

# Lincoln County Fairgrounds: Market and Feasibility Analysis for a Multi-Purpose Building

## Preliminary Results

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# Multi-purpose = ??

- ~ 40,000 sq ft (from Blue Ribbon Committee)
- Multiple uses
- Typically:
  - Concrete floor
  - Free span
  - Kitchen, restroom, office storage
- Less common but possible
  - Built to accommodate both meeting / entertainment events and horse events

# Parts of the analysis

- Market analysis
  - Who might use a multi-purpose building?
- Financial feasibility
  - What are the likely net costs?
- Funding opportunities
  - Can we fill financial gaps?
- Benefits and costs
  - Why would we want to?

# I. Market Analysis

# Overview of methods

- Supply (facilities) and demand (events)
- Local and non-local

# Events at the Fairground

- County Fair: biggest annual event
- Other events
  - 160 events in FY 2012-13
  - Almost all are for local groups (mainly 4-H)
  - 40% paid rent but some rents were very low

# Fees for event space

- Price per day
  - Lincoln County Fairground: \$500
  - Comparable fairground facilities: \$275 to \$950
  - Meeting spaces in Newport
    - Meeting rooms for ~40 people: \$70 to \$140
    - Meeting space for 220+ people: \$400 to \$600
- Price per square foot
  - Lincoln County Fairground: 3¢
  - Comparable fairground facilities: 4¢ to 9¢

# Local demand (county)

- Slow population and employment growth
- Decrease in average household income (in 2012\$)
- Implications for future demand
  - About same number of people with same real income. Thus, expect about same demand
  - Market stronger for inexpensive space

# Non-local demand (state)

- Growth has been (1) moderate for population (2) slow for employment
- Decrease in average household income (in 2012\$)
- Implications for future demand
  - Slow long-term growth
  - Prices should be comparable to other fairgrounds
  - Attract existing events from other counties (?)

# If no new multi-purpose building...

- Local demand
  - County Fair event continues
  - Short-run: same users at same low rents
  - Long-run: not much growth
  - Increasing maintenance costs
- Non-local demand: very little

# If new multi-purpose building...

- Local demand
  - Short-run:
    - About the same; maybe higher percent paying and slightly higher fees
  - Long-run: Slow growth
- Non-local demand
  - Short-run: Can compete with other comparable facilities around the State for existing events
  - Long-run: Slow growth
- Types of events would change

# Potential new events

- Retail:
  - E.g., home show, RV show, boat show, gem show, gun show, sportsman show, craft show
- Festivals
  - E.g., Newport Seafood and Wine Festival, music festivals, other locally developed festivals
- Meetings
  - E.g., large or small conferences, meetings (for locals or state-wide meetings held in Newport)
- Private events
  - E.g., parties, banquets, auctions

# Forecast of paying users at new multi-purpose building (in 5 years)

	Use Scenarios		
	Low	Medium	High
Existing Events	34	34	34
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 Events	66	91	113

# II. Financial Feasibility

# Fees

- Existing events: no big change in fees
- Fee range for new events (per event)
  - Large: \$15,000, whole facility, 3 days
  - Private event: \$750, part of facility, 1 day
- Gross revenues (per year)
  - Low use: \$120,000 (\$75,000 to \$120,000)
  - Medium: \$185,000 (\$95,000 to \$185,000)
  - High: \$255,000 (\$105,000 to \$255,000)

# Operational costs (for new building)

- Types of operational costs
  - Labor - highest category of cost
  - Maintenance, utilities, liability insurance, advertising, other expense
- Operational costs – varies by use level
  - Low: \$140,000
  - Medium: \$220,000
  - High: \$290,000

# Capital costs

- County has about \$1 million in reserves for new multi-purpose facility
- Building cost: \$7 million to \$10 million
  - Preliminary: to be refined

# Financial gap

- Operational: Based on revenues user fees only
  - Deficit of \$25,000 to \$40,000
    - Deficit if half of events negotiate a lower rate: \$35,000 to \$60,000
- Capital: Based on existing reserve only
  - Deficit of \$6 million to \$9 million

# III. Other Considerations

# Economic impacts (per year)

- Activity at the Fairground
  - Expenditures: \$145,000 to \$285,000
  - Employees: 1.25 to 3 FTE
  - Payroll: \$55,000 to \$125,000
  - Multiplier effects add another 30%
- Impacts from spending by visitors attending Fairground events (mainly lodging and food)
  - Preliminary estimates: \$3 to \$9 million

# Other impacts

- Other benefits of the Fairground to the County
  - Connection to agricultural history
  - Use by youth groups
  - Higher quality meeting space for local use
  - ...
- Other costs
  - Risk of lesser performance than simulated
  - ...

# Funding

- Existing funding sources
  - Lodging tax revenues the Fairground: \$250,000
  - State Lottery: \$50,000 (Support of the County Fair)
  - Rental fees
- Other common funding sources
  - County general fund
  - Grants for programs
  - Other taxes or fees