expected to connect various small cities and military installations between Augusta and Macon, Georgia, to Montgomery, Alabama, Meridian, and Natchez, Mississippi. From there, it continues to Alexandria, Louisiana, then bisects Texas, hitting Bryan/College Station, Temple, Belton, Killeen, (with a section dipping down to Austin as well) and finally connecting at I-10 at a still undetermined point in western Texas.

The following figure shows the future Interstate 14 alignment.





The Texas portion of this route is currently aligned with U.S. 190. Especially within the state of Texas, this highway is expected to be a well-traveled route because of the vast population within the Texas Triangle, made up of San Antonio, Austin, Houston, and Dallas.

Population

The table below shows historical population and growth changes in the city, MSA, county and state.



Table 1-1 Population and Growth Rates							
					Percent Change		
	2010	2020	2022	2027 Projected	2010 - 2022		
United States	308,745,538	331,449,281	335,707,897	339,902,796	8.7%		
Texas	25,145,561	29,145,505	30,157,100	31,502,395	19.9%		
Killeen-Temple MSA	405,300	475,367	491,093	513,990	21.2%		
Bell County	310,235	370,647	384,548	404,490	24.0%		
City of Belton	18,026	23,054	25,466	N/A	41.3%		
City Pop. As % of Metro	4.4%	4.8%	5.2%	N/A	-		

The U.S. population grew by 8.7 percent from 2010 to 2022, while the Killeen-Temple MSA grew by 21.2 percent. During the same period, the state of Texas saw a 19.9 percent increase. The City of Belton experienced an increase of 41 percent, with roughly 25,500 in total population as of January 1, 2023.

Diversified Economy

A healthy and diversified economy provides not only employment and disposable income for a market's residents, but it also helps to insulate an area from economic downturns. Markets that have historically relied on one sector, such as manufacturing, have often had difficulty recovering from market shifts to other sectors, which leads to an overall loss of local income and employment.

The table below shows the diversification of employment in Bell County.



Bell County, TX Employment by Industry - 2021					
Description	Employees	Percentage of Total			
Total employment (number of jobs)	209,667	100%			
By type					
Wage and salary employment	164,672	78.54%			
Proprietors employment	44,995	21.46%			
Farm proprietors employment	2,292	-			
Nonfarm proprietors employment	42,703	-			
By industry					
Farm employment	2,485	1.19%			
Nonfarm employment	207,182	98.81%			
Private nonfarm employment	141,566	68.33%			
Health care and social assistance	22,358	10.66%			
Retail trade	20,390	9.72%			
Accommodation and food services	14,931	7.12%			
Other services (except government and government enterprises)	10,339	4.93%			
Construction	10,206	4.87%			
Transportation and warehousing	8,942	4.26%			
Administrative and support and waste management	8,738	4.17%			
Professional, scientific, and technical services	8,068	3.85%			
Finance and insurance	7,825	3.73%			
Real estate and rental and leasing	7,630	3.64%			
Manufacturing	7,383	3.52%			
Wholesale trade	4,707	2.24%			
Educational services	3,630	1.73%			
Arts, entertainment, and recreation	2,519	1.20%			
Management of companies and enterprises	1,400	0.67%			
Information	1,228	0.59%			
Mining, quarrying, and oil and gas extraction	519	0.25%			
Utilities	432	0.21%			
Forestry, fishing, and related activities	321	0.15%			
Government and government enterprises	65,616	31.67%			
Federal civilian	10,516	5.02%			
Military	35,251	16.81%			
State and local	19,849	9.47%			
State government	1,349	0.64%			
Local government	18,500	8.82%			
Source: Bureau of Economic Analysis, Hunden Strategic Partners					

Table 1-2

Health care and social assistance is the top industry by employment, accounting for 10.6 percent of total employment, followed by retail trade with 9.7 percent and by accommodation and food services with 7.2 percent. All government employment totals 31.6 percent, while military services account for 16.8 percent of employment

in Bell County. The diversification of the private employment will help shield it from major shifts in the overall economy since it is not totally reliant on one specific sector.

Income and Housing

The depth and strength of a market's employment base and income levels are indicators of its ability to support tourism, hotels and event facilities. Indicators of a market's overall wealth and growth can include trends in its income and employment.

The following table provides data on home ownership, income and retail sales based on the latest data from the US Census Bureau.

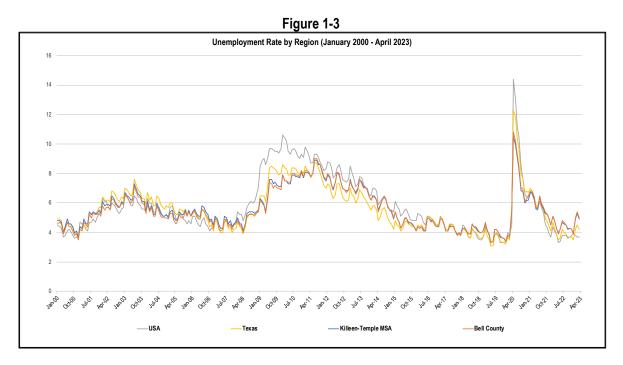
Income, Spending and Other Demographic Data						
Category	United States	Texas	Bell County	Belton		
Homeownership rate, 2017-2021	64.6%	62.4%	54.1%	46.7%		
Median value of owner-occupied housing units, 2017-2021	\$238,500	\$202,600	\$164,200	\$169,700		
Persons per household, 2017-2021	2.51	2.76	2.71	2.66		
Median household income, 2021	\$69,021	\$67,321	\$57,932	\$51,490		
Persons below poverty level, percent	11.6%	14.2%	14.3%	19.4%		
Total employment, 2021	134,163,349	10,798,364	97,560	-		

The homeownership rate in Belton is 17.9 percent lower than the national average, while the State of Texas is only 2.2 percent lower than the national average. The median home values in Belton and Bell County are \$169,700 and \$164,200, respectively, which are lower than the Texas and national average. The City of Belton has a poverty level that is 7.8 percent higher than the national average and 5.1 percent higher than Bell County.

Unemployment

The following figure shows the unemployment rate in Belton, Bell County, the Killeen-Temple MSA and State of Texas in comparison to the national unemployment rate. High unemployment relative to the nation indicates there may be chronic economic structural concerns such as low education rates and mismatched industry and employment resources. Cities with balanced economies tend to weather economic downturns better and have unemployment rates that generally mimic the U.S. level.





As shown above, Belton, Bell County, the Killeen-Temple MSA and the state have had unemployment rates below the national rate, beginning in 2000. Unemployment spiked over 10 percent in Bell County in 2022 but has returned to near pre-pandemic levels in 2023.

Corporate Presence & Major Employers

In general, corporations provide stability to a market and generally consistent employment. They also provide demand for various real estate developments, especially hotels. More importantly, corporate travelers are the backbone of the upscale hotel economy, supporting occupancy from Monday through Thursday nights. The more midsize and large companies in a market, the more support for a potential hotel.

The following table shows the largest employers in Belton, by number of full-time employees.



Table 1-4					
Belton Major Employers - 2023					
_Company Name	Number of Employees				
Belton ISD	1,990				
Bell County	1,250				
UMHB	660				
TRU	556				
HEB Plus	433				
CGI	315				
Cedar Crest Hospital Clinic	294				
Walmart	272				
UPS	212				
City of Belton	175				
Source: Belton Economic Development					

The Belton ISD is Belton's largest employer with nearly 2,000 employers. Bell County and UMHB are the second and third largest employers in the local area, accounting for an additional 1,250 and 660 employees, respectively.

The City of Belton is located roughly 10 miles from Temple, Texas, which is home to many additional major employers that drive room nights along the I-35 corridor.

The following table shows the largest employers in Temple, by number of full-time employees.

Temple Major Employers - 2023				
Company Name	Number of Employees			
Baylor Scott & White Health	7,110			
Central Texas Veterans Healthcare System	3,000			
McLane Company, Inc.	1,733			
BNSF Railway Company	1,500			
Wilsonart International	1,000			
H-E-B Retail Distribution Center	900			
Walmart Distribution Center	698			
Pactiv Corporation	600			
Teletech	600			
Performance Food Group	560			
Source: City of Belton				

Table 1-5



Baylor Scott & White Healthcare is the area's largest employer, employing 7,110 people, more than double the second largest employer, Central Texas Veterans Healthcare System. Due to the county's central location within the region, the area has become a hub for distribution centers, including WalMart and HEB. In addition to healthcare and distribution, major employer industries include manufacturing and food packaging and wholesale companies.

Higher Education

Higher education institutions can generate hotel demand from visiting faculty, other out-of-town personnel, and friends and family of students. Educational institutions may also generate demand for room nights related to events ranging from graduation parties and events to conferences and meetings and sports competitions. In addition to providing opportunities for higher education to both area residents and non-locals, the area's colleges and universities offer attractive employment opportunities that provide stable demand generators in the market.

Belton Area Colleges & Universities							
Institution Location Belton (miles) Degree Offered Enrollment							
University of Mary Hardin-Baylor	Belton	0.0	Doctorate	3,732			
Temple College	Temple	6.1	Associate	4,396			
Central Texas College	Killeen	15.3	Associate	8,922			
Texas A&M University-Central Texas	Killeen	15.3	Masters	2,219			
Total				19,269			

The following table summarizes the universities within 15 miles of downtown Belton.

Belton offers four higher education institutions within roughly 15 miles of the downtown area. With an enrollment of over 3,700 undergraduate students, the University of Mary Hardin-Baylor, located in Belton, plays a significant role within the community and will have a major impact on the future feasibility of a future hotel and event facility development. In addition to the University of Mary Hardin Baylor, the market features Temple College, with nearly 4,400 students, Central Texas College, with nearly 9,000 students and Texas A&M University-Central Texas, with over 2,200 students.

Top Area Attractions

Tourist attractions provide visitors with activities and, if compelling enough, induce visitation. The more tourist attractions, the better the community can attract meetings, events and tournaments.

The table below lists the primary attractions in the area.



Table 1-7						
Attractions						
Company Name	Cateogry					
Bell County Expo Center	Event Center					
Belton Lake	Recreation					
Bell County Museum	Historic/Educational					
Summer Fun Water Park	Waterpark					
Stillhouse Hollow Lake	Recreation					
Live Oak Ridge Park	Park					
Source: See Belton						

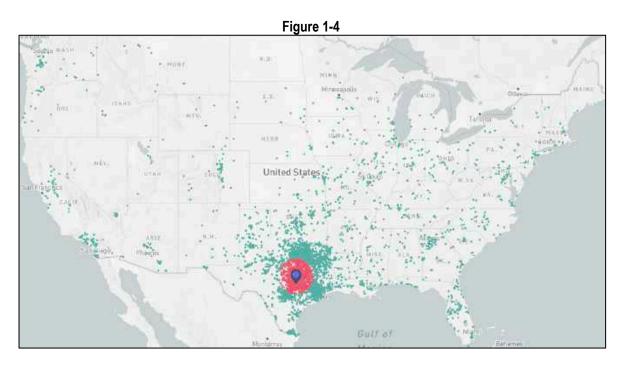
While Belton offers a variety of unique and historical experiences and venues, analysis of the local tourism market indicated that, outside of Belton Lake, the market lacks the traditional collection of tourist attractions to generate significant leisure hotel demand.

Bell County Expo Center

The Bell County Expo Center opened in 1987 and is a multipurpose venue with a seated capacity of 6,559. In 2018, the facility underwent a \$30 million dollar renovation for a new equine event center. Interviews with the facility's management revealed that since the opening of the equine center, the Bell County Expo Center has been booked for an event every week throughout the year, generating more convention and event business in the city than ever before.

The following map shows the origin of visitors to the Bell County Expo Center since the beginning of 2019. The colors represent radii of visitor origins, with blue showing up to 25 miles, red showing 25 to 100 miles and green showing 100+ miles.





Since opening in 2018, the Bell County Expo Center has attracted national visitation for its range of events, with equine and livestock shows being its most popular events. From a regional perspective, due to its location between Dallas, San Antonio, Austin and Houston, the Bell County Expo Center attracts high volumes of visitors from within Texas.

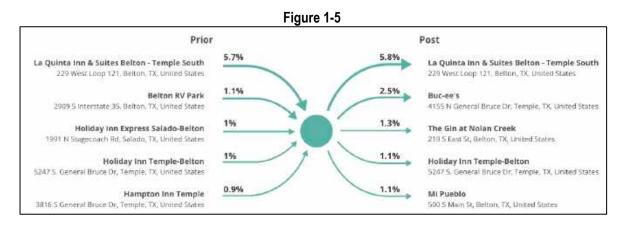
The following table provides the breakdown of visitation by distance to the Bell County Expo Center between January 2019 and April 2023.

Bell County Expo Center - Belton, TX January 2019 - April 2023						
	Total	Visits	Total Uniqu	e Customers		
Visitor Origins by Distance from Site	Est. Number of Visits	Percent of Total Visits	Est. Number of Customers	Percent of Total Customers	Avg. Visits per Customer	
Locals - Within 25 miles	711,600	48%	155,700	45%	4.57	
Regional Distance - Between 25 and 100 miles	307,200	21%	78,100	23%	3.93	
Long Distance only - Over 100 miles	456,200	31%	109,700	32%	4.16	
Total Visits	1,475,000	100%	343,500	100%	4.29	

Since January 2019, the Bell County Expo Center has attracted nearly 1.5 million visitors. The average visits per customer between the various distance ranges was 4.29, indicating high volumes of repeat customers to the facility's events since opening and successful shows that have encouraged returning to Belton.



The following figure shows the most popular prior and post destinations for long-distance visitors to the Bell County Expo Center since 2019. Long distance visitors are considered to have come from over 100 miles away to visit the facility.



While the La Quinta Inn & Suites Belton has been the most popular prior and post destination for long distance visitors to the Bell County Expo Center, the hotel has a low room count of 76 rooms. Three of the five remaining most popular prior destinations are hotels within Salado and Temple, showing leakage of room nights that are generated within Belton to surrounding cities. With the success of the Bell County Expo Center and the demand it creates within the city, additional hotels in the city will be needed in the future to retain the room nights generated within the city.

Belton Lake

Belton Lake is a reservoir adjacent to the Fort Hood Army Base on the Leon River. The lake is located less than four miles north of downtown Belton and eight miles west of the City of Temple. In addition to boating, fishing, camping, and other recreational opportunities, the lake functions as a water supply and fish and wildlife habitat. The lake, and the future opportunity for hotel and event space along the shores, is analyzed in greater detail in Chapter 6 of this report.

Bell County Museum

Established in 1991, the Bell County Museum is located in the heart of downtown Belton. The museum serves to preserve the heritage of the Bell County region and educate its citizens. In the most recent annual report, the museum had 20,675 visitors and 93 tours each year.

Summer Fun Water Park

Located just minutes outside of downtown Belton, Summer Fun Water Park offers slides, a lazy river, concessions and various pavilions and party rooms. The park has special adult and teen nights as well as season passes.



Live Oak Ridge Park

Live Oak Ridge Park is a campground located at Belton Lake. The campground is open year-round, and the amenities include showers, laundry facilities, wireless internet, a group meeting area and a playground. The 48 sites range in location from shady wooded areas to those in open sun.

Implications

Belton is located in the center of the "Texas Triangle" of Austin, Dallas and Houston, which includes some of the fastest growing large cities in the nation. The Killeen-Fort Hood-Temple Metro Area is growing at a considerable rate but has slowed down since the boom years of the 1990s and 2000s. The market benefits from a strong diversified economy, and the presence of Fort Hood and the University of Mary Hardin-Baylor, key assets that make Belton attractive to residents, visitors, and potential developers. It also benefits from being positioned half-way between San Antonio and Dallas-Fort Worth, and near to the population and higher education centers of Waco and Austin. The Interstate 35 Corridor is a highly significant economic force, and the future development of Interstate 14 will have a major positive impact on local community.

From a tourism perspective, the market offers a collection of attractions, but Belton lacks the destination appeal to be viewed as a traditional overnight leisure market. The success of the Bell County Expo Center has attracted national visitation to Belton, but the current hotel supply within the city has led to room night leakage into surrounding cities. This must be considered when analyzing the market opportunity for a new development in Belton. Overall, analysis of the economic and demographic trends of the community indicates opportunity for future development in the Belton market.



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HOTEL INDUSTRY TRENDS AND LOCAL MARKET ANALYSIS

This chapter includes a review of national hotel trends as well as an in-depth analysis of the Belton lodging market.

National Hotel Market Trends

A thorough understanding of the national hotel market and relevant industry trends is important to the development prospects of any hotel project, whether it involves macro supply and demand issues, amenity trends, financing or other trends impacting the industry.

The following table shows the updated U.S. Lodging industry from 1992 to 2023.



			Average Daily		Revenue per	
Year	Occupancy	Change	Rate	Change	Available Room	Change
1992	61.9%	-	\$59.62		\$36.90	-
1993	63.1%	1.9%	\$61.30	2.8%	\$38.68	4.8%
1994	64.7%	2.5%	\$64.24	4.8%	\$41.56	7.4%
1995	65.1%	0.6%	\$67.17	4.6%	\$43.73	5.2%
1996	65.0%	-0.2%	\$70.81	5.4%	\$46.03	5.3%
1997	64.5%	-0.8%	\$75.31	6.4%	\$48.57	5.5%
1998	63.8%	-1.1%	\$78.15	3.8%	\$49.86	2.7%
1999	63.1%	-1.1%	\$81.29	4.0%	\$51.29	2.9%
2000	63.5%	0.6%	\$85.24	4.9%	\$54.13	5.5%
2001	59.8%	-5.8%	\$84.45	-0.9%	\$50.50	-6.7%
2002	59.0%	-1.3%	\$83.20	-1.5%	\$49.09	-2.8%
2003	59.2%	0.3%	\$83.28	0.1%	\$49.30	0.4%
2004	61.3%	3.5%	\$86.70	4.1%	\$53.15	7.8%
2005	63.1%	2.9%	\$91.29	5.3%	\$57.61	8.4%
2006	64.2%	1.7%	\$96.77	6.0%	\$62.13	7.8%
2007	64.1%	-0.2%	\$102.38	5.8%	\$65.63	5.6%
2008	60.4%	-5.8%	\$106.55	4.1%	\$65.61	0.0%
2009	54.5%	-9.8%	\$98.20	-7.8%	\$53.55	-18.4%
2010	57.6%	5.7%	\$98.08	-0.1%	\$56.47	5.5%
2011	60.1%	4.3%	\$101.64	3.6%	\$61.06	8.1%
2012	61.4%	2.2%	\$106.10	4.4%	\$65.17	6.7%
2013	62.3%	1.5%	\$110.35	4.0%	\$68.69	5.4%
2014	65.0%	4.3%	\$115.26	4.4%	\$75.66	10.1%
2015	65.5%	0.8%	\$120.01	4.1%	\$78.67	4.0%
2016	66.7%	1.8%	\$124.00	3.3%	\$83.00	5.5%
2017	65.9%	-1.2%	\$126.29	1.8%	\$83.48	0.6%
2018	66.2%	0.5%	\$129.83	2.8%	\$85.96	3.0%
2019	66.1%	-0.2%	\$131.21	1.1%	\$86.76	0.9%
2020	41.7%	-36.9%	\$103.25	-21.3%	\$43.03	-50.4%
2021	57.7%	38.4%	\$124.68	20.8%	\$71.88	67.0%
2022	62.6%	8.5%	\$149.18	19.7%	\$93.38	29.9%
2023 (As of April)	61.3%	-2.1%	\$153.30	2.8%	\$94.00	0.7%
lvg. Annual Growth	Rate	0.51%		3.33%		4.47%

Table 2-1

Between 2016 and 2019, national occupancies remained above 66 percent, while ADRs and RevPARs continued to slightly increase. The pandemic had a major effect on the hospitality industry, causing travel to halt throughout the country and internationally. Occupancy in 2020 fell below 42 percent but showed recovery throughout 2021 and 2022. While occupancies continue to recover to pre-pandemic levels, ADRs and RevPARs have reached all time high levels.

The figure below depicts the data in graph form, highlighting the annual change in performance statistics though April 2023.



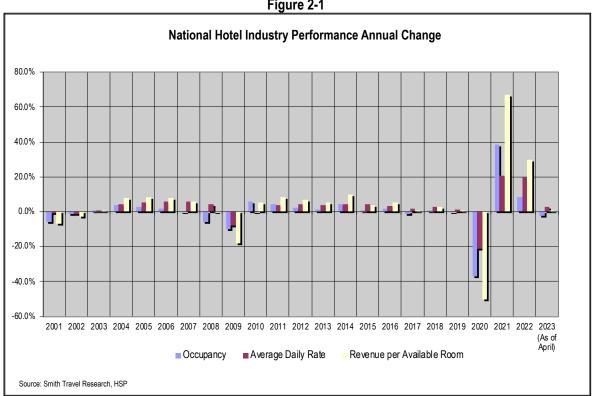


Figure 2-1

The updated figure shows the major swings of occupancy, ADR and RevPAR caused by the pandemic. Following two years of recovery in 2021 and 2022, demand is projected to continue to recover closer to prepandemic levels.

Trends of Note

Several other trends have been occurring in the industry over the past several years. These include:

- Brands Multiply. Worldwide, the expansion of brands continues to change the face of the competitive environment. Major brands are competing fiercely, as they are eager to show earnings growth and increased market share to Wall Street. Using multiple brand families clustered in the same corporate structure, proprietary reservation systems and corporate programs all work in tandem to drive business. Comparing profit potential of a branded hotel to one without a brand is becoming a serious consideration for hotel owners. At the same time, the increased proliferation of brands means that fewer independents struggle for fair share, and they are using price as the preferred strategy to drive demand.
- Companies Consolidate. The buyout/merger of Marriott and Starwood represents the high-water mark of many brands and companies consolidating. In the past several years, many hotel companies have merged in order to improve their scale and marketplace power, as well as take advantage of the current market dynamics. Chinese buyers have also been exerting their influence with the purchase of many hotels and hotel companies.



- Boutique Brands. This seemingly incongruous phrase is a trend occurring in the industry. The largest brands have run out of market segments to fill, so they are seeking the last bastion of the industry: independent boutique hotels. By creating a boutique "collection," also known as a "soft brand," that can benefit from (and provide distribution to) the primary brand family, both the hotel and brands can prosper. For example, with all traditional niches covered, Marriott has now entered the boutique market with the Autograph Collection. These hotels are not owned or operated by Marriott, and do not even carry a Marriott brand, per se, but use the Marriott reservation system to route travelers to these formerly independent hotels. Guests benefit by earning Marriott points and quality standards they have come to expect with the Marriot brand. Hilton has also entered the boutique market with a new "soft brand" called Canopy and a collection of formerly independent upscale hotels called the Curio Collection. Intercontinental Hotel Group purchased boutique hotel company Kimpton, expanding their profile beyond Intercontinental and Holiday Inns. Starwood has launched the Tribute brand, which is essentially the same type of boutique hotel collection as Curio and Autograph. And finally, Choice Hotels has also entered into a new phase of "soft branding" with their Ascend Collection.
- Shared Spaces and Home/Apartment Rentals. The advent of Airbnb has transformed the lodging industry in the past few years, much as Uber and Lyft have done with the hired car industry. Home and apartment rentals through VRBO, Homeaway, and Airbnb add inventory to many compressed and expensive markets. In some places like San Francisco, Silicon Valley and New York, residents rent their homes to travelers in order to pay for the rising cost of rent. High rates of hotel occupancy and rising rates have made these options viable for travelers and residents. There have been consequences for both the affordable housing market and the hotel market, although these are generally only material in extremely expensive markets or when a major event (like a Super Bowl) occurs. Many of these "homes" are located in residential communities, and local neighbors and nearby residents are beginning to express negative feedback and concerns over these short-term rentals. As a result, communities and municipalities have recently begun to put rental restrictions on these types of homes by imposing minimum and maximum stay requirements and taxes on earned income.
- Global Travel and the Impact of Energy Prices and Economic Conditions. The large fluctuations in oil and fuel costs have a continual impact on travel and will be a major factor in the coming years.
- Green Policies. Requirements, both by law and the guests, on businesses enforcing green practices are becoming tougher to comply with and are even becoming a demand driver. Eco-consciousness is a popular trend among new generations and, suddenly, energy systems, insulation, produce origin and even amenities become differentiating factors. Hotels can capitalize on the environmentally sensitive customers by adapting sustainability practices such as what has been done by Element by Starwood.
- Distribution. The increase in booking travel via the Internet has been a major trend in the industry for more than a decade, with most booking research done online and more than one-third of revenue booked online. This has brought transparency and increased competition to the market, and all players with a solid Internet and distribution strategy are able to compete effectively. Third party websites, smartphones and available applications are rapidly becoming a key factor in every travel stage by providing access to planning and booking tools that ease the customers' experience. Travelers expect a more informed and collaborative travel experience, driven by

evolving smartphone functionality. Hotel companies are creating property-specific websites to differentiate each property and reach more markets and traveler segments than a corporate single format website.

- Technology. The rapid advance of technology means hotels must continually keep up with the expectations of their guests. With multiple wireless devices, guests expect a high-speed wireless network throughout the hotel that will allow them to use their smartphones, tablets and laptops without connectivity issues. In-room movies via Lodgenet can now be controlled via an application on a guest's smartphone. Many hotels have begun to introduce in-room iPads that allow concierge services, room service, check out, entertainment and other items to be taken care of directly from the device.
- Social Media, Crowd-Rating and Mobile Connectivity. The rise of social media and user-based ratings have had a direct impact on hotel booking decision-making. Sites like Trip Advisor allow users to rate and comment on hotels directly on the website, which allows potential customers to determine if they will select that hotel. Hotels must be incredibly proactive and reactive to comments posted on Twitter, Facebook, TripAdvisor and ratings sites, including online travel agencies. Approximately one in three business travelers has rated an establishment. Mobile connectivity, as mentioned above, has become a crucial factor in a traveler's experience. Mobile-friendly websites and mobile applications are the most used medium for corporate travelers. Approximately 70 percent of travelers use applications to check in to flights and/or hotels, while one in four hotel queries come from a mobile device.
- Demographics. Two major demographic shifts marked the beginning of positive growth in the hotel business. The first is that both baby boomers and millennials emerged as the target market for luxury consumption. The baby boomer generation became a target audience due to the large amount of disposable income and nest egg capital they accrued, thereby allowing them to travel in large numbers for the next decade. Millennials are the second demographic group tapped as an up-and-coming luxury consumer group affecting the industry, and being targeted by the industry itself with marketing strategies that are different from its preceding groups. Millennials are drawn to entertainment, technology and accessibility. Secondly, the BRIC economies, (Brazil, Russia, India and China) have exploded in their economic power over the past several years. This has led to a massive increase in the middle classes in these nations, and these populations are traveling in increasing numbers.



BELTON COMPETITIVE HOTEL MARKET ANALYSIS

HSP profiled and analyzed a set of primary competitive and relevant hotels that impact the City of Belton's market area. The primary factors considered were location, function space, quality, amenities, size, brand and market demand mix.

The following table shows the updated overall lodging summary of the market.

Chainscale	Rooms	% of Total Rooms	Hotels	Rooms per Hotel	Avg Year Open / Renovated	Avg Age (Years)
Luxury	0	0%	0	-	-	-
Upper Upsc	0	0%	0	-	-	-
Upscale	236	13%	2	118	Sep-05	18
Upper Mid	738	39%	9	82	Apr-06	17
Midscale	136	7%	2	68	Oct-05	18
Economy	387	21%	6	65	Mar-85	38
Indep	390	21%	7	56	Jul-81	42
Total/Average	1,887	100%	26	78	Dec-96	26

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Tab	e	2-2

Since 2017, there have been no new deliveries in the luxury, upper upscale or upscale categories in the Belton and Temple hotel markets. There have been 286 new upper midscale rooms introduced to the market across two new properties including the TownePlace Suites Temple and the Home2Suites by Hilton Temple. In 2019, the Expo Inn & Suites opened in Belton adjacent to the Bell County Expo Center introducing a 60-key independent hotel adjacent to the city's main tourism drivers.

The following table shows the detail of the supply of hotels in the market, sorted by distance from the Bell County Expo Center.



Belton Hotel Supply					
Property Name	Miles from Downtown	Rooms	Year Built	Hotel Class	
Knights Inn Belton	0.7	60	Jun-76	Economy	
Econo Lodge Belton	1	50	Jul-87	Economy	
River Forest Inn	1.1	49	Jun-63	Indep	
La Quinta Inns & Suites Belton - Temple South	1.9	76	May-06	Upper Mid	
Expo Inn & Suites	1.9	60	Mar-19	Indep	
Super 8 Temple	3.6	96	Jun-80	Economy	
Holiday Inn Temple Belton	3.9	99	Apr-08	Upper Mid	
TownePlace Suites Temple	4.3	83	Nov-18	Upper Mid	
Residence Inn Temple	4.6	103	Jul-07	Upscale	
Budget Inn	4.9	53	Apr-93	Indep	
Travelodge Temple	5	40	Jun-86	Economy	
Hampton Inn Temple	5.1	83	Mar-14	Upper Mid	
Holiday Inn Express & Suites Temple Medical Center Area	5.7	71	Dec-14	Upper Mid	
Comfort Inn & Suites Temple	5.8	60	Sep-94	Upper Mid	
Fairfield Inn & Suites Temple Belton	5.8	60	Oct-94	Upper Mid	
Candlewood Suites Temple Medical Center Area	5.9	76	May-10	Midscale	
Hilton Garden Inn Temple	5.9	133	Jan-04	Upscale	
Oasis Motel	5.9	30	Jan-50	Indep	
Home2 Suites by Hilton Temple	6	100	Aug-20	Upper Mid	
Stratford House Inn & Suites	6.2	50	Jun-67	Indep	
The Barrington Suites	6.3	97	Jun-78	Indep	
Red Roof Inn Temple	6.3	100	Jun-71	Economy	
Ranch House Inn & Suites	7	51	Jun-99	Indep	
La Quinta Inns & Suites Temple	7.2	106	Apr-84	Upper Mid	
Best Westem Temple Inn & Suites	7.3	60	May-01	Midscale	
Days Inn Salado	7.4	41	Dec-08	Economy	
Total/ <i>Average</i>	4.9	1,887	Sep-94	-	

The set of competitive properties has largely remained the same aside from two new upper midscale properties in Temple and the Expo Inn & Suites. Currently, Belton's hotel supply includes the La Quinta, Budget Host, Knights Inn and River Forest Inn. As a result of the limited hotel supply, the short-term rental properties market has continued to grow. The market is still lacking acceptable lodging options in the Belton market for corporate, group, and leisure travelers which results in visitors to the Belton market staying in other neighboring cities such as Temple and Killeen.

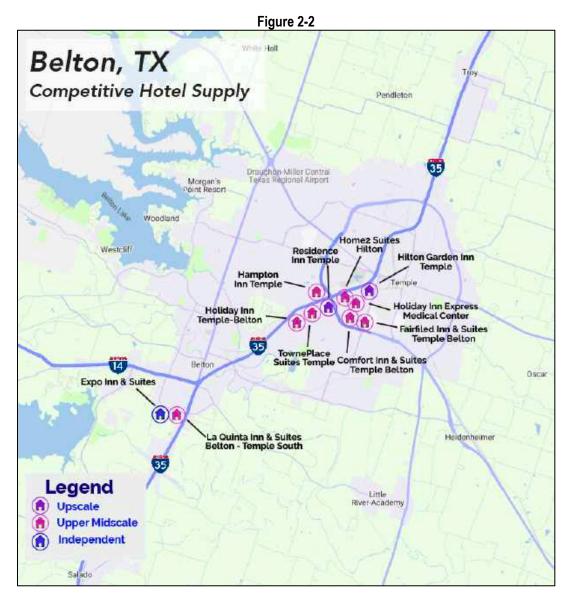
The following table shows an updated summary of the Belton competitive set.

Table 2-4 Belton Competitive Hotel Supply					
Property Name	Miles from Downtown	Rooms	Year Built	Hotel Class	
La Quinta Inns & Suites Belton - Temple South	1.9	76	May-06	Upper Mid	
Expo Inn & Suites	1.9	60	Mar-19	Indep	
Holiday Inn Temple Belton	3.9	99	Apr-08	Upper Mid	
TownePlace Suites Temple	4.3	83	Nov-18	Upper Mid	
Residence Inn Temple	4.6	103	Jul-07	Upscale	
Hampton Inn Temple	5.1	83	Mar-14	Upper Mid	
Holiday Inn Express & Suites Temple Medical Center Area	5.7	71	Dec-14	Upper Mid	
Comfort Inn & Suites Temple	5.8	60	Sep-94	Upper Mid	
Fairfield Inn & Suites Temple Belton	5.8	60	Oct-94	Upper Mid	
Hilton Garden Inn Temple	5.9	133	Jan-04	Upscale	
Home2 Suites by Hilton Temple	6	100	Aug-20	Upper Mid	
Total / Average	4.6	928	Mar-03	-	

The updated competitive set includes many of the same properties as the original study's competitive set, however, the market's new properties have been added to the set and some of the market's older properties were omitted. The updated competitive set includes two upscale properties, seven upper midscale properties and the independent Expo Inn & Suites.

The following figure shows an updated map of the Belton hotel supply and competitive set in relation to the market area.





Aside from the La Quinta and Expo Inn & Suites, the competitive hotel supply is located between Belton and Temple along I-35 and surrounding the Baylor Scott & White Medical Center. The Expo Inn & Suites is located adjacent to the Bell County Expo Center, the TownePlace Suites Temple is located along I-35 outside Temple, and the Home2 Suites is located adjacent to the Baylor Scott and White Medical Center.

Competitive Property Profiles

The following are profiles of each hotel in the competitive set.



La Quinta Inn & Suites Belton - Temple South

The limited-service La Quinta Inn & Suites Belton-Temple South is located at 229 West Loop 121 and opened in May of 2006.

The following figure shows the property's exterior.



The hotel features several amenities including complimentary breakfast, indoor swimming pool, fitness center, and a business center. Conversations with local stakeholders indicated that the La Quinta Inn is unwilling to drop rates in order to attract events and group business, which can hinder the Bell County Expo Center's appeal to potential user groups. As the only hotel within walking distance of the Expo Center, the La Quinta has leverage over the Belton hotel market. La Quinta management indicated that occupancy for the year is under 60 percent due to the lack of other demand generators in the local market.

Expo Inn & Suites

The independent Expo Inn & Suites was opened in March of 2019 and is located adjacent to the La Quinta Inn & Suites and the Bell County Expo Center.

The following figure shows the property's exterior.



Figure 2-4



The hotel added 60-rooms to the market and was opened to service additional demand from the Bell County Expo Center. Although the hotel has absorbed demand generated by the Bell County Expo Center, the expo center indicated that additional, branded hotel properties are needed in Belton to support the demand in the market.

Holiday Inn Express Salado-Belton

The Holiday Inn Express Salado Belton is located at 1991 North Stagecoach Road. The 79-room property opened in October of 2006. The hotel offers three meeting rooms for a total of approximately 2,500 square feet. The largest meeting room has a capacity of 80 people and spans 1,470 square feet.

The following figure shows the property's entrance.





The Holiday Inn Express Salado-Belton is situated two miles north of the Wildfire Ranch Arena. Conversations with Holiday Inn Express management indicated that the property experiences very little impact from the Bell County Expo Center. The Salado market lacks traditional corporate demand during the week, but benefits from a strong wedding market on the weekends. Amenities at the property include an outdoor pool, fitness center, complimentary breakfast and an on-site business center. The advertised daily rate at the property is \$76.

Holiday Inn Temple-Belton

The Holiday Inn Temple-Belton is located at 5247 South General Bruce Drive. This 99-room property offers a 1,350-square-foot meeting room that can fit up to 100 guests. Some of the hotel's amenities include an on-site business center, outdoor pool, cocktail lounge, complimentary fitness center and the Midway Bar & Grill located just off of the first-floor lobby. The advertised daily rates range from \$100 to \$117.

The following figure shows a photo of the property's exterior.





Conversations with management from the Holiday Inn indicated that the Bell County Expo Center occasionally impacts the performance of the property on the weekends. Due to the size of the property, the Holiday Inn acts as one of the primary overflow options for large events at the Expo Center, according to hotel management. The property does not benefit significantly from demand generated by the medical center. Demand for the hotel is comprised of a mixture of corporate during the week, sports teams (including UMHB), and conventions and events on the weekends.

Residence Inn Temple

The limited-service Residence Inn Temple is located at 4301 South General Bruce Drive. The 103-room hotel was built in July of 2007 and is the second largest property in the competitive set. The Residence Inn Temple is located adjacent to the Holiday Inn Temple Belton and the Hampton Inn Temple off Interstate 35. Notable amenities include an outdoor pool, tennis and volleyball courts, fitness center and complimentary breakfast. The advertised daily rates range from \$101 to \$110.

The following figure shows the property's exterior.





Hotel management indicated that the Residence Inn is working to attract groups during the week. The Residence Inn is the only property in Temple that provides a shuttle service, which is a competitive advantage. According to conversations with property management, the primary focus of the property is on business transient guests. Group demand helps drive business throughout the week, and weddings play a critical role on the weekend. HSP learned that the Residence Inn has approximately 80 percent occupancy on weekends and that extended stay customers account for approximately 40 percent of their total business. According to management, 2017 occupancy is exceeding 88 percent. Management of the Residence Inn is extremely supportive of a new, high quality hotel development in Belton.

Hampton Inn Temple

The Hampton Inn Temple is located at 3816 South General Bruce Drive. The property opened in March of 2014 making it the newest in the competitive set. The hotel does not feature any meeting space but does offer complimentary breakfast, a business center, a fitness center and outdoor heated pool.

The following figure shows the property's exterior.





The Hampton Inn's advertised daily rate is \$104.

Holiday Inn Express & Suites Temple - Medical Center Area

The Holiday Inn Express & Suites Temple - Medical Center Area is located at 2609 39th street, adjacent to the Scott & White Medical Center. The 71-room property opened in December of 2014. The hotel offers one small 650-square foot meeting room to be used for board meeting or small meal services.

The following figure shows the exterior of the property.



Figure 2-9

According to management, the hotel benefits from Baylor football games during the fall, increasing their weekend rates and occupancies. Corporate transient visitors make up approximately 80 percent of room night demand, while leisure travelers make up the balance, 20 percent. Of the Corporate business, 30 percent is



made up of government business that overflows from Killeen. Conversations with property management suggest that occupancy at the property is approximately 78 percent while rate exceeds \$100.

Fairfield Inn & Suites Temple Belton

The limited-service Fairfield Inn & Suites Temple Belton is located at 1402 SW H.K. Dodgen Loop. The 60-room hotel, built in October of 1994, is the oldest of the competitive properties. The hotel is adjacent to the Scott & White Medical Center.

The following figure shows the property's exterior.



Figure 2-10

Amenities at the property include complimentary breakfast, fitness center and an indoor pool. The hotel advertises a rack rate of \$99 online.

Candlewood Suites Temple-Medical Center Area

The limited-service Candlewood Suites Temple-Medical Center Area is located at 1850 Scott Boulevard. The 76-room hotel, built in May of 2010, includes a business center, dry cleaning, fitness center, 24-hour convenience store and an outdoor grilling space available to guests.

The following figure shows the property's exterior.





The hotel's advertised daily rate is \$103. Conversations with management from the Candlewood Suites indicated the property currently sees minimal impact from the Bell County Expo Center. Corporate demand drives hotel room nights Monday through Wednesday, while weekends are driven by events, UMHB, and Baylor football, according to property management. Management also indicated that the hotel typically underbids other competitive Temple properties to win business.

Hilton Garden Inn Temple

The Hilton Garden Inn Temple is located at 1749 Scott Boulevard adjacent to the Scott & White Medical Center. The hotel offers 6,000 square feet of flexible meeting and event space, including a Grand Ballroom. Meeting rooms can be broken down to accommodate groups from 20 to 330 people. The hotel is the third oldest hotel in the competitive set and opened in January of 2004. With 133 rooms, the Hilton Garden Inn is the largest property in the selected set.

The following figure shows the exterior of the Hilton Garden Inn Temple.





Hilton Garden Inn Hotel management believes that, for a new hotel development to be successful in the area, there must be more facilities generating demand for room nights outside of the Bell Expo Center. Property management indicated that both Temple and Belton suffer from a lack of hotel demand during the week, which can present challenges. In addition, weekend business struggles without major events in the market. The area lacks traditional leisure demand generators. The presence of government rates in Killeen, on occasion, also impacts rates in Temple, which hinders hotel performance. Management also indicated that 70 percent of their weekend business is generated by the Bell County Expo Center.

Accommodated Demand and Competitive Set Performance

The following table shows the performance data for the City of Belton's competitive set of hotels from 2015 through March of 2023.

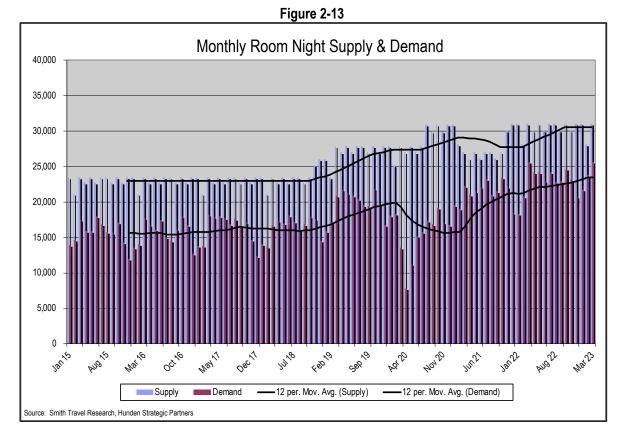
	Н	istorical Sup	ply, Dema	and, Occupa	ncy, ADR, a	nd RevPa	r for Compe	etitive Hot	els		
Year	Avg. Available Rooms	Available Room Nights	% Change	Room Nights Sold	% Change	% Occ.	% Change	ADR	% Change	RevPar	% Change
2015	757	276,305	-	187,592	-	67.9	-	\$92.16	-	\$62.57	-
2016	757	276,305	0.0%	188,912	0.7%	68.4	0.7%	\$94.48	2.5%	\$64.60	3.2%
2017	757	276,305	0.0%	194,694	3.1%	70.5	3.1%	\$95.29	0.8%	\$67.14	3.9%
2018	771	281,368	1.8%	197,555	1.5%	70.2	-0.4%	\$97.43	2.3%	\$68.41	1.9%
2019	890	324,960	15.5%	235,977	19.4%	72.6	3.4%	\$95.62	-1.9%	\$69.44	1.5%
2020	942	343,800	5.8%	187,422	-20.6%	54.5	-24.9%	\$86.38	-9.7%	\$47.09	-32.2%
2021	914	333,751	-2.9%	255,526	36.3%	76.6	40.4%	\$100.39	16.2%	\$76.86	63.2%
2022	1,004	366,460	9.8%	275,274	7.7%	75.1	-1.9%	\$110.30	9.9%	\$82.86	7.8%
2023 YTD (March)	1,004	90,360	0.0%	71,250	9.8%	78.9	9.8%	\$112.53	8.4%	\$88.73	19.0%

Table 2 5

Since 2017, the competitive set has added over 90,000 available room nights with the opening of three new properties. Occupancy dipped as low as 54 percent as a result of the pandemic, but has since recovered and



surpassed pre-pandemic levels. ADRs and RevPARs of the competitive set have also surpassed pre-pandemic numbers with the 2022 average ADR of \$110.30 and RevPAR of \$82.86.

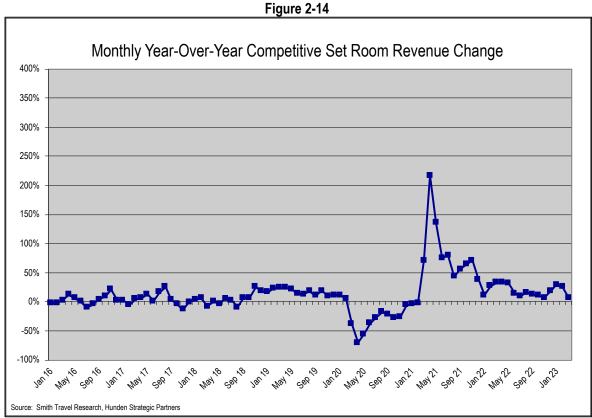


The following figure shows the updated supply and demand trends for the selected set.

Supply increased over the period with the introduction of the Expo Inn & Suites TownePlace Suites Temple and the Home2Suites by Hilton Temple. The figure shows the rebound of demand following the pandemic, with demand currently at highs over the period.

The following figure shows the updated room revenue changes by month (year-over-year).



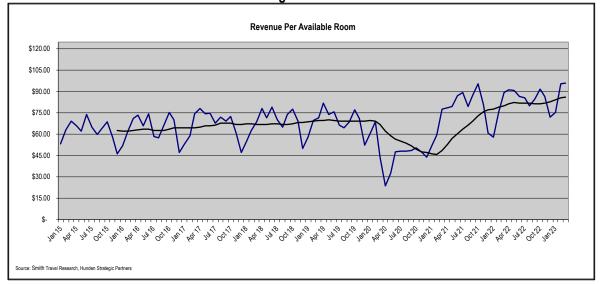


Any data point greater than zero is a positive indicator for the competitive set. As shown, the competitive set's room revenue from since January of 2021 has remained positive, showing that the trend of recovery continued throughout 2022, with positive year over year revenue increases from 2021.

The following figure shows the updated Revenue Per Available Room (RevPAR), which is the product of occupancy and rate.



Figure 2-15



The black line above shows the 12-month moving average. Between 2015 and 2019, average annual RevPAR slightly increased and peaked at over \$80 before the pandemic. Since the pandemic, RevPAR has continued to rebound, surging past pre-pandemic levels. The figure above shows RevPAR fluctuating seasonally, with RevPARs dropping annually between October and January throughout the period.

The following figure displays the seasonality of occupancy for January 2015 through March 2023.

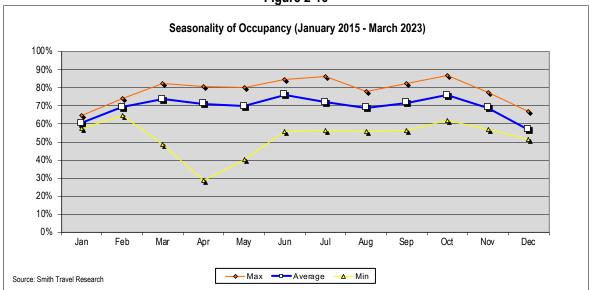


Figure 2-16



Since 2015, on average, occupancy has been strongest in March, June, July and October. On average, occupancy has ranged from 60 percent at lows and nearly 80 percent at highs. Over the period, occupancy fell between November and January before picking back up in March each year.

The following figure shows the updated seasonality of rate between January 2015 and March 2023.

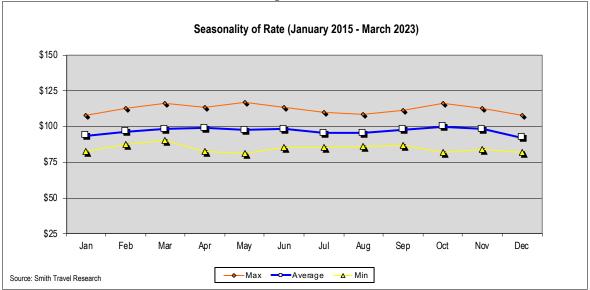
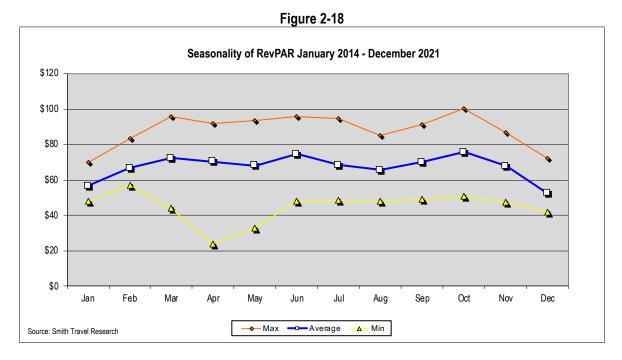


Figure 2-17

The seasonality of rate has remained consistent throughout the year. On average over the period, ADRs fluctuated between \$90 and \$100 throughout the year.

The following figure shows the updated seasonality of RevPAR, which is the product of rate and occupancy, and suggests overall revenue.

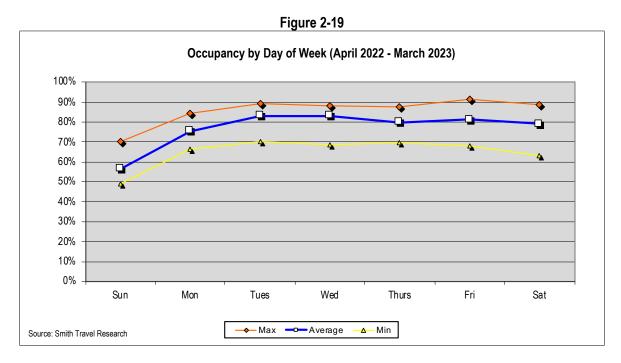




As with the other performance indicators, RevPAR data is consistent with the analysis of the previous graphs. RevPAR is highest during the months of March and October when occupancy is at its peak. Considering that rates remain fairly consistent throughout the year, the RevPAR graph fluctuates when occupancies fluctuate.

The following figure shows the updated occupancy by day of the week during the 12 months ending March 2023.



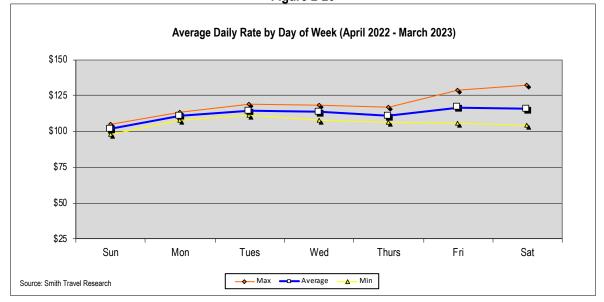


Occupancy of the competitive set is highest on Fridays and Saturdays. Updated conversations with market participants indicated that activity at the expo center, Baylor Scott and White Medical Center, UMHB family events and UMHB and Baylor football games, are the primary drivers of room nights on the weekends. Occupancy is lowest on Sunday nights, which is typical for all markets. Weeknight occupancy between Monday and Thursday has remained high since April 2022.

The following figure shows the updated average daily rate by day of week.



Figure 2-20



Rates have continued to stay consistent throughout the week between Mondays and Thursday. Rates tended to increase on Fridays and Saturdays to nearly \$115, but drop to \$100 on Sundays before increasing again on Mondays.

ADR & Occupancy Performance

Unaccommodated demand is defined as demand that would have been captured by the market but for a lack of available or quality rooms. This demand is therefore deferred to later dates, accepts suboptimal accommodations, moves just outside the competitive set, moves its business to another area, or cancels plans altogether. Therefore, as new properties are added to the market, it is expected that this demand will be accommodated by the new supply, suggesting that when new hotels are added, they do not cannibalize existing market demand, but accommodate previously uncaptured demand.

The following table shows the occupancy by day of the week per month for the twelve months following April 2022. Days of the week with occupancy shown in yellow suggest mild displacement and unaccommodated demand, while orange shows days with moderate displacement, suggesting very likely displacement. Days in red are for times when occupancy for the set are at its highest, suggesting near-certain displacement.



	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Avg
Apr - 22	54.0%	81.3%	88.9%	87.8%	73.3%	89.2%	84.9%	80.4%
May - 22	55.3%	72.3%	80.0%	82.9%	83.7%	87.1%	88.6%	77.7%
Jun - 22	50.0%	74.7%	81.5%	82.2%	80.2%	83.1%	81.7%	76.5%
Jul - 22	62.4%	79.6%	88.0%	87.6%	80.9%	75.4%	76.4%	77.9%
Aug - 22	53.2%	75.2%	83.3%	81.0%	75.3%	69.0%	73.4%	73.6%
Sep - 22	57.7%	72.8%	80.6%	82.9%	75.3%	82.9%	81.5%	76.4%
Oct - 22	56.6%	74.8%	86.0%	87.6%	85.1%	85.0%	85.5%	79.4%
Nov - 22	55.0%	74.8%	81.2%	81.1%	84.9%	84.9%	76.5%	77.2%
Dec - 22	56.4%	66.6%	70.4%	68.6%	69.8%	68.1%	67.1%	66.9%
Jan - 23	48.9%	71.3%	80.3%	81.1%	75.8%	70.5%	62.8%	69.8%
Feb - 23	70.3%	84.2%	88.2%	88.3%	87.3%	89.0%	85.5%	84.7%
Mar - 23	57.7%	79.4%	88.1%	86.4%	87.5%	91.3%	83.9%	82.6%
Average	56.4%	75.4%	82.9%	83.1%	79.8%	81.3%	78.9%	

Table 2-6

As shown, occupancy on Tuesday, Wednesday, Friday and Saturday between April 2022 and March 2023 was consistently above 85 percent. Tuesday saw the highest occupancy throughout the time period at nearly 83 percent in seven months. This is largely due to event business in the market. February and March of 2023 averaged the highest occupancies throughout the period. These performance metrics suggest that there is strong unaccommodated demand in the competitive set that can be recaptured with a new hotel in Belton, primarily during the weekdays and on the weekends during the spring and fall peak months.

The next table shows the intensity of rates during different days of the week during each month of the prior 12 months.



	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Avg
Apr - 22	\$100.94	\$111.56	\$117.35	\$118.42	\$107.26	\$115.81	\$116.35	\$113.57
May - 22	\$103.88	\$111.22	\$111.33	\$113.26	\$116.94	\$129.03	\$132.37	\$117.16
Jun - 22	\$101.68	\$112.38	\$113.53	\$113.64	\$111.38	\$118.86	\$116.67	\$113.21
Jul - 22	\$102.02	\$111.30	\$114.77	\$112.85	\$108.42	\$110.12	\$109.29	\$109.95
Aug - 22	\$97.77	\$108.09	\$112.74	\$111.25	\$108.37	\$109.99	\$107.19	\$108.69
Sep - 22	\$99.51	\$109.23	\$111.48	\$111.35	\$106.36	\$118.49	\$116.86	\$111.16
Oct - 22	\$102.30	\$111.86	\$118.61	\$116.06	\$113.05	\$121.86	\$123.48	\$115.87
Nov - 22	\$100.89	\$108.52	\$113.19	\$111.67	\$109.66	\$121.24	\$118.19	\$112.48
Dec - 22	\$102.75	\$108.83	\$111.72	\$108.10	\$107.10	\$109.96	\$105.37	\$107.80
Jan - 23	\$99.56	\$108.06	\$112.32	\$112.26	\$108.80	\$105.43	\$104.45	\$107.86
Feb - 23	\$105.14	\$113.51	\$116.21	\$114.34	\$113.05	\$113.56	\$113.28	\$112.95
Mar - 23	\$103.02	\$112.48	\$118.17	\$118.07	\$116.54	\$121.43	\$115.78	\$116.07
Average	\$101.76	\$110.60	\$114.26	\$113.59	\$110.77	\$116.67	\$115.44	

Table 2.7

Rates fluctuated between \$110 and \$114 between Mondays and Thursdays, before slightly increasing to peaks on Fridays and Saturdays. Rates were highest in May of 2022, reaching an average peak of \$117.

Demand Generators

HSP met with key stakeholders in the City of Belton to better understand the market situation and present opportunities. This included city representatives, hoteliers, event facility management, and local corporations. Conversations with local representatives indicated that the primary drivers of hotel room nights for local properties include the University of Mary Hardin Baylor, the Bell County Expo Center, and local corporations with a major presence in the market. Proximity to Interstate 35, as well as overflow demand from the strong medical industry in Temple, present additional opportunities for future hotel development.

Stakeholder Feedback

In order to understand the opportunity for a new hotel development in Belton, it is critical to understand the level of demand from key market participants.

CGI Technologies and Solutions

CGI is a Canadian global information technology consulting, systems integration, outsourcing, and solutions company that has a large presence in Belton. According to conversations with representatives from CGI, the Belton office currently generates 300 to 400 room nights per year but would expand if hotel space were available. CGI struggles to find venues for local events as they need space for 400 to 500 people. CGI indicated that a rewards program, either through Marriott or Hilton, is critical for using a hotel for an event. CGI also stated that they currently do not consider Belton lodging options to host their events due to the lack of quality and amenities offered in the local market.

Bell County Museum

The Bell County Museum in Belton was established in 1991 and owns over 12,000 objects related to the Bell County and Central Texas Region. Conversations with museum management indicated that the property is currently looking for potential hotel options for its major garage sale event and Association of Museums Conference, which each bring in more than 2,000 visitors. The museum would absolutely consider a new, high quality, branded conference hotel in Belton for these events.

The Bell County Expo Center is profiled in greater detail in Chapter 3 of this report.

Central Texas Council of Governments

The Central Texas Council of Governments is a non-profit organization that helps local communities work cooperatively to improve the conditions and well-being of Central Texas. According to conversations with the group, the Central Texas Council of Governments facility offers sizeable event space that is consistently occupied by local businesses, nonprofits and associations. The council is unable to host larger events due to the lack of high-quality hotel rooms in Belton. National events are currently going to Austin due to the lack of lodging options in the local market.

Parks and Recreation Department

Conversations with representatives from the Parks and Recreation Departments indicated that Belton has strong and growing sports participation throughout the city, but doesn't currently seek to host local or regional tournaments and events due to the lack of hotels. Demand within the local community for baseball, softball, and soccer continues to grow within Belton. Approximately 75 percent of kids within Belton participate in sports, and residents of Killeen and Temple are traveling to Belton for training and practices. The growth of the local sports market presents opportunity in Belton for a variety of sporting tournaments and events, and a new branded hotel will significantly enhance the package that Belton can offer.

Texas Music Series

The Texas Music Series, held at Schoepf's BBQ in Belton, is a free concert series beginning in April and running through August. The series is intended to be a family-friendly environment and is aimed at bringing in bands from across the state. According to conversations with representatives from the Texas Music Series, the event currently attracts between 700 and 3,000 attendees per week. The majority of the attendees are local; however, some visitors travel from Austin and College Station. Currently, the Texas Music Series partners with the Residence Inn in Temple for traveling band member rooms, but representatives indicated that they would love to stay at a hotel in Belton if a branded property were to be developed.

Temple CVB

Conversation with representatives from Discover Temple indicated that Temple's weekday hotel market is primarily corporate based. Medical tourism has a major impact on weekday hotel performance throughout Temple, while weekend room nights are primarily driven by sports and events occurring at the Mayborn Convention Center and Bell County Expo Center. Representatives indicated that Temple lacks a traditional leisure market compared to Belton, though neither is robust.

University of Mary Hardin-Baylor

The University of Mary Hardin-Baylor was established in 1845 and is located about one mile north of Downtown Belton. The university has approximately 4,000 students and houses over 330 staff members. The athletic programs at the University of Mary Hardin-Baylor compete in Division III as a member of the American Southwest Conference.

According to conversations with Mary Hardin Baylor representatives, the university is responsible for generating a total of 15,000 room nights annually. A breakdown of room nights is as follows:

- 4,249 nights from families visiting students
- 9,377 nights from alumni visiting
- 1,746 other rooms nights from miscellaneous events

University of Mary Hardin-Baylor's large events are currently being held at university facilities. The school offers a special events center which seats 3,000 attendees, a chapel that seats 1,000, football stadium that seats 8,000 and a recently-built ballroom space on the top floor of the student union building. The Bell County Expo Center is being used as a back-up option for the university's graduation if inclement weather is a factor. Overall, university representatives indicated strong interest and support of a new, branded hotel development in Belton.

In addition to academic functions and events, the athletic program will have a significant impact on the market opportunity for a new hotel development in Belton. Conversations with Belton Athletics representatives indicated that the school hosts events on campus every weekend throughout the school year. These events can attract anywhere from 20 to 70 visiting athletes, generating approximately 52 hotel room nights. Teams typically stay for one night, with two guests per room. Visiting teams and athletes are currently staying in Temple at the Holiday Inn, Hilton Garden Inn, and Hampton Inn. Due to the size, quality, and amenities of local hotels, Belton is not considered. In addition to branded hotel options, meeting space for staff meetings, catering, and game film sessions are critical to host large groups and football teams, according to UMHB representatives. If a branded hotel property with fair room rates (\$90) were developed in Belton, the university would absolutely consider housing visiting athletes in the new hotel due to proximity and quality.

As a part of the updated study, HSP conducted a new round of interviews with local stakeholders to understand any changes in the market and the market's current performance. The following section highlights key takeaways from the interviews.

Belton Economic Development & Chamber of Commerce

- Belton has continued to experience growth as Austin continues to expand north along the I-35 corridor. Recent development activity in the area from Samsung and Tesla have driven increased travel into Belton that is not being captured.
- Corporate travelers to the Belton market currently do not stay in Belton due to the lack of branded hotels with loyalty programs. As a result, corporate travel chooses Killeen and Temple.
- The university drives many people to Belton, especially with its larger events like welcome week, parents' weekend, homecoming and graduations. With low inventory in the market, Belton is losing room nights generated by the university.



- Belton is centrally located in the county, making it an easy access point for county-wide events, but the city is limited in its meeting spaces.
- The city is expanding Heritage Park's sports field and diamonds. The park currently hosts soccer, baseball and softball games, but with the expansion, it will have more potential to host tournaments and generate additional hotel room nights in the market.
- When local corporations such as CGI want to bring in employees from within the region or from across the country, there is nowhere for them to stay in Belton and the lack of function space makes it difficult to host banquets and events.
- The Bell County Expo Center hosts high profile events with strong attendance and the city is losing out on room nights generated to its neighboring cities.
- The inventory of short-term rental properties has grown in the local area due to the lack of hotel options. While the inventor growth provides the area with additional accommodations, these properties are hard to regulate and are a good sign that additional hotel rooms are needed in the market.
- Hotels in Belton and Temple receive interest when Austin and Waco host large events.

Mayor of the City of Belton

- The city's hotel inventory is weak considering the city's size, growth and location along two major highways. The city's downtown core has had strong momentum in the past few years, introducing restaurants into the area and hosting live music and community events.
- Meeting space is a big need in the city. The Level 3 Coworking and Event Center is a great addition to the meeting space supply; however, it does not have spaces large enough for the small conferences or banquets.
- The Bell County Expo Center hosts a wide variety of events that bring in visitation form all over the region, but the city is losing out on the visitation it generates. The city's downtown restaurants and retailers are not benefiting from the tourism that is generated because visitors will leave Belton after visiting the expo center to go back to hotels in neighboring cities.

University of Mary Hardin-Baylor

- The university has a robust calendar of events that drive visitation from parents, alumni, athletic teams, prospective students and more into Belton. Many of the visitors to the university do not stay in Belton during event weekends because there is no place for them to stay with the lack of inventory.
- The university remains a major player in Division III NCAA athletics and generates many room nights in the area from visiting teams. Visiting teams still do not have options in Belton and will choose to stay in Temple and Killeen instead. During playoff games, the university's teams will stay in hotels to ensure athletes are accounted for. Due to the lack of supply, the university's teams have to leave Belton to stay at a quality hotel.
- The university is frequently approached by local organizations and nonprofit foundations to use their facilities for meeting space. The university never accommodates these groups because, in the long run, it would lose control over their facilities if they agreed to host events. There is a major



need for meeting space in the community to accommodate these groups that the university cannot host.

Implications

Analysis of the local hotel supply indicates that Belton lacks branded, high quality hotel options for corporate travelers, event attendees, and leisure guests. The local market only offers one midscale hotel property, the La Quinta Inn & Suites, which presents challenges due to rate compression implemented by property management. The remainder of Belton's hotel supply is comprised of small, aging independent and economy properties that do not offer the brand, quality, or amenities needed to attract groups, corporate travelers, and higher rated events. The Bell County Expo Center, the primary driver of room nights in the local market, is also hindered by the lack of adjacent and walkable hotel options. The closest node of branded hotel options in the local market is in Temple, more than six miles from the Bell County Expo Center. Conversations with hoteliers and local stakeholders indicate that Temple hotels continue to benefit from the Bell County Expo Center, the University of Mary Hardin Baylor, and local Belton corporations. This suggests a level of unaccommodated demand in the market that is settling for secondary lodging options because appropriate hotel options in Belton do not exist.

From a performance perspective, occupancy of the competitive set of hotels has managed to remain relatively consistent over the past five years with added supply, indicating that the market has absorbed new hotel developments. This is a positive indicator of future development opportunity in the local market. The average daily rate of the competitive set properties, however, is below the level necessary to support high quality conference hotel development without a financial feasibility gap. The lack of higher rate group business and statewide association business also hinders rate potential in the market. The current hotel rates in the market will present challenges with regards to the financial feasibility of a conference center hotel development in Belton.

Overall, HSP's analysis suggests that a potential conference hotel development will help to enhance the attractiveness of the Bell County Expo Center and accommodate demand generated by local corporations, the University of Mary Hardin Baylor, and a variety of other sports and local events within the local market. During the week, a high-quality hotel option with ample meeting and event space would attract higher level business travelers that are currently leaving the marker for branded options in Temple and Killeen. Such a hotel would also help to attract new leisure visitors to Belton and add to the momentum of new retailers and restaurants that have opened in the market. The addition of a conference center hotel property in Belton would help the city retain room night demand from its various demand drivers that currently result in visitors leaving the market for hotel room nights.



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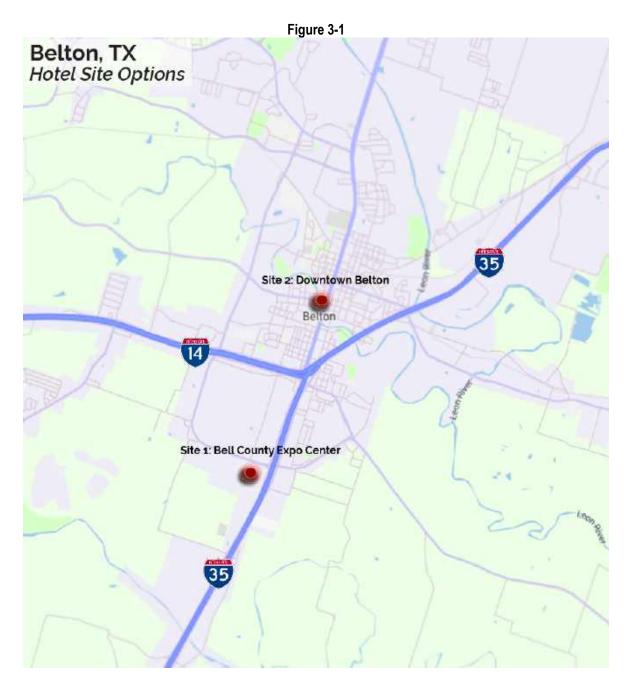
SITE ANALYSIS

There are many factors to consider when ranking and assessing potential sites for a conference center hotel development. The site for such a project in Belton requires high visibility and easy access from the major thoroughfares. It is also imperative that the facility is located in close proximity to the area's demand generators. Visitors traveling from outside the city area must be able to conveniently navigate through signage and landmarks as simply as possible.

The following discussion analyzes the conditions for developing of a hotel and conference center capable of better serving the City of Belton, visitors, and the local business community. The positive and negative aspects of each site under consideration will be discussed in order to better evaluate the proposed hotel and conference center project. This analysis will consider the City of Belton, its surrounding community, and existing competitive and complimentary facilities.

The following figure illustrates the City of Belton and the possible site options for a hotel and conference center development.





Two primary site areas were considered for this analysis. These sites include land adjacent to the Bell County Expo Center (Site 1) and Downtown Belton (Site 2). Both sites are under consideration for the development of a hotel and conference center in Belton.



Site Characteristics

Site 1: Bell County Expo Center

The Bell County Expo Center (Site 1) site has the advantage of space and accessibility to the city's largest tourism inducing asset in Expo Center. Within this land, there is space for parking, future expansions, additional hotels, restaurants, and additional attractions. It also can be seen from the heavily traveled Interstate 35, and has a recently-expanded high-volume traffic interchange one block to the east, so visibility is excellent. Site 1 is also along the highly-traveled I-35 corridor between the Dallas-Fort Worth Metroplex, Austin and San Antonio, which is traversed not only by local traffic, but also by regional travelers.

The following figure shows an aerial picture of land located adjacent to the Bell County Expo Center that could be considered for development.



Currently there are two hotels and no restaurants within walking distance of the site. However, several logistical dispatch centers, distribution centers and business supply companies are located in the vicinity, stressing the site's central location and highway access.

Unfortunately, the flat and somewhat un-landscaped views from the site, surrounded by metal buildings and gas stations, is not a traditionally attractive scene for meeting attendees. When there is a break in meetings, the site currently does not offer attendees any recreational, entertainment or exceptional things to do in the immediate area. Attendees must drive from the site to get to other amenities and attractions. However, this site provides a high likelihood that future development will include restaurants, retail, attraction, and hotel developments.



The upside is that the location is already in use and is well-known in the community as the location of large shows, touring shows, and the Central Texas State Fair. A high-quality hotel and conference center in this location is a natural fit for the types of venues, hosting events and shows that already exist in this location.

Site 2: Downtown Belton Site

In many cases, a downtown location is optimal for a conference center and hotel development due to its impact on the family-owned boutiques, businesses, restaurants and entertainment that sometimes struggle to get the attention of more suburb-oriented citizens. Long-term, this could be the case in Belton as well. Belton also benefits from natural waterways passing through the city's downtown corridor, adding to the appeal of a potential new conference center hotel in the downtown area.

The following figure shows an aerial of downtown Belton and the proposed downtown site location.



A downtown demand generator would be appreciated and could be a catalyst for more downtown improvements. However, development is likely to be an uphill battle. Historic City Centers are notoriously dense, with very small sites and tightly developed, with historic buildings and a wide variety of deeply-held opinions from business owners and residents alike. Development of a large building in a historic downtown typically results in an expensive land-acquisition process. There is also the problem of parking for attendees. A parking garage, the most likely solution, is also prohibitively expensive compared to the costs associated with the other two sites.

Visibility is also an important factor. A conference center in the downtown district would be visible to some extent from I-35; however, it would be at least one-half mile to the west of the highway, and would not be obvious without large signage.



Implications

While both of the site locations pose its own strengths and weaknesses, the most viable option for the development of a new hotel and conference center is in downtown Belton. The Bell County Expo Center is the largest driver of overnight room nights in the market and despite the lack of walkable, branded hotel options and ballroom space capable of supporting higher rated groups and events, the facility has had success in attracting tourism to Belton. The sites located around the Bell County Expo Center offer exceptional visibility and access from the interstate, but lack walkable restaurant and retail establishments. While the development of a walkable, branded hotel would likely increase the appeal of the event and meeting package currently offered by the Expo Center and the City of Belton, the lack of restaurant and entertainment options around the Expo Center limits the potential impact and spending generated by the Project.

The development of a hotel and conference center in downtown Belton would likely help to revitalize and increase downtown activity and spending. This site features accessibility to Belton's restaurants, retailers and entertainment options, which have gained traction since coming out of the COVID-19 pandemic. Natural growth, the Bell County Expo Center, University of Mary Hardin-Baylor and recreational assets continue to drive visitation to Belton, supporting continued development of the downtown corridor. Currently, the lack of lodging facilities downtown does not allow Belton to capitalize on visitation to its downtown businesses. Placement of the hotel downtown would ease accessibility to Belton's businesses, encouraging visitation to the city's unique restaurants, retailers and public areas.



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SWOT ANALYSIS & RECOMMENDATIONS

This chapter presents HSP's analysis of the local hotel and conference space situation and presents a series of recommended options for Belton.

A SWOT (Strengths, Weaknesses, Opportunities and Threats) Analysis was conducted. A SWOT analysis identifies critical factors that will impact the Project's overall performance. It also suggests implications for the sizing and quality of the project given the current environment. Strengths and weaknesses are current factors impacting the potential project as well as items inherent in the project or market, while opportunities and threats are potential and external factors impacting the success of the Project.

This section provides recommendations on the size and quality of the Project based on HSP's review of the market and other factors. In addition, HSP's experience with similar projects and how they have performed played a role in our recommendations and projections.

SWOT Analysis

Strengths

- Bell County Expo Center. The presence of a high-quality, flexible event facility in the local market is an asset that must be leveraged. With 55,000 square feet of exhibit space, the complex can host a wide range of events, from conventions and exhibits to entertainment and sporting events. In 2018, the facility underwent a \$30 million dollar renovation for a new equine event center. Interviews with the facility's management revealed that since the opening of the equine center, the Bell County Expo Center has been booked for an event every week throughout the year, generating more convention and event business in the city than ever before. As the primary demand generator for Belton and Temple hotel properties, the Bell County Expo Center, which is currently lacking an appropriate hotel and ballroom package, is the driving force behind the opportunity for a new conference hotel in Belton.
- Surrounding Demand Generators. While the Expo Center will play a critical role in the success of any new hotel, Belton offers a variety of other demand generators. The University of Mary Hardin Baylor, located in downtown Belton, positively impacts the hotel market throughout the entire year, and conversations with local corporations indicates partnership opportunities if a new, high-quality hotel is developed. In addition, Belton Lake is a natural asset that will continue that will continue to drive visitation and demand throughout the local market.
- Visibility and Access. Assuming the hotel is developed near Interstate 35, the hotel could have significant visibility to traffic traveling in and out of Belton and through the region. This is vital to groups and leisure travelers, who aside from possible off-site advertising such as billboards, would be unaware of hotel options within Belton. If developed near the Bell County Expo Center, the proposed hotel would be very accessible just off the highway and would service area businesses and any overflow from the Temple area well. If developed in downtown Belton, additional marketing and signage would be needed, but the site would have better access to downtown Belton's related shopping, dining and entertainment assets.
- Opportunity for Groups to "Own" the Community. Smaller markets can attract groups that do not like being one of many events in town. In a smaller market, a group is able to book an

entire conference facility and not host simultaneous events with other groups. This gives the sense of added importance and attention, as well as eliminates competition for shared facility space and amenities. In Belton, a group will likely "own the hotel" and establishments while in town, providing a sense of attention and pride to the group.

- Flight to Quality. There is a flight to quality that occurs when new, well-located hotels open with the services and amenities customers expect. As a result, this draws business from the existing hotels, such as some of the properties in the Temple area, that may be older or of a lesser quality than customers desire.
- Community Growth. The City of Belton, and the surrounding region, continues to grow and develop in all directions. As the population increases and more citizens continue to visit the area, the need for a high-quality lodging option will only increase.

Weaknesses

- Lack of Traditional Demand Generators. While the presence of the Expo Center and the university are critical to the success of any future conference hotel development, the lack of significant corporate and leisure demand will present challenges. If there is not a major event occurring at the Bell County Expo Center, demand generated by local corporations will be necessary to fill room nights on weekdays throughout the year. In addition, Belton does not offer tourist destination activities that generate traditional weekend demand. A market that lacks primary demand drivers for hotel room nights will present challenges to hotel developers.
- Small Market. The population of Belton and the business community are small in comparison to those of larger cities and markets, such as Austin or Waco. As a result, there is not a critical mass of hotel demand from these traditional sources. This is the largest hindrance to the development and viability of a hotel, especially one with full-service amenities like catering and ballroom space.

Opportunities

- Meetings and Events. Conversations with local stakeholders, hoteliers, and Expo Center representatives indicated that the Bell County Expo Center is hindered by the lack of available, walkable high-quality hotel rooms blocks. The La Quinta does not offer the brand, amenities, or room blocks to adequately support such a large event facility. A new, high quality hotel development located within walking distance of the Expo Center will allow Belton to pursue larger, higher-rated events that the city cannot currently attract. In addition, the development of function space as part of a hotel, including ballroom space, would complement the Expo Center and enhance the attractiveness of the entire events package.
- Lack of Existing High Quality Select or Full-Service Hotel. There is no direct competitor for the Project in Belton, suggesting it would own the market. There has been a cycling down and decline of the existing hotels due to a lack of reinvestment and updates to the properties, which is necessary to compete with the surrounding market's level of quality. Therefore, the proposed hotel would be the highest quality hotel in Belton and the competitive set. This would set it apart from all competitors, regardless of location. Depending upon the amenities and function space



offered, the hotel could fill a gap in the market for high quality, select or full-service lodgings and larger meeting space.

Catalytic Development. The proposed hotel can serve as a catalytic development to retain and attract businesses, groups and visitors to Belton. Development is often a catch-22 situation, where an investment such as a hotel is not necessarily feasible without other amenities and demand generators. Yet the other amenities and demand generators may not occur as quickly without a hotel. To start the development trend, public entities can spur development by investing in this area now, helping to bridge the risk gap that has kept other developers at bay. The Bell County Expo Center expansion is a project that will help spur additional restaurants, bars and retail shops, and other types of businesses (either new or relocated). Businesses and entrepreneurs notice when the city is aggressive and takes and active role in improving itself via public-private partnerships, key public investments and other quality of life enhancements. These create an environment where others are then more willing to invest time, money, talent and effort into a new business in Belton, move there as residents or visit with their group.

Threats

Economic downturns. Belton does not have an abundance of tourist attractions or tourism demand generators that lure large amounts of visitors regularly. The tourism base is relatively limited, causing Belton to be heavily reliant on the demand generated by the expo center. The performance of regional businesses and the overall economy can greatly impact the demand for the Project.

Implications and Recommendations

Recommended Facility. Based on market opportunities and indications of the public sector's needs for function space, a 150-room "select-service plus" hotel is recommended, including approximately 12,800 square feet of function space. HSP recommends the function space of the hotel to include the following:

- 7,500-square foot ballroom,
- Four 1,200-square foot meeting rooms &
- One 500-square foot boardroom.

As discussed in Chapter 3, a hotel in downtown Belton is recommended due to the proximity Belton's restaurants, retailers and entertainment options, which have gained traction since coming out of the COVID-19 pandemic. In addition, any hotel should be developed in a position that will allow for expansion. Natural growth, the Bell County Expo Center, University of Mary Hardin-Baylor and recreational assets continue to drive visitation to Belton, supporting continued development of the downtown corridor. Currently, the lack of lodging facilities downtown does not allow Belton to capitalize on visitation to its downtown businesses. Placement of the hotel downtown would ease accessibility to Belton's businesses, encouraging visitation to the city's unique restaurants, retailers and public areas.

Recommendation: 150-room Select-Service Plus Hotel

Room Count. A select service branded hotel with 150 rooms is the recommended hotel.



- Room Mix. A balanced room mix is important to attract and accommodate all visitor segments. The double-double room configuration is very important to the large sports tourism demand, where teams or families put as many as five individuals per room. The ability to meet the room block needs of tournament organizers will make the hotel a more appealing property in the market. On the other hand, corporate transient guests typically require a king configuration, so the proper room mix is essential.
- Strong Brand. HSP recommends the hotel be associated with a strong select-service brand from the following brand families: Marriott, Hilton, or Hyatt. There are also other brands that may work, however the above have the best loyalty programs and would capture at least their fair share of the market. For this specific situation, HSP's projections in Chapter 5 of this report assume a Courtyard by Marriott development.
- Amenities. Services that cater to the business traveler like complimentary Wi-Fi, a business center, and a fitness center will help attract the business travelers that regularly visit Belton and the surrounding region. These amenities have come to be expected by modern business travelers.
- Food and Beverage: While Courtyard by Marriott hotels do not feature traditional restaurants, the properties feature a bistro that sells fresh cooked and prepared breakfast (not complimentary), appetizers, and sandwiches. Each hotel also features a 24-hour "mini-mart."
- Function Space. Unlike most of the competitive set hotels, which typically have just one or two small meeting rooms, the proposed hotel should include a 7,500-square foot ballroom and four 1,200-square foot meeting rooms, plus a boardroom for 20 24 people. This will allow for larger meetings onsite and should attract more group business, including trainings, to the hotel. If the meeting and function space were built adjacent to the proposed hotel, instead of connected directly to it, additional challenges would arise. Due to the weather and the catering requirements for events, even if separated by a short distance, walking between facilities would be a hindrance in attracting guests and in efficiently run operations. Guests with limited mobility or handicaps could see the short distance between the facilities as a reason to book their events with another hotel in the market.

By designing in these recommendations for the 150-room select-service conference hotel, HSP believes the hotel project will provide the most feasible option while still generating significant economic impact for Belton. The recommended property will have inducement capability to bring in new group business to itself, the Bell County Expo Center, and the rest of the market. If the local companies are able to steer group and contract business to the property, regardless of location, it will help the hotel, local establishments and the community.



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DEMAND AND FINANCIAL PROJECTIONS

In this chapter, HSP estimates the performance for the recommended 150-room conference hotel developed in downtown Belton.

Demand Analysis

The following table shows the estimated growth of each market segment from 2017 through 2024 (the stabilized year) for the competitive set, assuming the proposed hotel opens January of 2020.

Year	Corporate	%	Group	%	Leisure	%	Total	%	Total	%	Total	Occupan
i cai	Transient	Change	Group	Change	Leisure	Change	Demand	Change	Supply	Change	Rooms	Occupan
2022	159,047	-	73,406	-	42,820	-	275,274	-	366,460	-	1,004	75.1%
2023	160,638	1.0%	74,140	1.0%	43,249	1.0%	278,027	1.0%	366,460	0.0%	1,004	75.9%
2024	162,244	1.0%	74,882	1.0%	43,681	1.0%	280,807	1.0%	366,460	0.0%	1,004	76.6%
2025	168,734	4.0%	81,621	9.0%	45,210	3.5%	295,565	5.3%	421,210	14.9%	1,154	70.2%
2026	173,796	3.0%	85,702	5.0%	46,566	3.0%	306,064	3.6%	421,210	0.0%	1,154	72.7%
2027	178,141	2.5%	87,845	2.5%	47,730	2.5%	313,716	2.5%	421,210	0.0%	1,154	74.5%
2028	178,141	0.0%	87,845	0.0%	47,730	0.0%	313,716	0.0%	421,210	0.0%	1,154	74.5%
2029	178,141	0.0%	87,845	0.0%	47,730	0.0%	313,716	0.0%	421,210	0.0%	1,154	74.5%
2030	178,141	0.0%	87,845	0.0%	47,730	0.0%	313,716	0.0%	421,210	0.0%	1,154	74.5%
2031	178,141	0.0%	87,845	0.0%	47,730	0.0%	313,716	0.0%	421,210	0.0%	1,154	74.5%
2032	178,141	0.0%	87,845	0.0%	47,730	0.0%	313,716	0.0%	421,210	0.0%	1,154	74.5%
2033	178,141	0.0%	87,845	0.0%	47,730	0.0%	313,716	0.0%	421,210	0.0%	1,154	74.5%
2034	178,141	0.0%	87,845	0.0%	47,730	0.0%	313,716	0.0%	421,210	0.0%	1,154	74.5%

Table 5-1

The proposed Project will be the newest hotel development. Due to the success of the Bell County Expo Center and the opening of the Project hotel in 2025, HSP projects group demand within the market to increase as a result of the improved events package in Belton. As the new hotel properties are absorbed into the market event demand continues to grow, HSP projects a stabilized occupancy of 74.5 percent for the competitive set in 2027.



The following table shows the estimated occupancy of the recommended hotel, based on how the hotel will penetrate various market segments.

Year	Corporate Transient	Group	Leisure	Total Penetration	Projected Set Occupancy	Subject Occupancy
2025	85%	120%	75%	93%	70%	65%
2026	90%	125%	80%	98%	73%	71%
2027	95%	130%	85%	103%	74%	77%
2028	95%	130%	85%	103%	74%	77%
2029	95%	130%	85%	103%	74%	77%
2030	95%	130%	85%	103%	74%	77%
2031	95%	130%	85%	103%	74%	77%
2032	95%	130%	85%	103%	74%	77%
2033	95%	130%	85%	103%	74%	77%
2034	95%	130%	85%	103%	74%	77%
2035	95%	130%	85%	103%	74%	77%

Table 5-2

The hotel is expected to cater to the group market. As a result, the Project hotel is projected to penetrate the group market at a higher rate than the competitive set, but penetrate the corporate and leisure markets at a lower rate than the competitive set (due to rate sensitivity). This should lead to an overall occupancy of 77 percent by stabilization, greater than the occupancy of the competitive set hotels.

The following table shows the estimated demand, by segment, for the Project hotel based on the penetration rates established above.



				ojected De		•	,	1			1
Year	Corporate Transient	% Change	Group	% Change	Leisure	% Change	Total Demand	% Change	Total Supply	Total Rooms	Occupa
2025	18,643	-	12,731	-	4,407	-	35,781	-	54,750	150	65%
2026	20,331	9.1%	13,925	9.4%	4,842	9.9%	39,098	9.3%	54,750	150	71%
2027	21,997	8.2%	14,844	6.6%	5,274	8.9%	42,115	7.7%	54,750	150	77%
2028	21,997	0.0%	14,844	0.0%	5,274	0.0%	42,115	0.0%	54,750	150	77%
2029	21,997	0.0%	14,844	0.0%	5,274	0.0%	42,115	0.0%	54,750	150	77%
2030	21,997	0.0%	14,844	0.0%	5,274	0.0%	42,115	0.0%	54,750	150	77%
2031	21,997	0.0%	14,844	0.0%	5,274	0.0%	42,115	0.0%	54,750	150	77%
2032	21,997	0.0%	14,844	0.0%	5,274	0.0%	42,115	0.0%	54,750	150	77%
2033	21,997	0.0%	14,844	0.0%	5,274	0.0%	42,115	0.0%	54,750	150	77%
2034	21,997	0.0%	14,844	0.0%	5,274	0.0%	42,115	0.0%	54,750	150	77%
2035	21,997	0.0%	14,844	0.0%	5,274	0.0%	42,115	0.0%	54,750	150	77%

Table 5-3

As shown, the majority of business is expected to come from corporate transient guests due to the current segmentation mix in the market, but the will increase the level of group business in the City of Belton that is currently lacking.

The table below shows the estimated market segmentation for the recommended hotel versus the competitive set.

Stabi	Projected lized Demand Mix vs. Com	ıp Set
Segment	Hotel at Stabilization	Comp Set
Corporate	52%	57%
Group	35%	28%
eisure	13%	15%
Total	100%	100%

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Та	h	A	5.4

Compared to the competitive set in Belton and Temple, the 150-room Project hotel is projected to have a higher group mix of business, and a lower mix of corporate transient and leisure travel.

The next table shows the average daily room rate projections for the recommended hotel.



Year	Comp. Set ADR	Annual Increase	Hotel Rate Penetration	Projected Hotel Rate	Annual Increase
2015	\$92		_	_	
2016	\$94	2.5%	-	-	-
2017	\$95	0.8%	-	-	-
2018	\$97	2.3%	-	-	-
2019	\$96	-1.9%	-	-	-
2020	\$86	-9.7%	-	-	-
2021	\$100	16.2%	-	-	-
2022	\$110	9.9%	-	-	-
2023	\$113	2.2%	-	-	-
2024	\$115	2.2%	-	-	-
2025	\$118	2.2%	113%	\$133	-
2026	\$120	2.2%	113%	\$136	2.2%
2027	\$123	2.2%	113%	\$139	2.2%
2028	\$126	2.2%	113%	\$142	2.2%
2029	\$128	2.2%	113%	\$145	2.2%
2030	\$131	2.2%	113%	\$148	2.2%
2031	\$134	2.2%	113%	\$152	2.2%
2032	\$137	2.2%	113%	\$155	2.2%
2033	\$140	2.2%	113%	\$158	2.2%
2034	\$143	2.2%	113%	\$162	2.2%

Table 5-5

As shown, rates in the competitive set have increased from \$92 to \$113 since 2015. HSP expects those rates to increase slowly over the coming years and reach \$118 by 2025, with 2.2 percent average growth thereafter. ADR growth nationally has generally averaged out to increase at the same level as inflation, although with much variability as shown from the recent past. The new hotel's penetration rate is expected to be 113 percent, leading to an ADR beginning at \$133.

Understanding how the hotel will perform internally is as important to the feasibility as the external occupancy and rate projections. The next table shows the performance of the proposed hotel based on a number of assumptions about the property.

The figures are shown as earned (cash basis) and in nominal amounts, not discounted. PAR stands for "per available room" and are shown on an annual basis and POR stands for "per occupied room" and are shown on a per night basis.



			Year 1			Year 2	Year 3	Year 4	Year 5	Year 10
Room Count	150					150	150	150	150	150
Available Room Nights	54,750					54,750	54,750	54,750	54,750	54,750
Occupancy Rates	65%					71%	77%	77%	77%	77
Occupied Room Nights	35,781					39,098	42,115	42,115	42,115	42,11
Average Daily Rate	\$133					\$136	\$139	\$142	\$145	\$16
RevPAR	\$87					\$97	\$107	\$109	\$112	\$12
Percent of Change from Prior Year	-					11.7%	10.1%	2.2%	2.2%	2.2
	\$	%	%	PAR	POR	\$	\$	\$	\$	
REVENUE										
Rooms	\$4,760	73.5%	73.5%	\$31,730	\$133	\$5,315	\$5,850	\$5,979	\$6,111	\$6,81
Hotel Food and Beverage	1,360	21.0%	21.0%	\$9,066	\$38	1,523	1,681	1,722	1,760	1,96
Other Operated Departments	291	4.5%	4.5%	\$1,943	\$8	326	360	369	377	42
Rentals and Other Income	104	1.6%	1.6%	\$691	\$3	116	128	131	134	21
Total Revenue	\$6,476	100.0%	100.0%	\$43,171	\$181	\$7,251	\$8,003	\$8,202	\$8,382	\$9,41
DEPARTMENTAL EXPENSES										
Rooms	\$1,280	26.9%	26.9%	\$8,535	\$36	\$1,323	\$1,404	\$1,435	\$1,467	\$1,63
Hotel Food and Beverage	952	70.0%	70.0%	\$6,346	\$27	1,051	1,160	1,171	1,197	1,33
Other Operated Departments	134	46.0%	46.0%	\$894	\$4	147	162	166	170	18
Rent and Other Income	11	11.0%	11.0%	\$76	\$0	12	13	13	7	1
Total Departmental Expenses	\$2,378	36.7%	36.7%	\$15,851	\$66	\$2,532	\$2,739	\$2,785	\$2,840	\$3,17
Gross Operating Income	\$4,098	63.3%	63.3%	\$27,319	\$115	\$4,718	\$5,265	\$5,416	\$5,542	\$6,24
UNDISTRIBUTED OPERATING EXPENSES										
Administrative and General	\$518	8.0%	8.0%	\$3,454	\$14	\$544	\$560	\$566	\$578	\$65
Info & Telecom Systems	\$142	2.2%	2.2%	\$950	\$4	\$145	\$152	\$148	\$151	\$16
Marketing	\$479	7.4%	7.4%	\$3,195	\$13	\$500	\$528	\$533	\$545	\$61
Utility Costs	\$304	4.7%	4.7%	\$2,029	\$9	\$305	\$312	\$320	\$327	\$36
Property Operations and Maintenance	\$317	4.9%	4.9%	\$2,115	\$9	\$319	\$328	\$336	\$344	\$38
Total Undistributed Expenses	\$1,761	27.2%	27.2%	\$11,742	\$49	\$1,813	\$1,881	\$1,903	\$1,945	\$2,18
Gross Operating Profit	\$2,337	36.1%	36.1%	\$15,577	\$65	\$2,906	\$3,384	\$3,514	\$3,598	\$4,06
Franchise Fees	\$291	4.5%	4.5%	\$1,943	\$8	\$326	\$360	\$369	\$377	\$42
FIXED EXPENSES										
Property Taxes	\$ 127	2.0%	2.0%	\$848	\$4	196	201	208	214	24
Insurance	78	1.2%	1.2%	\$518	\$2	80	80	82	84	9
Management Fee	259	4.0%	4.0%	\$1,727	\$7	290	320	328	335	37
Reserve for Replacement	\$65	1.0%	1.0%	\$432	\$2	\$109	\$160	\$246	\$251	\$28
Total Fixed Expenses	\$529	8.2%		\$3,525	\$15	\$674	\$762	\$864	\$884	\$1,00
Cash Flow from Operations	\$1,516	23.4%	23.4%	\$10,109	\$42	\$1,905	\$2.262	\$2.281	\$2,336	\$2,63

Table 5-6

The property is projected to generate a total of nearly \$6.4 million in gross revenue in the first year, increasing to more than \$9.4 million in the tenth year. Approximately \$1.51 million is estimated to be available to satisfy debt and equity requirements in the first year (23.4 percent of gross revenue), increasing to \$2.63 million in the tenth year.

The following table shows the supportable financing for the proposed 150-room conference hotel.



	Constr. Yr1	Constr. Yr2	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	
Net Operating Income	\$0	\$0	\$1,516	\$1,905	\$2,262	\$2,281	\$2,336	\$2,635	
Interest and Debt Reserve W/D	\$290	\$870	\$0	\$0	\$0	\$0	\$0	\$0	
	\$290	\$870	\$1,516	\$1,905	\$2,262	\$2,281	\$2,336	\$2,635	
Debt Service Payment	(\$290)	(\$870)	(\$1,358)	(\$1,358)	(\$1,358)	(\$1,243)	(\$1,243)	(\$1,243)	
Net Income to Repay Equity	\$0	\$0	\$158	\$547	\$904	\$1,037	\$1,093	\$1,392	
Princ. Amount***	\$3,625	\$10,875	\$14,500	\$14,302	\$14,087	\$13,860	\$13,656	\$12,383	
Interest	\$290	\$870	\$1,160	\$1,144	\$1,127	\$1,040	\$1,024	\$929	
Less Payment	(\$290)	(\$870)	(\$1,358)	(\$1,358)	(\$1,358)	(\$1,243)	(\$1,243)	(\$1,243)	
Loan Balance	\$3,625	\$10,875	\$14,302	\$14,087	\$13,856	\$13,656	\$13,437	\$12,068	
Assumptions						Refi			
Loan Amount (\$000's)	\$14,500					\$13,860			
Amortization Period (Years)	25					25			
Loan Interest Rate	8.00%					7.50%			
Annual Debt Service Payment (\$000's)	(\$1,358)					(\$1,243)			
Equity:									
Developer's Equity (\$000's)	\$5,500								
Private Debt	\$14,500								
Total Supportable Private Financing	\$20,000								
									10-Yr Avg
Debt (Private) Coverage Ratio			1.12	1.40	1.67	1.83	1.88	2.12	1.8
Retum on Private Equity*			2.9%	9.9%	16.4%	18.9%	19.9%	25.3%	18
*On developer's equity only.									
**On project cost.									
***Assumes 50% draw in Construction Year 1; 75%	Saverage during Const	nuction Year 2							

Table 5-7

HSP assumed a debt structure that includes an initial interest rate of 8.0 percent and a loan amount of \$14.5 million. In addition, HSP assumed that the property would be refinanced in Year 4 with an interest rate of 7.50 percent with a remaining loan balance of \$13.8 million. The total supportable financing totals \$20 million or 44 percent of the estimated project costs. The estimated project cost is \$45 million or \$300,000 per room. Given the above assumptions, the 10-year average debt service coverage ratio is 1.81 and the average return on equity is 18 percent. These are favorable projections to acquire private investors / developers' interest in the project. While the supportable financing in today's environment is approximately \$20 million, the likely range of cost to develop the project is \$30 - \$45 million.

Explanation of Income and Expense Items

The estimates of income and expense statements are based on the results of operations of comparable select service hotels. The income for each of these years is estimated based on the expected impact that the change in occupancy and average daily room rates is expected to have on income and expenses. Expense estimates are assumed to have both fixed and variable components, and vary based on projected occupancy levels.



Departmental Revenues and Expenses

Distributed Departmental Revenues and Expenses

Rooms Department: Room revenue is estimated by multiplying the occupancy rate by the average daily rate (ADR) projected in this analysis.

Rooms department expenses include payroll and related costs associated with the front desk and housekeeping, operating supplies, laundry linens, cable television, and other items necessary to maintain guest rooms.

Food and Beverage: Food and Beverage is comprised of ala carte food options available. Food and beverage expenses are among the highest in a hotel's departments. Hotels with significant food and beverage business tend to have lower net profit ratios, however catering expenses are often lower than expenses in restaurants. Expenses are very high in this department, so it is often a loss leader or minimal contributor to net revenue, however it does help generate room night demand.

Other Operated Departments: This income category is typically comprised of smaller departments that generate income from activities such as valet laundry, business services, and similar others. It is based on a percentage of total revenue and the experiences of other limited-service properties.

Rentals and Other Income: This income category is typically comprised of interest, commissions on vending machine sales, movies, and other miscellaneous income. It is highly dependent on occupancy and has a very low expense ratio.

Undistributed Operating Expenses

Operating expenses that are not chargeable to a particular operating department are presented as undistributed operating expenses in accordance with the Uniform System of Accounts for hotels. These expenses are discussed in the following paragraphs.

Administrative and General: This category covers expenses such as salaries and wages for management staff, bookkeeping, data processing charges, corporate office charges, office supplies, legal, accounting, allowance for bad debts, travel expenses, and similar items. General insurance (liability, business risk, etc.) is included in the Administrative and General (A&G) category. It is assumed that this expense begins as a higher percentage of gross revenue, then stabilizes by the fourth year.

Information and Telecommunication Systems: This category covers expenses such as phone and internet service, payroll for telephone operators and computer technicians, and charges related to information systems within the hotel property. It is assumed that this expense begins as a higher percentage of gross revenue, then stabilizes by the fourth year.

Marketing Expenses: Marketing expenses include local advertising, marketing costs, the cost of printing brochures, and other related items. It is possible these figures could increase, depending upon the brand of hotel. It is assumed that this expense begins as a higher percentage of gross revenue, then stabilizes by the fourth year.



Utilities: This includes all utility expenses in the property, including electricity, gas and water. It is assumed that this expense begins as a higher percentage of gross revenue, then stabilizes by the fourth year.

Property Operations and Maintenance: Property operations and maintenance expenses include salaries and wages, employee benefits, other payroll costs, normal maintenance of the building and electrical and mechanical equipment. It is assumed that this expense begins as a higher percentage of gross revenue, then stabilizes by the fourth year.

Undistributed Operating Expenses

Franchise Fees

Franchise Fees: Hotel franchise fees are payments by the hotel property (franchisee) to the brand families (franchisor) such as Marriott, Hilton, or Hyatt for the use of the brand's name, logo, goodwill, marketing, and referral and reservation systems. For this analysis, HSP assumed franchise fees of 4.5 percent.

Fixed Charges

Property Taxes: Property taxes are estimated based on historic property taxes paid similar hotels in the market.

Insurance: This insurance category covers only the cost of building and contents insurance and no liability insurance. The liability insurance is found in the A&G expense.

Management Fees: This fee is generally more complex and is figured based on a base fee as well as an incentive fee for bottom line performance. In this model, the fee is assumed to be 4.5 percent of total revenue by stabilization.

Reserve for Replacement: As is standard for income-producing properties, a reserve for replacement for furniture, fixtures, and equipment, as well as other capital items has been included in this analysis. Recent studies have indicated that, over the long-term, a minimum of four percent is required to properly maintain hotel facilities and actual costs could be higher. HSP projects a reserve level that increases as the property ages, beginning at one percent and stabilizing at four percent.



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ECONOMIC, FISCAL & EMPLOYMENT IMPACT ANALYSIS

The incremental impact of the Project on corporate and other demand will increase economic activity and will result in higher fiscal activity, income and employment for the Belton economy.

HSP uses the IMPLAN input-output multiplier model, which determines the level of additional activity in the Belton economy due to additional inputs. For example, for every dollar of direct new spending in Belton, the IMPLAN model provides multipliers for the indirect and induced spending that will result.

The net new and recaptured direct spending is considered to be the **Direct Impact**. The most important calculation is the estimate of net new direct spending in the market. This is made up of new hotel spending, new restaurant spending, new retail spending, new transportation spending and other new spending by overnighters and daytrippers. If the new hotel results in a new consumer show, meeting or tradeshow, there are also day trips generated.

From the direct spending figures, further impact analyses will be completed.

- Indirect Impacts are the supply of goods and services resulting from the initial direct spending. For example, a visitor's direct expenditure on a hotel room causes the hotel to purchase linens and other items from suppliers. The portion of these hotel purchases that are within the local economy is considered an indirect economic impact.
- Induced Impacts embody the change in spending due to the personal expenditures by employees whose incomes are affected by direct and indirect spending. For example, a waitress at a restaurant may have more personal income as a result of the visitor's visit. The amount of the increased income that the employee spends in the area is considered an induced impact.
- Fiscal Impacts represent the incremental tax revenue collected by the City due to the net new economic activity. The fiscal impact represents the government's share of total economic benefit. Fiscal impacts provide an offset to the potential public expenditures required to support the development.
- Employment Impacts include the incremental employment provided not only onsite, but due to the spending associated with it. For example, the direct, indirect and induced impacts generate spending, support new and ongoing businesses, and ultimately result in ongoing employment for citizens. HSP will show the number of ongoing jobs supported by the project and provide the resulting income and income taxes generated.

Direct, Indirect and Induced Impacts

The table below shows the direct net new spending, based on the analysis.



Direct Net New/Recaptured Spending to Belton (000s)											
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Total				
Food & Beverage	\$2,688	\$3,018	\$3,339	\$3,431	\$3,520	\$4,003	\$35,018				
Lodging	\$4,522	\$5,049	\$5,558	\$5,680	\$5,805	\$6,472	\$57,612				
Retail	\$552	\$622	\$690	\$710	\$732	\$848	\$7,307				
Transportation	\$687	\$774	\$858	\$884	\$911	\$1,056	\$9,095				
Other	\$294	\$331	\$367	\$378	\$389	\$451	\$3,886				
Total	\$8,743	<i>\$9,793</i>	\$10,812	\$11,083	\$11,357	\$12,830	\$112,917				

Table 6-1

Lodging spend has the greatest impact as a result of the Project, with estimated spending totaling \$4.5 million in Year 1, growing to \$6.4 million by Year 10. Food and beverage spending (onsite and offsite) is projected to have the second greatest impact, with estimated spending totaling \$2.6 million in Year 1, growing to \$4.0 million by Year 10. Over 10 years, the recommended hotel is projected to generate nearly \$112.9 million in direct net new spending within Belton.

The next table shows the direct, indirect and induced spending from the Project, based on the IMPLAN multipliers.

Direct, Indirect & Induced Net New Spending to Belton (000s)											
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Total				
Net New Spending											
Direct	\$8,743	\$9,793	\$10,812	\$11,083	\$11,357	\$12,830	\$112,917				
Indirect	\$2,953	\$3,308	\$3,653	\$3,745	\$3,838	\$4,339	\$38,163				
Induced	\$3,421	\$3,832	\$4,232	\$4,338	\$4,445	\$5,025	\$44,204				
Total	\$15,118	\$16,933	\$18,696	\$19,166	\$19,640	\$22,193	\$195,284				

The direct spending totals nearly \$112.9 million over the 10-year period (as shown in the prior table), while the indirect and induced spending add another \$38.1 million and \$44.2 million, respectively. In total, \$195.2 million in economic impact is projected from new and recaptured spending.

The following table shows the new earnings associated with the new economic activity.



Net New Earnings from Direct, Indirect & Induced Spending (000s)											
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Total				
Net New Earnings											
From Direct	\$2,775	\$3,108	\$3,433	\$3,520	\$3,608	\$4,083	\$35,885				
From Indirect	\$961	\$1,076	\$1,188	\$1,218	\$1,248	\$1,410	\$12,409				
From Induced	\$1,028	\$1,151	\$1,271	\$1,303	\$1,335	\$1,508	\$13,272				
Total	\$4,763	\$5,336	\$5,892	\$6,041	\$6,191	\$7,001	\$61,567				

Table 6-3

By the fifth year of operations, more than \$6.1 millions of direct, indirect, and induces earnings are projected, with a total of \$61.5 million over the 10-year period.

The table below shows the estimated full-time equivalent jobs created by the Project.

	Table 6-4										
Net New Full-Time Equivalent Jobs from Direct, Indirect & Induced Earnings (000s)											
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Average				
Net New FTE Jobs											
From Direct	144	157	169	168	167	167	163				
From Indirect	49	54	58	57	57	57	56				
From Induced	57	62	66	66	66	66	64				
Total	250	273	292	291	290	290	283				
Source: Hunden Strategic Pa	rtners					•					
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New full-time equivalent jobs (FTE's) are projected to vary over the period based on the net new spending and total 290 by the tenth year (average 283 over the ten-year period).

Fiscal Impact

The fiscal impact of the Project is the benefit to the community via taxes generated, essentially through new sales and hotel taxes.

The following table shows the projections of fiscal impacts.



Table 6-5 Fiscal Impact - County Tax Impacts from Net New Spending (000s)										
FISCALI				-	• •		I			
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Total			
Taxes Collected										
City Hotel Tax (7.0%)	\$317	\$353	\$389	\$398	\$406	\$453	\$4,033			
City Sales Tax (1.5%)	\$131	\$147	\$162	\$166	\$170	\$192	\$1,694			
Property Tax	\$127	\$196	\$201	\$208	\$214	\$248	\$2,114			
Total	\$575	\$696	\$753	\$771	\$790	\$893	\$7,841			

In total, local taxes are projected to generate more \$790,000 by Year 5, and total more than \$7.8 million over the first 10 years.

Construction Impact

The one-time construction of the Project will impact Belton as spending will occur via the purchase of materials (40 percent of the budget) and the payment of labor and service providers (60 percent of the budget).

The net Belton impacts are shown below for the construction impact.

I able 0-0									
Construction Impact									
		Impact							
Direct Materials Spending	\$	18,000,000							
Indirect Spending	\$	5,040,000							
Induced Spending	\$	8,030,000							
Total	\$	31,070,000							
Direct Labor Spending	\$	27,000,000							
Employment (Job Years)		498							
Source: Hunden Strategic Partners									

Table 6-6

Materials spending in Belton is estimated to total of \$31.0 million in direct, indirect and induced spending. The direct labor spending is approximately \$27 million and would support nearly 498 job-years (one construction job for one year).

The following table shows a summary of estimated 10-year impacts for the recommended hotel.



Table 6-7						
Summary of 10-Year Impacts						
Net New Spending	(millions)					
Direct	\$113					
Indirect	\$38					
Induced	\$44					
Total	\$195					
Net New Earnings	(millions)					
From Direct	\$36					
From Indirect	\$12					
From Induced	\$13					
Total	\$62					
Net New FTE Jobs	Actual					
From Direct	167					
From Indirect	57					
From Induced	66					
Total	290					
Taxes Collected	(millions)					
City Hotel Tax (7.0%)	\$4.03					
City Sales Tax (1.5%)	\$1.69					
Property Tax	\$2.11					
Total	\$7.84					
Construction Impact	(millions)					
New Materials Spending	\$31.1					
New Labor Spending	\$27.0					
Job-Years, Actual	498					
Source: Hunden Strategic Partners	5					

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The net new spending for the Project totals \$195 million over the 10-year period, \$62 million in new earnings, 290 new full-time equivalent jobs and more than \$7.8 million in new taxes collected from the ongoing spending over 10 years. The construction impact will be more than \$58.1 million on materials and labor, most of which will accrue to the Belton economy and local workers. The nearly 498 job-years will be a temporary boon for the local economy.