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Lincoln County Fairgrounds

Market and Feasibility Analysis
Prepared for:
Lincoln County

Draft Report

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Summary

Since 2009, Lincoln County has maintained and operated the Fairgrounds facilities. In March 2010, a Blue Ribbon Committee recommended that the County study the feasibility of developing a new multipurpose facility at the Fairgrounds to generate new revenues and allow the Fairgrounds to serve multiple purposes within the County.

In 2011 the County selected a consulting team¹ to evaluate potential improvements at the Lincoln County Fairgrounds. Other reports address the state of repair of existing facilities and potential types and designs of new facilities. *The purpose of this report is to evaluate (1) the potential market demand for a new multipurpose facility at the Fairgrounds and (2) the financial feasibility of building and operating such a facility.*

Key Findings

The report evaluates future demand for a new multipurpose facility at the Fairgrounds. The evaluation considers existing conditions of Fairgrounds facilities and factors that will affect future use of a new multipurpose facility (e.g., population, business, and tourism growth). Using the forecast of potential demand for events at a new multipurpose facility, we forecast annual revenues and operating costs of a new multipurpose facility. Using building designs and cost estimates from project architects, we estimate annual debt service costs for retiring bonds to finance the construction of the facility. This section presents the key findings from these analyses.

Characteristics of the Multipurpose Facility

The preliminary concept for a new multipurpose facility is based on the Lincoln County Board of Commissioners' and County Fair Board's desire to build a new multipurpose facility on the current Fairgrounds.

The current concept for the new multipurpose facility is for a 50,000 square foot building with about 36,500 square feet of space in an exposition hall, a meeting room, office, kitchen, and other facilities. The exposition hall could be divided into three smaller rooms of 12,000 square feet each. The concept includes a 13,500 square foot covered outdoor space adjacent to the building.

¹ LRS Architects prime contractor; ECONorthwest subcontractor.

Demand for a new multipurpose facility

Current conditions at the Lincoln County Fairgrounds

- **The current conditions at the Lincoln County Fairgrounds do not support many of the revenue-generating events that typically use fairgrounds in Oregon.**
 - LRS Architects' evaluation of Fairground properties concluded that most of the buildings at the Fairgrounds are in poor condition, especially the Exhibit Hall. The poor condition of the buildings limits the types of events that might otherwise consider using the Fairgrounds facilities.
 - The Fairground buildings lack the facilities needed for many events, such as large rectangular spaces, concrete floors, large doors for loading and unloading, and plentiful access to electricity. The facilities at the Lincoln County Fairgrounds cannot meet the needs of these events. As a result, the types of retail, private, and other events at the Lincoln County Fairgrounds are very different from other fairgrounds, such as those considered in this study.
- **About one-third of events at the Fairgrounds paid rental fees.**

Examples of paying events are: retail events (e.g., a weekly farmer's market or Christmas tree sales in December), the Celtic Festival, or youth sporting events. The rental fees paid by some of the paying users are relatively low.

About two-thirds of events did not pay rental fees. The majority of these events were youth-oriented events, such as 4-H.

- **The cost of renting the main exhibit hall at the Lincoln County Fairgrounds was lower than the costs at comparison fairgrounds.**

Lincoln County's rental fee for the Main Exhibit Hall, including a kitchen, is about three cents per square foot. In comparison, the average rental costs for the main event building at comparable fairgrounds in Oregon ranged from about three cents to nine cents per square foot.

Implications of current conditions on demand for new space at the Fairgrounds

- **If the County does not build a multipurpose facility...**
 - *In the short-run local users will continue to rent the Fairgrounds facilities.* The County Fair will continue to be held at the Fairgrounds, with attendance similar to the recent past. The Fairgrounds will continue to be used for local events and festivals, 4-H, and other local events. In the long-run, local uses may grow slowly. The conditions of the

buildings will continue to deteriorate, limiting opportunities for generating revenues.

- *Usage by non-local groups will be limited* because the Fairground's facility is in too poor a condition, size, and configuration to attract retail and other sizeable non-local users. These conditions will limit both short-term and long-term growth in usage of the facilities by non-local users.
- **If the County builds a new multipurpose facility, similar to the one described in Chapter 2...**
 - *The types of events at a new multipurpose facility would be different from current events.* The majority of current events at the Lincoln County Fairgrounds are local, relatively small, and generate little or no revenue. The types of uses at a new multipurpose facility will need to change to help support the cost of the building and staff to run the building. Lincoln County will need to attract non-local events that use all or most of the multipurpose facility, such as home shows, boat shows, gun shows, gem shows, or craft shows. These events should cater to the needs of coastal residents, as well as be attractive to visitors.
 - *In the short-run, there may be an initial increase in events at the Fairground because of latent demand* from: (1) existing events that draw a statewide audience (e.g., the Wine and Seafood Festival), (2) smaller trade shows, and (3) meetings by statewide organizations. There are few spaces to hold mid-sized and large events in Newport or Lincoln County. The fact that the Newport Seafood and Wine Festival is held in tents in February illustrates the lack of large event spaces in Lincoln County and Newport.
 - *In the long-run, demand for use of the new multipurpose facility will be driven by growth of population, employment, or tourism.* Lincoln County's long-term population forecast shows the County's population growing about 0.7% per year. If tourism continues to grow similar to recent historical trends, then tourism will grow about twice the rate of population growth.
 - *The operations of the Fairground facilities can affect rental frequency of the multipurpose facility.* The Fairgrounds will need active, energetic employees with the backing of financial resources to build a portfolio of events at the new multipurpose facility. Building an event portfolio takes time, willingness to be flexible, an attractive and flexible space, appropriate pricing structure, and financial resources to market the facility to attract events.

Future demand for Fairground usage

Aside from growth of attendees at Fairground events (e.g., residents, businesses, and visitors) and the characteristics of the new multipurpose facility, the key factor that will affect demand for usage of a new multipurpose facility is the price of renting the facility. Our analysis assumes that Lincoln County Fairgrounds' rental rates will be within the relatively narrow "competitive range" of other fairgrounds' rental prices, between three to nine cents per square foot.

The forecast divides events by size: (1) large multi-day events (e.g., the Newport Seafood and Wine Festival, RV shows, boat shows, or home shows); (2) mid-sized multiday events (e.g., large craft shows, bridal shows, gun shows, gem shows, or conferences); (3) small events (e.g., farmer's markets, flea markets, smaller craft fairs, or small conferences); and private events (e.g., parties, banquets, or auctions). The amount of space these events may rent will vary by size of event, from the entire multipurpose facility and outdoor areas to about one-sixth of the exhibition hall.

The forecast for use of the new multipurpose facility, based on these assumptions, ranges from low to high use.

- The **low-use scenario** assumes that the Fairgrounds will be more limited, in part because the Fairgrounds has limited resources to operate and market the Fairgrounds. The low-use scenario assumes the Fairgrounds will have 65 events per year, including one new large events and six new mid-sized events.
- The **medium-use scenario** assumes that the County is successful at actively marketing events, especially mid-sized and small events. The medium-use scenario assumes the Fairgrounds will have 90 events per year, including two new large events and ten new mid-sized events.
- The **high-use scenario** assumes that the County is very active and successful in marketing events that will use large portions of the facility, resulting in more events of all sizes. The high-use scenario assumes the Fairgrounds will have 112 events per year, including three new large events and 16 new mid-sized events.

Financial feasibility

Analysis of the financial feasibility of the Fairgrounds' multipurpose facility compares the forecast of revenues with the costs of the Fairgrounds.

- **Revenues.** The analysis assumes that: (1) existing paying events will continue to rent the facility, paying approximately the rent they do now, (2) the Fair event will continue to occur at the Fairgrounds, (3)

rental costs of new events will be about eight cents per square foot plus additional costs (e.g., use of the kitchen or table and chair rental).

Based on the forecast for use and estimates of the cost of renting the new multipurpose facility, annual gross revenues will range from about \$135,000 to \$295,000.

- **Operating expenditures.** Operating expenditures include labor costs, regular maintenance, operations (e.g., insurance and utilities), advertising, and contingency. A reasonable range for the annual operating costs are: low use, \$170,000 to \$190,000; medium use, \$260,000 to \$295,000; and high use, \$320,000 to \$380,000.
- **Capital expenditures.** LRS Architects' preliminary estimate is that the construction cost of the proposed facility will be about \$12 million. These construction costs will be refined during development of the Fairgrounds Master Plan. If the County uses existing Fairground facility reserves of \$1 million and finances the remaining \$11 million, the County will have annual payments of about \$900,000 per year for 20 years. The possibility continues to be explored that other stakeholders, including the Newport Chamber of Commerce and the potential City of Newport North Urban Renewal District, can contribute to capital costs.
- **Financial feasibility.** The financial feasibility considers annual operating feasibility and capital feasibility of building the facility. The Fairgrounds will have both operational and capital deficits, under each condition.
 - *Operating feasibility.* Given the forecast of revenues and operating expenditures, the Fairgrounds will have a likely operational deficit of between about \$34,000 to \$46,000 per year. If the revenue forecast is optimistic (especially in the first three to five years that the building is in use) or if necessary expenditures are higher than expected, the operating deficit could increase up to \$125,000 per year.
 - *Capital feasibility.* Existing lodging tax receipts are sufficient to cover nearly 30% of the annual bond payment costs. The County will need to find funding to cover the funding gap of \$650,000. In addition, long-term capital maintenance costs for the new multipurpose facility will be between \$12,000 to \$36,000 per year.
 - *Other operational costs.* The County will continue to have maintenance costs for other existing facilities at the Fairgrounds, such as the Floral Building, 4-H Barn, or riding arena. These

maintenance costs will be on-going and are likely to increase as the facilities continue to age and are used.

Other benefits and costs

The financial feasibility analysis shows that the Fairgrounds cannot pay for itself through revenues from renting the new multipurpose facility. The majority of costs of the Fairgrounds are related to the costs of operating and building the new multipurpose facility. The benefits of a new multipurpose facility are non-monetary and include:

- **The new facility will host and support the Lincoln County Fair event.** A primary user of the Fairgrounds facilities, including the multipurpose facility, is the Lincoln County Fair. The County Fair has about 6,400 attendees, but anecdotal information suggests that in past years the Fair has had attendance of upwards of 15,000, most of whom likely live in Lincoln County. The Fair provides opportunities for recreation, education, and community building in Lincoln County.
- **The multipurpose facility will be used for community events,** which benefits residents of Lincoln County by increasing recreational and social opportunities. These events might include festivals, new community celebrations, musical events, farmer's market, or flea markets. In addition, the multipurpose facility will be available for rental for non-profit and private parties and events.
- **The Fairgrounds can support youth events.** One of the key users at the Fairgrounds are youth groups, such as 4-H or sports associations. The new multipurpose facility, existing buildings, and grounds can continue to provide educational and recreational opportunities for young people in Lincoln County.
- **The multipurpose facility can be used for other large events.** The Seafood and Wine Festival is the biggest event likely to be hosted in the new multipurpose facility. The new multipurpose facility can provide long-term stability to the Festival by providing it an indoor and outdoor stable home. In addition, the Fairgrounds will provide a venue for events primarily for County residents (e.g., home, gun, or gem shows) and events that may attract visitors (e.g., festivals or large sportsman or crafts shows), increasing tourism in the County.
- **A new fairgrounds facility can support Lincoln County's tourism economy.** Events at the fairground can increase tourism to Lincoln County if they appeal to visitors. Events may attract overnight visitors, such as multiday conferences, certain types of retail shows, rallies, or festival events. Attracting overnight visitors is important for tourism

employment because overnight visitors typically spend three times as much as day visitors.²

The economic impact of new events at the Fairgrounds³ may be between about \$650,000 to \$2.7 million annually on the Lincoln County economy. These impacts include spending on hotels, restaurants, gasoline and other products, and other activities while in Lincoln County.⁴

- **Employment at the Fairground will result in a modest amount of economic activity.** The Fairgrounds will directly employ between 1.25 and three people, resulting in employee compensation of between \$55,000 to \$125,000. Businesses in Lincoln County will benefit from employment and economic activity involved with running the Fairground, through providing goods and services to the Fairground and Fairground employees. The Fairground will contribute an additional \$60,000 to \$140,000 to the economy of Lincoln County.⁵
- **The Fairgrounds provides an opportunity to maintain connection to the County's historical natural-resource based economy.** The Fairgrounds provides a way to connect with the County's historical natural-resource based economy, such as fishing, forestry, and some types of agriculture and animal husbandry and land and sea based recreational uses. The Fairgrounds can be used to maintain connections to this history, through programs like 4-H, school-based educational programs, and programs for adults. These programs typically provide cultural and social benefits to the community but generate little or no net revenue.

² *Oregon Travel Impacts 1991-2012p*, Dean Runyan Associates, April 2013

³ This estimate excludes the Seafood and Wine Festival visitors. While the Festival might be held at the Fairgrounds, holding the Festival at the Fairgrounds, rather than in tents, will not significantly increase the existing impact on the County's economy.

⁴ IMPLAN (IMpact Analysis for PLANing), 2012 data. This analysis considers direct, indirect, and induced economic impacts of overnight visitors who visit in Lincoln County for an event at the Fairgrounds

⁵ IMPLAN (IMpact Analysis for PLANing), 2012 data. This analysis includes direct, indirect, and induced economic impacts of employees of the Fairgrounds.

Conclusions

Our conclusions about the market and financial feasibility are:

- **Community support for a new multipurpose facility is key.** The benefits of building a new multipurpose facility at the Fairgrounds are substantial. A new multipurpose facility will support the annual County Fair events, provide opportunities for community activities, support youth activities, and support and potentially increase tourism.

Given the operational and capital deficits, building a new multipurpose facility will require broad community support. There are some indications that support exists. Some indicators of that support include the Blue Ribbon Committee's survey of Lincoln County residents and stakeholder engagement in this project. We recommend that the County continue to assess community support for the Fairgrounds, including potential financial support.

- **Decreasing the operational deficit will be difficult.** Our assessment is that the Fairgrounds is unlikely to be able to substantially decrease the operational deficit by either increasing use of the multipurpose facility over the high-use scenario or increasing rental costs. In our opinion, the high-use scenarios is a reasonable upper-limit to probable use at the Fairground multipurpose facility in the foreseeable future. Fairground users are very sensitive to rental fees. In our opinion, the cost for renting the facility is generally at the high end of likely acceptable rental rates. Increasing rental costs beyond our estimates will result in a decrease in usage of the multipurpose facility, both by local and external users. The result is likely to be an overall decrease in revenue, increasing the operational gap.

The County could consider an alternative method of determining rental costs for events with high attendance. The Fairgrounds could set a relatively low base rent and take a share of gate revenues. For example, the Fairgrounds could charge set a minimum daily fee for rental of the facilities (e.g., \$1,000 for the entire indoor space per day) plus \$1 per event attendee. For an event that pays a relatively modest rental fee but has a relatively large number of attendees (e.g., the Seafood and Wine Festival or the Celtic Festival), this approach may result in higher revenues for the Fairgrounds. This approach, however, does decrease the certainty of revenues because there may be situations where the Fairground would earn less revenue because attendance was lower than expected.

- **Decreasing operational costs may be difficult.** The financial feasibility costs shows a range of operational costs for the new multipurpose facility. The largest single cost is for labor. Small changes in the staffing

of the Fairgrounds have large effects on the financial feasibility of operations of the Fairgrounds. The County may be able to make small changes to staffing, such as sharing staff with other departments, that decrease labor and operational costs attributed to the fairgrounds operation. These types of changes are unlikely to erase the operational funding gap.

We believe, however, that operational costs are more likely to be higher than lower than the costs we estimated because we assume that the County will use contractors and/or temporary employees and reach out to the community to develop a network of volunteers to help with operations at the Fairgrounds. In addition, the estimates of number of fairgrounds employees and of their wage rates are tight: they are more likely to be higher rather than lower.

- **The County will need to look for opportunities to increase funding.** The previous bullets, taken together, say: *It does not seem very likely that the financial gap we have identified can be filled or even substantially reduced by more events, higher prices, and reduced operational costs.* Opportunities to increase funding include:

- *Grants.* There are no grants specific to fairgrounds but there are grants for activities that are included in fairground activities, especially for youth activities.

In general, grant opportunities are relatively small, ranging from \$20,000 to \$100,000 per grant. Most of grants support capital and program start-up costs but some grants cover operational costs as well. Some fairgrounds find qualifying for grants difficult because the fairground is part of a government agency.

While none of the granting organizations focuses on fairgrounds specifically, they all offer grants that include some of the fairgrounds functions, such as youth activities or community development. Some potential granting organizations include: the Ford Family Foundation (grants for public convening spaces and positive youth development); Meyer Memorial Trust (grants for community development, arts and culture, or education); Oregon Community Foundation (grants for programs in arts and cultural organizations and community livability); Collins Foundation (grants for arts and humanities, children and youth, and community welfare).

- *Partnerships.* There may be opportunities to partner with other public agencies, nonprofits, or private entities to support the operations and capital costs of building the new multipurpose facility. The County should continue to actively pursue

opportunities to partner to support the Fairgrounds. Both the City of Newport, through a proposed new Urban Renewal District, and the Newport Chamber of Commerce, through the Seafood and Wine Festival, have expressed an interest in the multipurpose facility project.

- *Community support of fairgrounds operations.* A number of fairgrounds in Oregon depend on community support for operations such as grounds keeping, providing low-cost labor for large events, maintenance such as painting, and other operational activities. In addition, some fairgrounds also have community financial support, such as support from a tax levy. For example, in Polk County, the County Extension Service has a property tax levy that allows the Extension Service to pay \$60,000 per year to the Fairgrounds to cover costs of 4-H's use of the facilities.
- *Natural hazard shelter.* Facilities built with hazard mitigation in mind may be eligible for assistance from FEMA, which provides funds for hazard mitigation projects, such as community natural hazard shelters. It may be possible to construct the multipurpose facility in a way that it qualifies as a tsunami shelter. The County may want to look further into the possibility and community benefit of building the multipurpose facility in a way that qualifies it as a tsunami shelter, although it may increase construction costs.
- *Entrepreneurial activities.* Some fairgrounds engage in entrepreneurial activities to supplement fairground revenues. These activities typically take advantage of unused or underutilized space or facilities at the fairgrounds. The cost of some of these activities, such as running a commercial kitchen, may be high enough that the activity brings in little revenue. We recommend that Lincoln County evaluate entrepreneurial activities, especially those that take a significant commitment of staff time, before engaging in the activity.
- **Develop an innovative business plan.** When the County develops its business plan for the Fairgrounds, it should consider successful practices at other fairgrounds to control costs and raise revenues. Oregon fairgrounds commonly work with community organizations to support fairground operations. For example, some fairgrounds pay high school student groups or the fire department a small fee to assist with ground maintenance or simple facility maintenance.

In addition, the business plan should consider opportunities to increase revenues through entrepreneurial activities and seek other opportunities for raising funds. Successful operations of the fairgrounds will require both community support and flexibility in thinking about innovative opportunities to earn and raise funds.

1 Introduction

1.1 Background

The Lincoln County Fairgrounds (the Fairgrounds) has been a location for public events in the County for more than 100 years. The Lincoln County Fair is the largest event at the Fairgrounds. The Fair struggled with declining attendance and finances in recent years. In 2009, Lincoln County Board of Commissioners assumed control of the Fairgrounds when the Fair Board resigned, after the 2008 Centennial Lincoln County Fair event.

Since 2009, Lincoln County has maintained and operated the Fairgrounds facilities, including assuming responsibility for maintenance of existing buildings. The County worked with local stakeholders to reconstitute a new Fair Board. The annual Lincoln County Fair event is held at the Lincoln County Fairgrounds and is put on by the nonprofit “Town & Country Fair & Rodeo Association, Inc.”

The Fairgrounds is located on 3rd Street in Newport, about three blocks north of Highway 20, adjacent to Newport High School. At only 11 acres, the Fairgrounds property is one of the smallest among fairgrounds in Oregon. There are six structures on the property, and an outdoor arena with limited stands and a stage. The existing buildings include an exhibition hall with 15,000 square feet of exhibition space. Most of the other structures on the Fairgrounds are used for animal-oriented events, such as barns or a riding arena. Most of the structures have recently been evaluated as being in poor repair.⁶

In November 2007, voters passed a measure to increase the County’s transient lodging tax. The Lincoln County Board of Commissioners dedicated 40% of the increase in transient lodging tax to an account for improvements to facilities at the Fairgrounds. Some small improvements have been made, but the bulk of funding collected is being held in reserve for larger facility improvements.

In March 2010, a Blue Ribbon Committee made recommendations to the Lincoln County Board of Commissioners about the future of the Fairgrounds. The Committee recommended that the County study the feasibility of developing a new multipurpose facility at the Fairgrounds to generate new revenues and allow the Fairgrounds to serve multiple purposes within the County.

⁶ *Lincoln County Fairgrounds Facility Observation*, LRS Architects, January 21, 2014

The Blue Ribbon Committee’s report noted that the purpose of most fairgrounds has evolved from serving agricultural-oriented events to serving year-round events. In a survey of people living in Lincoln County in 2010 conducted for the Blue Ribbon Committee, three-quarters of respondents said that they think there should continue to be an annual Fair event and that it should be located in Newport. About 43% of respondents said that they supported using public money (and potentially increasing taxes) to build a new facility to support the annual Fair event.⁷

In 2011 the County selected a consulting team⁸ to evaluate potential improvements at the Lincoln County Fairgrounds. Other reports address the state of repair of existing facilities and potential types and designs of new facilities. The purpose of this report is to evaluate: (1) the potential market demand for a new multipurpose facility at the Fairgrounds and (2) the financial feasibility of building and operating such a facility.

1.2 Organization of this report

This report is organized as follows:

- **Chapter 2: Framework for this Analysis** describes the methods ECONorthwest used for the market and feasibility analysis, and the concept plan for the multipurpose facility.
- **Chapter 3: Market Analysis** describes demand indicators, including socioeconomic trends, tourism trends, and comparison of activities at comparable fairgrounds in Oregon.
- **Chapter 4: Financial Feasibility of the Lincoln County Fairgrounds** presents use and revenue estimates, as well as operating and maintenance costs for the Fairgrounds.
- **Chapter 5: Benefits and Costs** discusses the broader societal and economic benefits and costs of fairground facilities within a county.
- **Chapter 6: Funding** presents potential funding sources used for operational and capital costs for fairgrounds.
- **Appendix A. Additional Data** provides additional market data.

⁷ *A Random Survey on the Lincoln County Fair Grounds, Acceptance and Potential Use*, Conducted and Compiled by Volunteers of the Lincoln County Fair Blue Ribbon Committee, presented to the Lincoln County Fair Board December 2, 2010.

⁸ LRS Architects prime contractor; ECONorthwest subcontractor.

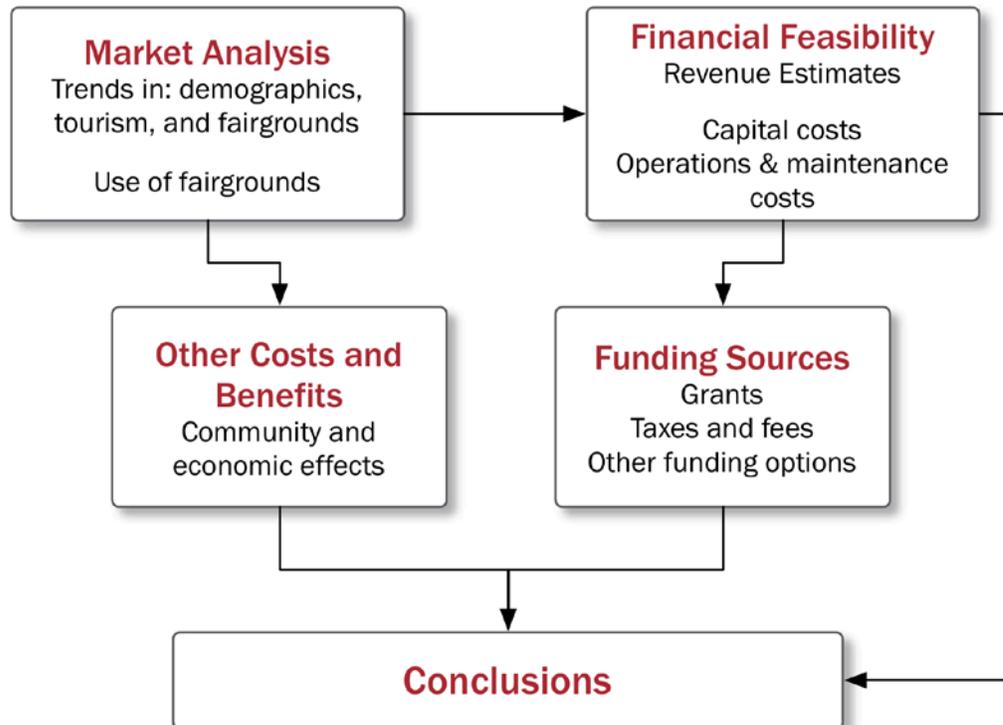
2 Framework for this Analysis

This chapter describes the approach to the market and feasibility analysis, and a concept for a new multipurpose facility at the Lincoln County Fairground.

2.1 Framework for a Market and Feasibility Analysis

A market analysis and feasibility analysis must consider both supply and demand factors to evaluate financial feasibility of the new facility at the Lincoln County Fairgrounds. Figure 2-1 shows the basic approach to conducting a market and feasibility analysis. The initial research focuses on defining the market: key trends that will affect market share. A **market analysis** is the basis for estimates of use and revenue. Revenue and cost estimates (capital, operations, and maintenance) determine the preliminary **financial feasibility**. For any fairgrounds such analysis usually finds that revenues from users are insufficient to cover the full costs of operation, much less debt service on capital cost. Thus, an assessment of **funding sources** looks for ways that revenue shortfalls can be addressed. The use of the fairgrounds (as estimated by the market analysis) creates **other costs and benefits** for various groups in the county.

Figure 2-1. The market and feasibility analysis process



Source: ECONorthwest

ECONorthwest's work program included four main tasks that correspond to the top four boxes in Figure 2-1:

- **Market Analysis:** ECONorthwest considered factors that affect demand for Fairground facilities in Lincoln County and the Central Oregon Coast, such as population growth, demographic changes in the population, income, tourism trends, and fairground usage trends.

The market analysis presents an estimate of additional new usage of the Fairgrounds at the new multipurpose facility based on demographic and tourism trends, historical usage of the existing Lincoln County Fairgrounds, and activity at comparable fairgrounds within Oregon.

- **Feasibility Analysis:** ECONorthwest conducted a preliminary feasibility assessment based on the facility concept. The financial feasibility analysis included four key components:
 1. *Preliminary design ideas.* LRS Architects developed preliminary design ideas for the new multipurpose facility at the Lincoln County Fairgrounds based on local feedback and designs of comparable facilities within Oregon.
 2. *Use and revenue estimates.* Use estimates were based on the market analysis and evaluation of comparable facilities. The use estimates make assumptions about usage by type of event. ECONorthwest developed three scenarios of Fairground use: low, medium, and high. The evaluation of comparable fairgrounds allowed a determination of typical fees the market will bear.
 3. *Operating and maintenance costs.* Based on the design ideas and assumptions about facility use, the feasibility analysis estimates staffing, operations, and maintenance amounts and costs. This analysis varies by level of use, from the low-use scenario to the high-use scenario.
 4. *Potential construction cost.* The potential construction costs were based on the facility ideas, using cost information from development of similar multipurpose facilities at other Oregon fairgrounds. This information was provided by LRS Architects.
- **Other benefits and costs:** The feasibility analysis concluded that the Fairground facility is not financially self-supporting. ECONorthwest considered the broader benefits and costs of a new facility at the Fairgrounds. The Fairground plays a unique role in the community, providing a connection to the County's agricultural history. One of the primary users of the Fairground facilities is 4-H, for events such as horse shows and training, farm-animal events, dog shows, archery, or meetings of 4-H clubs.

This chapter considers the economic impacts of a new multipurpose facility on Lincoln County's economy, such as economic activity and jobs within the County. While the economic impacts of the multipurpose facility are modest, increases in use of the Fairgrounds will have an impact on the County's economy.

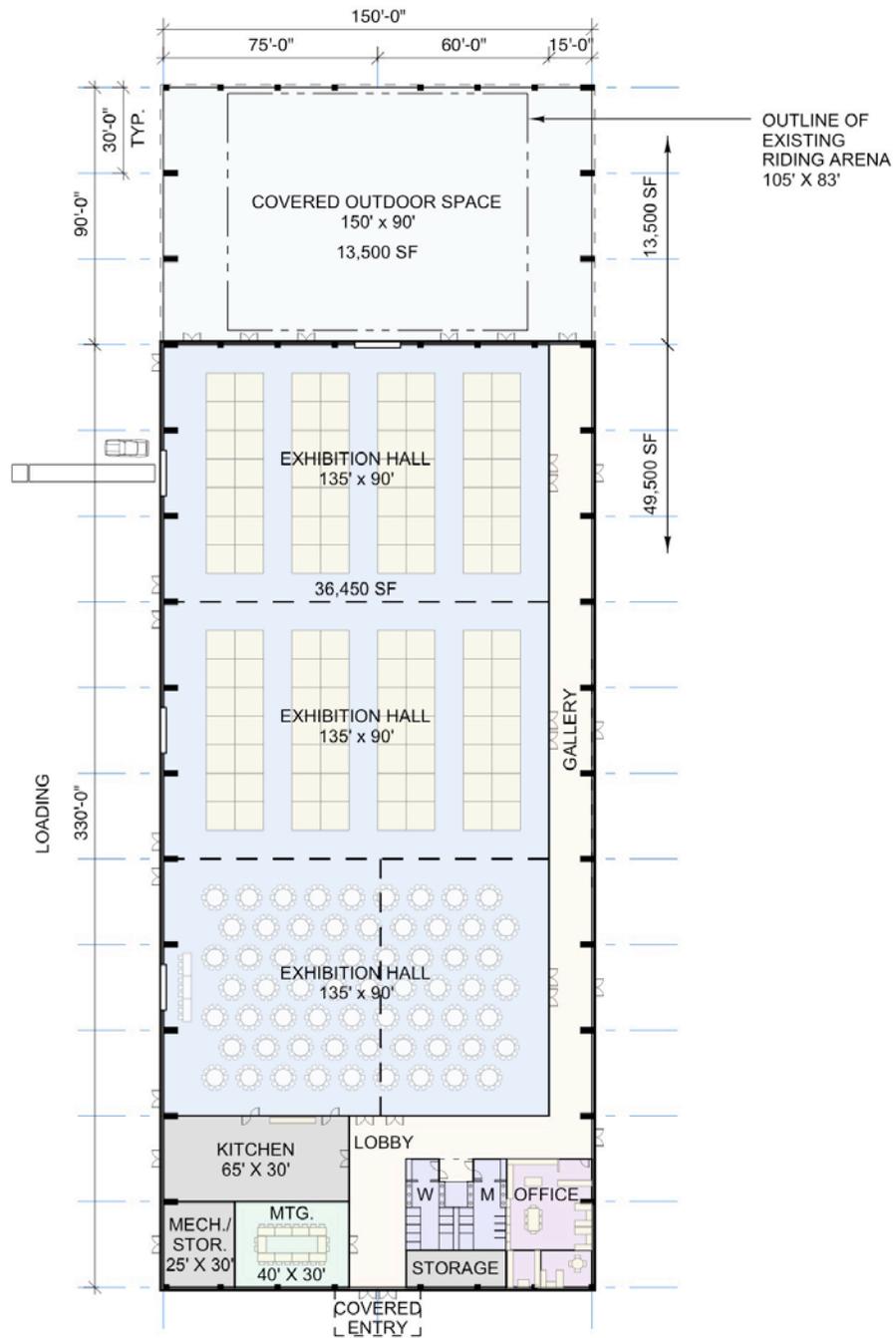
- **Funding:** Given the conclusions of the feasibility analysis and the benefits and costs analysis, we conclude that there are compelling reasons to build a new multipurpose facility at the Fairgrounds. The County needs to identify funding to fill an annual operational funding gap of approximately \$36,000 to \$46,000 (and possibly as high as \$125,000) and a capital funding gap of several hundred thousand dollars per year. The funding analysis discusses options for filling this gap.

2.2 Lincoln County Fairgrounds Concept

Lincoln County and the County Fair Board desire to build a new multipurpose facility on the current Fairgrounds. This building is still conceptual. The present specification for the purpose of this evaluation is a building of about 50,000 square feet with a large multi-use space suitable for a wide variety of events, along with restrooms, office space, and a kitchen.

Figure 2- 2 shows LRS Architects' concept for the multipurpose facility at the Lincoln County Fairgrounds. The plan in Figure 2- 2 shows a 49,500 square foot building, with an approximately 36,450 square foot exposition hall, 13,500 square foot covered outdoor space, 1,200 square foot meeting room, office, kitchen, and other facilities. The exposition hall has space for 168 booths 10 feet by 10 feet in size. The exposition hall can be divided into three smaller rooms, of 12,150 square feet each. In the plan, one of these smaller rooms can be divided approximately in half, to make two approximately 6,000 square feet spaces.

Figure 2- 2. Concept plan for a multipurpose facility plan, Lincoln County Fairgrounds



FLOOR PLAN - MULTI-PURPOSE BUILDING

SCALE: 1" = 50'

LINCOLN COUNTY FAIRGROUNDS

© FEBRUARY 10, 2014



Source: LRS Architects

3 Market Analysis

This chapter has three sections:

- **Framework and Assumptions** discusses the sources of potential future demand for Lincoln County Fairground facilities.
- **Summary of key findings** presents the implications of key findings for potential use of the new multipurpose facility at the Lincoln County Fairgrounds. This section summarizes data presented in Appendix A.
- **Forecast of use in the new Lincoln County Fairground facility** opines on the range of demand for the new multipurpose facility, from low to high demand.

3.1 Framework and Assumptions

The market analysis focuses on potential demand for a new multipurpose facility at the Fairgrounds, based on the facility concept described in Chapter 2. The demand for events and meetings in an area like Lincoln County can be (1) local or external, and (2) current or future.

1. **Local or external demand.** For the purposes of this study, local demand means demand from businesses and households located in Lincoln County. External demand means demand from businesses and households located outside of Lincoln County (primarily in the Willamette Valley)—in other words, from visitors (tourism).
2. **Current or future demand.** It is possible that, even without growth, businesses and households in the County would demand more meeting and event space if conditions were somewhat different. A comment typical in small cities is that “there just isn’t any reasonable meeting space available.” Some groups conclude from that statement that if more space were available it would be used by groups now meeting somewhere else.

The problem with that conclusion is that many of these small groups in small cities have almost no funding and are meeting in space that may be less than ideal physically, but is ideal financially (i.e., it is free or very inexpensive). The challenge for any market analysis is to make a reasonable guess about what these groups would be willing to pay for superior facilities. In addition, as small areas grow, one would expect the number, size, and financial resources of these small groups to grow. A typical assumption is that (1) the current use of facilities is in equilibrium given the demand of users, the quantity of space, and the price of space; (2) the future equilibrium will look about the same per capita, but overall demand will be bigger because of increases in businesses and households.

3.2 Summary of Factors Affecting Demand for Fairground Facilities

Increase in use of the facilities at the Lincoln County Fairgrounds will result from increase in demand from: (1) local demand from residents and businesses in Lincoln County and (2) external demand from visitors to Lincoln County. This section summarizes key findings about market demand for fairground facilities in Lincoln County from these sources of demand. It begins with a summary of current conditions and recent usage of the Fairgrounds' facilities. This section summarizes information and data presented in Appendix A.

3.2.1 Current conditions at the Lincoln County Fairgrounds

Following is a summary of current conditions at the Lincoln County Fairgrounds and usage of the Fairgrounds over the last three years.⁹

- **Most of the buildings at the Lincoln County Fairgrounds are in poor condition.** The Lincoln County Fairgrounds has the following structures: (1) an exhibit hall that is a 15,000 square-foot wooden pole barn with a concrete floor, (2) the Floral Building, which is a 4,275 square foot wooden pole barn, (3) the Harney Street Building, which is a 1,600 square foot steel building, (4) three barns, (5) a 8,715 square foot wooden pole barn riding arena, and (6) a 1,200 foot stage. As part of this evaluation the consultant team evaluated the conditions of those buildings and found most to be in poor condition.¹⁰ Most important for this evaluation, the Exhibit Hall is in poor condition.
- **The condition, size, and configuration of existing facilities makes the Fairground unsuitable for many events.** Most events at fairgrounds need facilities with large open rectangular spaces, concrete floors, large doors for loading and unloading, good ventilation, and plentiful access to electricity. The facilities at the Lincoln County Fairgrounds cannot meet the needs of these events. As a result, the types of retail, private, and other events at the Lincoln County Fairgrounds are very different from other fairgrounds, such as those considered in this study.

⁹ The County could only provide information about use of the Fairgrounds since the County took over management of the facilities in 2009. As a result, detailed information about Fairgrounds usage prior to FY 2010-11 is not readily available for this study, which limits the availability of data about historical use of the Fairground. Anecdotally, we have been told that attendance in years past may have been as high as 15,000 for the Fair.

¹⁰ *Lincoln County Fairgrounds Facility Observation*, LRS Architects, January 21, 2014

- **The County Fair is the biggest event at the Fairgrounds.** The County Fair is held in mid-July each year and attracted between 6,400 and 7,100 attendees over the last three years.
- **About one-third of events at the Fairgrounds pay rental fees.** In Fiscal Year 2011-12, 23 (of 70) events paid rental fees for use of the Fairgrounds facilities and in Fiscal Year 2012-13, 64 (of 164) events paid rental fees.
 - **Most paying Fairground users are retail events or youth groups.** Events that paid rental fees for the Fairgrounds included retail events (e.g., a weekly farmer’s market or Christmas tree sales in December) and private events and meetings (e.g., meetings of youth groups or use for youth sports). The largest festival event held at the Fairground is the Celtic Festival.
 - **The number of paying users of the Fairgrounds increased over the last three years.** In Fiscal Year 2010-11, the Fairgrounds had four paying users. That number increased to 23 in FY 2011-12 and 64 in FY 2012-13. Discussions with County staff suggest that interest in renting the Fairground facilities continued to increase in FY 2013-14.

The increase in paying users is probably a result of improvements to the local and national economy as recovery from the recent recession continues. In addition, the change in management of the Fairgrounds, with the County now managing it, may have increased use of the Fairgrounds because of changes in operations.

The increase in the number of paying users could also be attributable to growth of the Lincoln County economy. However, population, employment, and income growth in the County over the last three years has been slow, especially compared to growth in urban areas of the State.
- **The number of events where fees were waived increased over the last three years.** In Fiscal Year 2010-11, the Fairgrounds had 33 events where fees were waived by the County. That number increased to 47 in FY 2011-12 and 100 in FY 2012-13. The majority of these events were 4-H events. This is not an uncommon relationship at many fairgrounds in Oregon. Some fairgrounds find alternative ways to fund agricultural uses at the fairgrounds. For example, in Polk the agricultural extension service has a tax levy that funds a \$60,000 contribution to the Polk County Fairground on an annual basis to support agricultural uses at the fairgrounds. In addition, some groups volunteer to assist with fairground maintenance as a way to compensate the fairground for low- or no-cost rental fees.
- **The cost of renting the main exhibit hall at the Lincoln County Fairgrounds was lower than costs at comparison fairgrounds.** Lincoln County charges about \$500 for rental of the Main Exhibit Hall, including a

kitchen, which is about 15,000 square feet of space. This cost is about three cents per square foot. In comparison, the average rental costs for the main event building at comparable fairgrounds in Oregon ranged from about three cents to nine cents per square foot.

- **The cost of renting the main exhibit hall at the Fairgrounds is comparable to and sometimes greater than the cost renting other spaces at public or private facilities in Lincoln County.** Individuals or organizations that want to rent space for a meeting or an event in Lincoln County have a number of low-cost options in other public facilities.

In Newport, rental costs for public meeting space for up to 40 people range from \$70 per day at the Hatfield Marine Science Center to \$140 per day (\$17.50 per hour) for a room at the Newport Recreation Center. Hourly rental costs for renting larger spaces: \$300 to \$400 (possibly more) for the Newport Performing Arts Center (400 person capacity), \$460 for the gym at the Newport Recreation Center (600+ person capacity), or \$600 for an auditorium at the Hatfield Marine Science Center (capacity 170 people).

In Lincoln City, rental costs for public meeting space for up to 40 people range from free at the Driftwood Public Library to about \$100 per day at the Lincoln City Cultural Center (\$12.50 per hour) to \$100 per hour at the Lincoln City Council Chambers. Hourly rental costs for renting larger spaces: \$24 for the Lincoln City Community Center (200 person capacity) \$150 (possibly more) for the Lincoln City Cultural Center (240 person capacity).

The cost of renting space at private facilities in Lincoln County ranges from \$200 to \$500 per day for a room with a 60-person capacity. For a space for 200 to 350 people, most rental cost are between \$500 to \$1,100 per day, with one facility costing \$5,000 per day.¹¹

Current and recent historical usage of the Fairground facilities has been by local residents and businesses of Lincoln County. The purpose of these events was to provide goods and services predominantly to local residents and businesses. Few of the Fairground events are primarily geared toward attracting tourists. The types of events that choose to use the Fairgrounds have, in large part, been a reflection of the poor conditions of the Fairground facilities.

Even so, the number of events that paid rental fees at the Fairgrounds increased over the past three years and continues to increase. This suggests that there is

¹¹ This summary of private rental space in Lincoln County is intended to be illustrative, not comprehensive. It includes costs from the following facilities: Best Western Agate Beach, Chinook Winds Casino, Embarcadero, Salishan, and Surftides.

some pent-up demand for event space in Lincoln County, even given the poor condition of the Fairground facilities.

Rental fees for the Lincoln County Fairground facilities are low relative to the fees at other Fairgrounds. In addition, many of the events that use the Fairground facilities pay little or no fee for using the facilities. The relatively low rental costs reflect the condition of the Fairground facilities and the range of options in other public facilities for meetings and private events.

3.2.2 Demand for Fairground usage in the future

The key findings about factors that will affect future **demand for events and uses at the Lincoln County Fairgrounds from local residents and businesses:**

- **Population and employment growth are relatively slow in Lincoln County.** Population grew at about 0.3% per year in Lincoln County between 2000 and 2012, compared to the State average of 1%. The State forecasts that Lincoln County will continue to grow relatively slowly (at 0.7% per year) through 2030. In addition, employment in Lincoln County and Oregon grew relatively slowly between 2002 and 2012, at about 0.3% per year in Lincoln County. Relatively slow growth in Lincoln County suggests that demand for Fairground uses by local businesses and residents is likely to grow slowly.
- **Lincoln County households have an average income below the state average.** Lincoln County's median household income in 2010-2012¹² was nearly \$43,000 or about 90% of the Statewide average. Lincoln County's median income was comparable to other counties on the Oregon Coast or some Willamette Valley counties such as Lane, Benton, Linn, or Marion counties. It was lower than median income in counties in the Portland metropolitan region, such as Washington, Clackamas, or Multnomah counties.
- **Growth in income in Lincoln County and across the state has been flat over the last decade.** Growth in Lincoln County's median household income since 2000 (adjusted for inflation) was relatively flat, with a decrease in median income of about 1% or \$400 (in 2012 dollars). In comparison, Oregon's median income decreased by about 9% or nearly \$5,000 (in 2012 dollars).
- **Lincoln County's population is older than the State averages.** The median age of people living in Lincoln County in 2010 was 49.6 years old, compared to the State average of 38.4 years old and the national average of 37.2 years. The fastest growing age group in Lincoln County between 2000

¹² This is based on information from the 2010 to 2012 American Community Survey.

and 2010 was people 45 years and older, accounting for nearly all population growth by age group over the ten-year period.

Lincoln County's age distribution and the growth of people over 45 years has implications for the types of events that might use the Fairground facility. Many of the events at the Fairgrounds are currently targeted at younger people. Lincoln County's age distribution provides opportunities for events that appeal to middle-aged and older adults. These types of events include home shows, sportsman shows, or hobby-related shows.

The comparatively slow growth of population and employment in Lincoln County, combined with the lack of growth in median income, suggest that demand for event and meeting space at the Fairgrounds will be similar to the demand in the recent past. Most events targeted at local businesses and residents will be relatively small events that have modest space needs and users wanting to pay a low price for use of the Fairgrounds.

The key driver that affects **demand for use of the Fairground's facilities by external groups** is tourism:

- **Lincoln County has a large share of the State's overnight visitors.** Lincoln County had 4.1 million visitor nights (nights that tourists stayed overnight in the County), accounting for 5% of the State's visitor nights in 2012. In comparison, Lincoln County accounted for about 1% of Oregon's population in 2012. On a per capita basis, Lincoln County had 89 visitor nights per county resident in 2012, compared with 21 visitor nights per state resident for the entire state.¹³
- **Spending by tourists grew relatively quickly in Lincoln County.** Spending from all visitors to Lincoln County was \$447.2 million in 2012, accounting for 5% of travel spending in Oregon. While direct travel spending has varied year-to-year, travel spending (adjusted for inflation) grew by 1.7% annually between 2000 and 2012.

Information about change in the number of visitors to Lincoln County over the last decade is not available, but it is reasonable to assume that the growth in travel spending is the result, at least in part, in growth in the number of visitors to Lincoln County. Tourism spending and tourism grew relatively fast in Lincoln County compared to population, employment, or income since 2000.

At the same time, state and local expenditures have remained flat or decreased over the last decade. In Oregon, local government spending has been about 16%

¹³ Visitor data from Dean Runyan Associates, *Oregon Travel Impacts, 1991-2012p*, April 2013. Population data from Portland State Population Research Center.

of personal income. The decrease in incomes has resulted in a decrease in local government budgets. This trend is a major obstacle for funding local government programs.¹⁴

The implications of the current conditions at the Fairgrounds and demand for built space at the Fairgrounds are:

- **If the County does not build a multipurpose facility...**
 - *In the short-run local users will continue to rent the Fairgrounds facilities.* The County Fair will continue to be held at the Fairgrounds, with attendance similar to the recent past. The Fairgrounds will continue to be used for: local retail events (e.g., the Farmer’s Market and Christmas Tree Sales), local events or festivals, 4-H and related uses will continue, and some private events will be held at the Fairgrounds.

In the long-run, local uses may grow slowly. But the condition of the buildings will continue to deteriorate, limiting opportunities for generating revenues.
 - *Usage by non-local groups will be limited* because the Fairground’s facility is in too poor a condition, size, and configuration to attract retail and other sizeable non-local users. These conditions will limit both short-term and long-term growth in usage of the facilities by non-local users.
- **If the County builds a new multipurpose facility, similar to the one described in Chapter 2...**
 - *The types of events at a new multipurpose facility would be different from current events.* The majority of current events at the Lincoln County Fairgrounds are local, relatively small, and generate little or no revenue. The types of uses at a new multipurpose facility will need to change to help support the cost of the building and staff to run the building. Lincoln County will need to attract non-local events that use all or most of the multipurpose facility, such as home shows, boat shows, gun shows, gem shows, or craft shows. These events should cater to the needs of coastal residents, as well as be attractive to visitors.
 - *In the short-run, there may be an initial increase in events at the Fairground because of latent demand* from: (1) existing events that draw a statewide audience (e.g., the Wine and Seafood Festival), (2) smaller trade shows, and (3) meetings by statewide organizations. There are few spaces to hold mid-sized and large events in Newport or Lincoln County. Most event venues in Lincoln County are privately owned and part of a hotel or resort. The fact that the Newport Seafood and Wine Festival is held

¹⁴ ECONorthwest report *Fiscal Challenges for Oregon’s Cities*, July 2011

in tents in February illustrates the lack of large event spaces in Lincoln County and Newport.

- *In the long-run, demand for use of the new multipurpose facility will be driven by growth of population, employment, or tourism.* Lincoln County's long-term population forecast shows the County's population growing about 0.7% per year. If tourism continues to grow similar to recent historical trends, then tourism will grow about twice the rate of population growth.
- *The operations of the Fairground facilities can affect rental frequency of the multipurpose facility.* The Fairgrounds will need active, energetic management with the backing of financial resources to build a portfolio of events at the new multipurpose facility. Building an event portfolio takes time, willingness to be flexible, an attractive and flexible space, appropriate pricing structure, and financial resources to market the facility to attract events.

For example, Polk County Fairground has nearly 600 events per year and a waiting list. Staff there attribute their success in attracting events to clear communication, working closely with new events and a willingness to be flexible about the amount of space and the price of the space.

3.3 Forecast of Use of the New Lincoln County Fairground Facility

The facility needs of events that typically occur at fairgrounds in Oregon include:

- A large rectangular space where it is easy to setup booths or tables
- Concrete floors (preferable to dirt or other types of floors for most types of events)
- Electricity available throughout the facility, including for interior booths
- Load-in space and facilities, such as a loading dock and large roll-up doors (e.g., doors 15 feet high and 25 feet wide)
- Paved space, such as a parking lot, available for outdoor exhibition space
- Wireless internet connectivity within the exhibition building
- Availability of a kitchen or on-site catering
- Ability to subdivide the larger exhibition hall spaces into smaller spaces

The types of revenue-generating events that now occur at other fairgrounds in Oregon that might be attracted to a new multipurpose facility at the Lincoln County Fairgrounds include:

- **Large events** that require the entire multipurpose facility (e.g., 36,450 square feet or more of exhibition space) and may require exhibition space in the covered outdoor space or parking lot.
 - Newport Seafood and Wine Festival
 - Large festival
 - Home show
 - RV, boat, heavy equipment, or car shows
- **Mid-sized events** that require the majority of the multipurpose facility (e.g., 24,000 to 36,450 square feet of exhibition space).
 - Gem show
 - Gun show
 - Quilt and other larger craft shows
 - Bridal show
 - Sportsman show
 - Antique shows
 - Trade shows
 - Circus
 - Mid-sized festivals and concerts
 - Conferences
 - Horse or other animal-related events¹⁵
- **Small events** that generally need 12,000 square feet of space or less.
 - Smaller shows, such as smaller sportsman shows or craft fairs
 - Smaller retail events, such as Saturday Market
 - Small fundraisers
 - Special events, such as the expo events
 - Roller derby
 - Small musical events
 - Unique shows, like a tattoo show
 - Horse or other animal-related events

¹⁵ Horse and animal-related events are likely to use the outdoor covered space. Some may also require covered indoor space.

- Small conferences and meetings
- Private events, such as banquets, auctions, or holiday parties

There is evidence that these types of events already occur at other fairgrounds and multipurpose facilities around Oregon and (to a lesser extent) on the Oregon coast. Moreover, data we have shown about general growth in Oregon (of population, employment, income, and tourism) suggest that it is reasonable to assume that the number of such events will grow slowly, and is unlikely to decline quickly, substantially, and permanently. In other words, there is evidence that there is a current and likely future demand for these types of events in facilities of a certain location, type, size, quality, and pricing structure. The question for the Lincoln County Fairgrounds is whether it can match or improve on these characteristics so that it can capture some of that demand.

Regarding the type, size, and quality of the potential new facility, we think it is reasonable to assume that it will meet or exceed minimum requirements for events that are looking for a facility of its size. Section 2.2 suggests a building of 49,500 square feet, with an approximately 36,450 square-foot exposition hall, which can be divided into thirds. That can work for the smaller types of events described in the list above. Given the experience of LRS Architects in designing these types of facilities, we think the layout and quality of construction and functionally will be, at a minimum, comparable to other similar facilities in Oregon.

The two remaining and big drivers of non-local demand for events at the proposed new multipurpose facility are location and price. Nothing can change the *location* of Newport relative to larger population centers and high-volume transportation hubs and corridors. Even with a comparable facility, one would not expect it to have the same level of use as fairgrounds in the Willamette Valley or on I-5.

The County can, however, make decisions about *price*. The extremes illustrate the importance of price to use: (1) facilities are free, or priced very low relative to comparable facilities, versus (2) facilities are priced to recover full operating and capital (debt service) costs. Since no fairground facilities that we know of in the Northwest are priced to recover full cost, if the Lincoln County Fairgrounds did that its prices would probably mean that the new multipurpose facility would be largely unused.

Those two examples bound a range of potential prices. For a forecast of use we have to make an assumption about where in that range Lincoln County will be. Ultimately, that is a policy decision for the County, not for the consultants. But we can say that (1) historically Lincoln County has charged very modest prices at its facilities (but, in part, because the facilities are very modest), (2) other facilities

in the state do not charge rates that fully cover operations, much less debt service, and (3) rates at other facilities tend to fall in a relatively narrow range that is presumably the “competitive range.” Thus, for the purposes of our forecast of use and revenue, we assume that rates for the new facility will be in this competitive range (estimated in part by our review of comparable facilities).

Table 3- 1 shows a range of forecasts for future events at the proposed new multipurpose facility, divided into three categories: (1) continued use by existing events, (2) the County Fair event, and (3) use by new events. Table 3- 1 only includes uses by groups that would pay for using the fairgrounds facilities. About 70% of existing events at the Fairgrounds do not pay for facility rentals. The forecast of existing paying users does not include users that pay less than \$250 per use (e.g., Newport Young Life, which pays about \$4 per use of the facility).

Table 3- 1 presents three scenarios of potential use of the Fairgrounds per year at stable operation (assumed to be five years after the completion of the multipurpose facility). Each scenario assumes continuation of existing uses.

The annual County Fair is shown in this table in a separate category from existing uses because the relationship between the Fair event and Fairgrounds is different from all other types of events. Currently the Fair event does not pay rent to the Fairgrounds. Rather, the County gives funds to the Town and Country Fair and Rodeo Association, the nonprofit who puts the County Fair on, to support the Fair event. Funding for the Fair is a combination of State Lottery Funds (which are designated for use to stage the County Fair and support county fair facilities and operations), County General Fund, attendee entrance fees at the Fair, and other fees and fund raising.

It is unclear what the future financial relationship between the Fairgrounds and Fair event will be. One of the largest sources of funding for the Fair event is State Lottery Funds, which were about \$50,000 in FY 2012-13. The County paid Town and Country about \$27,500 for the Fair event in FY 2012-13 and \$22,500 in FY 2013-14. The remainder of State Lottery funds were combined with rental income from the Fairgrounds and used to support operations of the Fairgrounds related to hosting the County Fair event (e.g., liability insurance, contractual services, and utilities).

Table 3- 1 assumes that the Fair event continues to be hosted at the Fairgrounds but that that the Fair event may pay rent to the Fairgrounds for use of the multipurpose facility from State Lottery funds. The exact financial relationship between the Fair and Fairgrounds will be decided by decision makers.

The scenarios presume more resources (and, thus, costs) for higher levels of use (mostly staff time and funds for advertising to actively market the Fairgrounds to potential users and to coordinate shows and events).

The scenarios make the following assumptions about additional uses:

- Types of additional uses:
 - **Large events** will use the entire facility plus the covered outdoor space and possibly portions of the parking lot. Examples: the Newport Seafood and Wine Festival, RV shows, boat shows, or home shows. Large events will be multi-day (usually weekend) events (Friday through Sunday, plus one day for setup and one day for take down).
 - **Mid-sized events** will use between 24,000 to 36,000 of exhibition space. Examples: large craft shows, trade shows, bridal shows, gun shows, gem shows, or conferences. Mid-sized events will be multi-day events (usually over a weekend (Friday through Sunday).
 - **Small events** will use a portion of the facility, such as one 12,000-square-foot portion of the exhibition space. Examples: flea markets, smaller craft fairs, or small conferences. Small events will generally be one-day events, although some may be two-day events.
 - **Private events** will use a portion of the facility, such as a portion of 12,000 square foot section of the exhibition space. Examples: parties, banquets, or auctions. Private events will generally occur as one-day events. The number of private events is likely to be limited, given the availability of other lower-cost public rental spaces and of space at private resorts in Lincoln County.
- The types of events get combined into three scenarios for use of the facility:
 - The **low-use** scenario assumes that the Fairgrounds will be predominantly used for small events and private parties, with a few mid-sized and larger events. This scenario assumes that the Fairgrounds will have limited resources to market the Fairgrounds to attract events that will use the entire multipurpose facility.
 - The **medium-use** scenario also assumes that the majority of uses will be small events and private parties but that the Fairgrounds will have an average of one large or mid-sized event per month. This scenario assumes that the Fairgrounds will have reasonable resources to market the Fairgrounds to attract events that will use the entire multipurpose facility.
 - The **high-use** scenario assumes a mixture of events of different sizes, with more than one large or mid-sized event per month. This scenario assumes that the Fairgrounds will be very active and successful in marketing the Fairgrounds to attract events that will use the entire multipurpose facility.

Table 3- 1. Forecasts of number of annual revenue-generating events at a new multipurpose facility at the Lincoln County Fairgrounds, 5 years after completion of the building

	Use Scenarios		
	Low	Medium	High
Existing Events			
Farmer's Market	22	22	22
Festival	1	1	1
Christmas Tree Sale	4	4	4
Other uses	6	6	6
Subtotal	33	33	33
County Fair	1	1	1
New Events			
Large event	1	2	3
Mid-sized event	6	10	16
Small event	15	30	40
Private use	10	15	20
Subtotal	32	57	79
Total uses	65	90	112

Source: ECONorthwest

The forecast in Table 3- 1 assumes that prices for existing events continue to be relatively modest. Decision makers may give direction to increase rental prices for existing users, where necessary. Prices for new uses will be within the competitive range for other facilities.

The new multipurpose facility is not adjacent to a hotel facility, so we do not expect that the Fairgrounds will be a major competitor in the market for regional conventions or trade shows that require adjacent hotel facilities. The Fairgrounds may be able to attract some regional groups that would be willing to stay at nearby motel and hotel facilities.

The forecast in Table 3- 1 does not include a forecast of events that currently pay little or nothing to use the Fairgrounds' facility, such as 4-H and other youth-oriented events. These events currently account for the most frequent use of current Fairground facilities. We expect that the Fairgrounds will continue to be used for these types of events, but the revenues will be small.

The number and type of non-paying events at the Fairgrounds will depend on the facilities available at the Fairgrounds in the future. The Master Planning process will clarify which (if any) of the animal-oriented buildings (e.g., the riding arena or barns) will continue to be on the Fairgrounds. Use of the Fairground facilities by these groups will also depend on policies set by decision makers and agreements with these groups about terms of use for the Fairgrounds, such as possible payments to support Fairground operations and allow these groups to use the Fairground facilities.

4 Financial Feasibility of the Lincoln County Fairgrounds

This chapter presents a preliminary financial feasibility analysis for the proposed multipurpose facility at the Lincoln County Fairgrounds. It discusses revenues (based on the use estimates in Chapter 3) and annual expenses, and concludes with an assessment of the financial feasibility for the proposed building.

Financial feasibility compares the forecast of revenues of the Fairgrounds with costs of the Fairgrounds. This chapter presents information about:

- **Gross revenues** for the Fairground based on user fees. We use the low, medium, and high forecast of events in Chapter 3 as the basis for the estimate of revenues. Based on rental fees from the comparable facilities, we developed rental fees for the four types of events (from large events to small private events). We use these rental fees and the forecast events to generate an estimate of gross revenues for the multipurpose facility. Gross revenue is the Fairgrounds' total income from rental fees, before accounting for costs.
- **Costs** for the Fairgrounds are operational costs, such as staff, utilities, or insurance, and capital costs for building the multipurpose facility. We estimate operational costs based on costs at comparable facilities and current costs at the Fairgrounds, as well as costs of the types of staff who will be employed by the Fairgrounds. We use LRS Architects' rough estimate of capital costs for developing the multipurpose facility.
- **Net revenues** for the new multipurpose facility are gross revenues from user fees minus operational costs. This comparison shows the financial feasibility for operating the Fairgrounds based on user fees from the multipurpose build. We also consider financial feasibility of funding capital construction costs.

We do not expect nor imply that a fairground should be able to cover all its operating costs from fees from users. To our knowledge, no fairground in Oregon or any other state does that. But a comparison of user revenue to operating cost is a place to start: it gives an idea of how much revenue will have to be found from other sources (e.g., state or federal grants, donations), or how much costs will have to be reduced, to get to a balanced budget that can sustain the Fairground operation over the years.

4.1 Revenues

The forecast of fairground revenues builds from the forecasts of use in Chapter 3 and assumptions about fees charged. The fee assumptions for Lincoln County Fairgrounds are based on information from the fees charged in other fairgrounds in Oregon, as well as existing fees charged at the Lincoln County Fairgrounds.

Rental costs at the comparable fairgrounds varied depending the needs of each event, such as use of a kitchen, need for tables and chairs, room set-up or take-down needs, or electrical needs. The average rental costs for the main event building at each comparable Fairground (including other extra costs) ranged from about three cents per square foot to nearly nine cents per square foot of rental space per day. The average rental cost at the Lincoln County Fairground is currently about three cents per square foot.

Table 4- 1 presents average gross fees for existing uses and for new uses. Table 4- 1 assumes the following about rental costs for the multipurpose facility:

- Rental costs for **existing events** will remain approximately the same as they are now. The Lincoln County Fairgrounds may need to reconsider fees charged for existing users in the new Fairground facility to make fees charged for existing uses consistent with new uses. Higher fees will reduce usage, and the County may have other reasons for charging some users lower fees, such as for groups that provide public services.
- **Portions of the State Lottery Funds that the County receives will continue to be used for operation of the fairgrounds.** For purposes of the estimate, \$22,000 will be allocated to fairgrounds based on the approximate amount of State Lottery Funds that the County received in FY 2012-13 (\$48,000) minus the amount paid to Town and Country for staging the Fair (\$22,500 in FY 2012-2013). The actual amount of State Lottery Funds to support the Fair event varies from year to year based on the State's allocations of funds among county fairs across the state.
- Rental costs for **new events** will be at about eight cents per square foot plus additional costs, such as use of the kitchen, use of tables and chairs, or special setup costs.

For example, rental costs for a mid-sized event (three days) that uses two-thirds of the main exposition hall (24,000 square feet) would be \$6,600, about \$5,800 of which would be rental costs at eight cents per square foot of rented space and about \$800 would be additional costs, such as use of the kitchen, use of tables and chairs, or special setup costs. We consider this price to be at the higher end of reasonable. On the one hand, it is at the high end of the comparables, and Newport is a relatively distant location. On the other hand, we assume that the new facilities will be attractive (new, well designed, and well managed).

Table 4- 1. Average gross revenue by event size

	Revenue per event
Existing Events	
Farmer's Market	\$250
Festival	\$1,000
Christmas Tree Sale	\$2,200
Other uses	\$500
County Fair	\$20,000
New Events	
Large event	\$22,000
Mid-sized event	\$6,600
Small event	\$1,700
Private use	\$750

Source: ECONorthwest

Table 4- 2 presents an estimate of annual gross revenue based on the forecast of potential use for the multipurpose facility (Table 3- 1) and fees (Table 4- 1). The range is about \$130,000 to \$290,000 per year (the sum of Existing Uses, County Fair, and Additional Uses)

Table 4- 2. Estimated annual gross revenue

	Use Scenarios		
	Low	Medium	High
Existing Uses			
Farmer's Market	\$5,500	\$5,500	\$5,500
Festival	\$1,000	\$1,000	\$1,000
Christmas Tree Sale	\$8,800	\$8,800	\$8,800
Other uses	\$3,000	\$3,000	\$3,000
Subtotal	\$18,300	\$18,300	\$18,300
County Fair	\$20,000	\$20,000	\$20,000
Additional Uses			
Large event	\$22,000	\$44,000	\$66,000
Mid-sized event	\$39,600	\$66,000	\$105,600
Small event	\$25,500	\$51,000	\$68,000
Private use	\$7,500	\$11,250	\$15,000
Subtotal	\$94,600	\$172,250	\$254,600
Total Revenue	\$132,900	\$210,550	\$292,900

Source: ECONorthwest

4.2 Expenditures

The largest single expense is labor. The Fairgrounds will need the following types of employees or contracted services:

1. A **sales and marketing** manager, who will be in charge of financial operations, promotion, outreach, advertising, managing other employees, and other tasks that need to be completed (e.g., scheduling and coordinating events in the low-use scenario). Table 4- 3 shows that the Fairgrounds will need between 0.75 to one full-time equivalent employees in this role, depending on the use scenario.
2. An **event coordinator**, who will be in charge of scheduling and coordinating events, assist with marketing and promotion, and other tasks that need to be completed. Table 4- 3 shows that the Fairgrounds will need between 0 to one full-time equivalent employee in this role, depending on the use scenario.
3. A **maintenance and operations** employee, who will be in charge of maintenance and operation for the multipurpose facility. Table 4- 3 shows that the Fairgrounds will need between 0.5 to 1.0 full-time equivalent employee in this role, depending on the use scenario.

Table 4- 3. Estimated staffing levels and payroll costs

	Sales & Marketing Manager	Event Coordinator	Maintenance & Operations	Total Labor
Low				
Full Time Equivalent	0.75	0	0.5	1.25
Pay	\$37,500	\$0	\$17,500	\$55,000
Medium				
Full Time Equivalent	1	0.5	0.75	2.25
Pay	\$50,000	\$20,000	\$26,250	\$96,250
High				
Full Time Equivalent	1	1	1	3
Pay	\$50,000	\$40,000	\$35,000	\$125,000

Source: ECONorthwest

The estimates of employment in Table 4- 3 are tight, assuming that the Fairgrounds will operate with a minimal number of employees in all three scenarios. One option for staffing the Fairgrounds, especially in the low-use scenario, may be to share staff with other County departments. For example, the half-time maintenance and operation person might also work in another County department. Another option is for the County to contract out management services.

In addition, Table 4- 4 assumes that the County will hire temporary event staff and contractors (e.g., an electrician), as needed for larger or more complex events. The Fairgrounds may also want to consider using community volunteers

for some types of activities. For example, Polk County’s Fairground pays high school groups (i.e., sports teams or other organizations) or the fire department a small amount to provide assistance with setup or take-down of events or with grounds keeping. Clatsop County’s Fairgrounds sometimes uses the sheriff’s work crew or groups looking for community service projects for similar tasks. Lincoln County currently uses the corrections work crew for some tasks.

Table 4- 4 shows annual operating expenses, based on staffing assumptions and assumptions about operational and marketing expenses. The expenses are based on expenses at other fairgrounds in Oregon. Table 4- 4 shows annual operating expenses between about \$167,000 and \$330,000.

Table 4- 4. Estimated annual operating expenses

	Use Scenarios		
	Low	Medium	High
Staff			
Payroll	\$55,000	\$96,250	\$125,000
Benefits	\$22,000	\$38,500	\$50,000
Taxes	\$2,300	\$3,900	\$5,100
Payroll subtotal	\$79,300	\$138,650	\$180,100
Other labor costs			
Temporary event staff	\$5,000	\$8,000	\$12,000
Contract Services	\$5,000	\$5,000	\$5,000
Maintenance	\$20,000	\$25,000	\$30,000
General operations			
Liability Insurance	\$12,000	\$12,000	\$15,000
Telecommunications	\$3,600	\$3,600	\$3,600
Utilities	\$12,000	\$15,000	\$20,000
Supplies	\$5,000	\$7,500	\$10,000
Other Operations	\$5,000	\$7,000	\$10,000
Advertising	\$5,000	\$10,000	\$15,000
Contingency	\$15,000	\$25,000	\$30,000
Total Expenses	\$166,900	\$256,750	\$330,700

Source: ECONorthwest

Note: Contract services includes contractors such as electricians. Contingency is spelled incorrectly in the above table.

The estimates in Table 4-4 are more likely to be too low than too high. Estimates of the amount and cost of labor are tight, the contingency is only about 10%, and utility costs are estimated without details about the actual building plan.

We think these estimates could be 15% higher and still be justified. In rough terms, we think a reasonable range for the annual operating costs are: low use, \$170,000 to \$190,000; medium use, \$260,000 to \$295,000; and high use, \$320,000 to \$380,000.

4.3 Preliminary financial feasibility

Operational feasibility

Table 4- 5 shows the preliminary financial feasibility analysis, which is a comparison of gross revenues to annual operating expenses. Based on the costs in Table 4- 4, the preliminary analysis shows the multipurpose facility operating with a deficit of \$34,000 to \$46,000 per year. If, as discussed in the prior section, costs are 15% higher than those shown in Table 4- 4, the operating deficits might be between \$60,000 and \$87,000.

Table 4- 5. Preliminary financial feasibility

	Use Scenarios		
	Low	Medium	High
Gross Revenues	\$132,900	\$210,550	\$292,900
Annual Expenditures	\$166,900	\$256,750	\$330,700
Net Operating Revenue	(\$34,000)	(\$46,200)	(\$37,800)

Source: ECONorthwest

Table 4- 6 presents plausible variations to the preliminary feasibility analysis in Table 4- 5. Table 4- 6 shows two variations to the financial feasibility analysis, both of which result in larger operating deficits:

- **Lower revenues for all scenarios.** The feasibility analysis in Table 4- 5 assumes that all new events pay the standard rate (in Table 4- 1). But the Fairgrounds frequently negotiates rental rates that are lower than the standard rate. If Lincoln County negotiates a rate that is 75% of the standard rate for half of new events,¹⁶ the deficit of net operating revenues would increase to between \$45,000 to \$70,000 per year.
- **Lower revenue and medium expenditures.** In the first three to five years of operating the new multipurpose facility, the use scenario may be closer to the low revenue scenario in Table 4- 2. Expenditures, most notably labor expenditures, may be closer to the medium expenditures scenario in Table 4- 4). The result would be an annual operating deficit of up to \$125,000.

¹⁶ For example, the standard rental rate for a mid-sized event in Table 4- 1 is \$6,000. Seventy-five percent of that rate would be \$4,500.

Table 4- 6. Variations to financial feasibility

	Potential Operating Deficit
Same usage but lower revenues*	\$45,000 to \$70,000
Low revenue scenario and medium expenditure scenario**	Up to \$125,000

Source: ECONorthwest

*Assumes that half of new events (Table 4- 2) pay 75% of the standard rate (Table 4- 1).

**Assumes the Low Revenue Scenario (Table 4- 2) and Medium Expenditures Scenario (Table 4- 4).

The feasibility assessment does not specifically address use by non-paying groups, such as 4-H and other youth groups. We assume these uses will continue at the Fairgrounds. The amount and types of uses by these groups will depend on what facilities are available at the Fairgrounds in the future (as decided in the Fairgrounds Master Plan) and decision makers’ policies about use of the Fairground facilities by these groups. For the purpose of this discussion, we assume that there continue to be about 100 of these events per year.

If we assume that the Fairgrounds charges a nominal amount for these events, such as \$50 per event, that would result in a decrease of the net operating deficit by about \$5,000. This assumes these events will impose minimal costs on Fairground staff, consistent with current conditions. We assume that Fairground staff will be available to schedule the facility for these groups, but that the groups will be responsible for setup, take-down, and clean up of Fairground facilities after they use them.

Capital feasibility

In addition to covering operating costs, the Fairgrounds will also need to cover capital costs for building the new multipurpose facility. The County has about \$1 million in the Fair Facilities Fund that the County plans to use for capital construction costs. The County gets about \$250,000 in income from lodging tax receipts, which the County plans to use to pay for capital construction costs over time.

LRS Architects estimates construction costs of about \$12 million for the multipurpose facility. These construction costs will be refined during development of the Fairgrounds Master Plan.

If the County uses the \$1 million in the Fair Facilities Fund to pay a portion of capital construction costs, the County would need to issue bonds to cover \$11 million for the remaining capital costs. Assuming the County issues a bond to pay for the capital costs, the County would have bond payments of about

\$900,000 per year.¹⁷ Alternatively, the County might choose to finance the entire capital cost, using the \$1 million to pay for debt service in the first year.

The existing lodging tax receipts are sufficient to cover nearly 30% of the annual bond payment costs. The County will need to find funding to cover the funding gap of \$650,000 per year.

In addition, the County should consider long-term capital maintenance costs over the next 20 to 40 years. In other studies ECONorthwest has found professional advice and done some analysis to suggest that good lifecycle can cost (on average—it varies from year to year) in the range of 1% to 10% of the initial facility cost in constant dollars on an annual basis. The proposed facility is relatively simple, so we make assumptions at the low end: 1% to 3% of the total cost of the building will be needed, on average, for good lifecycle maintenance of the new facility, about \$12,000 to \$36,000 per year.¹⁸

4.4 Conclusions

The financial feasibility analysis suggests that Lincoln County has an operational funding gap at all usage levels of between \$34,000 to \$46,000 per year. This estimate is likely to be low and may be up to \$125,000 per year. Possibilities for reducing this gap:

- **Increased use of the multipurpose facility.** The market analysis suggests slow growth in demand from local users, given the slow growth in population and employment and flat income growth, and relatively high rental costs for the facility. Growth from external users, especially for events that engage existing tourists or bring more tourists to the County, is a little more promising, with tourism growing at about twice the rate of population in the County. However, the flat income growth across Oregon and across the nation suggests that tourism-related demand for events at the Fairground will grow relatively slowly.

The new multipurpose facility will be newer and potentially have more amenities than existing fairground facilities in nearby counties. Given comparable rental prices, Lincoln County may attract existing uses from

¹⁷ This rough estimate assumes that the County will issue a general obligation bond, with a 20-year period, and an interest rate of between 5% to 6%, all of which have been common rules of thumb in the municipal bond market over the last five or more years. The actual type of bond, the County's financial condition, and the economic conditions will influence the interest rate and payment terms, which will determine annual bond payments.

¹⁸ These estimates are for the new multipurpose facility only; the County will also have maintenance costs for other buildings and the grounds.

nearby counties. However, existing users may be reluctant to move because they have established relationships with fairgrounds and customers.

We think the high-use scenarios is a reasonable upper-limit to probable use at the Fairground multipurpose facility in the foreseeable future: higher use is possible, but unlikely.

- **Increase rental costs.** The assumptions about rental costs for the multipurpose facility are within the range of costs at existing comparable Fairgrounds within Oregon, and, in our opinion, on the high end. Increasing rental costs beyond our estimates will result in a decrease in usage of the multipurpose facility, both by local and external users. The result is likely to be an overall decrease in revenue, increasing the operational gap.
- **Change the method for determining rental costs for high-attendance events.** This analysis assumed a rental fee based approximately on the amount of space used by size of event. Alternatively, the Fairgrounds could set a relatively low base rent and take a share of gate revenues. For example, the Fairgrounds could charge a set minimum daily fee for rental of the facilities (e.g., \$1,000 for the entire indoor space per day) plus \$1 per event attendee. For an event that pays a relatively modest rental fee but has a relatively large number of attendees (e.g., the Seafood and Wine Festival or the Celtic Festival), this approach may result in higher revenues for the Fairgrounds. This approach, however, does decrease the certainty of revenues because there may be situations where the Fairground would earn less revenue because attendance was lower than expected.
- **Decrease operational costs.** The financial feasibility costs shows a range of operational costs for the new multipurpose facility. The largest single cost is for labor. Small changes in the staffing of the Fairgrounds have large effects on the financial feasibility of operations of the Fairgrounds. The County may be able to make small changes to staffing, such as sharing staff with other departments, that would decrease labor and operational costs attributed to the fairgrounds operation. These types of changes are unlikely to erase the operational funding gap.

We believe, however, that operational costs are more likely to be higher than lower than the costs we estimated in Table 4-4: (1) we already assumed that the County will use contractors and/or temporary employees and reach out to the community to develop a network of volunteers to help with operations at the Fairgrounds, keeping costs down, and (2) the estimates of number of fairgrounds employees and of their wage rates are tight: they are more likely to be higher rather than lower.

- **Increase funding.** The previous three bullets, taken together, say: *It does not seem very likely that the financial gap we have identified can be filled or even substantially reduced by more events, higher prices, and reduced operational costs.*

That leaves increased funding as the most likely way to fill the gap. Chapter 6 broadly discusses funding opportunities.

5 Benefits and Costs

The financial feasibility analysis in Chapter 4 shows that the Fairgrounds cannot pay for itself through revenues from renting the new multipurpose facility. The Fairgrounds will have an operational funding gap of between \$34,000 to \$46,000 per year (possibly up to \$125,000 per year), capital facilities funding of \$650,000 per year, and long-term capital maintenance costs of \$12,000 to \$36,000 per year. Given that result, why would the County consider a new facility?

The answer, of course, is that such a facility would provide benefits of value to County residents and businesses. This chapter considers the broader benefits and costs of a new multipurpose facility, beyond financial considerations.

Fundamental to policy evaluation is that the public sector has choices about policies and investments, and that it should compare the pros and cons (benefits and costs) of a few likely and possible actions so that it can identify the most advantageous one (the one with the greatest net benefits). A corollary of that principle is that policy evaluation should compare what can reasonably be expected to happen *with* a new action to what can reasonably be expected to happen *without* a new action.

Evaluating the benefits and costs of building a new multipurpose facility involves considering impacts from multiple perspectives. For example, an outcome such as an increase in tourism provides both benefits and costs. Tourism-based businesses (e.g., hotels and restaurants) benefit from an increase in tourism. City governments may also benefit from an increase in tourism, through an increase in lodging tax revenues. But an increase in tourism also imposes costs on government, as a result in an increase in demand for municipal services (e.g., more use of roads or increased load on the municipal water treatment facility). For local residents, there are pluses and minuses: the services they have (e.g., restaurants, shopping) are greater than they would be without tourism, but their places of recreation are more crowded.

This chapter provides a brief assessment of the potential benefits and costs of building a new multipurpose facility at the Lincoln County Fairgrounds, compared to continuing to use the existing Fairground facilities until the buildings become unusable (most likely for safety reasons).

5.1 Benefits

Chapter 4 presents the fiscal perspective of benefits, in the form of revenues to the Fairgrounds. This section presents the benefits of a new multipurpose facility to residents and businesses in Lincoln County.

- **The new facility will host and support the Lincoln County Fair event.** A primary user of the Fairgrounds facilities, including the multipurpose facility, is the Lincoln County Fair. The County Fair has about 6,400 attendees. It is reasonable to assume that most of the attendees live in Lincoln County. The Fair provides opportunities for recreation, education, and community building in Lincoln County. Like fairs everywhere, it is also part of local cultural heritage, which has value to residents.
- **The multipurpose facility will be used for community events.** The new multipurpose facility will provide a venue for a wide-range of community events that benefit residents of Lincoln County by increasing recreational and social opportunities. These events might include festivals, new community celebrations, musical events, farmers' market, or flea markets. In addition, the multipurpose facility will be available for rental for private parties and events.

In a survey about potential use of a new multipurpose facility, citizens of Lincoln County suggested events that they would like to have in a new multipurpose facility. Examples include: school events, youth-related events and games, 4-H, horse events, dog training classes, motor cross, radio-controlled races, cooking and crafts, art exhibitions, use by nonprofits, or as an emergency shelter.¹⁹ The reasons for hosting these types of events at the new multipurpose facility would be for the benefit of the community. Many of these events would generate little or no revenue to cover the costs of operating the multipurpose facility.

- **The Fairgrounds can support youth events.** One of the key users at the Fairgrounds are youth groups, such as 4-H or sports associations. The new multipurpose facility, existing buildings, and grounds can continue to provide educational and recreational opportunities for young people in Lincoln County.
- **The multipurpose facility can be used for other large events.** The Seafood and Wine Festival is the biggest event likely to be hosted in the new

¹⁹ *A Random Survey on the Lincoln County Fair, Grounds, Acceptable and Potential Use*, Conducted and compiled by Volunteers of the Lincoln County Fair Blue Ribbon Committee, December 2, 2010.

multipurpose facility.²⁰ This Festival attracts about 24,000 attendees, both from around the County and visitors come for the Festival.

The new multipurpose facility will provide a venue for hosting other mid-sized and large events. Some events, such as home, gun, or gem shows may attract mostly local attendees. Other events, such as festivals or large sportsman or crafts shows may attract a mixture of local and visitor attendees, increasing tourism in the County. These types of events provide Lincoln County residents with a broader range of shopping opportunities.

- **A new fairgrounds facility can support Lincoln County's tourism economy.** Events at the fairground can increase tourism to Lincoln County if they appeal to visitors. Some events, such as gun shows or home shows, may be more attractive to day visitors to Lincoln County. Other events may attract overnight visitors, such as multiday conferences, rallies, or festival events. Attracting overnight visitors is important for tourism employment because overnight visitors typically spend three times as much as day visitors.²¹

The economic impact of new events at the Fairgrounds²² may be between about \$650,000 to \$2.7 million on the Lincoln County economy. These impacts include spending on hotels, restaurants, gasoline and other products, and other activities while in Lincoln County.²³

- **Employment at the Fairground will result in a modest amount of economic activity.** The Fairgrounds will directly employ between 1.25 and three people, resulting in employee compensation of between \$55,000 to \$125,000. While employee compensation is a cost to people attending events at the Fairgrounds (through entrance fees), it is a benefit to the employees, their family, and the businesses they interact with in the community.

Businesses in Lincoln County will benefit from employment and economic activity involved with running the Fairground, through providing goods and services to the Fairground and Fairground employees. The Fairground

²⁰ While it is possible that the Seafood and Wine Festival may be held at the new multipurpose building, there is no guarantee that it will be held at the Fairgrounds.

²¹ *Oregon Travel Impacts 1991-2012p*, Dean Runyan Associates, April 2013

²² This estimate excludes the Seafood and Wine Festival visitors. While the Festival might be held at the Fairgrounds, holding the Festival at the Fairgrounds, rather than in tents, will not significantly increase the existing impact on the County's economy.

²³ IMPLAN (IMPact Analysis for PLANing), 2012 data. This analysis considers direct, indirect, and induced economic impacts of overnight visitors who visit in Lincoln County for an event at the Fairgrounds.

will contribute an additional \$60,000 to \$140,000 to the economy of Lincoln County.²⁴

- **The Fairgrounds provides an opportunity to maintain connection to the County's historical natural-resource based economy.** Many fairgrounds are used to maintain connection to agricultural traditions and history. Lincoln County is not and has not been a state center of agriculture. Like most counties in Oregon, however, Lincoln County has groups passionate about various aspects of animal husbandry (especially related to horses). Moreover, the County's economy has historically been disproportionately (compared to an average for all Oregon counties) connected to natural-resource based businesses (e.g., forestry, fishing, aquaculture). The Fairgrounds can be used to maintain connections to this history, through programs like 4-H, school-based educational programs, and programs for adults. These programs typically provide cultural and social benefits to the community but generate little or no net revenue.

5.2 Costs

The main costs of the Fairgrounds are financial, such as capital costs of building the new multipurpose facility or the operational costs of the building, as described in Chapter 4. Other considerations related to cost:

- **Organizations that currently pay no or minimal fees for use of the Fairgrounds may be asked for larger contributions.** The organizations that currently use the Fairgrounds at little or no costs are organizations that generally serve youth. The most notable organization is 4-H, which had nearly 100 events at the Fairgrounds in FY 2012-13. Discussions about funding 4-H events are on-going between the County and 4-H organizers.
- **A new multipurpose facility may require improvements to infrastructure.** Building the multipurpose facility may require an investment in infrastructure, such as improving adjacent streets or utilities. Necessary infrastructure improvements appear to be relatively minor and will be examined in the master planning process of this project.
- **New events at the new multipurpose facility will increase demand for parking at the Fairgrounds.** The Fairground site is relatively small (11 acres) and will have limited parking space, with the new multipurpose facility and remaining existing buildings. The Fairgrounds will need to

²⁴ IMPLAN (IMpact Analysis for PLANing), 2012 data. This analysis includes direct, indirect, and induced economic impacts of employees of the Fairgrounds.

work with the City of Newport and other partners to identify options for parking at the Fairgrounds for large and mid-sized events.

- **Costs of maintenance of other Fairground facilities.** The County will continue to have maintenance costs for other facilities at the Fairgrounds, such as the Floral Building, 4-H Barn, or riding arena. These maintenance costs will be on-going and are likely to increase as the facilities continue to age and are used.
- **The benefits and costs of economic growth are not evenly distributed or universally agreed upon.** People more likely to emphasize the benefits of economic growth and increases in tourism are those own or are employed at businesses that serve tourists directly, or serve other businesses that do; who have children that want jobs in the summer or, later, as permanent residents of the County. People less likely to support growth are ones who uses County recreation opportunities heavily and want the crowds and congestion reduced. Old-timers, newcomers, and retirees can be in either category.

5.3 Conclusion

There is no way that the perceived benefits and costs to all residents, voters, or businesses in Lincoln County can be estimated and added. In this section we have listed possibly categories of benefits and costs, but moving to quantification and consolidation is a significant additional effort.

Our intent was to make decision makers, stakeholder, and the public aware of the main arguments about the benefits and cost of a multipurpose facility at the Fairgrounds that are not captured in an analysis of revenues and costs. On the benefit side, the new facility would (1) support the Lincoln County Fair, (2) probably increase tourism and economic activity in the County, (3) provide a space unlike other event spaces in the County for community events, and (4) provide social benefits, such as benefits for youth groups. On the cost side, there will have to be a substantial local contribution of money to fill the capital and operational gaps, and local money ultimately comes mainly from local households or businesses. Even if a large part of the money could come from tourists (e.g., via increases in lodging tax or some other means), County residents and decision makers still have to make decisions about whether such money is best spent on the new multipurpose facility, or on some other facility or program.

6 Funding

Chapter 4 shows that the Fairgrounds, under plausible but optimistic assumptions, will have an operational funding gap of between \$34,000 to \$46,000 per year (and up to \$125,000 per year under more pessimistic but still plausible assumptions about operating costs and rate write-downs). In addition, it will need around \$650,000 per year to service the debt incurred to finance the construction of the multipurpose facility, and about \$12,000 to \$36,000 per year to fund future long-term capital maintenance costs. In short, for stable operation and maintenance the new multipurpose facility is likely to need on the order of \$700,000 to \$800,000 per year in funding beyond the revenues it receives from fees charged for use. This chapter describes some potential sources of funding for these costs.

We make a distinction between *funding* and *financing*. Financing is about finding ways to get money now (e.g., for construction) and paying it back over time. It is about debt and servicing that debt. A home mortgage is an example: most homeowners do not have the cash to pay the full price of a home, so lending institutions give them money in return for a pledge to pay it back over time, with interest (a mortgage). But they will only lend after some investigations that give them confidence that the borrower has sources of income that are likely to be sufficient to pay back the loan over time.

Funding is about those sources of income. It is not enough to say “We will pay for the new facility by approving a bond.” Just like a mortgage, lending institutions will not lend with some confidence about the sources of funds that will be used to pay back (retire) the bonds. Building a new multipurpose facility will cost money, and somebody has to pay for these costs. The ultimate source of revenue to pay these costs is funding.

In the public sector, funding comes from households and businesses that pay taxes and fees. Funding can also come from nonprofit and private sources. Examples of funding mechanisms are rental fees, lodging taxes, property taxes, grants, and private donations.

From the point of view of local policymakers, federal and state funding sources are typically the most desirable sources of funding, but also the most difficult to control. These sources are desirable because the households and businesses from a broader geographic level are contributing to a local benefit. When federal and state sources are secured for a local project, new money comes into a community and provides facilities that give local benefits at a lower cost to local governments and their taxpayers and ratepayers. Viewed from the other end,

local funding sources are often viewed by local stakeholders as a burden in the form of an increased tax or fee.

While federal and state funding sources are more desirable, they are difficult for local policymakers to control, or even to predict. Federal programs that exist today may not exist in a few years, and allocation formulas may change.

Federal support for community development projects (like the multipurpose facility at the Fairground) has historically been in the form of Community Development Block Grants (CDBG). In recent years, State support of Fairgrounds in Oregon has been funded through State Lottery funds.

While local stakeholders can always lobby federal and state governments for increased funding, they have no direct authority over allocations, which means state and federal sources that are not specifically authorized are always somewhat speculative. Federal funding for CDBG has decreased over the last decade and more, with less funding available to jurisdictions like Lincoln County.

In summary, we expect Lincoln County to approach funding the way all other local government do: by looking for non-local grants first, then to local grants, and only then to local taxes, fees, or donations. The ultimate funding strategy for the new multipurpose facility at the Lincoln County Fairgrounds will be a mixture of local funds, grants, revenues from events at the Fairgrounds, and public-private partnerships.

The current funding sources of fairgrounds in Oregon are primarily:

- **Fairground Revenues.** Fairground revenues primarily come from direct ticket sales from events run by fairground staff or from rental fees for fairground facility use. For example, ticket sales for Fair events typically provide a large source of revenue for fairgrounds. Lincoln County had revenue of about \$19,500 from facility rentals in fiscal year 2012-2013. The forecast for facility rental revenues from a new multipurpose facility is between \$133,000 and \$293,000.
- **Transient Room Tax.** The State of Oregon levies a tax on lodging of “1 percent of the fee you pay for overnight lodging.”²⁵ In addition, many counties and cities levy a transient room tax on overnight lodging. Many counties, such as Lane, Clackamas, and Washington Counties, choose to

²⁵ <http://www.oregon.gov/dor/BUS/Pages/faq-lodging.aspx>.

give a portion of those funds to their Fairgrounds.²⁶ Lincoln County Fairground had \$255,000 from transient room tax revenue in fiscal year 2012-2013.

- **State Lottery Funds.** The State of Oregon gives each County Fairground with a Fair event a set amount to support the Fair event and maintenance of the Fairgrounds for the Fair event. In recent years, Lincoln County was allocated about \$50,000 in Lottery Funds. The County allocated a portion of this money (\$27,500 in FY 2012-13) to Town and Country Fair and Rodeo Association to stage the County Fair and used the remainder for maintenance of the Fairgrounds related to the Fair event.
- **Operating Levy.** Clatsop County voters passed an operating levy and have supported the fairground via that revenue stream for the last 7 years. Operating levies, also known as serial levies, must be renewed every three to five years if used for operating purposes.²⁷ Lincoln County Fairgrounds does not have revenue from an operating levy. Lincoln County voters approved a Fair operating levy in 2005, but the measure did not receive the then required double majority vote (there was less than a 50% voter turnout at the election), so the measure was not successful.
- **General Fund Dollars.** General Fund dollars may be used to support fairground facilities. Lincoln County Fairgrounds does not receive direct revenue from the Lincoln County General Fund, but does receive indirect support from a variety of general fund employees and departments. In fiscal year 2012-2013 that amounted to over \$20,000 of in kind support.

As Lincoln County considers how to fund future Fairground operations and capital cost, the County will want to look at a variety of funding sources.

- **Grants.** There are no grants specific to fairgrounds but there are grants for activities that are included in fairground activities, especially for youth activities. While none of the granting organizations focuses on fairgrounds specifically, they all offer grants that include some of the functions that the fairgrounds provides, such as youth activities or community development. Some fairgrounds find qualifying for grants difficult because the fairground is part of a government agency.

²⁶ <http://www.clackamas.us/finance/trtfacts.html>,
http://www.lanecounty.org/BCC_Info/Meeting_Info/2006/Order%20Text/12-13/Passed/06-12-13-4.pdf, http://www.co.washington.or.us/Support_Services/Finance/transient-room-tax.cfm

²⁷ A Brief History of Oregon Property Taxation. Oregon Department of Revenue.
<http://www.oregon.gov/dor/STATS/docs/303-405-1.pdf>.

The following list provides examples of organizations that offer grants that may be applicable to operations or capital costs at the Lincoln County Fairgrounds. This list is not intended to be a comprehensive list of granting organizations but to provide examples of grants available to organizations in Oregon, focusing on local granting organizations.

- **Ford Family Foundation.** The Ford Foundation provides grants to projects in rural communities with less than 30,000 people and that are not adjacent to or part of an urban or metropolitan area. It provides grants for a range of programs, such as public convening spaces and positive youth development. The average grant range is \$50,000 to \$100,000; the Foundation generally will consider grants that fund up to 30% of a project. Applications for capital projects and operations are considered, although preference varies by category.²⁸
- **Meyer Memorial Trust.** This Trust awards “Responsive Grants” for a range of activities in Oregon, including community development, conservation and environment, public affairs, arts and culture, and education. Most tax-exempt organizations are eligible to apply. These grants typically range from \$40,000 to \$300,000 with grant periods from one to three years. These grants may help support building and renovating facilities, operating support, strengthening organizations, etc.²⁹
- **Oregon Community Foundation.** OCF’s Community Grant Program funds programs in arts and cultural organizations and community livability, among others. Eligible organizations include all 501(c)(3) organizations. These grants are generally around \$20,000.
- **The Collins Foundation.** The Collins Foundation awards grants in the areas of arts and humanities, children and youth, community welfare, and other areas. It is a general-purpose grant maker and considers all applications from 501(c)(3) organizations. Grants are typically less than \$20,000, but ranged up to \$400,000 in 2014.³⁰

Note that the grants are usually for one to three years, and are more likely to be below \$50,000 than above it. That is a start, but the gap we have estimated is on the order of \$700,000 per year for 20 years.

- **Community support of fairgrounds operations.** A number of fairgrounds in Oregon depend on community support for operations such as grounds

²⁸ <http://www.tfff.org/Grants/tabid/81/itemid/55/Default.aspx>. Accessed March 27, 2014.

²⁹ <http://www.mmt.org/program/responsive-grants>. Accessed March 27, 2014.

³⁰ <http://www.collinsfoundation.org/welcome-collins-foundation>. Accessed March 27, 2014.

keeping, providing low-cost labor for large events, maintenance such as painting, and other operational activities.

Some fairgrounds also depend on the community for financial support, such as support from a tax levy. For example, in Polk County, the County Extension Service has a property tax levy that allows the Extension Service to pay \$60,000 per year to the Fairgrounds to cover costs of 4-H's use of the facilities.

Note that the funding gap from operations ranges from \$34,000 to \$125,000 per year. Most of the cost is staffing, and we noted that the staffing estimates are, in our opinion, tight. Going to an all-volunteer staff is not something that we would recommend. Thus, "community support," if extensive and well organized might be able to reduce the annual gap by something on the order of \$10,000 to \$30,000.

- **Partnerships.** There may be opportunities to partner with other public agencies, nonprofits, or private entities to support the operations and capital costs of building the new multipurpose facility. For example, the County could negotiate naming rights for the new multipurpose facility or exhibition hall in exchange for substantial support of the Fairgrounds or new multipurpose facility. As previously noted, partners including the potential City of Newport Urban Renewal District, and the Newport Chamber of Commerce might be able to financially participate.
- **Natural-hazard shelter.** Facilities built with hazard mitigation in mind may be eligible for assistance from FEMA if the multipurpose facility has a role in natural hazard mitigation. FEMA's primary program for natural hazard mitigation projects, the Pre-Disaster Mitigation (PDM) program, primarily provides funding for retrofitting existing buildings to make them more resilient to natural hazards.

Lincoln County is in the process of updating their natural hazards mitigation plan, a process that is on-going through the spring (and possibly into the summer) of 2014. The first step in evaluating opportunities to use the multipurpose facility as a shelter for natural hazards is through coordinating with the update of the County's natural hazards mitigation plan. The County may be able to identify funding opportunities that support using the new multipurpose facility as a natural hazard shelter.

- **Entrepreneurial activities.** Some fairgrounds engage in entrepreneurial activities to supplement fairground revenues. These activities typically take advantage of unused or underutilized space or facilities at the fairgrounds. The cost of some of these activities, such as running a commercial kitchen, may be high enough that the activity brings in little revenue. We recommend that Lincoln County evaluate entrepreneurial activities,

especially those that take a significant commitment of staff time, before engaging in the activity.

- **Storage of large equipment or items.** Lincoln County used to rent unused buildings to community members who needed to store large bulky items temporarily.
- **Commercial kitchen rentals.** Running a commercial kitchen will require staff time to market and train users of the kitchen. These costs can be substantial, especially if the commercial kitchen has many small users who turn-over quickly. The fee that commercial kitchen users are able to pay is often limited. As a result, a commercial kitchen may barely pay for itself and may cost more than the revenues it brings in.
- **Catering company.** Douglas County Fairground created a catering company and gave that company the exclusive rights to serve on the fairground land. All proceeds provide revenue to the fairgrounds. Often, catering companies at fairgrounds provide catering service primarily to fairground events.

Appendix A. Additional Data

This appendix presents data about:

- Historical and current uses of the Lincoln County Fairground
- Characteristics of comparable fairgrounds in Oregon
- Factors affecting potential demand for facilities at Lincoln County's Fairground

Historical and Current Use of the Lincoln County Fairgrounds

The Fairgrounds has the following structures:

- **Exhibit Hall:** 15,000 square-foot wooden pole barn with a concrete floor. It is in poor condition, with rusting siding and an old roof in need of replacement.
- **Floral Building:** 4,275 square-foot wooden pole barn in good condition. The building has electricity, but not other utilities and no restroom facilities.
- **4-H Barn:** 6,084 square-foot steel building, in fair condition.
- **Harney Street Building:** 1,600 square-foot steel building, in poor condition due to poorly executed additions and old/inadequate plumbing and fixtures.
- **Rabbit Barn:** 1,008 square-foot wooden pole barn, in poor condition.
- **Horse Barn Remnant:** 816 square-foot wooden pole barn addition to a no-longer-standing horse barn. The building is oddly shaped, which limits its usefulness, but it is otherwise in good condition.
- **Riding Arena:** 8,715 square-foot wooden pole barn, in poor condition.
- **Stage:** 1,200 square-foot wooden structure, in fair condition.

Fairground Usage

The biggest single event at the Fairgrounds is the annual Lincoln County Fair in mid-July. Executing the County Fair event, including setup in preparation for the Fair and cleanup after the Fair, occupies the Fairground facilities during mid-July.

Aside from the annual Fair, the Fairgrounds primarily serves the local community as a meeting space and space for retail events. Table A- 1 shows paying and non-paying events for FY 2010-11 to FY 2012-13. Through the rest of

the year, the Lincoln County Fairgrounds had 164 events in FY 2012-13, 64 that paid to use the Fairgrounds' facilities and 100 that did not pay to use the facilities.

Events at the Fairgrounds generally attract attendees from Lincoln County. The types of events at the Fairgrounds were:

- Retail events such as the Saturday Farmer's Market and other reoccurring markets, accounting for about 26 events in 2013.
- Private and other group meetings such as youth groups, accounting for about 37 events in 2013.
- Public events such as festivals, which may attract visitors to Lincoln County, accounting for about one event in 2013.
- 4-H events, such as the K-9 Crusaders Club, Multiologist Group, Archery Club, and Coastal Critters, accounting for 84 events in 2013.
- Horse-oriented events, accounting for three events in 2013

Table A- 1 shows that the number of paying events increased from about four events in FY 2010-11 to 64 events FY 2012-13. The majority of increase were in retail events (e.g., the Farmer's Market and Christmas Tree Sale) and private and other organization's events (e.g., Newport Young Life and the Central Coast Soccer Association).

Table A- 1 shows that the number of non-paying events, where the County waived rental fees for use of the Fairgrounds' facilities, increased from 24 events in FY 2010-11 to 100 events in FY 2012-13. The majority of these events were 4-H events. This increase in events may be overstated because of a change in the way that 4-H events were tracked in FY 2012-13.

Table A- 1. Number of events by type, Lincoln County Fairgrounds, Fiscal Years 2010-2011, 2011-2012, and 2012-2013

Type of Event	FY 10-11	FY 11-12	FY 12-13
Paying Events			
Retail	1	20	26
Private and organizations' events	-	1	37
Animal-oriented events	1	-	-
Festivals and shows	2	2	1
Subtotal	4	23	64
Non-paying Events			
4-H	24	33	84
Horse-oriented events	-	7	3
Other non-paying events	9	7	13
Subtotal	33	47	100
Total	37	70	164

Source: Lincoln County Event Records, 2011, 2012 and 2013

While the number of paying events at the Fairgrounds increased by 41 events in FY 2011-2012, the majority of the increase in FY 2012-13 was from three new users of the Fairgrounds: (1) Newport Young Life (27 events), Central Coast Soccer Association (five events), the Christmas Tree Sale (four events). Other new users included the Celtic Festival and more private rentals.

Lincoln County staff report a continued increase in interest in renting the existing facility in FY 2013-14, from other paying users (e.g., retail events). The increase in rentals of the existing facilities could be the result in growth in Lincoln County's economy. While local growth may have some role to play in the increase in demand for use of the facility, we think it is more attributable to improving economic conditions, as Lincoln County and Oregon continue recovering from the 2007-2009 recession.

Table A- 2 shows the rental income from paying events about \$20,650 in FY 2012-13, with average rental revenue of about \$300 per event. Rent per event ranged from about \$4 (Newport Young Life) to \$2,200 (Christmas Tree Sale).

Rental cost of the Fairground facilities vary based on the portion of the Fairground being rented, from \$500 per day for the Main Exhibit Hall (includes the kitchen and East Hall) to \$450 for the outdoor arena and north grounds to \$325 for the grounds. Renting the Main Exhibit Hall costs about three cents per square foot of built space. Most users of the Fairground, however, negotiate with the County to agree on a rental fee.

Table A- 2. Characteristics of paying events, Lincoln County Fairgrounds, Fiscal Year 2012-2013

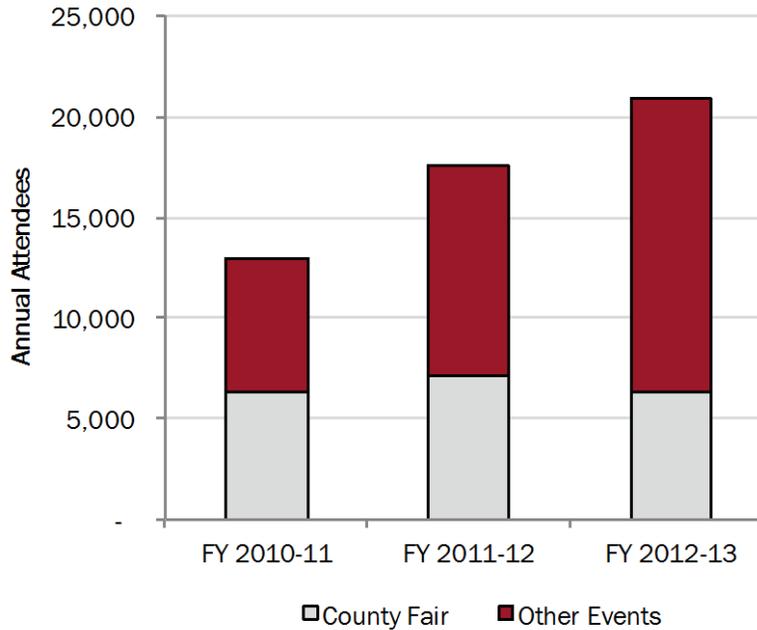
Type of Event	Number of Events	Average Per-Event Rent	Total Rental Income
Christmas Tree Sale	4	\$2,200	\$8,800
Farmer's Market	22	\$250	\$5,500
Private Events	4	\$625	\$2,500
Central Coast Soccer Association	5	\$400	\$2,000
Celtic Festival	1	\$1,000	\$1,000
Rocky Mnt Elk Foundation	1	\$750	\$750
Newport Young Life	27	\$4	\$100
Total	64	\$323	\$20,650

Source: Lincoln County Event Records, 2011, 2012 and 2013

Figure A- 1 shows that attendance at events at the County Fairgrounds increased from about 13,000 people in FY 2010-11 to 21,000 in FY 2012-13. The Fair is the largest event held at the fairgrounds, attracting about 6,400 attendees in 2013. The number of attendees to the County Fair over the last three years has been relatively stable, with about 7,100 attendees in 2012 and about 6,400 in 2011.

Attendance at other events increased from about 6,500 people in FY 2010-11³¹ to about 14,500 people in FY 2012-13. Other than the Fair, the top attended event is the Celtic Festival held in June, with attendance of about 5,500 people.

Figure A- 1. Attendance at events held at the Lincoln County Fairgrounds, FY 2010-2011 to 2012-2013



Source: Lincoln County Fair Report, 2011, 2012 and 2013

Fairground Budget

There are two funds in Lincoln County’s budget that support operations at the fairgrounds, the Fair Fund and the Fair Facilities Fund. The Fair Fund supports putting on the annual County Fair event. The Fair Facilities Fund supports the operation of the Lincoln County Fairgrounds itself, with a purpose of saving money for building the new multipurpose facility.

Table A- 3 shows the actual Lincoln County Fair Facilities Fund, which supports general operations of the Fairgrounds. The main source of revenue in the Fair Facilities fund is from lodging taxes, which are between \$225,000 to \$250,000 per year. Expenditures from the Fair Facilities Fund are predominantly in Materials and Services for maintenance and operations of the existing fairground facilities.

³¹ Figure A- 1 may understate attendance from 4-H events because of changes in reporting procedures between FY 2010-11 and FY 2012-13.

Aside from providing funding for maintaining the existing Fairground facility, the primary purpose of the Fair Facilities Fund is to fund construction of the new multipurpose facility. The Fair Facilities Fund has about a proposed budget for FY 13/14 of \$1.1 million, the majority of which is expected to be spent on building the new multipurpose facility.

Table A- 3. Lincoln County Fair Facilities Fund Budget, Lincoln County

	FY 10/11 (Actual)	FY 11/12 (Actual)	FY 12/13 (Actual)	FY 13/14 (Proposed Budget)
Revenues				
Motel Tax	\$ 223,077	\$ 225,942	\$ 239,993	\$ 225,000
Interest	\$ 2,101	\$ 3,268	\$ 4,607	\$ -
Beginning Balance	\$ 344,881	\$ 566,397	\$ 749,467	\$ 895,167
Total Revenue	\$ 570,060	\$ 795,607	\$ 994,067	\$ 1,120,167
Expenditures				
Materials and Services	\$ 3,663	\$ 35,410	\$ 17,210	\$ 175,000
Capital Outlay	\$ -	\$ 10,730	\$ 7,264	\$ 500,000
Contingency	\$ -	\$ -	\$ -	\$ 445,167
Total Expenditures	\$ 3,663	\$ 46,140	\$ 24,474	\$ 1,120,167

Source: Lincoln County Budget

Table A- 4 shows the expenditures and revenues for the Fair Fund in FY 10/11, 11/12, and 12/13, and the approved budget amount in FY 13/14. The primary source of revenue is the Oregon State Lottery, with facility rentals comprising the only other source of revenue, apart from a small amount of interest.

Expenditures from the Fair Fund support execution of the County Fair event and day-to-day operations of the existing facilities at the Fairgrounds. The major expenses in FY 2012-13 are:

- **Fair Event**, which is paid to Town and Country Fair and Rodeo Association for staging the annual County Fair event. The amounts shown in Table A- 4 cover approximately between one-third to one-half of the Fair event.
- **Contractual Services**, which includes day-to-day operations of the Fairground. This category of expense includes paying for County staff who do work for the Fairgrounds, such as the property manager and Public Works staff who do maintenance and other tasks at the Fairgrounds. It also include grounds maintenance costs, fire alarm monitoring, and non-capital repairs (e.g., repairing a pot hole or fence).

Table A- 4. Lincoln County Fair Fund Budget, Lincoln County

	FY 10/11 (Actual)	FY 11/12 (Actual)	FY 12/13 (Budget)	FY 13/14 (Budgeted)
Revenues				
State Lottery	\$ 36,031	\$ 50,002	\$ 49,500	\$ 48,000
Interest	\$ 183	\$ 204	\$ -	\$ -
Facility Rentals	\$ 16,052	\$ 23,211	\$ 19,500	\$ 22,500
Beginning Balance	\$ 40,051	\$ 35,734	\$ 36,224	\$ 13,739
Total Revenue	\$ 92,317	\$109,151	\$105,224	\$ 84,239
Expenditures				
Fair Event	\$ 3,250	\$ 22,500	\$ 27,500	\$ 22,500
Contractual Services	\$ 36,946	\$ 42,110	\$ 32,500	\$ 27,500
Utilities	\$ 9,732	\$ 13,623	\$ 11,000	\$ 13,000
Liability Insurance	\$ 2,216	\$ 772	\$ 1,350	\$ 2,500
Telephone	\$ 941	\$ 964	\$ 1,000	\$ 1,000
Other Operations	\$ 3,499	\$ 2,294	\$ 3,000	\$ 3,850
Transfer to General Fund	\$ -	\$ -	\$ 9,994	\$ -
Contingency	\$ -	\$ -	\$ 18,880	\$ 13,889
Total Expenditures	\$ 56,584	\$ 82,263	\$105,224	\$ 84,239

Source: Lincoln County Budget

In the future, the County expects to continue to use motel tax revenues to pay for capital facilities costs at the Fairgrounds. State Lottery funds are distributed at the State level to subsidize the cost of staging the County Fair event. The County currently plans to continue to use State Lottery funds in support of the County Fair event and fairgrounds.

Characteristics of Comparable Fairgrounds in Oregon

ECONorthwest conducted interviews with representatives of five fairgrounds in Oregon counties: Clatsop, Coos, Curry, Hood River, and Polk. We selected these county fairgrounds to compare to Lincoln County's Fairground for one or more of these reasons:

- The county has a comparable number of people (Clatsop, Coos)
- The county is a coastal county (Clatsop, Coos, and Curry)
- The county has more than 10% of Oregon's tourism, as measured by the number of overnight visitors (Clatsop)
- The county has at least 50 overnight visitors per capita (per person) (Clatsop and Curry)
- Visitor spending in the county is at least as high as in Lincoln County (Clatsop)

- The county has different characteristics from Lincoln County but the fairground has a facility that is comparable size to the planned new facility at Lincoln County’s Fairground. (Polk and Hood River)

Table A- 5 shows the population, proximity to a metropolitan area with a population greater than 50,000, and visitation data for 2012 for Lincoln County and the comparison counties with fairgrounds facilities.

Table A- 5. Tourism Data for Lincoln County and Comparative Counties, 2012

County	Population	Miles from major metro area ¹	Visitor Person-Nights		Visitor Spending ²	
			Annual Visitor Nights	Per Capita Visitor Nights	Visitor Spending (Millions \$2012)	Per Capita Visitor Spending
Clatsop	37,190	90	3,271,000	88.0	\$ 430.3	\$ 11,570
Coos	62,890	130	2,359,000	37.5	\$ 233.5	\$ 3,713
Curry	22,295	150	1,488,000	66.7	\$ 118.1	\$ 5,297
Hood River	22,875	70	846,000	37.0	\$ 79.4	\$ 3,471
Lincoln	46,295	50	4,147,000	89.6	\$ 447.2	\$ 9,660
Polk	76,625	11	Not Available	Not Available	\$ 161.8	\$ 2,112

Source: ECONorthwest interviews with fairground staff or representatives; Dean Runyan Associates. 2013. *Oregon Travel Impacts Database*. Accessed December 19, 2013, from <http://www.deanrunyan.com/ORTravelImpacts>; Dean Runyan Associates. 2013. *Oregon Travel Impacts 1991–2012p*. April.; Population Research Center at Portland State University; Google Maps

Notes: ¹ Major metro area is defined as a City with a population of 50,000 or more.

² Includes both spending by visitors at their destination and spending by residents on air and ground transportation to Oregon destinations, and spending related to travel agencies.

Table A- 6 describes the physical characteristics of the fairground facilities in Lincoln County and the comparison counties. It also shows the number of events held and the total event attendance at each fairgrounds in 2012. The Polk County Fairgrounds had the highest number of events and the highest estimated event attendance. The number of events and attendance at the Lincoln County Fairgrounds was lowest across all county fairgrounds facilities. All of the fairgrounds provide similar types of facilities, though the amount of indoor and covered square footage and site acreage varies considerably.

Table A- 6 shows the revenues and expenditures for fiscal year 12/13 for each of the comparative county fairgrounds. The magnitude of the revenue generally reflects the number of events at each fairgrounds: fairgrounds that host more events each year typically enjoy higher revenues. The ratio of number of events to revenues, however, varies considerably across the comparative fairgrounds. Lincoln County’s revenues and expenditures are for the County Fair Fund alone, and may not include all revenues and expenditures associated with operating the facility.

Table A- 6. Physical Characteristics, Revenues, and Expenditures, Comparative County Fairgrounds Facilities

Fairgrounds Facility	Location	FY 2012-13	FY 2012-13	Description of Facilities
		Revenues	Expenditures	
Clatsop County Fairgrounds	Near Astoria, Oregon	\$110,000	\$200,000	109 acres; 15,000 sq ft indoor rental space; 40,000 sq ft indoor arena; Horse barn; Outdoor entertainment, carnival, and parking areas.
Coos County Fairgrounds	Myrtle Creek, Oregon	\$303,000	\$316,000	Arena and main stage
Curry County Fairgrounds/ Event Center on the Beach	Gold Beach, Oregon	\$296,000	\$282,000	Four indoor rental spaces; Covered arena with seating for 1,350; Livestock pavilion; Horse barn; Outdoor stage and assembly areas.
Hood River County Fairgrounds	Hood River, Oregon	\$411,000	\$388,000	19 acres; Two 5,000 sq ft indoor rental spaces; Enclosed barn and storage facility; RV camping and rally area; Portable stage.
Polk County Fairgrounds	Rickreall, Oregon	\$363,000	\$363,000	20 acres; Five rental spaces, two with a capacity of 1,200 people; Livestock barns; Stage; Concession stands; Three covered arenas; Outdoor assembly areas.

Source: ECONorthwest interviews; County fairground websites.

Note: ¹ Event attendance is for 2012. Event attendance is estimated either through direct counts of attendance at events (Lincoln and Polk) or by multiplying the average event attendance by the number of events (Clatsop and Hood River).

Note: Clatsop County Fairgrounds has a 5-year tax levy (\$300,000 annually) that fills the gap between revenues and expenditures.

Employment characteristics

Table A- 7 shows the number of employees in different categories for each fairground facility. The comparison fairgrounds have up to three full-time staff. Those fairgrounds with no full-time staff have four or more part-time staff. Two fairgrounds, Hood River County and Polk County, have more than 20 seasonal staff who work at the fairgrounds, as needed.

In comparison, Lincoln County currently has no employees dedicated to Fairground operations. The following County employees do Fairgrounds management and operational work:

- Interim operations are done by two county employees, with work for the Fairgrounds accounting for a small portion of their other responsibilities for the County. One employee is the property manager for the Fairgrounds, which includes scheduling events at the Fairgrounds. The other employees are part of Public Works, who manages physical repairs and other operational issues. Administrative services are provided to the Fair Board through the Commissioners’ and County Counsel’s offices.
- Facility maintenance is done by County Public Works employees, with maintenance done as necessary.
- Other County employees are assigned work for the Fairgrounds as needed. For example, County employees from the Board of Commissioners’ office are working with the consulting team to complete this project.

Table A- 7. Employment of Comparative County Fairgrounds Facilities

Fairgrounds Facility	Full-time equivalents	Part-time employees	Seasonal
Clatsop County Fairgrounds	3	1	0
Coos County Fairgrounds	1	1	0
Curry County Fairgrounds/ Event Center on the Beach	0	10	6
Hood River County Fairgrounds	0	4	30
Polk County Fairgrounds	3	2	20-25

Source: ECONorthwest interviews

Rental costs

Rental costs of the facilities vary depending on the needs of each renter, such as use of a kitchen, need for tables and chairs, room set-up or take-down needs, or electrical needs. The average rental costs for the main event building at each comparable Fairground (including other extra costs) ranged from about three cents per square foot to nearly nine cents per square foot of rental space.

- Clatsop County: \$500 for a 12,000 square foot building (\$0.04 per square foot)
- Coos County: \$275 for an approximately 9,500 square foot building (\$0.03 per square foot)
- Curry County: \$400 for an approximately 4,400 square foot building (\$0.09 per square foot)
- Hood River County Fairgrounds: \$400 for a 5,040 square foot building (\$0.08 per square foot) or \$300 for a 5,000 square foot building (\$0.06 per square foot).
- Polk County Fairgrounds: \$950 about 14,500 square feet of exhibition space (\$0.05 per square foot) in a 25,000 square foot building.

Types of events

The types of events that are hosted at the Lincoln County Fairgrounds and the comparison Fairgrounds include:

- Retail events such as trade shows, craft shows, gun shows and estate sales.
- Public events such as RV rallies, festivals, car shows, and monster truck shows.
- Private events such as birthday parties, banquets and dances.
- Agricultural events such as horse shows and classes provided by the Oregon State University Extension Service, including 4-H events.

- Civic group meetings such as the chamber of commerce meetings, Rotary Club meetings, and businesses meetings.
- Other uses such as using buildings to store cars in the winter and a Frisbee golf course.

Table A- 8 shows some of the most highly attended events in Clatsop, Coos, Curry, Hood River, and Polk County Fairgrounds in 2013. The County Fair and various festivals tend to attract the most people. These events tend to bring in the most revenue, but often have high expenditures as well. Other events, such as gun shows and camping events net more money to the fairgrounds per person than some of the larger events.

Revenues are the fees charged by the fairground to the group that organized the event. Costs are the direct cost to the fairground, such as fairground personnel and, in some cases, utilities.

Aside from the county fair event, revenues ranged between about \$25,000 for gun shows or \$20,000 for a seafood and wine festival to \$2,000 to \$1,000 for smaller private events or small shows. Revenues generally averaged between \$2 to \$5 per attendee and only exceeded \$10 per attendee for two events.

Table A- 8. Most attended events at Clatsop, Coos, Curry, Hood and Polk County Fairgrounds, 2013

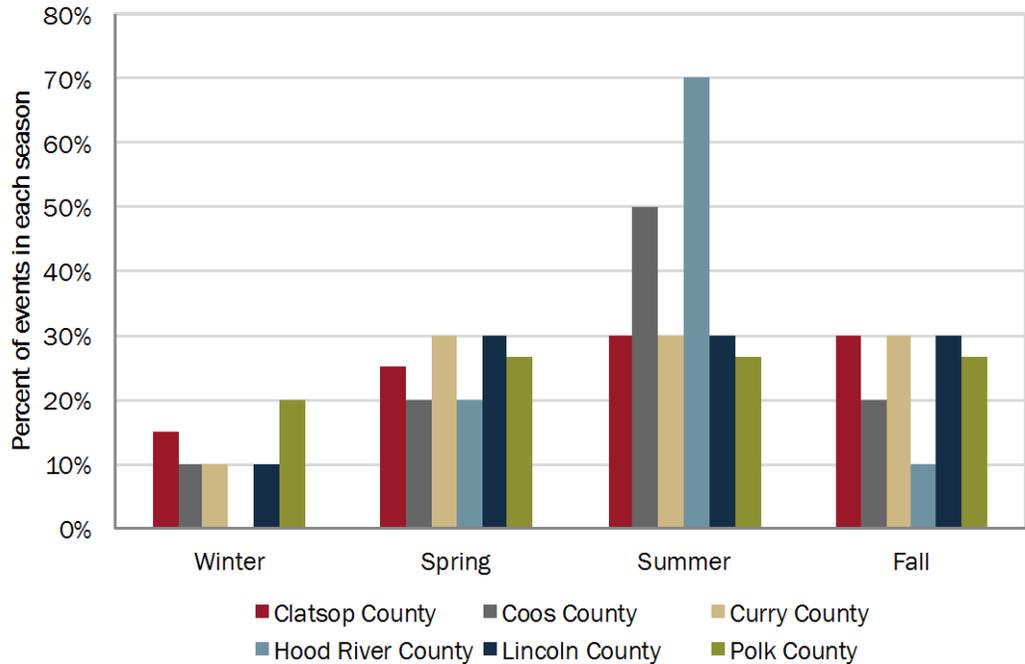
	Description	Attendees	Revenue	Costs	Revenue per Attendee
Clatsop	Astoria Seafood and Wine Festival	18,000	\$20,000	\$6,000	\$1.11
	County Fair	14,000	\$64,000	\$60,000	\$4.57
	Scandinavian Festival	12,000	\$10,000	\$4,000	\$0.83
	Monster Truck Show	2,000	\$3,500	\$1,000	\$1.75
	Dance	600	\$1,500	\$500	\$2.50
Coos	MP Rotary Auction Fundraiser	350	\$600	\$150	\$1.71
	Motorcycle Club Campout	150	\$1,000	\$300	\$6.67
	Weddings	750	\$3,000	\$600	\$4.00
	7 Day Adventist Meeting/campout	100	\$15,000	\$400	\$150.00
Curry	Golden Beach Chamber Fish and Wine Festival	-	\$1,800	\$450	
	Brewfest	1,000	\$2,000	\$450	\$2.00
	Quilt Show	-	\$2,000	\$450	
	Wild Rogue Relay	1,200	\$2,000	\$450	\$1.67
Hood	Blossom Craft festival	7,000	\$13,000	\$2,225	\$1.86
	Fall Craft Festival	7,000	\$7,260	\$2,225	\$1.04
	County Fair	23,500	\$199,000	\$160,000	\$8.47
	Motocross Rally (camping)	245	\$5,000	\$0	\$20.41
Polk	County Fair	14,500	\$139,384	\$127,091	\$9.61
	Gun Show	5,000	\$24,695	\$5,330	\$4.94
	Gun Show	5,000	\$24,695	\$5,330	\$4.94
	Gun Show	5,000	\$24,695	\$5,330	\$4.94
	Craft Festival	3,000	\$6,972	\$1,100	\$2.32
	Gem/Mineral Show	-	\$3,413	\$0	
	Ham radio show	-	\$2,100	\$0	

Source: ECONorthwest interviews

The majority of events (by number of events) at most fairgrounds are small single- or part-day events, such as a flea market, dance, or a class. For example, in 2012 at the Polk County Fairground, two-thirds of events were small events, one-fifth were animal-related (e.g., 4-H or a dog show), 7% were medium sized events (e.g., a gun show), 5% were private events (e.g., parties or meetings), and 1% were multi-day large events (e.g., the County Fair or the home and garden show).

Figure A- 2 shows the percent of events held in each season at the comparison fairgrounds in 2013. Fairground usage is fairly steady for Clatsop, Curry and Polk Counties during spring, summer and fall. Fairground usage peaks for Coos and Hood River Counties during summer and with fewer patrons in both spring and fall. All Fairgrounds interviewed have less business in the winter than in other seasons.

Figure A- 2. Percent of events held in each season at the Clatsop, Coos, Curry, Hood River, Lincoln, and Polk Fairgrounds, 2013



Source: ECONorthwest interviews.

Characteristics of other facilities

Stakeholders in Lincoln County are interested in considering additional uses of the new facilities at the Lincoln County Fairgrounds. Two types of uses that stakeholders would like considered are equestrian-related events and use of the kitchen in the new multipurpose facility for commercial uses. This section presents information about these uses in Oregon communities.

Equestrian-related events

Linn County Fairgrounds has special facilities for equestrian events, including a full sized covered arena with seating for more than 2,000 spectators, a smaller warm-up arena, and a barn with nearly 200 spaces. ECONorthwest interviewed staff with Linn County Fairgrounds about the types of equestrian events, which are primarily horse shows during which contestants are evaluated on how well their horse performs certain tasks relative to other contestants' horses.

Linn County has between 25 and 30 horse shows per year. Linn County charges \$1,500 per day for use of the arena, \$550 per day for use of the warm-up arena, and \$40 per stall for a two night stay. Linn County staff estimate that the revenues from the equestrian events about equal the costs of the events, allowing the Fairgrounds to break even on equestrian events.

Attracting equestrian events of the type that come to Linn County requires the following facilities: a covered arena (with bleachers and amenities like restrooms), a horse barn, a warm-up arena, and space for horse trailers.

Other counties have equestrian facilities. For example, Clatsop County Fairgrounds has a 20,000 sq. ft. indoor arena that can seat up to 2,100 people. The facility rents for \$500/day or \$75/hour. In addition, the Fairgrounds has a covered outdoor practice arena that rents for \$300/day or \$50/hour and 72 stalls for rent for \$15/day during events and emergencies. Clatsop County hosts between 8 and 10 horse events every year, including horse shows, training clinics, and 4-H horse events.

Clatsop County staff estimate that the revenues from the equestrian events about equal the costs of the events, allowing the Fairgrounds to break even on equestrian events in the long run.

Commercial kitchens

Stakeholders proposed renting out the kitchen facilities in the new multipurpose facility. Stakeholders suggested investigating the commercial uses of kitchens at the new multipurpose facility. Research into commercial kitchens suggests that running a commercial kitchen will require staff time to market and train users of the kitchen. However, the fee that commercial kitchen users are able to pay is often limited.

- **The Stellaria Building** in Eugene has an “incubator” kitchen, which is designed to support small scale food producers by providing facilities to prepare products. The kitchen includes a 6 burner natural gas range with double standard ovens and 24 inch grill, a pair of natural gas convection ovens, reach-in cooler, vegetable wash sink, dish sink with sanitizer, and stainless work tables. Other equipment is provided by the user.

The anchor tenant of the kitchen is a company called Elegant Elephant, a gluten free baking company. Other tenants include entrepreneurs making items such as cookies and popsicles for local natural food stores and farmers markets and nonprofit groups. For example, a nonprofit group called Positive Community Cures prepares organic meals for shut-in cancer patients, using teenaged volunteers to help prepare the meals and learn basic cooking skills.

The kitchen recently converted to a new co-op style payment model where frequent tenants pay for their portion of use of the kitchen. This encourages tenants to recruit new tenants in order to drive costs down. Currently prices run \$111/month for 4 hours a week and up to about \$850/ month.

In operating the commercial kitchen, staff have learned that it is important to have a few anchor tenants with an existing product and market for their product. The anchor tenants benefit because the commercial kitchen allows them to increase their capacity.

The commercial kitchen benefits from the stability of anchor tenants. Working with new entrepreneurs and nonprofit organizations is time-intensive because they have a high turnover rate. It takes a lot of time to setup and train a new organization to use the kitchen. Higher turnover rates results in higher administrative and operational costs.

The amount of staff necessary to run the commercial kitchen will vary. Staff time is necessary to market the kitchen to new users and to orient and train new users of the kitchen. If the commercial kitchen attracts stable anchor tenants, then there will be less need for staff time to work with a large number of new tenants.

- **The South Beach Community Center** has a commercial kitchen in Newport equipped for cooking meals and preparing items for retail sale. The kitchen was used in the past by community groups for cooking classes and for preparing cupcakes for Newport's Saturday Market. The rental fee for the kitchen was \$75 per day or \$15 per hour.

The Community Center found that the rental fees they were able to charge and the level of use they had did not cover the cost of insurance necessary for commercial use of the kitchen facilities, much less covering other costs (e.g., power costs or wear-and-tear on equipment).

- **The Douglas County Fairgrounds** has a commercial kitchen equipped with a full service kitchen. The kitchen is used by an in-house catering company at least three times per week. The catering company caters for small groups and groups of 500 people or more.

Factors Affecting Demand for Facilities at Lincoln County's Fairground

This section presents information about the demographic characteristics of Lincoln County's residents and the economic conditions in Lincoln County, and about tourism trends in Lincoln County.

Demographic Factors

Table A- 9 shows that Lincoln County's population grew by about 1,800 between 2000 to 2012, an average annual growth rate of 0.3%. Lincoln County's growth was concentrated in Newport and Lincoln City.

Table A- 9. Population in Oregon, Lincoln County, Newport, Lincoln City, Toledo, Waldport, 2000 to 2012

Area	Population		Change 2000 to 2012		
	2000	2012	Number	Percent	AAGR
Oregon	3,421,399	3,883,735	462,336	13.5%	1.1%
Lincoln County	44,479	46,295	1,816	4.1%	0.3%
Newport	9,532	10,150	618	6.5%	0.5%
Lincoln City	7,437	7,965	528	7.1%	0.6%
Toledo	3,472	3,465	-7	-0.2%	0.0%
Waldport	2,050	2,040	-10	-0.5%	0.0%

Source: US Census Bureau, 2010 and 2000 Census, Summary File 1, Table P1, Population Research Center at Portland State University

Note: AAGR is average annual growth rate

Table A- 10 shows that the State of Oregon forecasts Lincoln County's population will grow at an average annual growth rate of 0.7% between 2010 and 2030, adding about 6,700 new people.

Table A- 10. Forecasted population growth, Oregon and Lincoln County, 2010-2030

Area	Population		Change 2010 to 2030		
	2010	2030	Number	Percent	AAGR
Oregon	3,837,300	4,768,000	930,700	24%	1.1%
Lincoln County	46,135	52,857	6,722	15%	0.7%

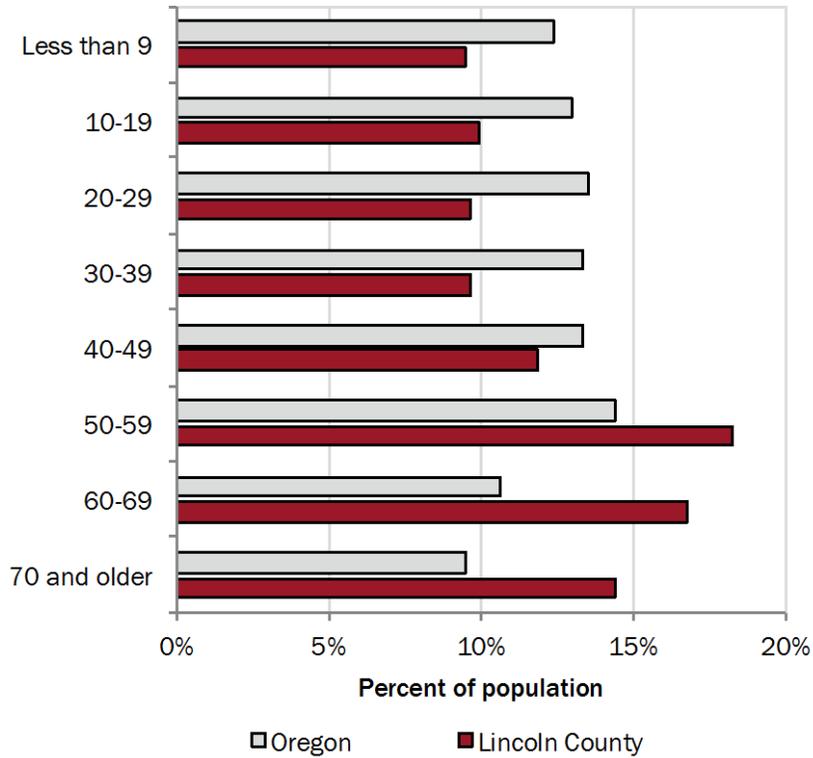
Source: Office of Economic Analysis, State of Oregon

Note: AAGR is average annual growth rate

In summary, the long-run expectation is that Oregon will grow moderately, and Lincoln County will grow slowly.

Figure A- 3 shows that Lincoln County had a larger share of people over 50 years old (49% of the population) than Oregon (34% of the population) in 2010.

Figure A- 3. Age distribution, Oregon and Lincoln County, 2010



Source: US Census Bureau, 2010 Census, Summary File 1, Table P12

Table A- 11 shows the median age of Lincoln County’s population (49.6 years) was substantially older than the median age of Oregon’s population (38.4 years) in 2010, as well as in 2000. Lincoln County’s population aged faster than the State average between 2000 and 2010. This shows Lincoln County is attracting older residents faster than younger residents.

Table A- 11. Median Age, United States, Oregon, and Lincoln County, 2000-2010

	2000	2010	Change 2000 to 2010	
			Change in Years	Percent Change
United States	35.3	37.2	1.9	5%
Oregon	36.3	38.4	2.1	6%
Lincoln County	44.1	49.6	5.5	12%

Source: US Census Bureau, 2010 and 2000 Census, Summary File 1, Table P13

Table A- 12 shows the fastest growing age group in Lincoln County was people older than 45 years old. This trend is consistent with State and national trends. The share of children aged 5 to 17 years old and younger working aged adults (25 to 44 years old) decreased. Some of this decrease may be attributed to aging of the population but the majority of the change in younger population is likely to be the result of out-migration of younger people from Lincoln County.

Table A- 12. Change in age distribution, Lincoln County, 2000-2010

Age Group	2000		2010		Change 2000-2010		
	Number	Percent	Number	Percent	Number	Percent	Share
Under 5	2,173	5%	2,247	5%	74	3%	0%
5-17	7,362	17%	5,706	12%	-1,656	-22%	-4%
18-24	2,904	7%	3,077	7%	173	6%	0%
25-44	10,444	23%	9,177	20%	-1,267	-12%	-4%
45-64	12,910	29%	15,855	34%	2,945	23%	5%
65 and over	8,686	20%	9,972	22%	1,286	15%	2%
Total	44,479	100%	46,034	100%	1,555	3%	0%

Source: US Census Bureau, 2010 and 2000 Census, Summary File 1, Table P12

Economic Trends

Table A- 13 shows median household income in 2000 and 2010-2012,³² inflation adjusted to 2012 dollars. Lincoln County’s median household income in 2010-2012 was nearly \$43,000 or about 90% of the Statewide average median income of \$48,500. Lincoln County’s median income was generally equal to or higher than Coastal counties and lower than Willamette Valley counties.

In constant 2012 dollars, median income in Lincoln County decreased by about \$400, compared to the Statewide average decrease of nearly \$5,000.

Table A- 13. Median Income, Oregon and Lincoln County, 2000 to 2010/2012, adjusted to 2012 dollars

	2000	2010/2012	Change 2000 to 2010/2012		
			Number	Percent	AAGR
Oregon	\$53,349	\$48,525	-\$4,824	-9.0%	-0.8%
Coastal Counties					
Clatsop	\$47,005	\$45,691	-\$1,314	-2.8%	-0.2%
Coos	\$40,781	\$37,345	-\$3,436	-8.4%	-0.7%
Curry	\$39,386	\$38,017	-\$1,369	-3.5%	-0.3%
Lincoln	\$42,726	\$42,342	-\$384	-0.9%	-0.1%
Tillamook	\$44,890	\$42,957	-\$1,933	-4.3%	-0.4%
Willamette Valley Counties					
Washington	\$68,034	\$63,224	-\$4,810	-7.1%	-0.6%
Multnomah	\$53,963	\$50,185	-\$3,778	-7.0%	-0.6%
Clackamas	\$67,545	\$61,682	-\$5,863	-8.7%	-0.8%
Yamhill	\$58,017	\$51,055	-\$6,962	-12.0%	-1.1%
Polk	\$55,351	\$50,178	-\$5,173	-9.3%	-0.8%
Marion	\$52,972	\$45,405	-\$7,567	-14.3%	-1.3%
Linn	\$48,909	\$44,296	-\$4,613	-9.4%	-0.8%
Benton	\$54,734	\$46,238	-\$8,496	-15.5%	-1.4%
Lane	\$47,946	\$41,465	-\$6,481	-13.5%	-1.2%

Source: US Census Bureau, 2000 Census, Summary File 3, Table HCT012; U.S. Census Bureau, American Community Survey, 3-Year Estimates, 2010-2012, S1903

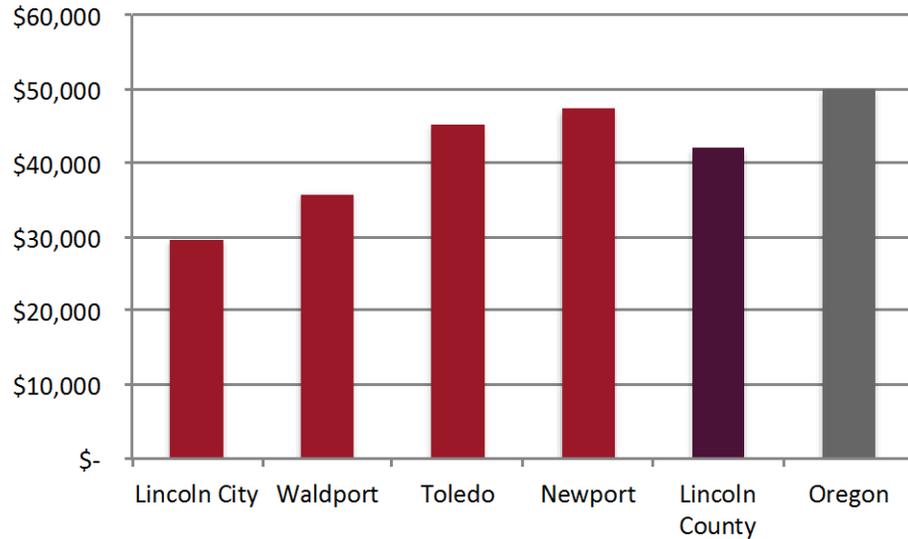
Note: AAGR is average annual growth rate

³² The U.S. Census’ American Community Survey (ACS) is completed every year and is a sample of households in the U.S. The ACS employs a continuous measurement methodology that uses a monthly sample of the U.S. population. For smaller cities and counties, the ACS reports information in 3-year (e.g., 2010 to 2012) or 5-year increments (e.g., 2007 to 2011). The reason the ACS uses 3-year or 5-year reporting periods is that the sample in smaller areas is not large enough to produce a statistically significant results from a one-year sample. By pooling several years of survey responses, the ACS can generate detailed statistical portraits of small geographies, such as Newport.

The ACS provides data in a 3-year increment for Lincoln County and in a 5-year increment for jurisdictions within the County, such as Newport or Lincoln City. The ACS estimates median income using data from the entire period. For example, the median household income in Lincoln County for 2010-2012 (\$42,342) was based on households’ responses to the ACS in 2010, 2011, and 2012.

Figure A- 4 median household income in jurisdictions within Lincoln County for the 2008 to 2012 period (the most recent and shortest period that data for the cities in Lincoln County is available for). Newport and Toledo had the highest median income in the County, at about \$45,000 and \$47,000 respectively.

Figure A- 4. Median household income of Lincoln City, Waldport, Toledo, Newport, Lincoln County, and Oregon, adjusted to 2012 dollars, 2008-2012



Source: US Census Bureau, 2007-2011 American Community Survey 5-Year Estimates, Table B19013
 Note: Figure A- 4 shows median household income for the combined 2008 to 2012 period, in 2012 dollars

Table A- 14 shows that covered employment³³ grew at an average annual growth rate of 0.3% in Lincoln County between 2002 and 2012 (463 jobs). That is an average addition of less than 50 jobs per year. The County’s employment growth rate was similar to the State’s average of 0.4% average annual growth rate.

Table A- 14. Covered employees, Oregon and Lincoln County, 2002-2012

	2002	2012	Change 2002 to 2012		
			Employees	Percent	AAGR
Oregon	1,573,083	1,643,738	70,655	4%	0.4%
Lincoln County	16,664	17,127	463	3%	0.3%

Source: Worksource Oregon/ Oregon Labor Market Information System
 Note: AAGR is average annual growth rate

³³ Covered employment refers to jobs covered by unemployment insurance, which includes most wage and salary jobs but does not include sole proprietors, seasonal farm workers, and other classes of employees.

The U.S. Bureau of Economic Analysis reports that Oregon had 2.23 million total employees in 2012. The Oregon Employment Department reports that the State had 1.64 million covered employees in 2012. Based on this information, covered employment includes about 74% of all employment in the state.

Tourism Trends

The amount of tourism in Lincoln County is likely to be correlated with use of the Fairground: if tourism grows we would expect Fairground attendance to grow, other things being equal.³⁴ Thus, a forecast of tourism (out-of-county visits to Lincoln County) can give an indication of the direction of change for Fairground events. Such a forecast is usually based largely on an examination of (1) past trends in tourism, and (2) other factors that might cause those trends to change up or down.

In terms of economic activity, the biggest impacts of tourism are from direct travel spending, which includes spending on accommodations, food service, recreation and entertainment, retail, and transportation.

Table A- 15 shows change in direct travel spending and travel related tax receipts for Lincoln County for selected years between 1992 and 2012. Between 2000 and 2012, direct travel spending increased by \$83 million (in 2012 dollars).

Local and state lodging tax receipts increased by \$5.8 million (in 2012 dollars) between 2000 and 2012. Some of this increase in lodging tax receipts can be attributed to increases in lodging tax rates. For example, Lincoln County's lodging tax rate in unincorporated parts of the County increase from 6.0% in 1991 to the current rate of 9.0% in 2008. Newport's lodging tax rate increased from 7.0% in 1995 to the current rate of 9.5% in 2005.³⁵

Between 2008 and 2012, lodging tax rates in Lincoln County were at a consistent rate. During that period, lodging tax receipts in the County increased by about \$1.1 million (2012 dollars), growing about 1.3% annually. In comparison, Oregon's statewide lodging tax revenue increase by 2.7% annually between 2008 to 2012.³⁶ This suggests that tourism in Lincoln County is growing but relatively slowly, at about half the rate of tourism growth in Oregon.

³⁴ The relationship is not inevitable: tourism could be of a type that has little demand for Fairground facilities or events.

³⁵ *Local Transient Lodging Tax Survey*, Oregon Tourism Commission, prepared by ECONorthwest in 2008.

<http://industry.traveloregon.com/wp-content/uploads/2013/02/finaltltsurveyresults.pdf>

³⁶ Oregon's statewide lodging tax is 1% and has remained stable since 2003, as documented in ORS 320.305.

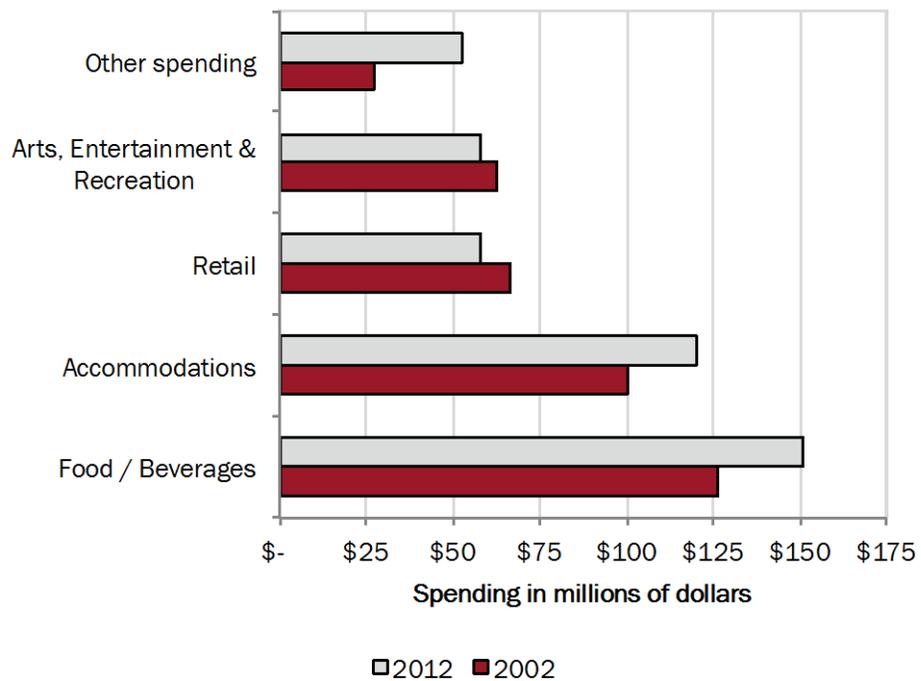
Table A- 15. Direct travel spending and tax receipts related to travel, 2012 \$, Lincoln County, selected years between 1992 and 2012

Years	Direct travel spending (\$million)	Lodging tax Receipts (\$million)
1992	\$266.0	\$11.3
2000	\$364.3	\$15.4
2008	\$482.7	\$20.7
2012	\$447.2	\$21.2
Change 2000-2012		
Difference	\$82.9	\$5.8
Percent Change	23%	37%
AAGR	1.7%	2.7%

Source: Dean Runyan Associates: Oregon Travel Impacts, 1991-2012, Detailed County Estimates

Figure A- 5 shows tourism spending by category in Lincoln County in 2002 and 2012. Visitors spend the largest amounts on food and beverages and on accommodations, each of which accounted for more than one quarter of visitor spending in 2012. Visitor spending for food and beverages, accommodations, and other spending increased over the 2002 to 2012 period (in 2012 dollars). Visitor spending on arts, entertainment, and recreation in 2012 was \$58 million, down from \$63 million in 2002 (in 2012 dollars).

Figure A- 5. Travel Spending by Visitors, Lincoln County, 2012\$, 2002 and 2012



Source: Dean Runyan Associates: Oregon Travel Impacts, 2002-2012p

Table A- 16 shows that Lincoln County had 4.1 million overnight visitors in 2012, about 16 percent of the total number of overnight visitor nights in Oregon. Average daily expenditures per person were \$84 for overnight visitors, with the highest expenditures (\$136) for visitors staying at a hotel or motel. The average stay was 2.3 nights, with the longest stay for people staying in “other” overnight facilities (3.3 nights).

Table A- 16. Average expenditures and visitor volume, overnight visitors, Lincoln County and the Central Oregon Coast, 2012

	Average daily expenditures per person (overnight visitors)	Overnight visitor volume	Average party size	Average length of stay (nights)
Lincoln County				
Hotel or motel	\$136	1,975,000	2.4	1.9
Private home	\$35	574,000	2.6	3.0
Other overnight	\$38	1,597,000	3.3	3.3
All overnight visitors	\$84	4,147,000	2.7	2.3
Central Oregon Coast				
Hotel or motel	\$135	2,266,000	2.4	2.2
Private home	\$33	767,000	2.6	3.4
Other overnight	\$37	2,448,000	3.3	3.8
All overnight visitors	\$77	5,515,000	2.8	2.8

Source: Dean Runyan Associates: Oregon Travel Impacts, 1991-2012, Detailed County Estimates

Note: The Central Oregon Coast is Lincoln County and the western portions of Lane and Douglas counties.

According to a study conducted by Longwoods International for Travel Oregon, for the Oregon Tourism Commission, average daily per person expenditures for visitors to Oregon was \$53 for day trips and \$167 for overnight trips.³⁷ If this ratio holds true for Lincoln County then based on the data in Table A- 16 suggests that average daily expenditures per person for day visitors would be between \$25 and \$30.

The Longwoods International report provides the following information about visitors to Oregon’s Coast:

- Most visitors to the Coast are from within the Pacific Northwest. Two-thirds of visitors to the Oregon Coast are from other parts of Oregon and nearly one-fifth are from Washington.
- Visitation is highest in the spring and summer. Nearly two-thirds of visitors come to the Coast between April and September. About 20% of visitors come to the Coast between January and March, with the remaining visits in October through December.

³⁷ Oregon 2011 Regional Visitor Report, Longwoods International

- About 2/3 of visitors to the Coast were for general vacation purposes. About one-quarter came more specifically for outdoors, resort, or touring. About 10% of visitors to the Coast came specifically for a special event.
- Most people who come to the Coast visit the beach or waterfront. The most common activity at the Coast was visiting the beach and water front, in which two-thirds of visitors engaged. Other common activities included going to a state park, camping, visiting a landmark or historic site.