



RIVERLINE DISTRICT CONVENTION CENTER

PHASE 2 – BUSINESS PLANNING & FUNDING STRATEGIES

October, 2025

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| 1. Introduction

Transmittal Letter

Re: Phase 2 Business Planning & Funding Strategies

Dear Mayor TenHaken,

C.H. Johnson Consulting, Inc. (Johnson Consulting) is pleased to submit this report to you regarding the Phase 2 Business Planning & Funding Strategies of a convention center in the Riverline District. Pursuant to our engagement, this report fulfills the scope of work outlined in the project proposal submitted by Johnson Consulting to the City of Sioux Falls (the Client).

Johnson Consulting has no responsibility to update this report for events, plan modifications, and circumstances occurring after the date of this report. The findings presented herein reflect analyses of primary and secondary sources of information. Johnson Consulting used sources deemed to be reliable but cannot guarantee their accuracy. Moreover, some of the estimates and analyses presented in this study are based on trends and assumptions, which can result in differences between projected results and actual results. Because events and circumstances frequently do not occur as expected, those differences may be material. This report is intended for the Clients' internal use and cannot be used for project underwriting purposes without Johnson Consulting's written consent.

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

Sincerely,

C.H. Johnson Consulting, Inc.

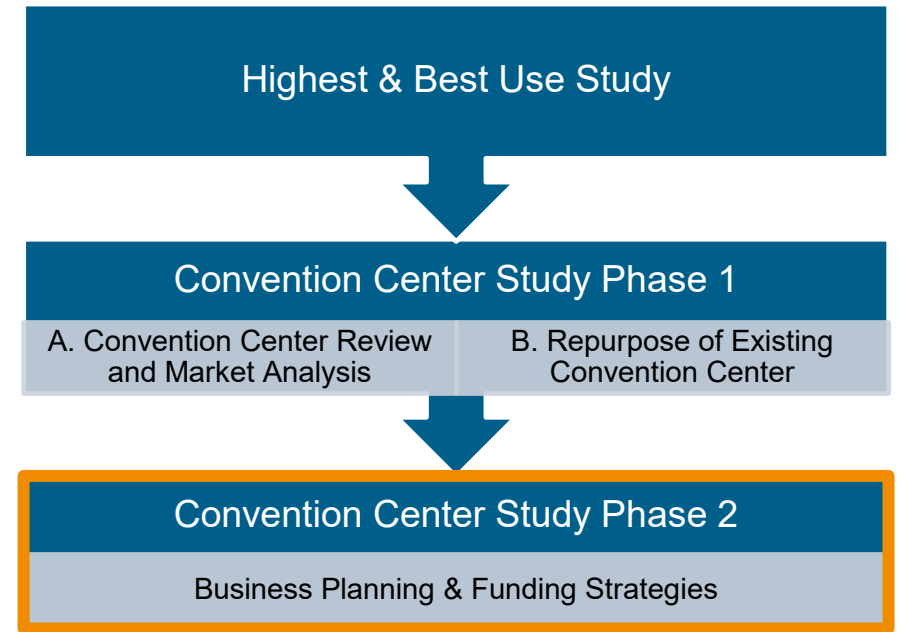
C.H. Johnson Consulting, Inc.

In 2023, Johnson Consulting was retained by the Sioux Falls Development Foundation to perform a Highest & Best Use Analysis and Economic Impact Study for the Riverline District adjacent to Downtown Sioux Falls. The finding of that report was that two products represented “highest and best use” for the District, based on criteria developed by the project’s steering committee: a new baseball stadium and a new convention center. Based on the latter product’s estimated economic impact, in tandem with its potential to catalyze development in the southeast quadrant of Sioux Falls’ downtown, the convention center opportunity was selected for further study.

Phase 1 of that further study was completed in late 2024. The intent was to assess the market feasibility of a convention center at the Riverline District and, if there is market supportability, put together an initial demand strategy for the facility. This occurred concurrently with an analysis by Williams Architects of ways to repurpose the existing convention center.

The analysis performed by Johnson Consulting for Phase 1A indicated a strong opportunity to build a new convention center in Sioux Falls' Riverline District. We recommend the phased approach shown in the table on the bottom right. The recommended initial phase would include a 75,000-square-foot exhibit hall, 40,000 square feet of ballroom space, and 20,000 square feet of breakout meeting rooms. This setup would significantly increase the city's maximum contiguous event space, enabling the attraction of larger conventions and trade shows that previously could not be accommodated.

After reviewing the Phase 1A and 1B reports, the City of Sioux Falls has elected to move on to a second phase of work. This Phase is focused on further exploring the business plan and implementation strategy for the contemplated convention center, and Johnson Consulting's findings, including refined demand and financial projections, discussion of ownership & operating structure, hotel market strategies, and funding strategies, are presented in this report.



Riverline District Convention Center Recommended Program of Event Spaces	
Exhibit Hall Space	75,000 SF
Ballroom Space	40,000 SF
Meeting Space	20,000 SF
Net Usable Function Space	135,000 SF
Largest Contiguous Space	75,000 SF

Source: Johnson Consulting

Executive Summary

The City of Sioux Falls retained Johnson Consulting to complete Phase 2 of the Riverline District Convention Center study, focused on business planning and funding strategies. Building upon prior analysis, which identified a downtown convention center as the Riverline District's highest and best use and determined its market feasibility, this phase refines demand and financial projections, examines ownership and management models, and evaluates funding approaches. The findings reaffirm that while the existing Sioux Falls Convention Center has served the community well, Sioux Falls has evolved into a larger, more dynamic regional hub. A new downtown convention facility would align with the City's growth trajectory and enhance its position as a center for commerce, tourism, and events.

Site visits to Fort Wayne, Indiana, and Grand Rapids, Michigan, provided key insights into successful models for convention facility development and governance. Both communities leveraged convention investments to drive downtown revitalization and sustained growth. The Grand Wayne Convention Center and DeVos Place Convention Center illustrate the benefits of public authority ownership, integrated hotel connectivity, diversified funding, and consistent civic leadership. These case studies highlight the importance of coordinated public, private, and philanthropic partnerships and governance structures that balance accountability with long-term continuity.

The recommended program for the Riverline District convention center includes approximately 75,000 square feet of exhibit space, 40,000 square feet of ballroom space, and 20,000 square feet of meeting rooms. The total project cost, including an underground parking structure and site improvements, is preliminarily estimated to be between \$225 million and \$250 million. The proposed facility would anchor redevelopment of the Riverline District, create additional connectivity to the riverfront, and catalyze private investment in hotels, restaurants, and mixed-use projects.

At stabilization, the facility is projected to host approximately 277 annual events, attract more than 210,000 attendees, and generate over 65,000 hotel room nights per year—nearly triple the current impact of the existing convention center. Total annual economic output is projected at \$55.8 million by Year 5, supporting about 278 full-time equivalent jobs and producing \$2.7 million in annual state and local tax revenues, including \$1.3 million accruing directly to the City. These impacts position the facility as a major economic driver and cornerstone of Sioux Falls' downtown growth strategy.

Executive Summary

The hotel market analysis confirms a need for additional lodging capacity near the Riverline site, which currently has just 297 rooms within a 15-minute walk. To ensure competitiveness, Johnson Consulting recommends concurrent development of 300 to 400 new rooms – ideally one full-service and one select-service hotel – connected or adjacent to the facility. Room-block agreements will be critical to ensuring long-term coordination between hotel operators and convention bookings.

Ownership and governance options evaluated include direct City ownership, public authority ownership, and hybrid public-private models. Johnson Consulting recommends consideration of a dedicated public authority, modeled on the successful entities in Fort Wayne and Grand Rapids, to enable shared governance, depoliticized management, and access to broader funding mechanisms. Day-to-day operations should remain under a professional third-party manager, such as Legends Global, to ensure operational expertise and market reach. Further, coordination between the various assets in the City's event portfolio, including the contemplated new convention center, existing events center campus, and others, will be critical to maximizing performance.

Funding will require a diversified approach, combining City capital reserves, state and federal grants, philanthropic support, and naming rights revenue. Limited-obligation or special-revenue bonds backed by hotel tax collections are recommended as a core financing mechanism, potentially supported by a tax recapture district or tourism development zone. Ongoing support could be enhanced through adjacent land-lease revenues and cross-subsidies from other City-owned venues.

The Riverline District convention center represents a transformative opportunity to expand Sioux Falls' visitor economy and reinforce its role as a regional destination. The project aligns with the City's long-term goals for downtown revitalization, economic diversification, and quality of place. Next steps include formalizing partnerships, confirming ownership and management structure, and advancing a funding plan to position Sioux Falls for successful implementation of this generational investment.



| 2. Site Visits Summary & Findings

Introduction

A critical component of this phase of work was visits to two markets and three facilities: the Grand Wayne Convention Center and Allen County War Memorial Coliseum in Fort Wayne, Indiana, and the DeVos Place Convention Center in Grand Rapids, Michigan. These visits included walking tours of the relevant facilities and public infrastructure, as well as meetings with leadership from relevant facilities, convention and visitors bureaus, economic development organizations, and governments. This process played a crucial part in the creation of a site development plan for the Riverline District and the formulation of a comprehensive business plan for the contemplated convention center.

The goals of this process were as follows:

- 1. Refine program of spaces & site development plan
- 2. Explore project development processes for successful convention center developments
- 3. Understand pros and cons of various ownership and operating structures

Riverline Center Site Visit Markets - Key Attributes Benchmarking				
	Existing Sioux Falls Convention Center	Grand Wayne Convention Center	DeVos Place Convention Center	Riverline Center
Location	Sioux Falls, SD	Fort Wayne, IN	Grand Rapids, MI	Sioux Falls, SD
Market Overview (1-Hour Drive Time)				
Population (2024)	426,450	902,270	1,862,670	426,450
Population (2029)	453,218	910,017	1,881,834	453,218
Projected Population CAGR* (2024-2029)	1.23%	0.17%	0.20%	1.23%
Facility Attributes				
Exhibit Space (SF)	33,600	50,000	162,000	75,000
Ballroom Space (SF)	16,800	16,000	40,000	40,000
Meeting Space (SF)	10,110	12,598	32,000	20,000
Total Function Space (SF)	60,510	78,598	234,000	135,000
Largest Space (SF)	50,400	50,000	162,000	75,000
*Compound annual growth rate				
Source: Relevant Facilities, Esri, Johnson Consulting				

Fort Wayne Overview

Fort Wayne offers two major event facilities that serve distinct roles within the regional market. The Grand Wayne Convention Center (GWCC), situated in the heart of downtown, anchors the city's overnight tourism strategy and supports conventions, meetings, and destination-driven events. It is owned by the Allen County-Fort Wayne Capital Improvement Board (CIB). In contrast, the Allen County War Memorial Coliseum is located farther from the city center and primarily serves local and regional community events, including sports, trade shows, and concerts.

The city benefits from a vibrant downtown that has seen ongoing reinvestment and revitalization, making it an appealing destination for visitors and event planners alike. As a regional hub surrounded by rural and agricultural communities, Fort Wayne draws attendees from a wide geographic area, supporting its dual-facility event infrastructure and bolstering the local hospitality economy.

Fort Wayne was selected largely because of its comparable size to Sioux Falls (~270,000 residents vs. Sioux Falls' ~220,000), though it is at a more advanced stage of development as a destination. Additionally, the presence of multiple, complementary venues which allow it to serve a wide range of event types and audience segments was identified as a strategy which Sioux Falls could pursue, depending on how the existing Sioux Falls Convention Center on the Event Center Campus evolves.



Allen County War Memorial Coliseum



Grand Wayne Convention Center

Grand Rapids Overview

Our site visit to Grand Rapids was focused on the DeVos Place Convention Center (DPCC), which is the City's flagship event facility located along the downtown riverfront. Its design is notable for creatively incorporating large event spaces, including sizable performance and recital halls, within a multi-floor layout that fits seamlessly into the dense urban fabric. This architectural approach allows the facility to maximize its footprint while maintaining strong connections to surrounding amenities and attractions. In particular, the facility's connectivity to the riverfront was identified as a potential opportunity for the contemplated Riverline District convention center.

The surrounding market is defined by a vibrant, walkable downtown that has been significantly revitalized through strategic public investments in the convention center and riverfront infrastructure. The high-quality riverfront environment not only enhances the visitor experience but also serves as a year-round attraction for locals and tourists alike. The success of this area highlights how public commitment to placemaking and event space can serve as a catalyst for broader economic and community development.

Grand Rapids was selected as a case study because of the innovative design of DeVos Place and its role in driving downtown revitalization. The convention center stands as an economic development success story, with its riverfront location and integration into the urban landscape playing a central role in its impact. It demonstrates how thoughtful design and public-private investment can transform underutilized urban areas into thriving, multifunctional destinations. Additionally, its ownership entity, the Grand Rapids-Kent County Convention/ Arena Authority (CAA), represents a strong model for how a portfolio approach to public facilities can create synergies for the destination as a whole.



Exterior



Exhibit Hall



Pre-Function/ Lobby



Meeting Rooms

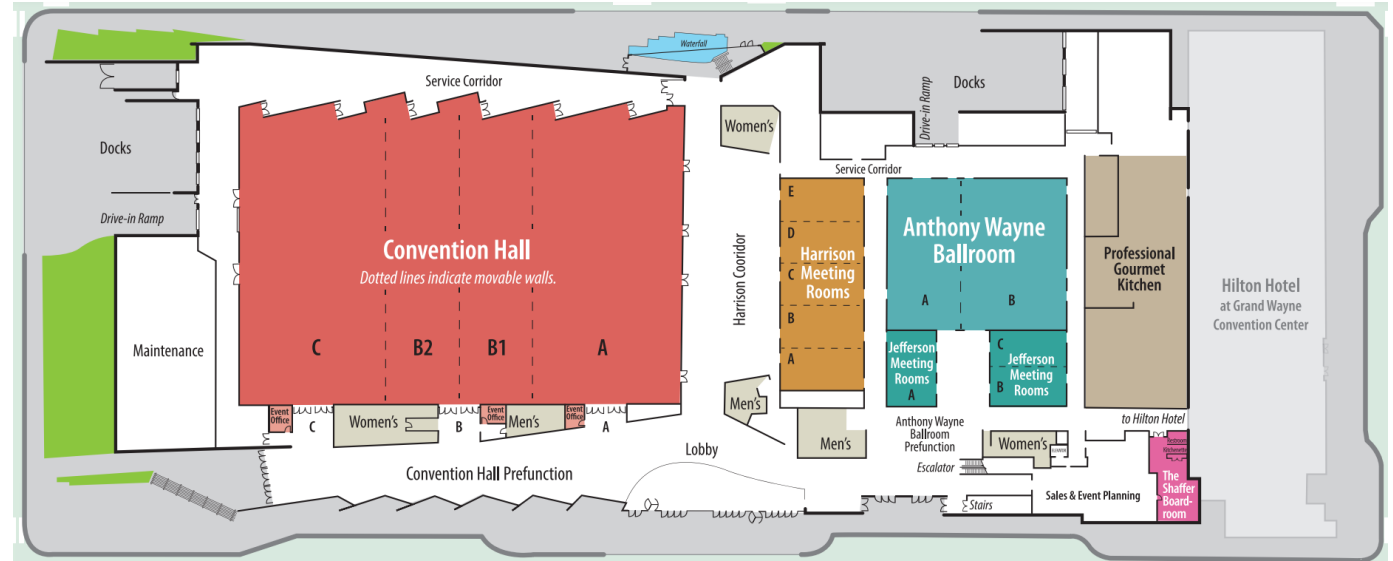
Key Findings

Expansion Planning

When the GWCC was initially built, it was comprised exclusively of meeting rooms and two small ballrooms – more akin to a conference center than a typical convention center. It was also located such that it was completely hemmed in, surrounded on three sides by streets with the fourth being the connected Hilton hotel. When the facility was expanded in 2005, the only way to add the 50,000 square foot convention hall was to build across Harrison Street to the west, eliminating that right-of-way and turning it into the “Harrison Corridor” shown in the floor plan diagram on the right. Though this solution was clearly workable, it was not optimal and emphasizes the importance of having a plan for future expansion.

Views and River Connectivity

The DPCC’s riverside location positions it to have access to natural beauty despite its location in Grand Rapids’ dense downtown. The facility takes advantage of that with a set of second floor “river overlook” meeting rooms as well as a pre-function corridor and outdoor balcony which provide function and pre-function space with views of the Grand River. These spaces are ideal for receptions or executive sessions, and help create a sense of place and local identity for the facility.



Key Findings

Connected Hotels & Public Participation

A robust inventory of connected and adjacent hotel rooms plays a significant role in the success of both the GWCC and the DPCC. The GWCC is directly connected to a Hilton, with only a change in carpet denoting the transition from one building to the other. It is also connected via Skywalk to a Courtyard by Marriott, and is directly across the street from a Hampton Inn & Suites. In total, there are 756 hotel rooms within a 15-minute walk of the GWCC. The DPCC is similarly well-served by hotels, with 2,390 rooms within a 15-minute walk of the facility. It has three hotels connected via skywalk, totaling 1,206 rooms: the Amway Grand Plaza, JW Marriott Grand Rapids, and Courtyard Grand Rapids Downtown.

The presence of these hotels was paramount in the development process of both convention centers. When the GWCC was built in the mid-1980s, there was no hotel inventory in downtown Fort Wayne. In order to secure a full-flag Hilton, the City and CIB had to incentivize the hotel's development. This incentive took two forms: the first was the City guaranteeing the hotel's debt service payments in the event of a default; this default did come to pass, and the City briefly contributed to the Hilton's debt service payments. The second was allowing the Hilton to be the food service provider for the convention center and share in those revenues, a relationship which continues to this day.



Though these concessions were costly, they were critical to securing the needed level of quality in what was, at the time, a very challenging hospitality environment in downtown Fort Wayne. The investment in both the Hilton and the GWCC helped jumpstart Fort Wayne's hotel market and destination growth – the building was originally financed by a bond on innkeeper's tax collections to be paid off over a 30-year term, but the GWCC's success in catalyzing the community's development led to those collections paying off the building's debt in just 13 years.

Key Findings

Connected Hotels & Public Participation

The development process for the Courtyard by Marriott connected to the GWCC also involved a public incentive. The hotel is part of the Harrison Square development, which was completed in 2009 and also includes a minor league ballpark (Parkview Field), a residential/ office/ retail building, a public parking garage, a public plaza, and the Hampton Inn & Suites (completed in 2019). The CIB identified a need for additional hotel rooms to support the GWCC, as well as the opportunity for those rooms to also support the ballpark project, and agreed to contribute \$250,000 per year over 20 years to help finance the hotel. Despite these incentives, hotel availability was still identified by GWCC management as a challenge for the facility. Largely, this is because neither of the incentive agreements involved dedicated room block agreements between the hoteliers and the GWCC, meaning that as the market has grown its leisure and business sectors, these hoteliers have been less willing to commit room blocks for events at the convention center. Including a room block commitment into any hotel public incentive agreement is critical to ensuring the long term success and sustainability of a new convention center.

The Amway Grand Plaza and JW Marriott Grand Rapids connected to the DPCC were not directly incentivized by public dollars in the same way as those in Fort Wayne. However, their ownership entity, AHC Hospitality, is a subsidiary of the Amway Corporation whose founders, Jay Van Andel and Richard DeVos, were instrumental in facilitating the visioning, financing, and construction of the DPCC. The Amway Grand Plaza, which is a historic property originally built in 1913, was purchased and updated by AHC Hospitality in 2005 as the DPCC was opening to serve as the facility's headquarters hotel. The hotel was again renovated and updated in 2021. The JW Marriott was opened in 2007 and similarly was intended to serve the DPCC.

The scale and quality level of these properties would likely not have been supported by Grand Rapids' hospitality market in the mid-2000s. However, the Van Andel and DeVos families understood the importance of having dedicated hotel inventory to serve the DPCC, and their investments have helped the DPCC thrive and catalyzed the downtown hospitality environment – since the building opened in 2005, downtown hotel inventory has more than doubled.



Key Findings

Distributed Parking

Neither the Grand Wayne Convention Center nor the DeVos Place Convention Center has a dedicated parking garage; rather, each facility directs visitors to various nearby downtown parking garages, some of which are connected via sky bridge. In both cases, facility management indicated that this was not a major issue for attracting events, as the targeted attendees tend to be people who either flew to the market and don't have a car with them or who are staying multiple nights and prefer to park their car once and walk everywhere after that (which the walkability of downtown Grand Rapids and Fort Wayne facilitates). This parking solution can also represent an ongoing funding source; the CAA owns some of the downtown parking, generating roughly \$750,000-\$1M in annual revenue for the Authority.

Public Authority Ownership Model

Both the GWCC and the DPCC are owned by public authorities – the Allen County-Fort Wayne Capital Improvement Board (CIB) and the Grand Rapids-Kent County Convention/ Arena Authority (CAA), respectively. Both of these authorities were created as part of the development process of the GWCC and DPCC, both are intergovernmental partnerships, and both were carefully designed to ensure long term support of the community's strategic goals.

The CIB was created in 1971 by State legislation (P.L. 277) and originally called the Fort Wayne–Allen County Convention and Tourism Authority (CTA). Its stated purpose was to fund, build, and operate a convention center in downtown Fort Wayne. The GWCC opened in 1985, funded by innkeeper's tax collections. The CTA became the CIB in 2009, again via State legislation (IC-36-10-8 & IC-6-9-33), and the authority was further tasked with overseeing the disbursement of Allen County's supplemental food & beverage tax.

The CIB is governed by a seven-member board of directors. Three are appointed by Fort Wayne's mayor, with one of those three required to be a member of the local hospitality industry (e.g., a hotelier). Three are appointed by the Allen County Commissioners, and the seventh board member is selected by the other six and serves as president. No more than four of the seven board members can be affiliated with the same political party. Per conversations with facility management, this structure has ensured non-partisan oversight for the CIB and GWCC which balances County and City needs and goals, helping the facility and the broader community thrive.

Key Findings

Public Authority Ownership Model

The CAA was established in 2000 during the planning and development process for the DPCC as a joint venture between the City of Grand Rapids and Kent County, enabled by Michigan's Convention Facility Authority Act of 1999. Its stated mission is "To encourage economic development within the West Michigan region, create jobs, and provide facilities for the entertainment, enjoyment, and/or benefit of the citizens in an economical manner by developing and operating convention, entertainment, and sports facilities within Kent County." The Authority owns the DPCC, DeVos Performance Hall (which shares a building with the DPCC), and the Van Andel Arena, and will also own the Acrisure Amphitheater and Amway Stadium, both of which are currently under construction in Grand Rapids' downtown.

Like the CIB, the CAA is governed by a seven-member board of directors. Two are appointed by Kent County Commissioners (typically one sitting commissioner and one private citizen with a hospitality background), two by the City of Grand Rapids (typically the mayor and a private citizen involved in economic development), two by Experience Grand Rapids, the community's convention and visitors bureau (CVB), and one by the governor of Michigan (typically a businessperson). The enabling legislation for the CAA was written such that a maximum of two elected officials can serve on the board at any given time. Facility management indicated that this board structure has been very successful over the CAA's 25 years of operations, helping provide expertise and oversight while keeping political concerns from entering the equation.

Management Strategy

Though their ownership structures are similar, the GWCC and DPCC have varied in their approaches to management strategy, both with significant success. The CIB, in addition to owning the GWCC, is responsible for operating the facility. This includes both the sales and marketing of the GWCC as well as day-to-day operations (though note that food service is managed by the attached Hilton hotel). Within that operating strategy, the GWCC's first priority is producing economic impact (in terms of room nights and visitor spending) as opposed to revenue. The CIB enables this by dedicating five points of Allen County's eight percent innkeeper's tax to funding the building, which enables it to target events with greater economic impact potential rather than events which drive the most revenue and allows for initiatives such as discounting rent to bring in particularly high-impact events.

Key Findings

Management Strategy

The GWCC is notable from a management perspective in that it is not the only major event facility within Fort Wayne. Rather, it shares the market with the Allen County War Memorial Coliseum (ACWMC), which features an arena, a large expo hall, and a conference center on an expansive campus on the City's north side. The ACWMC is owned and operated by an enterprise fund by Allen County and, unlike the GWCC, is expected to cover its own operating expenses with generated revenues. The result of this is a strategy geared more towards revenue, as well as towards more local and regional events.

These local and regional events – consumer shows, sporting events, etc. – are also more appropriate for the ACWMC's suburban context, which provides easy vehicle access and ample parking, than they would be for downtown Fort Wayne, while the GWCC's target market of out-of-town events are not as appropriate for the ACWMC which lacks walkable amenities and on-site hotel inventory. Thus, the two venues complement rather than compete with each other, a portfolio approach which allows Fort Wayne to serve multiple sectors of the event market. Visit Fort Wayne, the community's CVB, serves as a coordinating entity in this respect; when event leads come in, it helps bring them to the most appropriate facility.

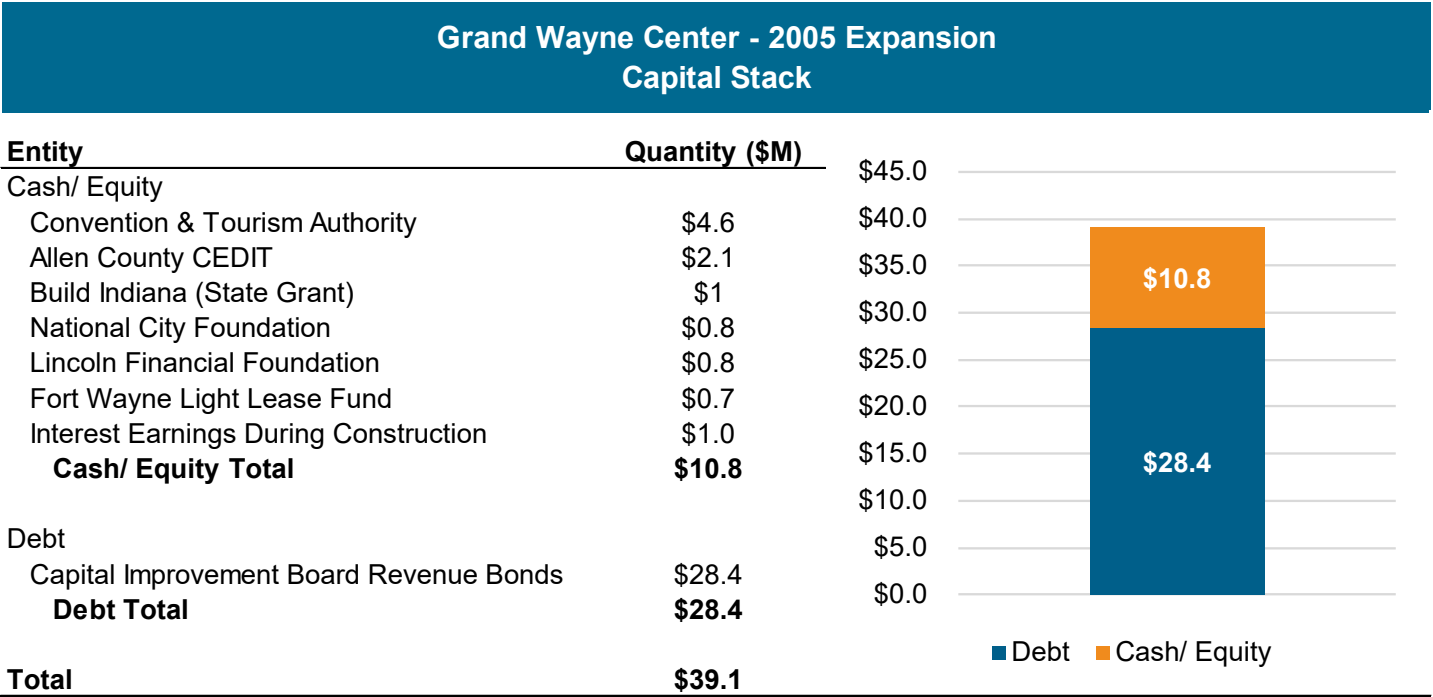
The CAA in Grand Rapids has also employed a portfolio approach, albeit with differing details. As discussed, the CAA owns the community's major public assembly assets, but rather than self-operate them it has retained ASM Global, recently renamed Legends Global due to a merger with the company Legends, to provide private management services across those assets. This consistency in management allows for the facilities to essentially operate in lockstep, ensuring that events are being booked on complementary dates and cross-facility synergies (such as using the arena as an off-site location for major conventions) are being maximized. Additionally, this structure is advantageous in terms of financial sustainability. Unlike the GWCC, the DPCC's ongoing operations are not subsidized by any tax revenues; rather, the CAA as a whole is required to break even operationally across its assets. The Van Andel arena typically runs a significant surplus (roughly \$5M in 2024 according to facility management), while the DPCC and DeVos Performance Hall break even or operate at a deficit, with the net result being a balanced operating statement.

Key Findings

Capital Financing Strategies

Both the GWCC and DPCC have employed creative capital financing strategies utilizing a multitude of partners and sources. The GWCC’s original construction was fairly straightforward, with a 30-year bond against innkeepers tax which was paid back in just 13 years. Its renovation and expansion however (completed in 2005), was more complex, as is illustrated by the chart on the right.

The bulk of the \$39.1M project was funded by \$28.4M of revenue bonds issued by the CIB and repaid by innkeeper’s tax collections. This was supported by numerous equity sources, including \$4.6M from the CVB, \$2.1M from Allen County, as well as various grants from the State, City, and philanthropic foundations.



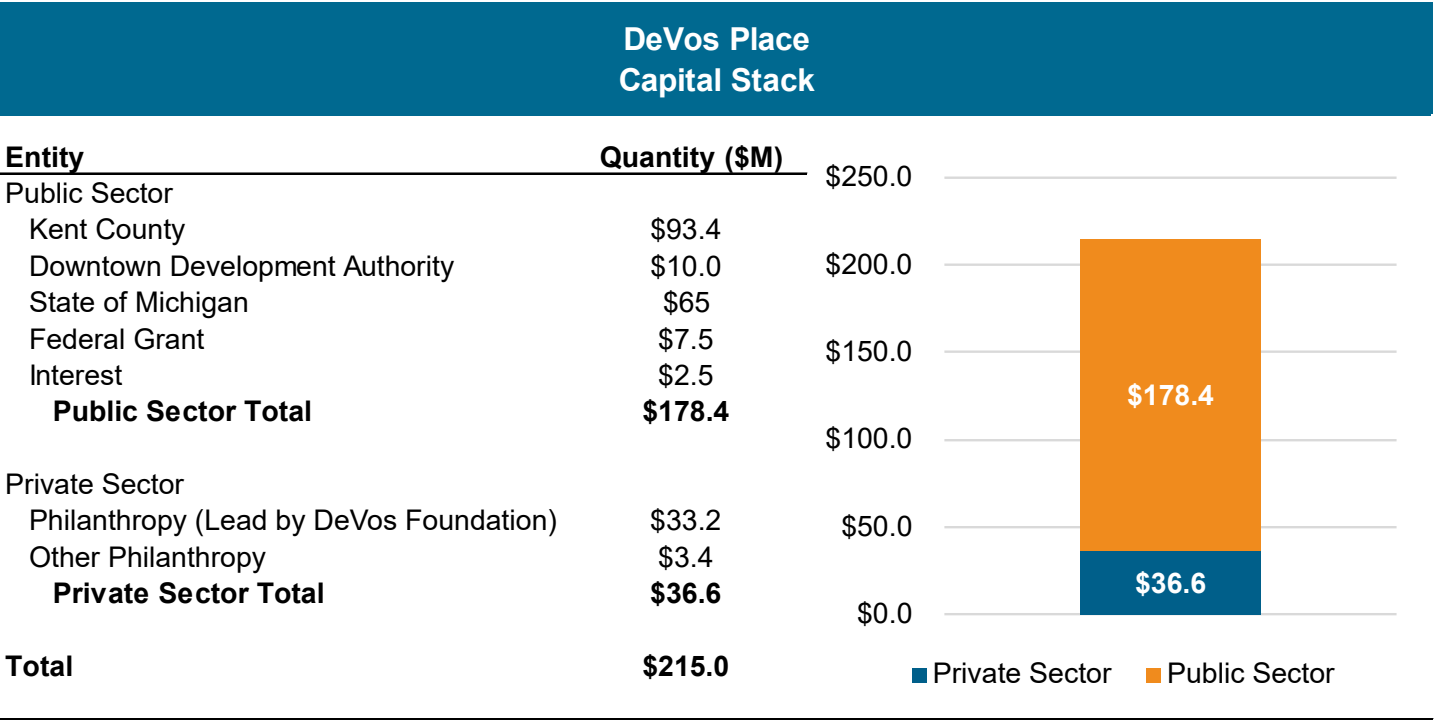
Source: Fort Wayne-Allen County Capital Improvement Board, Johnson Consulting

Key Findings

Capital Financing Strategies

The DPCC’s 2005 construction had an even more complex funding strategy. The largest funding source came from Kent County, which issued roughly \$93.4M of revenue bonds backed by hotel tax collections. Grants from the Downtown Development Authority (\$10M), State of Michigan (\$65M), U.S. Federal Government (\$7.5M), and interest earnings (\$2.5M) made up the balance of the public sector’s total contribution of \$178.4M. Meanwhile, the private sector contributed \$36.6M, led by the DeVos Foundation’s gift of \$33.2M.

Both of these projects demonstrate the value of a diverse and creative capital stack. Involving a variety of partners, both public sector (city, state, county, and federal entities) as well as private sector (individual donors and philanthropic institutions), reduced the financial burden on any individual body. This creativity is particularly critical today given recent escalation in construction costs.



Source: Grand Action, Johnson Consulting

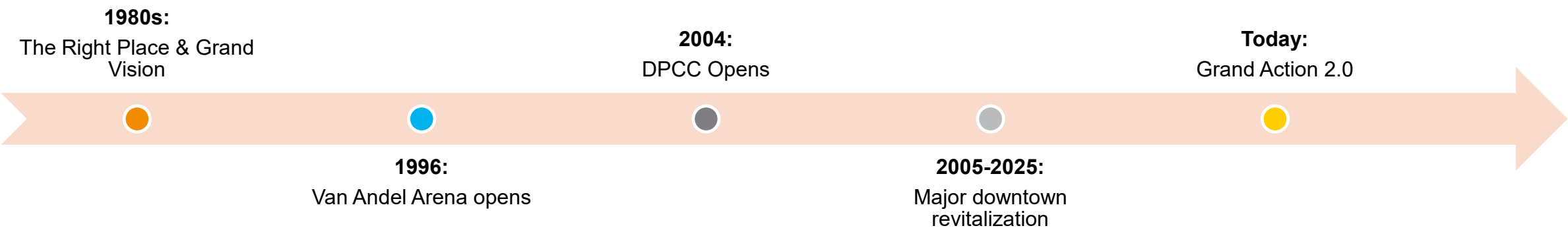


Key Findings

Long-Term Vision and Continuity

One of the most resonant takeaways from both site visits, and from Grand Rapids in particular, is the importance of long-term vision and continuity of leadership in executing transformational public investments over a long period. In the 1980s, Grand Rapids was facing much of the de-investment and economic decline common among many Rust Belt cities. A group of local business leaders, hoping to revitalize the community, formed an economic development corporation called The Right Place in 1985 and a public-private partnership task force called Grand Vision in 1991. Grand Vision underwent an extensive study process to explore building an arena and rebuilding the community’s convention center. In 1993, Grand Vision changed its name to Grand Action, and set its primary objectives as, “to identify downtown building and revitalization projects, to galvanize public opinion and support for these projects, and to design and implement funding strategies for each project, including securing enough private sector support to guarantee funding from existing public funds.”

The first major Grand Action project was the Van Andel Arena, a 12,000-seat multipurpose arena which hosts minor-league hockey, G-League basketball, and professional volleyball, as well as various concerts and entertainment events. The majority of the \$77M project was financed by \$56M of bonds from the City of Grand Rapids, with the remaining \$21M coming from private philanthropy and investment. This project’s success led to the construction of the DPCC, which was similarly driven by Grand Action in partnership with the City of Grand Rapids, Kent County, and the State of Michigan. In both of these projects, Grand Action led the up-front study, partner assembly, private fundraising, and structuring of the CAA (which owns both the arena and DPCC).



Key Findings

Long-Term Vision and Continuity

Largely as a result of these critical investments, Grand Rapids’ downtown has seen a major revitalization. Hotel and multifamily inventory in the downtown have doubled over the last 20 years, with the neighborhood transforming into a live-work-play destination. Grand Action has evolved into Grand Action 2.0 and continued to make strategic investments in downtown public facilities.

The table on the top right summarizes Grand Action’s various downtown projects. Following the construction of the Van Andel Arena and DPCC, Grand Action helped raise funds for a \$10M renovation of the historic Majestic Theatre. Concurrently, it formed a stakeholder group with Michigan State University, the Van Andel Institute, St. Mary’s Health Care, and The Right Place to explore moving MSU’s College of Human Medicine to downtown Grand Rapids, a process which culminated in the 2010 completion of the \$90M Secchia Center. Following this project, it led the study, funding, and development of the Grand Rapids Downtown Market, which opened in 2013 and houses local restaurants and vendors as well as public events and private rentals. The organization’s current projects include Amway Stadium, an 8,500-seat professional soccer stadium which is expected to be completed in 2027, and Acrisure Amphitheater, a 12,000-seat amphitheater currently being planned for a site just down the river from the DPCC.

Though most of these projects have had significant public participation in their planning, financing, and development, they have all been led by the private sector in the form of Grand Action and Grand Action 2.0. This has led to continuity in priorities across political administrations and shifts in the market and helped enable these transformational projects.

Grand Action Downtown Projects			
Project	Investment (\$M)		
	Total	Public	Private
Van Andel Arena	\$77	\$56	\$21
DeVos Place	\$215	\$182	\$33
Civic Theater	\$10	\$0	\$10
MSU Secchia Center	\$90	\$50	\$40
Downtown Market	\$30	\$10	\$20
Amway Stadium (Under Construction)	\$175	\$115	\$60
Acrisure Amphitheater (In Planning)	-	-	-

Source: Grand Action, Johnson Consulting



3. Site Development Plan & Preliminary Cost Estimates

Overview and Preliminary Cost Estimate

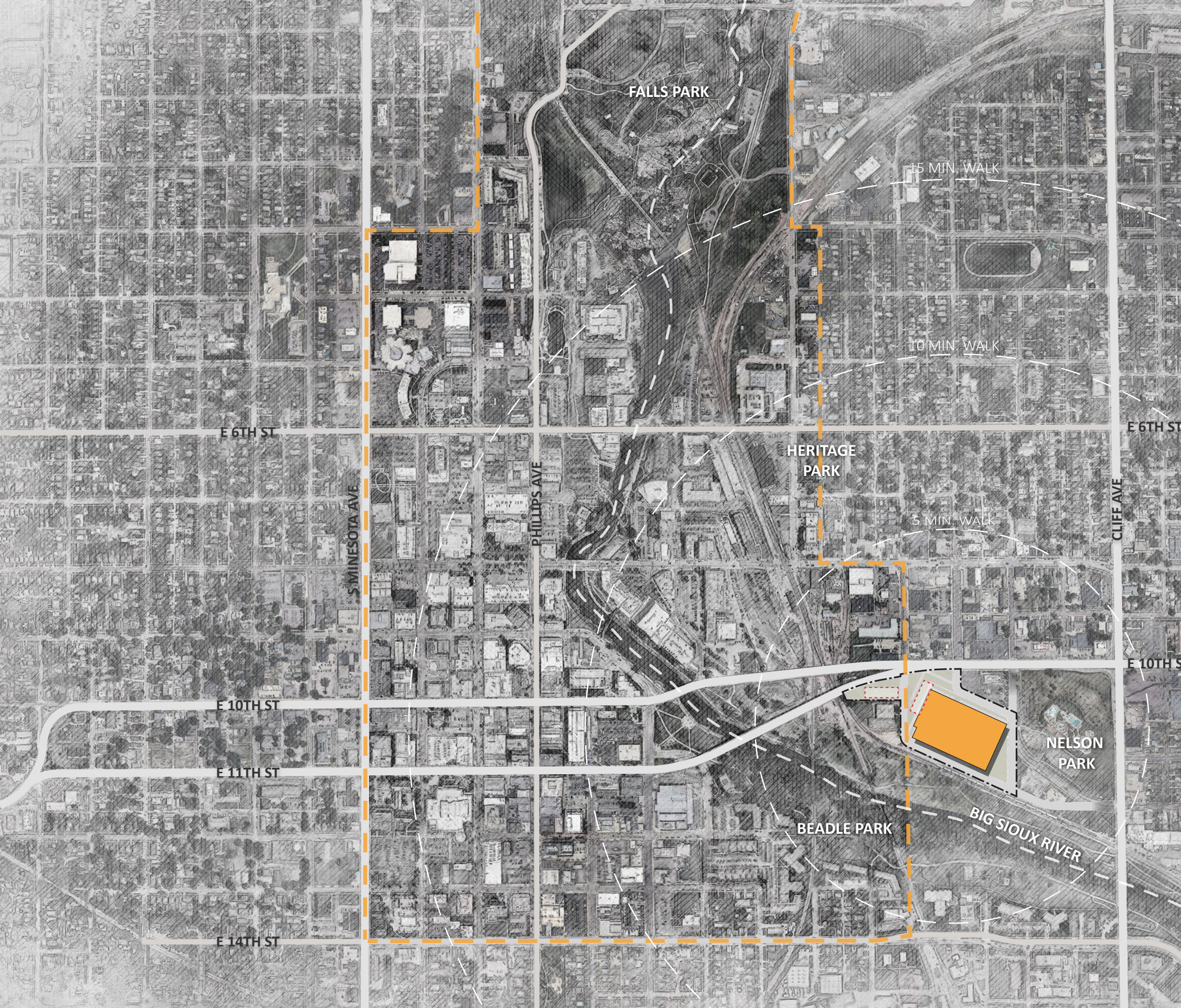
In order to facilitate the City of Sioux Falls’ purchase of the Riverline site, Johnson Consulting partnered with CO-OP Architecture to craft a site development plan for a convention center in the Riverline District. Additionally, CO-OP generated preliminary cost estimates for the project, based on per-square-foot costs for comparable projects locally and regionally.

As the table below shows, the preliminary cost estimate for the project, which would include the development of the proposed convention center as well as a 1,000-space underground parking garage and additional site work and landscaping, is between \$225M-\$250M. Note that these values do not account for inflation, and that they are preliminary at this stage. As the project advances and design begins, the cost estimate will be further refined. The balance of this section highlights the site development plan created by CO-OP.

Riverline District Convention Center Preliminary Cost Estimate							
Exhibit Hall Space	75,000 SF						
Ballroom Space	40,000 SF						
Meeting Space	20,000 SF						
Net Usable Function Space	135,000 SF	\$	550	\$	600	\$	74,250,000 \$ 81,000,000
Gross-Up Ratio*	2.5						
Pre-Function & BOH Space	202,500 SF						
Gross Space	337,500 SF	\$	550	\$	600	\$	185,625,000 \$ 202,500,000
BELOW GRADE PARKING	1,000 SPACES	\$	37,000	\$	45,000	\$	37,000,000 \$ 45,000,000
ADDITIONAL SITE PLAZA WORK	50,000 SF	\$	50	\$	60	\$	2,500,000 \$ 3,000,000
TOTALS						\$	225,125,000 \$ 250,500,000

*Industry standard assumption

Source: Johnson Consulting, CO-OP Architecture, Hausmann Construction



SITE TEST FIT

This programmatic test fit explores the opportunity for a new Convention Center in Sioux Falls, South Dakota—a civic anchor that supports future growth in tourism, events, and community engagement.

URBAN CONNECTIVITY

Positioned at the edge of a vibrant downtown district, the site offers strategic proximity to the city core, the Big Sioux River, and surrounding neighborhoods. The radius circles on the site plan illustrate the close proximity that this site has to its urban context. Connectivity to both the downtown core, scenic Big Sioux River, and neighborhood districts will be an integral part of the projects' success.

SITE PLAN APPROACH

The massing study demonstrates how the building can fit within the designated parcel while maintaining respectful adjacencies—particularly to Nelson Park and nearby community assets. Public-facing elements are oriented toward 10th Street and surrounding neighborhoods, while service access is routed along the south edge of the site for efficiency and discretion.

PROGRAM OVERVIEW

The test fit includes two above-grade levels with Exhibit Halls, a Ballroom, Meeting Rooms, public lobbies, and support spaces. One to two levels of below-grade parking provide approximately 1,000 spaces and elevate key program areas above potential flood risk.





BALLROOM
40,000 SF

EXHIBIT HALL
75,000 SF

MEETING
20,000 SF

HOTEL

TOTAL PROGRAM BOTH LEVELS:

Exhibit Hall Space:	75,000sf
Ballroom Space:	40,000sf
Meeting Space:	20,000sf
Pre-Function & BOH Space:	202,500sf
Total:	337,500sf

LEVEL 01 PROGRAM

The first level emphasizes public-facing spaces along the north and west edges to connect with the surrounding urban context. Service functions are located along a rear drive, with a deep back-of-house zone for loading, mechanical, and storage needs. Light-colored areas indicate pre-function and lobby spaces that support the primary exhibit and meeting areas shown in the colors above. Darker shades represent service zones related to those programs. The plan also highlights two potential hotel sites, each with an approximate footprint of 15,000 SF, reinforcing opportunities for future mixed-use development.

LEVEL 01





BALLROOM
40,000 SF

EXHIBIT HALL
75,000 SF

MEETING
20,000 SF

HOTEL

TOTAL PROGRAM BOTH LEVELS:

Exhibit Hall Space:	75,000sf
Ballroom Space:	40,000sf
Meeting Space:	20,000sf
Pre-Function & BOH Space:	202,500sf
Total:	337,500sf

LEVEL 02 PROGRAM

The second level wraps around the double-height Exhibit Hall, offering elevated views toward downtown, the riverfront, and surrounding neighborhoods. A feature Ballroom anchors the northwest corner, positioned for strong visual and spatial connections. Lighter tones in the plan represent pre-function and lobby spaces that support the Ballroom and meeting areas, while darker shades indicate associated service zones. These service areas are stacked above Level 01 back-of-house zones to enable efficient vertical circulation.

LEVEL 02

CO

OP



| 4. Operating Projections & Impact Estimates

Overview

This section contains demand & financial projections and economic & fiscal impact estimates for the contemplated convention center. Note that the demand projections have been slightly revised from the Phase 1a report based on conversations with facility management during the site visits to Fort Wayne and Grand Rapids as well as 2024 data from the existing SFCC (which was not available for the prior iteration of these projections).

Event Demand

The table on the right shows revised event demand projections for the proposed Riverline District convention center. As can be seen, the facility is expected to host 227 total events in its first year of operations, including 30 “exhibit events” (i.e., events utilizing most or all of the exhibit hall) and 197 “non-exhibit events”. This demand is projected to ramp up to reach 277 annual events in Year 5, which is considered to be stabilization. Note that the new facility is projected to have more of a focus on conventions and trade shows than the existing SFCC, and fewer consumer shows, public events, and sports, in order to maximize the advantages of its downtown location.

Riverline District Convention Center Projected Event Demand						
Event Type	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10
Exhibit Events						
Conventions/Trade Shows	23	24	25	26	27	27
Consumer Shows/Public Events/Sports	7	9	11	13	15	15
Subtotal Exhibit Events	30	33	36	39	42	42
Non-Exhibit Events						
Meetings	113	117	121	125	129	129
Conferences	38	41	44	47	50	50
Banquets/Social	44	46	48	50	52	52
Misc.	2	2	3	3	4	4
Subtotal Non-Exhibit Events	197	206	216	225	235	235
Total	227	239	252	264	277	277

Source: Johnson Consulting

Average Attendance

The increased size of the proposed Riverline District convention center relative to the existing SFCC means that it will be able to hold much larger events. To account for this, we've projected increases in the average size of events in Year 1, with events growing in subsequent years as they become more established. Note that we have revised this component of the projections down in order to be more conservative, following conversations with facility management during site visits which suggested a longer ramp-up process than initially anticipated for the contemplated facility.

Total Attendance

The table on the bottom right shows the projected attendance for the contemplated Riverline District convention center, starting at 152,100 in Year 1 and ramping up to 210,098 in Year 5 before stabilizing in the 210,000-215,000 level. Note that this Year 1 attendance level is similar to the existing SFCC. The significant difference for the contemplated convention center would be the profile of these attendees, which would be much more tilted towards people attending business meetings, professional conferences, and conventions, rather than consumer shows and public events. Thus, they are anticipated to stay overnight and spend on retail and restaurants at higher rates, driving significantly more economic impact.

Riverline District Convention Center Estimated Average Attendance per Event

Event Type	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10
Exhibit Events						
Conventions/Trade Shows	1,800	1,827	1,845	1,854	1,859	1,884
Consumer Shows/Public Events/Sports	3,000	3,045	3,075	3,090	3,098	3,138
Annual % Growth		1.5%	1.0%	0.5%	0.3%	0.3%
Non-Exhibit Events						
Meetings	300	305	308	310	311	316
Conferences	800	812	820	824	826	836
Banquets/Social	550	558	564	567	568	573
Misc.	600	609	615	618	620	630
Annual % Growth		1.5%	1.0%	0.5%	0.3%	0.3%

Source: Johnson Consulting

Riverline District Convention Center Projected Attendance

Event Type	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10
Exhibit Events						
Conventions/Trade Shows	41,400	43,848	46,125	48,204	50,193	50,868
Consumer Shows/Public Events/Sports	21,000	27,405	33,825	40,170	46,470	47,070
Subtotal Exhibit Events	62,400	71,253	79,950	88,374	96,663	97,938
Non-Exhibit Events						
Meetings	33,900	35,685	37,268	38,750	40,119	40,764
Conferences	30,400	33,292	36,080	38,728	41,300	41,800
Banquets/Social	24,200	25,668	27,072	28,350	29,536	29,796
Misc.	1,200	1,218	1,845	1,854	2,480	2,520
Subtotal Non-Exhibit Events	89,700	95,863	102,265	107,682	113,435	114,880
Total	152,100	167,116	182,215	196,056	210,098	212,818

Source: Johnson Consulting

Visitor Days

The table to the right shows projected visitor days attributable to the contemplated convention center. This metric differs from attendance in that it accounts for partial-day and multi-day events and also includes exhibitors and other non-attendee event personnel. Visitor days are critical to estimating economic impact as they provide the most comprehensive picture of how much time in the Sioux Falls market can be attributed to the proposed facility. As can be seen, annual visitor days are projected to stabilize in the range of 250,000 per year.

Riverline District Convention Center Projected Visitor-Days						
Event Type	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10
Exhibit Events						
Conventions/Trade Shows	86,940	92,081	96,865	101,234	105,407	106,806
Consumer Shows/Public Events/Sports	27,160	35,444	43,748	51,956	60,104	60,875
Subtotal Exhibit Events	114,100	127,525	140,614	153,190	165,510	167,681
Non-Exhibit Events						
Meetings	16,950	17,843	18,634	19,375	20,060	20,382
Conferences	30,400	33,292	36,080	38,728	41,300	41,800
Banquets/Social	16,940	17,968	18,950	19,845	20,675	20,857
Misc.	600	609	923	927	1,240	1,260
Subtotal Non-Exhibit Events	64,890	69,711	74,587	78,875	83,275	84,299
Total	178,990	197,236	215,201	232,065	248,785	251,981

Source: Johnson Consulting

Financial Projections

The table on the right shows the projected operating revenues and expenses for the proposed Riverline District convention center. The facility is projected to generate \$6.9M of revenues and incur \$8.3M of expenses in Year 1, leading to an operating deficit of \$1.4M. This deficit is projected to decrease significantly as demand, and thus revenues, ramp up over the first several years of the facility's operation. By stabilization (Year 5 and beyond), the facility is projected to incur an operating deficit of \$225,000-\$250,000 annually.

The most significant revenue opportunity for the facility relative to the existing SFCC comes from food & beverage sales (i.e., catering), which is projected to account for nearly half of the new facility's revenue in a typical year. This increase is largely due to the anticipated business mix of the proposed convention center, which would include more conventions and conferences than the existing SFCC. These events tend to have significantly higher per-capita food & beverage revenue rates than consumer shows, public shows, sporting events, or meetings.

Note that these projections were developed using the revenue and expense rates of the existing SFCC in 2024, ensuring that they are up-to-date and specific to the Sioux Falls market. Those rates were then adjusted to account for the differences in facility size, quality level, and business mix. Note also that parking revenue is not currently accounted for in this pro forma, but could be very significant, and that there could be opportunity for cost sharing (site maintenance, etc.) with adjacent land uses.

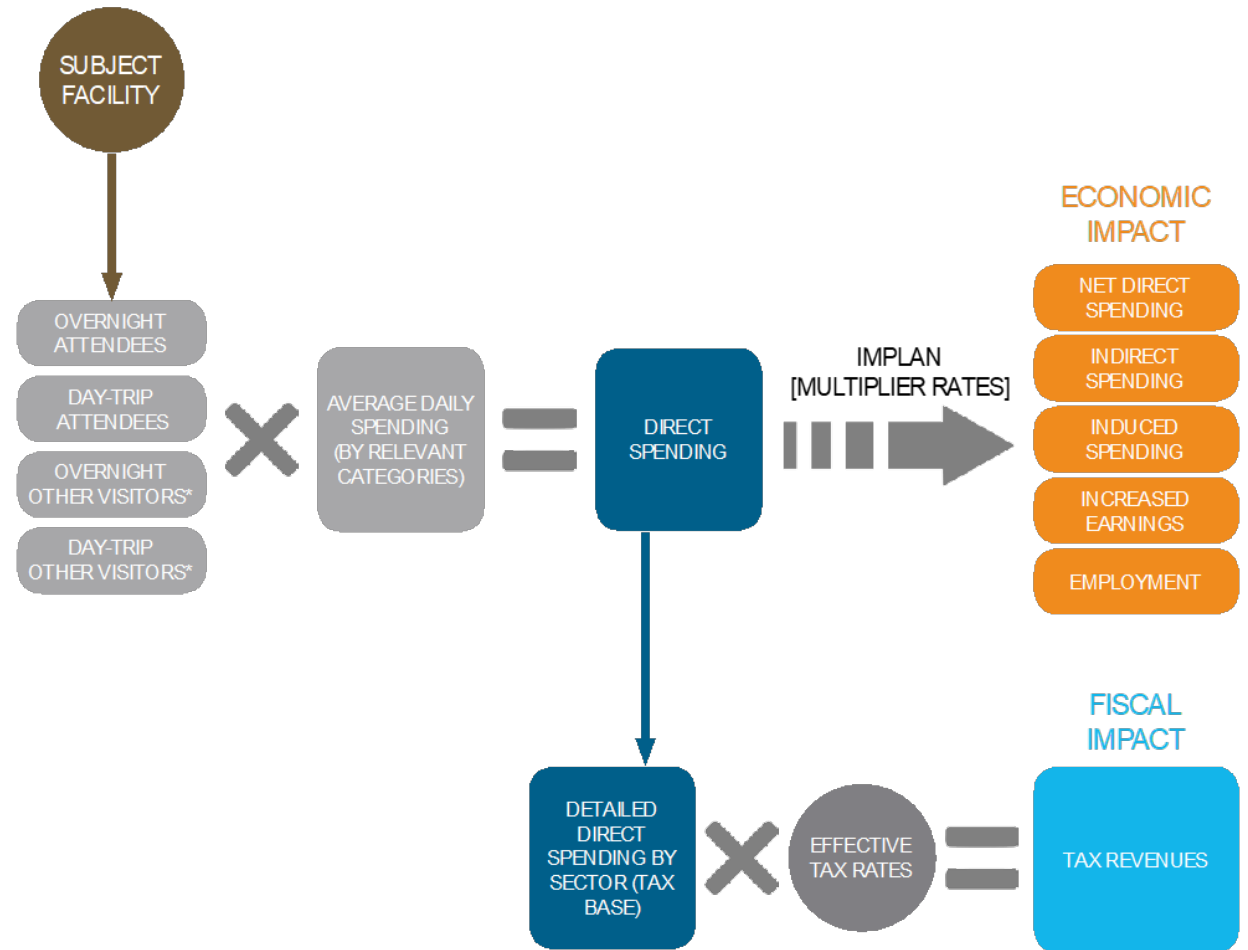
Riverline District Convention Center Projected Operating Revenues and Expenses (\$000, Inflated)						
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10
Revenues						
Rental	\$1,545	\$1,705	\$1,873	\$2,045	\$2,224	\$2,456
Food & Beverage (Gross)	3,812	4,181	4,549	4,910	5,274	5,896
Contract Service	1,289	1,398	1,515	1,632	1,757	1,939
Advertising/ Sponsorship	250	250	250	250	250	250
Other	38	43	47	52	57	64
Total Revenues	\$6,935	\$7,577	\$8,234	\$8,889	\$9,562	\$10,605
Expenses						
Food & Beverage	2,211	2,425	2,638	2,848	3,059	3,419
Salaries, Wages, and Benefits	2,460	2,509	2,559	2,611	2,663	2,940
Utilities	1,850	1,887	1,924	1,963	2,002	2,210
Repairs and Maintenance	228	232	237	242	247	272
General and Administrative	416	424	433	442	450	497
Insurance	216	220	225	229	234	258
Materials and Supplies	151	154	157	160	163	180
Production	106	115	125	135	145	160
Other	702	733	763	793	824	914
Total Expenses	\$8,340	\$8,699	\$9,061	\$9,422	\$9,787	\$10,851
Net Operating Profit	(\$1,405)	(\$1,122)	(\$828)	(\$533)	(\$225)	(\$247)

Source: Johnson Consulting

Economic and Fiscal Impact Analysis

Economic Impact is defined as incremental new spending in an economy that is the direct result of certain activities, facilities, or events. For the purpose of this analysis, impact totals are discussed in terms of the Sioux Falls economy. The levels of impacts are described as follows:

- **Direct Spending** – spending that occurs as a direct result of the facility's operation (example: attendee purchases meal at restaurant nearby).
- **Indirect Spending** – re-spending of the initial direct expenditures on goods and services (example: restaurant purchases more food from supplier)
- **Induced Spending** – changes in local consumption due to the personal spending by employees whose incomes are supported by direct and indirect spending (example: waiter at the restaurant has more personal income to spend)
- **Increased Earnings** – increased employee and worker compensation related to the facility's operation
- **Employment** – the number of full-time equivalent (FTE) jobs supported in the local economy as a result of the facility's operation
- **Fiscal Impact** – tax revenues to local and state governments that result from the facility's operation



Multiplier Rates for Economic Impact Analysis

The table on the top right summarizes the multiplier rates utilized in the economic impact estimates to calculate indirect spending, induced spending, increased earnings, and employment. These multiplier rates are derived from an IMPLAN input-output model, which is a nationally recognized analytical tool commonly used to estimate economic impacts. An input-output model analyzes the commodities and income that normally flow through various sectors of the economy.

Applicable Tax Rates for Fiscal Impact Analysis

Shown on the lower right table are the applicable tax rates utilized in the fiscal impact estimates, focused on major categories of tax revenues that are directly affected by a visitor's activity: sales and use tax, gross receipts tax, tourism/ room occupancy tax, and BID tax.

Economic Impact Multilpiers		
Impact	Multiplier	Base
Indirect Spending	0.212	per \$1.00 of direct spending
Induced Spending	0.453	per \$1.00 of direct spending
Increased Earnings	0.498	per \$1.00 of direct spending
Increased Employment (FTE)	8.975	per \$1 million of direct spending

Source: Implan Group, Inc.

Riverline District, Sioux Falls, South Dakota Applicable Tax Rates	
	Rate
Sales Tax	
State Sales Tax	4.20%
County Sales Tax	0.00%
City Sales Tax	2.00%
City Gross Receipts Tax	1.00%
Total	7.20%
Tax on Lodging	
State Tourism Tax	1.50%
City Room Tax	1.00%
City Business Improvement District (BID) Tax*	\$2.00
*Per Room Night	

Source: City of Sioux Falls, South Dakota Dept. of Revenue

Out-of-Town Visitor Days

The table on the right shows the out-of-town visitor days projected to be generated by the proposed Riverline District convention center. Note that out-of-town visitor days are calculated first by projecting the average number of days attendees to certain events spend in Sioux Falls (for instance, an attendee to a multi-day convention might spend multiple days within Sioux Falls) and then estimating the rate of out-of-town attendance to the various event types based on comparable facilities and data from Placer.ai. Additionally, visitor days include exhibitors and other event personnel who aren't counted as attendees. As can be seen, the proposed facility is expected to generate over 110,000 out-of-town visitor days annually upon stabilization.

Riverline District Convention Center Projected Room Nights						
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10
Exhibit Events						
Conventions/Trade Shows	35,894	38,016	39,991	41,795	43,518	44,097
Consumer Shows/Public Events/Sports	3,636	4,744	5,855	6,954	8,045	8,147
Subtotal Exhibit Events	39,530	42,760	45,846	48,749	51,563	52,244
Non-Exhibit Events						
Meetings	890	937	978	1,017	1,053	1,070
Conferences	9,120	9,988	10,824	11,618	12,390	12,540
Banquets/Social	508	539	569	595	620	626
Misc.	11	11	16	16	22	22
Subtotal Non-Exhibit Events	10,529	11,475	12,387	13,246	14,085	14,258
Total	50,059	54,235	58,233	61,995	65,648	66,502
Est. RN's previously generated by the existing Sioux Falls CC	(23,236)	(23,236)	(23,236)	(23,236)	(23,236)	(23,236)
Net Effect of Riverline District CC	26,823	30,999	34,997	38,759	42,412	43,266

Source: Johnson Consulting

Riverline District Convention Center Projected Out-of-Town Visitor-Days						
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10
Exhibit Events						
Conventions/Trade Shows	56,304	59,633	62,733	65,562	68,264	69,166
Consumer Shows/Public Events	8,078	10,542	13,013	15,455	17,878	18,105
Subtotal Exhibit Events	64,382	70,175	75,746	81,017	86,142	87,271
Non-Exhibit Events						
Meetings	2,543	2,676	2,795	2,906	3,009	3,057
Conferences	15,200	16,646	18,040	19,364	20,650	20,900
Banquets/Social	847	898	948	992	1,034	1,043
Misc.	30	30	46	46	62	63
Subtotal Non-Exhibit Event	18,620	20,250	21,829	23,308	24,755	25,063
Total	83,002	90,425	97,575	104,325	110,897	112,334

Source: Johnson Consulting

Room Nights

Based on the projected out-of-town visitor days, the table on the left shows estimated hotel room nights generated by the contemplated convention center. As is shown, the facility is projected to generate more than 65,000 annual room nights upon stabilization. Given that the existing SFCC is estimated to generate roughly 23,000 room nights per year, there is a net unmet hotel demand of more than 42,000 room nights per year associated with convention center activity.

Economic Impact

The table on the right shows the projected economic impact of the contemplated Riverline District convention center. As can be seen, the on-site and off-site direct spending generated by the facility is estimated to total \$33.5M in Year 5 of operations. Folding in indirect and induced spending, the total annual economic impact of the facility is expected to be \$55.8M in Year 5, with that direct spending supporting \$16.6M of increased earnings and supporting 278 ongoing FTE jobs.

In the same year, the activity at the convention center is projected to create \$2.7M of tax revenues to state and local governments, including \$1.3M flowing directly to the City of Sioux Falls via its Sales, Gross Receipts, Room, and BID taxes.

Riverline District Convention Center Estimated Annual Economic & Fiscal Impact from Convention Center Operations							
Economic Impact	Rate/ Assumption	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10
1 Visitor-Days		178,990	197,236	215,201	232,065	248,785	251,981
2 Room Nights		50,059	54,235	58,233	61,995	65,648	66,502
3 On Site Spending (\$000)		\$6,935	\$7,577	\$8,234	\$8,889	\$9,562	\$10,605
Off Site Spending (\$000)							
4 On Lodging	\$117.00 (a)	\$5,857	\$6,472	\$7,089	\$7,697	\$8,314	\$9,299
5 On Food and Incidentals	\$52.80 (b)	\$9,451	\$10,622	\$11,822	\$13,003	\$14,219	\$15,900
6 On Car Rental/Rideshare/Taxi	\$20.00 (c)	1,001	1,106	1,212	1,316	1,421	1,590
7 Subtotal Off Site Spending (\$000)		\$16,309	\$18,201	\$20,122	\$22,016	\$23,954	\$26,788
8 Total Direct Spending (\$000)		\$23,243	\$25,778	\$28,356	\$30,905	\$33,516	\$37,393
9 Indirect Spending (\$000)	0.212 of Line 9	4,923	5,460	6,006	6,546	7,099	7,920
10 Induced Spending (\$000)	0.453 of Line 9	10,540	11,689	12,858	14,014	15,198	16,956
11 Total Spending (\$000)		\$38,706	\$42,927	\$47,220	\$51,465	\$55,813	\$62,269
12 Increased Earnings (\$000)	0.498 of Line 9	\$11,569	\$12,831	\$14,114	\$15,383	\$16,683	\$18,613
13 Increased Employment (FTE)	8.975 of Line 9	209	227	245	261	278	281
Fiscal Impact	Rate/ Assumption	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10
Sales Tax (\$000)							
14 State Sales Tax	4.20% of Line 9	\$976	\$1,083	\$1,191	\$1,298	\$1,408	\$1,571
City Sales Tax	2.00%	465	516	567	618	670	748
City Gross Receipts Tax	1.00%	232	258	284	309	335	374
16 Total Sales and Use Tax	7.20% of Line 9	\$1,674	\$1,856	\$2,042	\$2,225	\$2,413	\$2,692
Tax on Lodging (\$000)							
17 State Tourism Tax	1.50% of Line 5	\$88	\$97	\$106	\$115	\$125	\$139
18 City Room Tax	1.00% of Line 5	95	106	118	130	142	159
City Business Improvement District (BID) Tax*	\$2.00/ rm x Line 2	100	108	116	124	131	133
19 Total Lodging Tax		\$182	\$203	\$225	\$245	\$267	\$298
19 Total Tax Revenues		\$1,856	\$2,059	\$2,266	\$2,471	\$2,680	\$2,991

Notes:

a) Per Room Night (Line 2), based on US GSA Per Diem, Business Travel News.

b) Per Visitor-Day (Line 1), based on US GSA Per Diem minus on site food spending

c) Per Room Night (Line 2), based on Business Travel News Corporate Travel Index for Atlanta metro area

Source: IMPLAN, Johnson Consulting



| 5. Hotel Market Analysis & Strategy

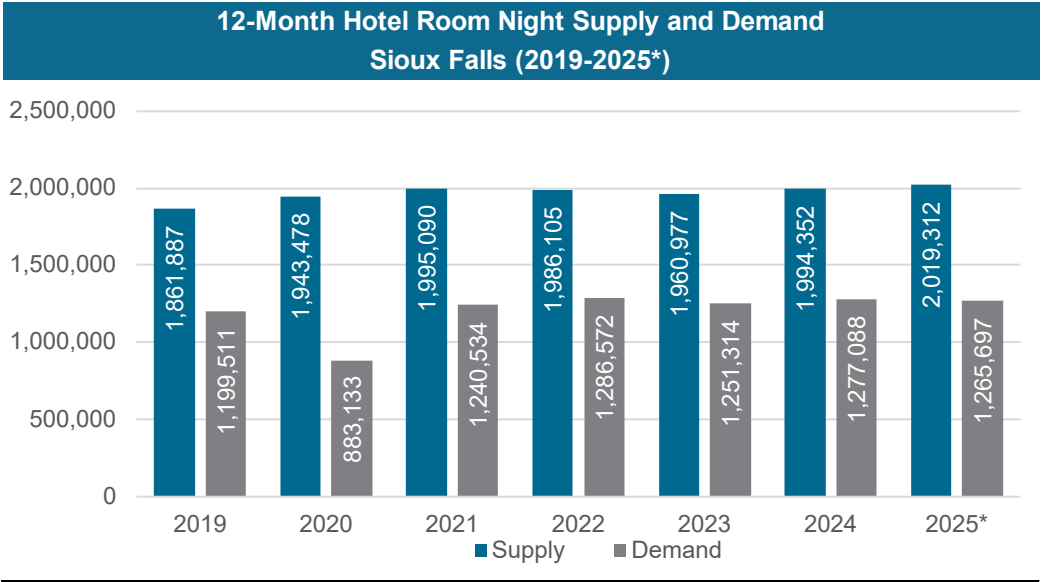
Overview

Hotels and event facilities have a symbiotic relationship. As discussed in the previous section, the contemplated Riverline District convention center projects to generate significant demand for Sioux Falls’ hotels. However, without an adequately supportive hotel environment, the facility will not be able to attract the requisite events to generate that demand. This section assesses Sioux Falls’ hotel market and, based on that assessment, lays out a strategy to ensure that the contemplated convention center has the hotel support it needs to be successful.

Supply and Demand

Sioux Falls has seen hotel demand recover completely from the COVID-19 pandemic, with an overall average growth trend of 1.26 percent per annum from 2019 through 2025. Though the overall trend is positive, there has been some variability over this period, with 12-month demand peaking at 1.29M room nights in December of 2022 but falling slightly to 1.27M room nights in the 12 months preceding May of 2025. This suggests a slowing of the growth seen in the immediate post-pandemic period.

Supply has grown significantly in that time period as well, with the market adding 483 new rooms across four properties from 2020 through 2024. Most notable among that new supply is the 216-room Canopy by Hilton Sioux Falls Downtown, which opened in 2024 as part of the Steel District development.

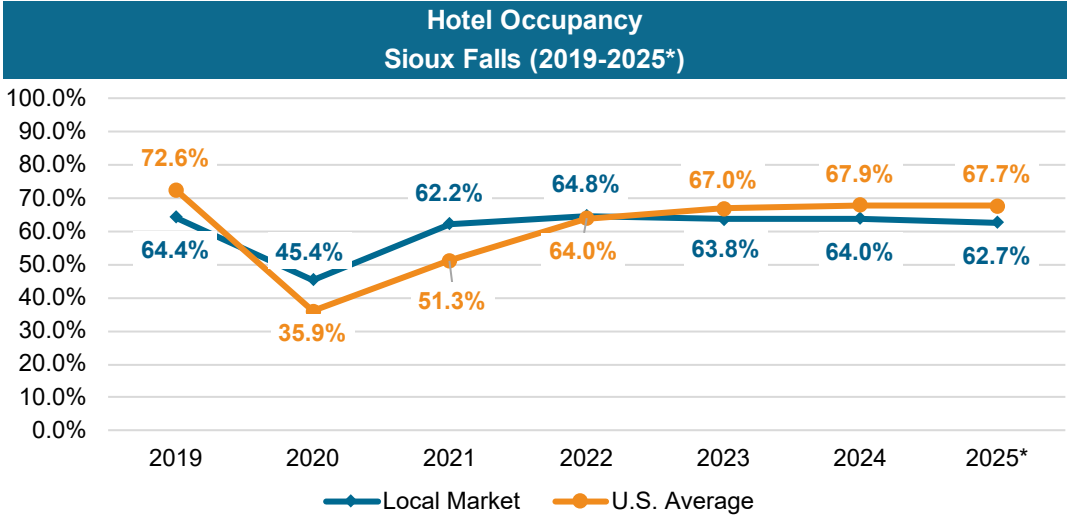


*Data through April

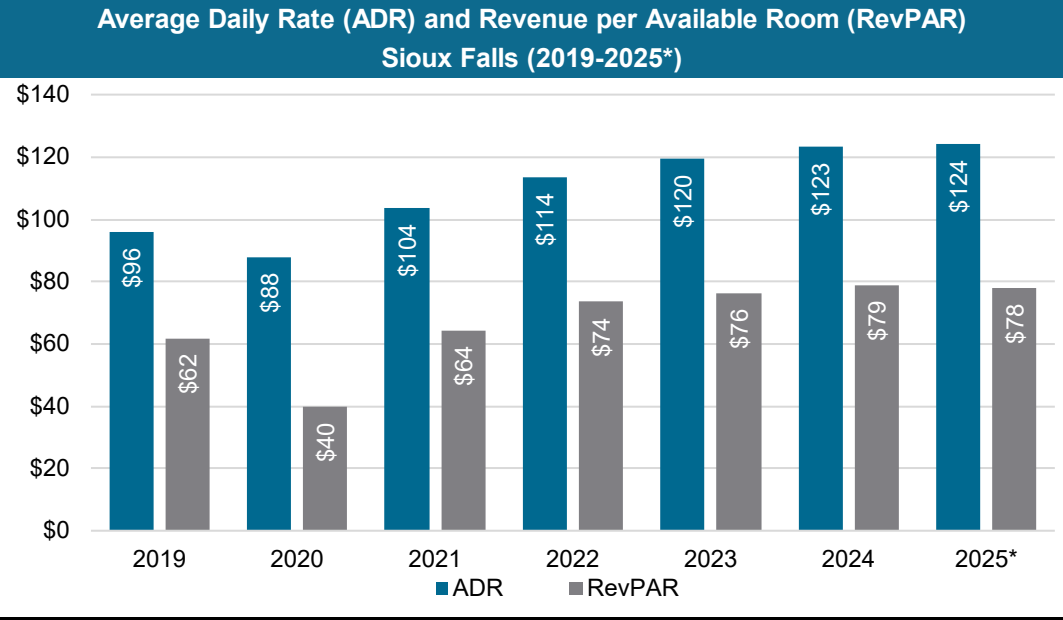
Source: CoStar, Johnson Consulting

ADR & RevPAR

Sioux Falls’ growth in average daily rate (ADR) and revenue per available room (RevPAR) has been even more dramatic. From 2019 through 2024, those two figures grew at rates of 5.16 percent per annum and 5.04 percent per annum, respectively. This indicates a considerable shift in the community’s typical visitor towards higher-wealth individuals who are willing to pay higher rates.



**Data through April*
Source: CoStar, Johnson Consulting



**Data through April*
Source: CoStar, Johnson Consulting

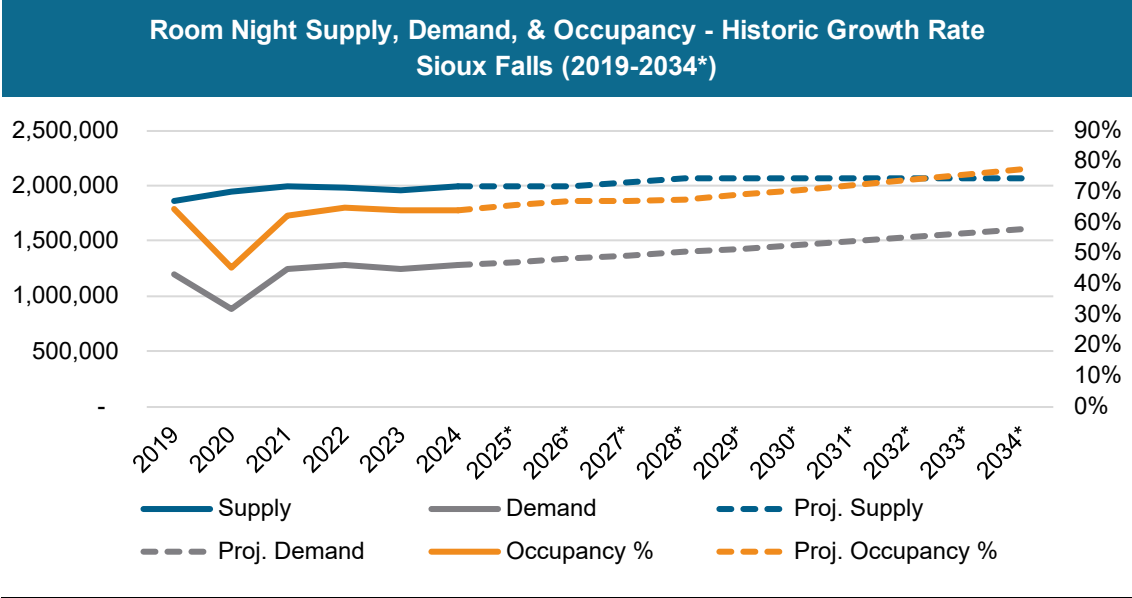
Occupancy

Though occupancy rates in Sioux Falls have recovered from the dip caused by the COVID-19 pandemic, they have not seen significant growth above pre-pandemic levels and have somewhat stagnated. Part of this is due to the increase in supply, which reflects market confidence in continued growth, though it also suggests that the community would benefit from additional destination demand drivers.

Market Outlook

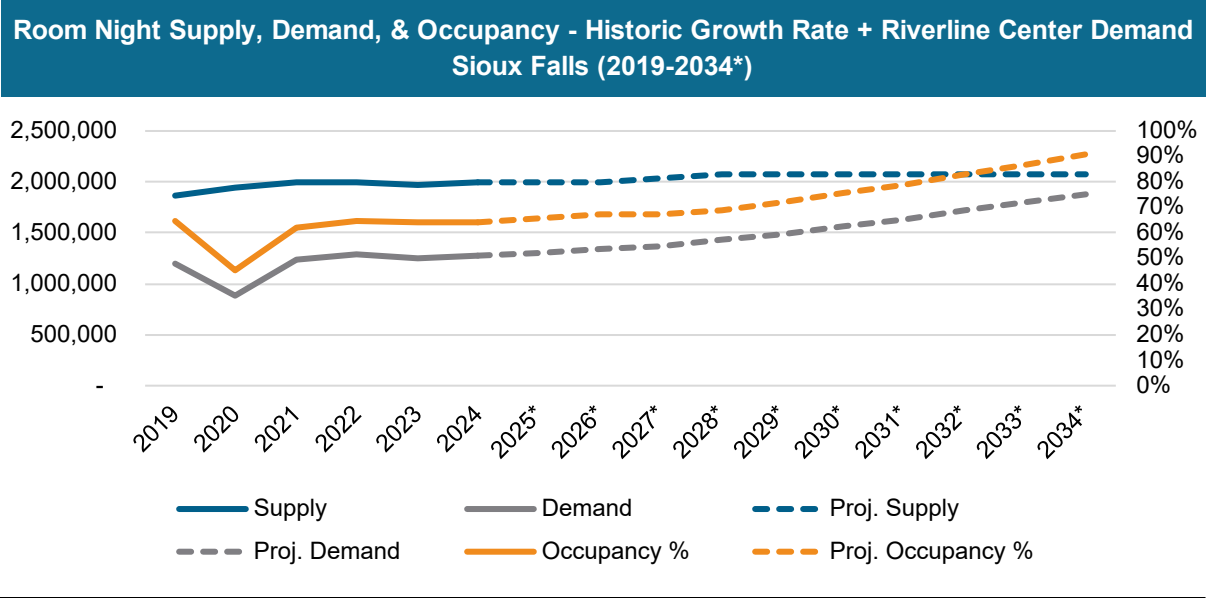
The chart on the bottom left shows projections for Sioux Falls’ supply, demand, and occupancy rate, with supply growing based on the 209 hotel rooms currently under construction or in final planning and demand growing based on the 2019-2024 annual growth rate. In this scenario, occupancy would eclipse 70 percent (the typical benchmark for thriving hospitality market) in 2030, indicating some need for future hotels but not immediate robust growth.

The chart on the bottom right takes this same projection but folds in the room nights projected to be generated by the contemplated convention center starting in 2028 (projected opening year), less the estimated room nights generated by the existing SFCC (to be conservative this scenario assumes the existing facility stops generating room nights). As can be seen, this would drive much faster growth in occupancy throughout Sioux Falls, reaching 72 percent in 2029 and 83 percent in 2032. This indicates a more immediate need for additional hotel inventory to support a new downtown convention center.



*Years 2025-2034 are projected based on average annual growth rate from 2019-2024

Source: CoStar, Johnson Consulting



*Years 2025-2034 are projected based on average annual growth rate from 2019-2024

Source: CoStar, Johnson Consulting

Hotel Strategy

The demand projections presented in this section demonstrate the need for additional hotel inventory to support the proposed convention center. Note that these projections indicate an increase in demand throughout the Sioux Falls market due to compression – as events in the convention center fill downtown hotels, people who would have stayed in those hotels would be pushed into other hotels throughout the market.

In addition, the case study facilities demonstrate the importance of a supportive hotel environment in a convention center's success. During the site visits, conversations with community and facility leadership in both Fort Wayne and Grand Rapids emphasized that ensuring adequate hotel inventory – both connected to the facility as well as within walking distance – was a critical point in the development process for both the GWCC and the DPCC. The Riverline District, however, is currently somewhat underserved by hotel inventory; were the contemplated convention center to be built today, it would have just 297 rooms within a 15-minute walk, as compared to 756 for the GWCC and 2,390 for the DPCC. All of this indicates a clear need for on-site hotel inventory to support the proposed convention center.

To address this need, Johnson Consulting recommends that the convention center be developed in tandem with 300 to 400 rooms within the Riverline District. Ideally, these rooms would be attached to the convention center, either via an adjoining building or by sky bridge, as this is a significant selling point for meeting planners, particularly for events during the winter. Our recommendation would be for two tiers of hotel inventory on site, with one upscale, full-service property (such as an AC by Marriott) and one midscale, limited-service property (such as a Hampton by Hilton). This strategy would help serve a wider range of price points among convention attendees.

During the development process for the on-site hotels, the City should endeavor to secure room-block agreements between the hotels and the convention center. Essentially, room-block agreements set parameters for the hotel to commit a certain percentage of its rooms to events which are expected to generate a certain number of room nights on peak and are booked a certain number of months in advance. These agreements are very common among hotels supporting convention centers, and are critical to ensuring that these hotels continue to support the convention center over the long run.



| 6. Ownership, Management, & Funding Strategies

Overview

There are numerous viable approaches to ownership, management, and capital as well as ongoing funding of the contemplated convention center. This section discusses the benefits and drawbacks of those approaches and strategies for the City of Sioux Falls.

Ownership Strategies

City Ownership

Under this model, the City would own both the land and the convention center facility. This structure maximizes the City's control over the project, giving it greater autonomy in making decisions related to design, construction, and operations, while simultaneously minimizing the project's complexity. However, it also means that the City assumes all of the project's risks and burdens, particularly on the financing side.

Public Authority Ownership

A public authority is a special-purpose government entity created to execute specific tasks and further various public interests. They are typically created by legislation and governed by boards, and often have the ability to issue bonds. This model would see a public authority created to own the land and convention center facility. Depending on how it is executed, this structure could de-risk the City by taking the convention center off of its balance sheet, as well as by potentially introducing additional financing partners. Both Fort Wayne and Grand Rapids utilize public authorities to own their convention centers; in both cases, multiple government bodies contributed to the development cost of the facilities. However, this structure does introduce additional project complexity in that it would require legislative action to create and thoughtfully structure a new public authority. Additionally, coordinating with multiple governmental partners can create complexity where goals and incentives are not fully aligned.

Ownership Strategies

Private Ownership

In this structure, a private entity would own the convention center and land, thereby de-risking the City by taking the project off of its books. This structure introduces private financing opportunity as the private entity would likely be retaining any revenues from the facility and thus be incentivized to contribute funding to develop it. However, this model would eliminate the City's control over the project, introducing risk that it is not executed in a way which achieves the community's strategic goals.

Furthermore, given the costs associated with building convention center facilities, it is very rare for them to be entirely privately owned and financed. The most prominent examples are the Gaylord National Resort and Convention Center in Oxon Hill, MD and certain casino properties such as Mohegan Sun in Uncasville, CT. In these cases, the convention space serves as somewhat of a "loss leader" for the entertainment activities on site. However, the scale of entertainment activities required to make this model viable is likely too large for the Riverline District, and wouldn't necessarily be appropriate for the downtown Sioux Falls context.

Public-Private Ownership

The most common manifestation of this model is one wherein the public and private entities "share" ownership of the convention center (often, one owns the land and the other the structure) as well as both contribute to its development financing. This would open up some opportunity for private financing while still maintaining some control for the City. However, the public incentive required would still be significant. Many Gaylord properties have received substantial public subsidies to help fund their development, as do many other convention hotels such as the Westin Irving Convention Center in Irving, TX, which has a very small event space footprint relative to the contemplated Riverline District convention center.

Management Strategies

Public Management

This structure would see a public entity (whether that be the City of Sioux Falls or a public authority) manage the day-to-day operations of the convention center. This structure maximizes public control and minimizes costs as no annual management fee would be required. However, many communities (including Sioux Falls with its current Event Center Campus) have moved away from this model as they lack the requisite specialized in-house expertise to optimally manage a convention center. Additionally, public management of these facilities can be constrained by typical public processes, such as appropriation/ public budgeting, purchasing guidelines, etc. which can lead to inefficient operations.

Private Third-Party Management

This is the structure the City currently employs for the Event Center Campus, which it retains Legends Global to manage. The most significant benefit of this approach is that it ensures that the expertise and professional networks needed to effectively manage a specialized public-assembly facility is present. This is particularly critical for new facilities, as working with a private management company can help reduce downside risks and shorten the ramp-up period. However, it is more costly due to the management fees charged by these third-party operators, though the financial benefits often outweigh these costs.

Private Owner-Managed

This model only applies to privately owned facilities (typically resorts and casinos with convention space or convention-hotels). In these cases, the owner of the facility will typically want to assume management responsibilities (or bring in their own third-party manager) in order to ensure that the facility is meeting its revenue imperatives.

Funding Strategies

Funding sources and strategies for public assembly facilities assume three primary forms: up-front cash or equity sources which can defray the amount of borrowing required, sources of debt to make up the gap in cash availability, and ongoing funding sources to ensure any operating loss is covered going forward.

Cash Sources

Existing City Capital Funds: Existing capital reserves or dedicated capital funds could be deployed to fund some part of the contemplated convention center's development. However, these funds are likely to account for a small component of the overall capital stack.

Private Participation/ Philanthropy: Given their prominence and great public benefit, many public assembly facilities receive large donations from philanthropic individuals or organizations in order to help fund their construction. This was the case in Grand Rapids, which received a \$33.2M from the DeVos Foundation for the DPCC's development, as well as in Fort Wayne, where the Lincoln Family Foundation and National City Foundation contributed \$750,000 each to the GWCC's development. This is a strong opportunity for Sioux Falls and is likely to play a significant role in executing the project.

State/ Federal Grants: State and Federal bodies frequently provide grants to help fund the construction of public assembly facilities. Sometimes, these grants are dispersed by legislative action (as was the case in Grand Rapids with the \$65M appropriation contributed by the State of Michigan for the development of DPCC) and sometimes they are special-purpose grants targeting goals such as economic development (as was the case in Fort Wayne, where the State granted \$1M to the project's construction via the Build Indiana program). These grants and appropriations will be critical to pursue, though it is unlikely that they will make up a large component of the capital stack.

Naming Rights: Naming rights can come in the form of a corporate entity paying to have its name on the facility (or on parts of a facility such as certain rooms) for a certain period, as in the case of the CHI Health Center in Omaha, NE or the Gas South Convention Center in Duluth, GA. They can also be associated with a philanthropic gift, as in the case of the DeVos Place Convention Center and its benefactor, the DeVos family. In either case, this can be a significant source of up-front funding, but it is important to be thoughtful and ensure that the naming rights partner is appropriate to the desired brand of the contemplated Convention Center.

Funding Strategies

Debt Sources

General Obligation Bond Financing: This strategy involves long-term bonding using the general obligation of a City, County, and/ or State either directly as part of a capital outlay program or as guaranteed debt of an authority that would provide strong credit and relatively low borrowing costs. GO bonding is typically reserved for projects perceived to benefit the population as a whole, such as educational, economic development, or transportation. While the contemplated convention center would have community-wide benefits in terms of its economic impact, it is unlikely to be used by many members of the community given its tourism orientation. As such, while GO bonds could represent some component of the capital stack, they may not be the most appropriate source for the bulk of debt issued, particularly given that the City of Sioux Falls has generally not issued this type of debt for projects.

Limited/ Special Obligation Bond Financing: Rather than bonding against the City's revenues as a whole, this strategy would involve identifying specific revenue sources and issuing bonds backed by those revenues. Given their tourism and room-night impact, many convention centers are funded by bonds against hotel tax; this is a strong strategy as hotel tax is primarily paid by visitors to a community, rather than locals. Other potential existing sources include the Business Improvement District and sales tax revenues currently being collected by the City.

There are also some more creative versions of this strategy. One involves creating a tax overlay district surrounding a convention center and dedicating a portion of tax revenues within that district to the convention center's funding; Nashville, TN used this methodology, which in that case was called a Tourism Development Zone, to fund the construction of the Music City Center using incremental sales tax collections from businesses near the convention center. Another involves a new tax levy specifically dedicated to debt service which sunsets after that debt service is paid off. These limited/ special obligation bond financing methods will likely be key components of funding the contemplated Riverline District convention center.

Ongoing Funding

Tax Recapture Zone: In addition to being used for debt service, revenues from a tax recapture zone could be used to support ongoing operations at the contemplated convention center. One of the key benefits of this strategy is that it directly ties tax revenues created by new facility to supporting that new facility's operations, thereby ensuring that other public services and initiatives are not financially impacted.

Funding Strategies

Ongoing Funding

Dedicated Hotel Tax Revenue: Many communities dedicate some portion of hotel tax revenues to ongoing funding for their convention centers. This strategy not only helps cover any operational shortfalls, but can enable a facility to prioritize strategic goals such as economic impact and room-night generation over revenue. The GWCC in Fort Wayne employs this model and facility management indicated that doing so was critical to driving economic impact and tourism activity to downtown.

Adjacent Real Estate Land Leases: As the site development plan presented in Section 3 of this report demonstrates, there is room for development in the Riverline District adjacent to the contemplated convention center. The foot traffic and tourism that the convention center is projected to generate would make that land highly desirable to developers interested in building amenities such as hotels, restaurants, retail, and entertainment. Rather than selling the adjacent land, the City could consider entering into long-term leases with developers and dedicating associated revenues to the convention center's ongoing operations.

Cross-Subsidy from Other Assets: The existing SFCC operates at a slight deficit in most years, as do the Sioux Falls Arena and Sioux Falls Stadium. However, the Denny Sanford PREMIER Center typically operates at a significant surplus, enabling the City to use its excess revenues to cross-subsidize the other assets on the Event Center Campus. The CAA in Grand Rapids employs a similar strategy, with the Van Andel Arena's operating surplus subsidizing any deficit at the DPCC. The City of Sioux Falls could continue this dynamic with the contemplated new convention center, operating it as a component of an overall portfolio. Note that some communities, such as Chicago, IL and Overland Park, KS, have opted to own the hotels associated with their convention centers and use those hotel revenues as another source of cross-subsidy in order to cover annual operating deficits.



| 7. Conclusions & Next Steps

Conclusions

The study process to date has laid the groundwork for a transformational public investment within Sioux Falls' downtown urban core. A convention center, identified by the Friends of the Riverline group and Johnson Consulting as the highest and best use for the Riverline District, has been demonstrated to be feasible and supported by the market. Though the existing SFCC has served Sioux Falls well, it was built for a community which has since doubled in size and become a dynamic regional hub of innovation and commerce; a downtown convention center would be appropriate to reflect this monumental shift in the City's identity.

The success stories in Grand Rapids, Fort Wayne, and other communities illustrate the tremendous value these facilities can bring to a downtown environment, both in terms of measurable economic & fiscal impacts as well as in additional destination visibility and national identity. As the impact estimates presented in this document show, the contemplated facility could similarly bring significant value to Sioux Falls' downtown, value which would be felt throughout the community. Furthermore, there is opportunity cost to inaction, both quantifiable, in the form of the additional 42,000 annual room nights which would be captured by the proposed facility, and not, in the form of the visitor perception created by the existing SFCC that doesn't reflect the community's strongest assets. The contemplated downtown convention center is the next step in supporting Sioux Falls' continued growth and development.

However, this investment would be significant and require careful planning and thought. In order to drive the project forward, the City should identify partners, including individuals and entities from the public, private, and philanthropic sectors, who can assist in leading the convention center's development and contribute to its ongoing success. With these partners in the fold, decisions can start to be codified regarding ownership & management structure and funding strategies, leading to an overall implementation strategy which will enable Sioux Falls to take advantage of this generational investment opportunity.

Next Steps

