

Project Overview

The proposed location for the Appalachian Agricultural Exposition Center (AAEC) is Fort Chiswell, Virginia. The proposed site location has excellent regional access and visibility via Interstate 77, and Interstate 81, the main north/south corridor between Florida and Maine.

While the focus of AAEC will be agricultural events, the multi-use facility will be able to handle a broad range of events, shows and exhibitions. A main indoor arena will be able to accommodate equestrian events and all classes of livestock events year-round. The facility will also be designed to host a mix of sporting events, family shows and concerts, trade shows and conventions, as well as support the facility needs of the local community.

The proposed structure for the facility includes (a detailed description can be found in the Concept Plan prepared by David W. Denny, LLC and Hill Studios):

- Indoor Arena
 - 200'x300' fabric tension structure
 - 140'x300' dirt floor
 - 3,000 seats
- Outdoor Uncovered Riding Ring
 - 120'x240' dirt floor ring with wood fencing
- Barns
 - 78'x234' that can each hold approximately 68 stalls
 - Total of 204 stalls
 - Fabric tension structure
- General Office Building
- Maintenance Shed

The facility is estimated to cost \$7.5 million.

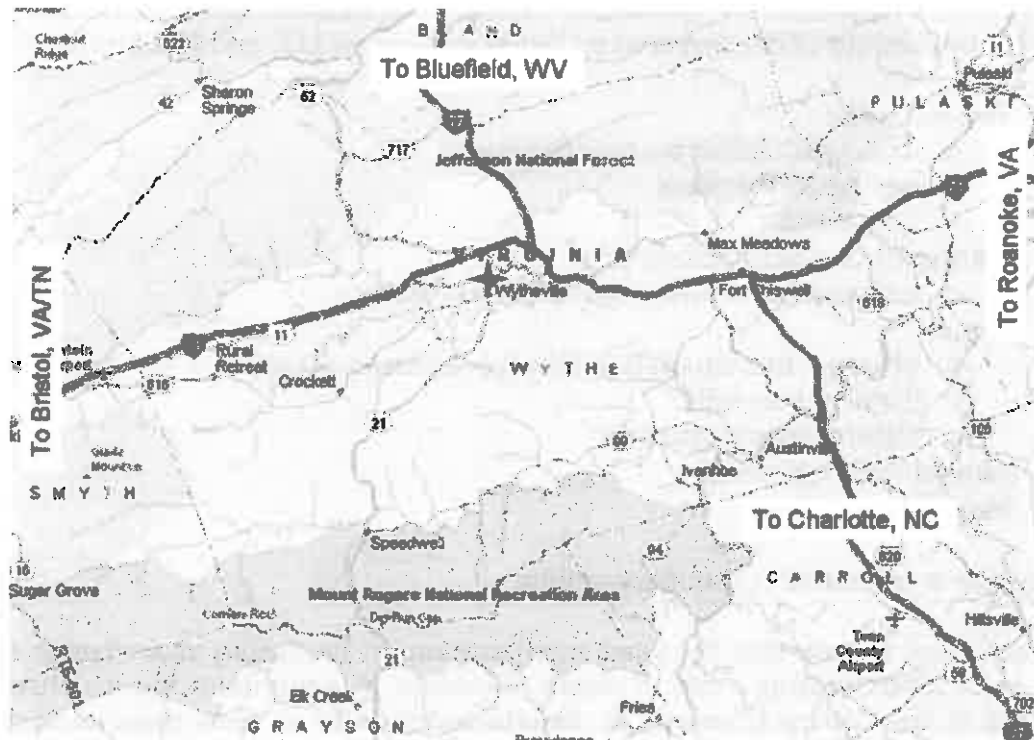
It is important to note that the exact configuration of the facility may change in order to facilitate hosting a mix of events. However, at a minimum the structure proposed in the Concept Plan will be maintained in order to meet demand from various equestrian and livestock organizations that expressed interest in using the facility. The AAEC may also take a phased approach and add facilities to the proposed center once it is operational to improve its ability to host multiple events simultaneously.

Market and Local Condition Analysis

Local Conditions

Located in the southwestern part of Virginia, Wythe County is about 80 miles southwest of Roanoke, 70 miles northeast of Bristol, Virginia-Tennessee, and 300 miles southwest of Washington, D.C. Included within its borders is the intersection of route I-77 and I-81, making it a prime geographic location in the region (Figure 1). Currently, planning is occurring to eventually route a new highway (I-74) also through the county. This will make the county's already prime crossroads location even more important to local and regional tourism and economic development.

Figure 1: Wythe County Map



Wythe County is known as the crossroads of the Blue Ridge Mountains. Much of the county's 460 miles of land area lies in a broad, picturesque valley bordered by the Blue Ridge and Allegheny Mountain ranges. The Mount Rogers Recreation Area, Jefferson National Forest, Appalachian Trail, and Virginia Highlands Horse Trail are located in the county and provide for camping, hunting, fishing, hiking, and horseback riding. New River Trail State Park, Virginia's only linear state park, goes through the county, and is ideal for hiking, bicycling, and horseback riding.

Traditionally, Wythe County has been known as an agricultural county, although in recent years manufacturing operations have become increasingly important. This is due to the interstate highway and the railroad. However, this shift has not undermined the importance of agriculture in the county. In fact, there is an increased interest in recognizing and showcasing the agricultural heritage of the community as part of the area's history and culture.

To determine the local conditions for the proposed center and how it fits with the county's history and culture, OED staff made several visits to the county, collected information via the internet, and interviewed stakeholders. The social life in Wythe County focuses on entertainment, historical, and cultural events, including regular plays, concerts, musicals, and craft fairs. These activities are sponsored by the Wytheville Community College, and area churches, schools, and social and civic organizations. They are widely supported throughout the community.

With the addition of the Wytheville Meeting Center, Wythe County appears to provide adequate space for events that are already in place, and small in nature. However, there is no facility in the area to accommodate major events and activities in the region. Area residents with interest in horse shows, livestock shows, rodeos, consumer shows and other agriculture related events travel to Salem, Roanoke, and even other states to attend such events. Wythe County, and more broadly Southwest Virginia lacks a large, indoor, multi-purpose space.

A key part in determining whether such a facility would be supported locally was our stakeholder interviews. The main objectives of this analysis were:

- To identify institutions that could be partners of the center
- To ascertain acceptance of the program among the community;
- To survey sources of funds;
- To define the most appropriate business model for the expo center;

We conducted twelve potential stakeholder interviews including the Virginia Tourism Corporation, Virginia Cooperative Extension, the Wythe County Industrial Development Authority, and others. We also visited the Wytheville Meeting Center. Our team spoke with:

- Alan Hawthorne – Joint Industrial Development Authority
- Rosa Lee Jude – Wytheville Convention and Visitors Bureau
- Randy Rose – Virginia Tourism Corporation
- Kitty Barker – Virginia Tourism Corporation
- Linda Criggier – Blue Ridge Travel Association
- Mark Wahlberg – Associate Professor, Animal and Poultry Sciences, Virginia Tech
- Celeste Crisman – Equine Extension Specialist, Animal and Poultry Scientist, Virginia Tech

- Scott Tate – Area Specialist, Community Viability, Virginia Tech, Southwest District Office
- Donnie Turner – Carroll County Tourism Director
- Amanda Bourn – Donnie Turner’s Assistant, and equine enthusiast
- Cellell Dalton – Wythe County Administrator
- Denise Ambrose – Department of Housing and Community Development

These interviews gave OED considerable insight into many of the issues surrounding the proposed center. Overall, all of the interviewees were positive and receptive to the idea. For example, one interviewee said:

“The center is a great idea. There are a lot of horse owners in the area, and these people travel to horse events all over the place. Having an arena in the area would attract these people. The idea also fits with the plans of the region. There is an agricultural and tourism focus in the region, but there is no facility to showcase the products of the region.”

The interviewees also stated that there was an emphasis on benefiting the influx of people to the area in the summers (horseback riding trails, huge population of trailers, horse owners, etc.) This is not only true for Wythe County, but also the surrounding counties, such as Carroll and Grayson County. In fact, there have also been discussions in Grayson County to create an equine center. Wythe County may be the lead in taking this idea one step further, but as one interviewee suggested, they will need to go regional for success; they should have northbound and southbound partners, i.e. Bland, Carroll, and Grayson counties.

Despite the overall positive attitude towards the idea, there were concerns about funding. Several interviewees recommended the Tobacco Commission as an avenue for funding. Other suggested sources of funds included Appalachian Regional Commission (ARC), Department of Housing and Community Development (DHCD), United States Department of Agriculture (USDA) Rural Business Innovation Grants (RBOG), and dedicated appropriations coordinated by Congressman Rick Boucher’s office.

With regard to the business model, stakeholders had several comments. One interviewee said:

“There should be a full-time manager job (with a lot of responsibility, probably someone with a pride of ownership in the center, someone with a local connection) and two support people. If you have this kind of staff, structure of management (for profit vs. non-profit) may not matter. The manager should also have a broad knowledge about the center (and the events at the center).”

Yet another suggested:

“The management team has to be a strong leadership team with a boss, funding lobbyist, and management, etc.”

Most interviewees agreed that planning and aggressive marketing are key for the center to be successful.

Overview of the Industry

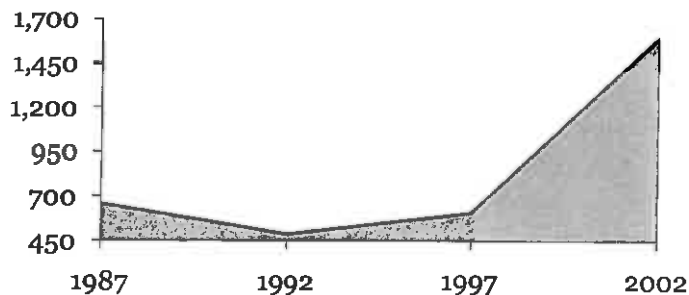
In order to ascertain the market demand for an agricultural exposition center in Southwest Virginia, we first determined the types of events that may be hosted at the facility. We then reviewed secondary data in order to understand general trends in the industry. In particular, we examined the overall business environment for hosting equine events, livestock events (e.g. purebred shows, breed expositions, sales, youth livestock activities, and pet shows), rodeo type events, festivals, concerts, indoor motor sports (e.g. tractor pulls), and trade shows (e.g. sportsman, boat, farm equipment, and home). This analysis helped us determine the relative health of these segments and their prevalence within the market area of the proposed center.

Equestrian Industry

Wythe County lies on the border between four populous and prominent horse states, North Carolina, Tennessee, West Virginia, and Kentucky. The primary market for the proposed center is comprised of North Carolina, Virginia, Maryland, South Carolina, Georgia, and Tennessee -or 5 hours driving time from the county.

Wythe County has seen dramatic growth on the number of horses owned since 1987. In 1987 the county's equestrian population was 659. During the 1992 census, it dropped to 488. In 1997, the total number of horses and ponies jumped back-up to 609. However, in 2002, the horses in the county increased 161.74% to 1594.¹

Figure 2: Wythe County's Equestrian Population since 1987



Source: 2001 Virginia Equine Report

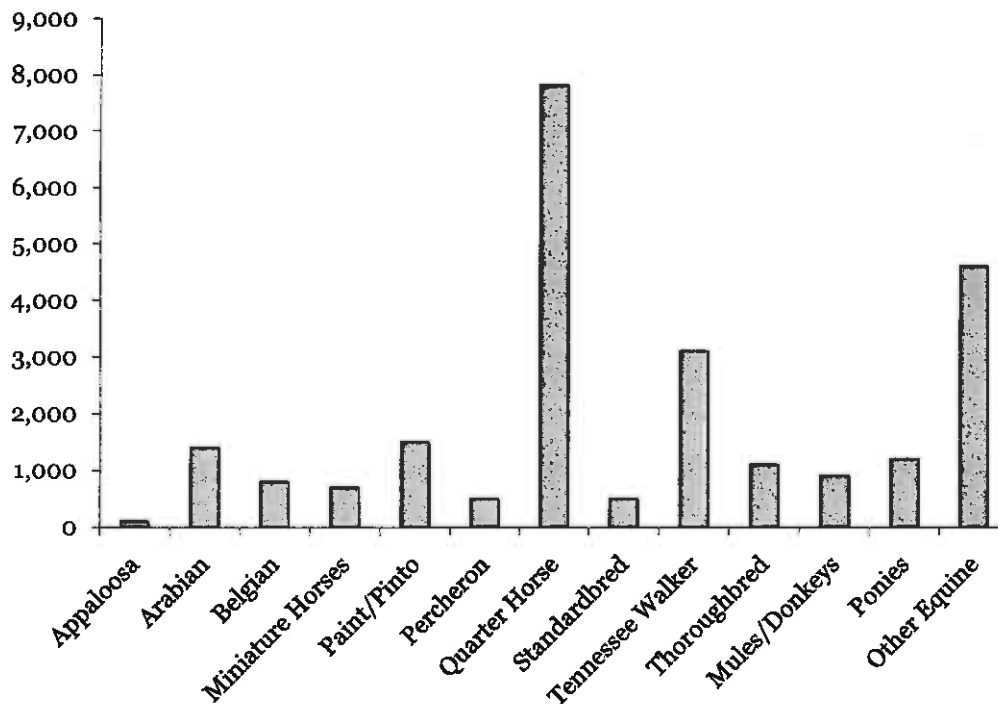
Website: <http://www.nass.usda.gov/va/2001equinereportbook.pdf>

¹ Source: US Agriculture Census Data for years 1987, 1992, 1997, 2002.

In the state of Virginia, the horse industry is a mainstay in the economy. According to the 2001 Virginia Agricultural Statistics Survey, the industry is worth \$1.46 billion to Virginia. Based on cash receipts for 2001 and a sales value of nearly \$99.4 million, horses are the 7th largest agricultural commodity in the state. In addition, with 170,000 horses, ponies, and mules, Virginia ranks as the 5th largest equine state in the U.S. Each year, Virginia horse owners spend nearly \$505 million caring for their horses, and some 800,000 individuals participate in over 700 equine events held in the state each year, spending more than \$167 million.²

According to the 2001 Virginia Equine Report compiled by the Virginia Agricultural Statistics Service the region ranked third in equine inventory with 28,000 horses (16.4% of the states' total). The region ranked third in number of equine operations, with 5,900 (20.3% of the state's) located within its borders. The total value of equines in the region was \$87,235,000 for an average value per horse of \$3,116 (the lowest in the state). Specifically, in Wythe County, there were 2,300 horses worth \$8,549,000 for a per equine value of \$3,717.

Figure 3: Horses in Southwest Virginia by Breed, 2001



Source: 2001 Virginia Equine Report
 Website: <http://www.nass.usda.gov/va/2001equinereportbook.pdf>

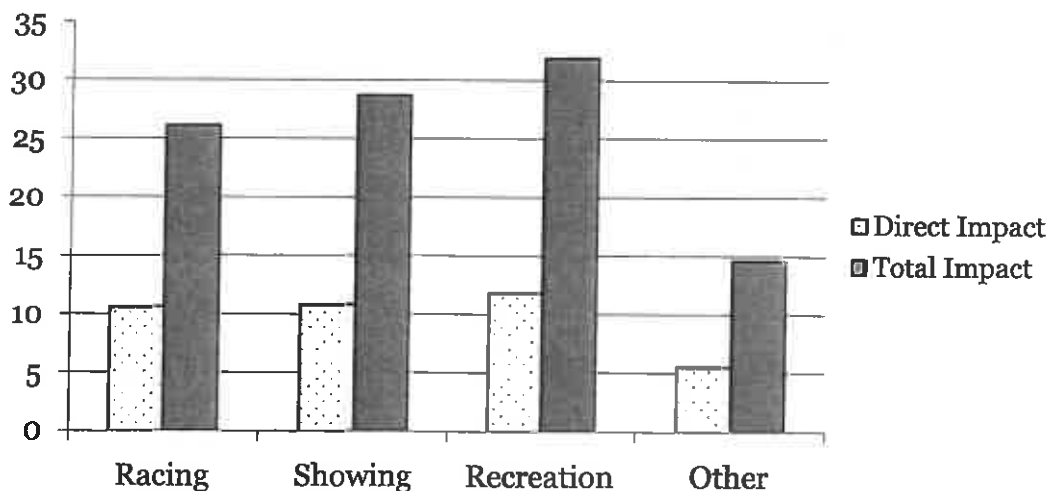
² Source: 2001 Virginia Agricultural Statistics Survey

Tennessee's equestrian population is also impressive. In 1999, the total number of horses in the state numbered 190,000. This was the third largest equestrian population for a state in the US (behind Texas and California). Furthermore, the population is increasing. From 1998 to 1999 there was a 2.7 percent increase in population. The total equine population of Tennessee accounts for 3.5 percent of the national number. In fact, the states within the primary market for the proposed center account for 10.1 percent of the country's total horse population.³

North Carolina boasts horses of virtually every breed and discipline in fairly large numbers -disciplines or breeds such as Quarter Horses, Hunters, Jumpers, Walking Horses, Arabians, and Dressage. North Carolina is second in the number of Walking Horses and Paso Finos. The number of horses in North Carolina is reported to be approximately 250,000 head, up from 61,000 in 1955. Over the 10 years from 1991 to 2000, annual breed registrations have increased 40% in the state. This emphasizes the steady growth North Carolina's equestrian industry.

In terms of events, the equestrian market includes competitive sports including, but not limited to dressage, endurance racing, eventing, reining, show jumping, tent pegging, vaulting, polo, horse racing, combined driving, and rodeo. Revenue in the hosting of these events is typically derived from participants' fees, concessions, parking, and attendance. Nationally, while "recreation" is the largest revenue-producing segment of the equestrian event industry, the "showing" segment is also substantial. Nationwide, 3.6 million individuals participate in showing. The 2002 Horse Directory reported that there were 14,000 horse shows sanctioned in the United States.⁴

Figure 4: The Economic Impact of the Equestrian Industry in the U.S., \$ billion



Source: The American Horse Council
 Website: <http://horsecouncil.org/economics.html>

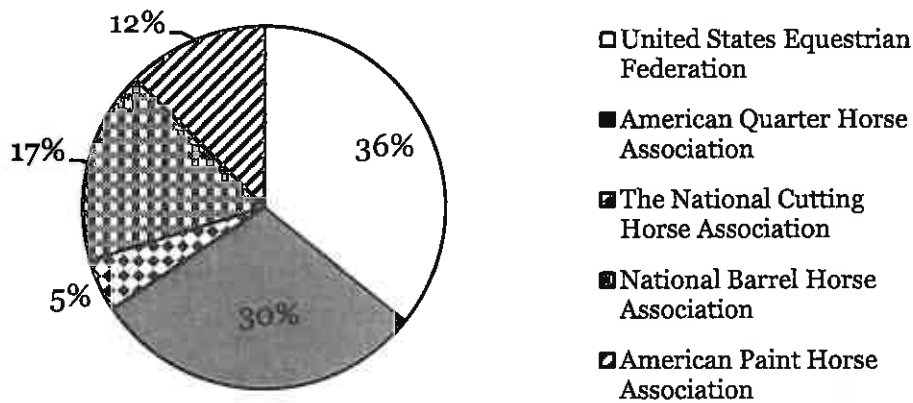
³ Source: 1999 Tennessee Agricultural Statistics Survey

⁴ Source: <http://www.qhd.com/horse/index.asp>

The equestrian events industry can usually be classified into “attendee funded”, “participant funded”, and “hybrid” events. Attendee funded events such as barrel-racing and other rodeo-type events, typically draw attendees from within a two-hour drive of the area, and therefore are susceptible to competition from nearby facilities. Participant funded events will typically draw from within a five hour drive, and are less susceptible to competitive pressure because frequently, participants will travel to several shows throughout the year. Finally, in hybrid events such as local rodeo events and county fairs, revenue is evenly distributed between attendee and participant fees.

The equestrian events industry has a strong supply of shows. Most equestrian events are managed by local or state associations and regulated by a national one. Equestrian events are regulated by five national associations, although some have overlapping membership, each oversees shows that pertain to a particular market segment. The organization regulating the most number of shows is the United States Equestrian Federation (USEF) which annually oversees 2,700 events. The American Quarter Horse Association (AQHA) regulated 2,251 events, while the National Cutting Horse Association, oversaw 350 events. The National Barrel Horse Association supervised 1,303 events. Finally, the American Paint Horse Association regulated 942 events.

Figure 5: Equestrian Events by Regulator as of 2006



Source: The American Horse Council
 Website: <http://horsecouncil.org/economics.html>

There are an estimated 2,700 events sanctioned by the USEF (primarily hunter and jumper events) and 2,400 by the AQHA which points to industry growth, approximately 7-8 percent since 1995. The data suggests that while the USEF oversees the most number of shows annually for a single organization -36 percent of the market -the combination of the other four associations, which are primarily western competitions, collectively is much larger at 64 percent of market

demand.⁵ There are also a significant number of smaller, independent events that do not show-up in this analysis. Typically these events are small, local and sometime non-profit.

In Virginia, Equestrian events are primarily clustered around the Washington, DC area. However, throughout the state there are still many shows that frequently occur and could be attracted by the facility. The criteria for this analysis are that the industry be healthy, prevalent and that there be a demand for the shows. The county is in a strategically good location to have an in demand equestrian facility. Many existing facilities are already booked heavily year-round to the point ideal dates are hard to obtain. Based on the fundamentals of the equestrian industry in the region and state and the lack of similarly-positioned facilities within the immediate area there is demand for an exposition center in Wythe County.

Livestock Industry

In Wythe County, the livestock market has been essential for the continuous development of the county. From 1992 to 1997, the total number of farms operating in Wythe County increased from 279 to 876. This number remained the same in 2002.

Table 1: Farm Data for Wythe County, Virginia, 1992-2002

	1992	1997	2002
Number of farms	725	876	876
Farm land (acres)	131,366	148,119	151,059

Source: U.S. Census of Agriculture

Website: http://www.nass.usda.gov/census/census02/volume1/va-46/va2_06.pdf

http://www.nass.usda.gov/census/census02/volume1/va/st51_2_008_008.pdf

In 2002, cattle and calves, and sheep and lambs were among the top livestock inventory items in Wythe County. The value of sales from these categories, as well as goats and hogs, was relatively high.

Table 2: Value of Wythe County Agricultural Sales: Livestock, 2002

Commodity Group	Value	State Rank	Producing Counties
Cattle and calves	\$17,268,000	6	97
Sheep, goats, and their products	\$108,000	15	93
Hogs and pigs	\$55,000	34	90

Source: U.S. Census of Agriculture

⁵ Source: <http://horsecouncil.org/economics.html>

According to current Census estimates, Wythe County's cattle and calves inventory is the 5th largest in the state of Virginia. Wythe County's sheep and lamb inventory is the 6th largest in Virginia. Rockingham and Augusta counties are Virginia's largest agricultural economies. In 2003, these counties hosted the biggest livestock shows and sales. In Augusta County, 257 exhibitors sold 443 animals for a total amount exceeding \$260,000. At the Rockingham County Fair, 181 participants sold 412 animals for over \$198,000⁶.

In the state of Virginia, the number of farms raising cattle and calves remained the same – 25,000 - in the period from 2005 to 2006. This is significantly lower than the number of operations with cattle and calves in Tennessee and Kentucky.

Table 3: Number of Operations with Cattle and Calves, Virginia and Adjacent States, 2005 – 2006

State	2005	2006
Virginia	25,000	25,000
Kentucky	45,000	45,000
Maryland	4,000	4,000
North Carolina	21,000	20,000
Tennessee	48,000	48,000
West Virginia	12,500	12,500

Source: USDA, National Agricultural Statistics Service

In the state of Virginia, after a two-year period of growth, the total number of cattle and calves decreased by 40,000 head. Virginia's current cattle and calves inventory is 1.62 million. Despite the decrease, Virginia continues to rank among the top 20 states in the nation in total numbers of cattle and calves. Although comparing favorably with a substantial number of states, Virginia's inventory is over 30 percent smaller than those in its two adjacent states, Kentucky and Tennessee, where inventories have been steadily increasing from 2005.

For the last year, the number of beef cows in Virginia decreased from 727,000 to 710,000 and the number of milk cows declined by 3%, from 103,000 to 100,000 head. If compared to the five adjacent states, the current number of milk cows that calved is currently the highest in Virginia. However, milk cow numbers keep turning down in all six states⁷.

The state of Virginia's inventory of sheep and lambs ranks 26th nationally. Historically it has been the largest compared to those in the neighboring states. In 2006, the number of operations with sheep and lambs in Virginia continued to

⁶ Source: Virginia Cooperative Extension

⁷ Source: USDA, National Agricultural Statistics Service

increase. From 2005 to 2006, the number of farms raising sheep and lambs increased by 100 and remained the highest among the neighboring states. In the first quarter of 2007, the prices on fall-born lambs continued to be high in Virginia due to a strong demand for lambs and relatively low supply⁸.

Table 4: Number of Operations with Sheep and Lambs, 2005-2006

State	2005	2006
Virginia	1,600	1,700
Kentucky	1,300	1,400
Maryland	750	730
North Carolina	800	750
Tennessee	1,100	1,200
West Virginia	1,000	1,100
U.S.	68,330	69,090

Source: USDA, National Agricultural Statistics Service

Website: <http://www.usda.gov/nass/pubs/agr05/acro05.htm>

Livestock-related activities and, in particular, showing animals have become increasingly popular throughout much of the United States. Youth involvement in livestock shows has historically been encouraged and proven successful in the United States. Along with the open division where ranchers and breeders compete, a livestock show generally has a junior division for school-age children participating in 4-H and FFA projects. 4-H (Head, Heart, Hands, and Health) is a "premier youth development outreach of USDA". In the state of Virginia, over 157,000 children are enrolled in 4-H; the number of teen and adult volunteers is more than 17,000.

In Virginia, there were 37 4-H and FFA livestock shows in 2003. The events attracted almost 2,000 exhibitors. Most of the shows included sales. In total, 3,179 animals were sold. Gross receipts derived from the sales approximated \$1.94 million ⁹.

Table 5: 4-H and FFA Livestock Shows and Sales in Virginia in 2003

	Pig	Beef	Lamb
Number of Exhibitors	512	542	886
Number of Market Animals	925	681	1573
Animal Sales Proceeds	330,653	932,157	408,328

Source: Virginia Cooperative Extension

⁸ Source: Virginia Cooperative Extension

⁹ Source: Virginia Cooperative Extension

Also there are currently 27 livestock auction markets in Virginia, which are represented on the boards of the Virginia Cattlemen's Association and the Virginia Beef Industry Council. Wythe County Livestock Exchange, Inc. is represented by livestock auctioneers conducting regular sales of livestock, feeder sales in conjunction with the Wytheville Feeder Cattle Association and the Virginia Cattlemen Association, an All Breed Horse Sale, and a Small Animal and Poultry Auction.

The implication for our analysis is that while the livestock industry is healthy and prevalent in the primary market area for the proposed facility, the demand for livestock shows is average. However, an exposition center may serve to create demand by giving the community a facility that could serve as a catalyst for new local organizations. The livestock event industry is more prominent in the southwestern portion of the state but has fewer shows respectively, than the equestrian industry. Cattle sales are major industry events and these could be profitable for the facility.

Consumer Show Industry

A consumer show or public show is an event that serves specific industries or interests, held for a particular duration of time (1 to 10 days) that is open to the general public. They include home shows, car shows, sportsman shows, RV and boat shows, computer and technology shows, craft shows, and many others, large and small.

Consumer shows can be classified into three categories based on size. Small shows are those that have under 5,000 attendees and are typically organized by independent producers, medium sized shows are those with 5,001 to 30,000 attendees, and large shows are those with over 30,000 attendees. The recent trend has been that the market share of small and medium consumer shows has been growing at the expense of large shows.

In 1997 and 2002, overwhelmingly, consumer shows were independently and not association-produced. In 1997, 69% of all consumer shows were independent. This independent and small entrepreneurial sector of the consumer show industry may be likely to seek-out new venues rather than larger and entrenched shows typically held at vacation destinations. The proposed exposition center may be more likely to attract some of these small consumer shows.

Overall, the consumer show event industry is healthy, though not very prevalent. The outlook is good for small, independent consumer shows. Much of the growth in the industry is from this segment. Since consumer shows are not a primary revenue stream for the exposition center, but rather act as a supplemental source of income, there may be sufficient demand.

Performance and Sports Industry

While at face value this classification would primarily seem to deal with the types of performance and motor sports events typically held at exposition centers similar to the proposed center, for our purposes it is broader. This classification includes any event typically found at exposition centers that were not included in the previous classifications. While many of these are performance and motor sports, this classification does not preclude others (such as dog shows and dance recitals). Sporting and performance events that the proposed facility could attract include but are not limited to demolition derbies, monster truck shows, BMX racing, tractor pulls, antique car shows, dog shows, youth sports including soccer and other recreational/sport activities.

The business structure of this industry is such that an entertainment promoter usually is responsible for the shows. Promoters are typically hired on contract by entertainment venues, earning an agreed-to fee, which is often a simple percentage of admission fees and/or food and drink sales. Other promoters operate independently, renting venues for a fixed fee or under a revenue sharing arrangement with the building owner or tenant, and keeping all of the additional profits from a successful event. One common arrangement for small venues is for the promoter to earn all of the admissions fees, while the venue earns all of the food and drink revenue. Some venues have exclusive arrangements with a single promotion company; others work with multiple promoters on a rotating schedule (one night per week, for example) or on an event-by-event basis.

Sports entertainment is prevalent in similarly-positioned facilities. While it is difficult to establish market demand in Wythe County, the overall sports entertainment industry is healthy and the proposed center should be able attract events.¹⁰ Although there have been environmental concerns regarding demolition derbies, they are currently the largest draw at county fairs. This coupled with rural and agricultural history of the area should translate into some demand for demolition derbies. It is difficult to establish demand within the market for dog shows, monster truck shows, BMX racing, and antique car shows. Based on similarly-positioned facilities, these shows do have minor roles in generating revenue in exposition centers. Due to a lack of data it is difficult to establish primary market data.

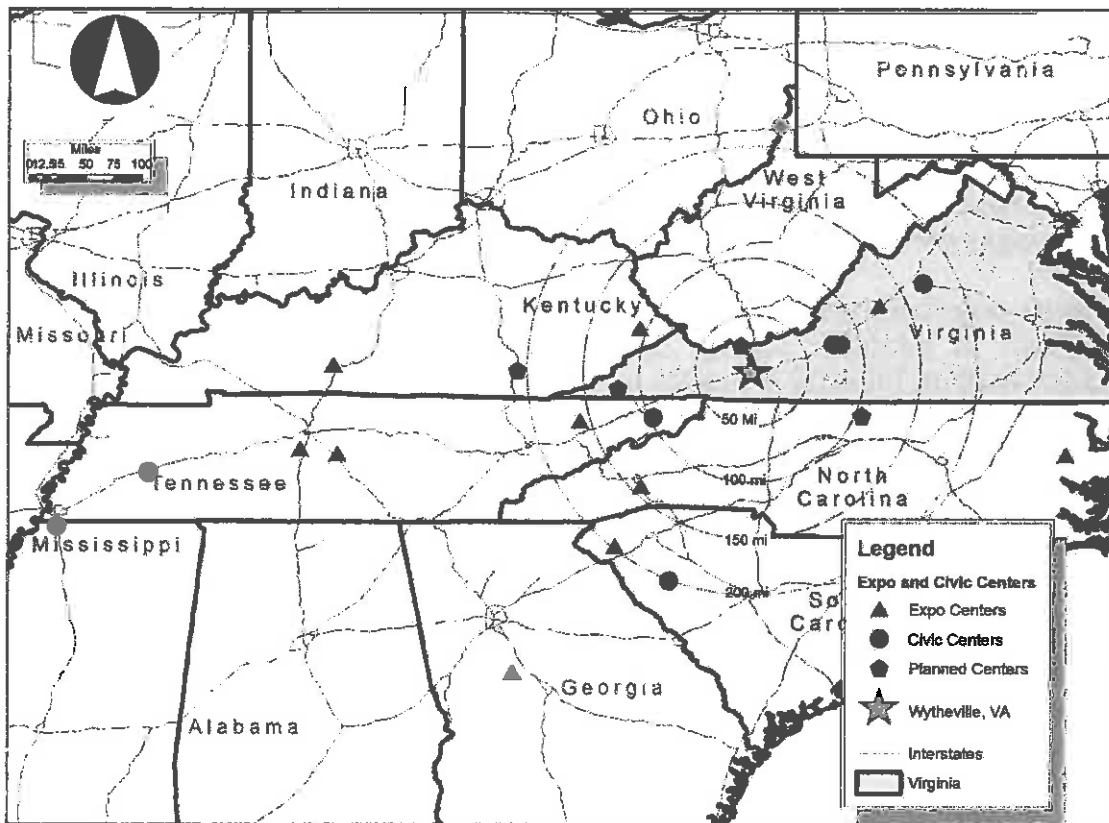
¹⁰ Source: <http://www.prowrestlinghistory.com/>

Financial Analysis

Supply Analysis

OED identified the potential competitive exposition venues in the region. Configuration, existing events, and services were researched. This included existing and future venues that could position themselves as competitors for the proposed center. While regionally, there are a significant number of venues that could be competitors to the proposed facility, within 100 miles of the facility, it will be well-positioned for success. The proposed facility will have an advantage over nearby facilities due mainly to its proximity to the junction of interstates. Initially, we looked at competitive facilities throughout the region. In this first survey of supply, we found that there were ten expo centers, eight civic centers, and three planned centers (Figure 6)

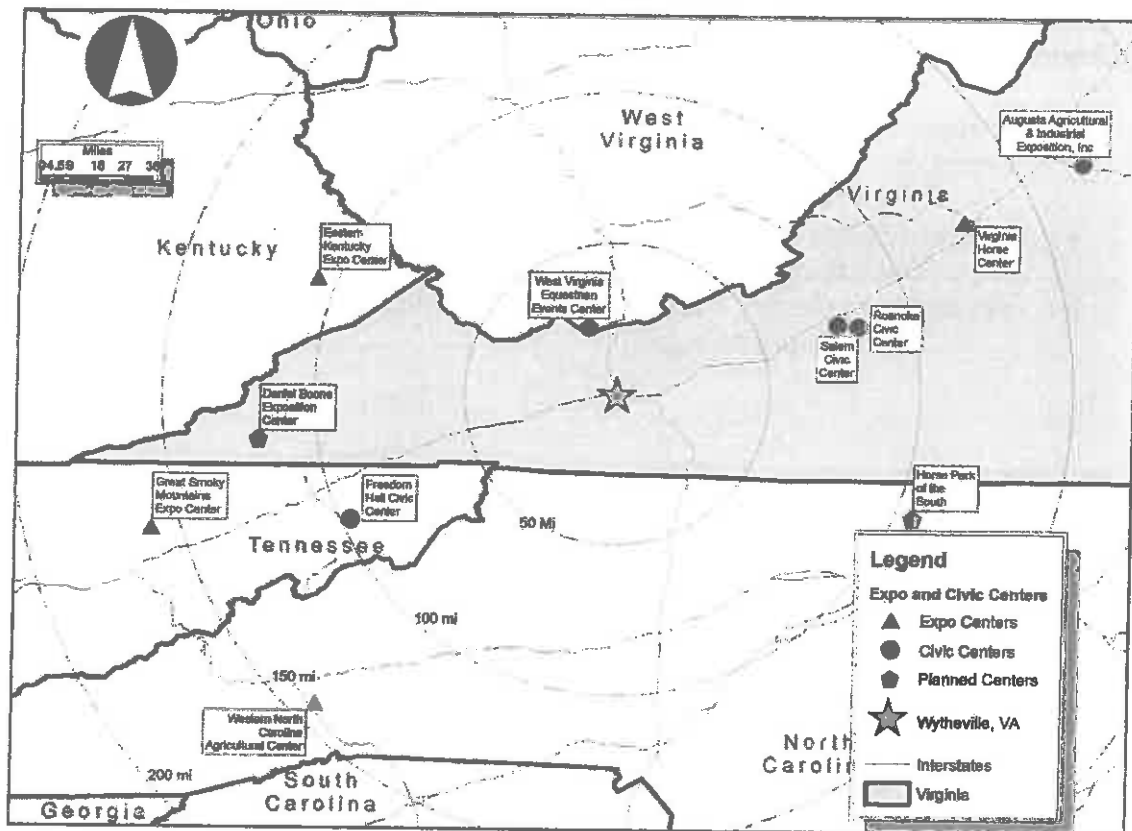
Figure 6: Competitive Agricultural Expo and Civic Centers



The more direct competition includes eight civic centers and agricultural exposition centers that are located within a 200 mile radius of the proposed facility. Four of these facilities are not likely to be direct competition, because they are civic centers that focus on performances. There are also four equestrian facilities within the market are more direct competitors for the proposed center. Within a 50 mile radius, there are also two more proposed facilities. The Horse

Park of the South is less likely to be a direct competitor because its site is not close to a major interstate. Also, while the proposed West Virginia Equestrian Events Center is within 50 miles of the proposed facility, it is only in the initial planning stage. There are also significant issues related to road access to the facility that must be addressed. This implies that the proposed Wythe County facility faces no significant competitor in its market area.

Figure 7: Direct Competitors in the Region



Several facilities in the region were considered as models for the development of the proposed facility based on whether they have an indoor arena, and their size in terms of seating capacity. Facilities included in this analysis are located in the states of Virginia, North Carolina, Tennessee, Kentucky, West Virginia, South Carolina, Georgia, Mississippi, and Texas.

The facilities we looked at are a mix of agricultural expo centers, civic centers, horse parks, livestock centers, and horse centers. Most of the agricultural exposition centers have at least one outdoor arena accompanying an indoor arena. The indoor arena size varies from 100'x150' SF at George Henderson Exposition Center to 350'x200' SF at Barnesville Expo Center. Virginia Horse Center has the largest number of stalls at 1,200, whereas the average number of stalls among other facilities is around 350 stalls. Most facilities have concession

stands, although there are a few with restaurants, dining areas, and full catering services. On average, parking ratios are 1 spot per 2.66 seats. Finally, most facilities have camper hookups with a minimum of 50 among the facilities studied.

This analysis provided us with a general picture of what the proposed center should look like in terms of seating capacity, parking, number of stalls, etc. We also looked at three centers more closely in order to understand the operational issues and gain greater insight into the configuration of the proposed center. We undertook site visits to each of the following centers and interviewed key staff:

- Walters State Great Smoky Mountains Expo Center, Morristown, Tennessee
 - John Baldy, Manager
- Western North Carolina Agricultural Center, Asheville, North Carolina
 - Matt Buchanan, Manager
- Rockingham County Fairgrounds, Harrisonburg, Virginia Tech
 - Denis Cupp, Manager

Table 6: Physical Characteristics of Comparable Regional Facilities

Facility Name (alphabetical)	Location	Indoor Arena	Outdoor Arena	Stalls	Concessions	Permanent Seating	Portable Seating	Camper Hook Ups	Parking
Barnesville Expo Center	Barnesville, GA	350 X 200	235 X 125	288		7,500			
Carl Perkins Civic Center	Jackson, TN	190 X 125				2,200	2,200		350
Desoto Civic Center	Southaven, MS	250 X 140				6,500	3,500		2,500
Fairgrounds Park	Jackson, TN					2,500	500		
Freedom Hall Civic Center	Johnson City, TN	130 X 125				5,619	948		1,800
George H. Henderson Jr. Exposition Center	Lufkin, TX	100 X 150	Yes	80	5 stands	7,000	3,000	Yes	
Glen Rose/Somervell County Expo Center	Glen Rose, TX	100 X 256	Yes	541	3 stands	2,100	3,370	Yes	1,200
Great Smoky Mountains Expo Center	Morristown, TN	300 X 150				3,875	3,000		2,000
Greenwood Civic Center	Greenwood, SC	160 X 100				2,400	1,100		1,700
Ike Hamilton Expo Center	West Monroe, TX	190 X 300	120 X 120		2 stands	2,900	0	Yes	1,700
L.D. Brown Ag Exposition Center	Bowling Green, KY	100 X 200				2,076	300		
Lee County Agri-Center	Verona, MS	138 X 241		200		3,000	3,200	50	2,000
Nagodoches County Expo Center	Nagodoches, TX	280 X 110		300	3 stands 1 dining area	4,300	500	60	1,700
Salem Civic Center	Salem, VA	200 X 125				4,027	3,373		2,800
Senator Bob Martin Agricultural Center	Williamston, NC	150 X 300	75 X 125	292	full catering	2,400			
Shelby Farms Show Place Arena	Memphis, TN	125 X 250	150 X 300	632		4,100	1,900	yes	700
T. Ed Garrison Livestock Arena	Clemson, SC	140 X 260		440	restaurant	3,000			
Taylor County Exposition Center	Abilene, TX	107 X 245 100 X 240	Yes		several stands	5,000	2,000		5,000
Tennessee Livestock Center	Murfreesboro, TN	230 X 100				4,550			
Travis County Exposition Center	Austin, TX	110 X 235		200		6,500	3,000	50	4,100
Tunica Arena and Exposition Center	Tunica, MS	320 X 150		606	1 Stand	3,364	1,700	56	1,500
Virginia Horse Center	Lexington, VA	300 X 150 260 X 120	6 arenas	1,200		4,000			
Western North Carolina Agricultural Center	Fletcher, NC	120 X 240	150 X 300	603		3,000			
Wheeling Civic Center	Wheeling, WV	191 X 124				5,400	2,200		1,100
Williamson County Ag Expo Park	Franklin, TN	300 X 150	100 X 200	196	2 Stands	4,100	2,000		

Walters State Great Smoky Mountains (WSGSM) Expo Center

The Walters State Community College Great Smoky Mountains Expo Center is located in Morristown, Tennessee. The expo center opened in March of 1996. The original request for the expo center came from a group of horse enthusiasts that went to Governor McWherther and asked for a facility in upper east Tennessee to showcase their livestock. After conducting economic studies, the state went to Dr. Campbell at Walters State and asked if the college would be interested in running the facility once it is built. That is how the college got ownership of the facility.

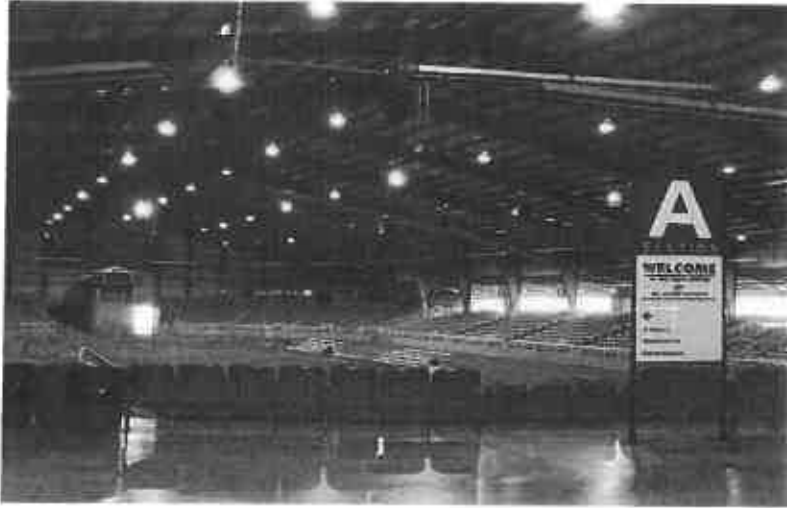
The multipurpose arena was built to showcase east Tennessee livestock; enhance agricultural education programs for Walters State Community College students, 4-H, Future Farmers of America, and other young people and other citizens in general; and provide a site to facilitate non-agricultural events including musical programs, pet shows, business/industrial trade shows, and various community service events.

Figure 8: Front Entrance to the Main Building at the WSGSM Expo Center



The facility has 3,875 permanent seats with the capability of putting an additional 3000 seats on the arena floor. It also has 200 horse stalls. The center hosts about 55 to 60 events a year, the majority being horse shows and other equestrian events. Because of the extensive set up and clean up time required for equestrian events, Smoky Mountain Expo Center is limited in its number of event days per year. Other events include rodeos, motocross racing, team roping practices, and several trade shows, the largest being the self-produced Smoky Mountain Boat, Fishing, and Sportsman Show which attracts between 10,000 and 15,000 people over two weekends.

Figure 9: The Indoor Arena at the WSGSM Expo Center



Western North Carolina Agricultural Center

The Western North Carolina Agricultural Center was built in 1983 on 22 acres at the existing Livestock Center at Fletcher, NC. It totals 82 acres and was renamed the Mountain State Fairgrounds, a ten day celebration of mountain living featuring exhibits, animals, and a midway and food. It is state owned and operated through the North Carolina Department of Agriculture and Consumer Services. It has become a national model for a well-designed, multi-purpose agricultural facility. Most weekends the Ag Center offers equestrian shows, dog shows, rodeos, motorcycle rallies, just to name a few.

The main arena, the McGough Arena, is 65,000 SF with a 120'x240' show ring seating 3,000 people, and a covered ring attached. There are 603 permanent stalls on the grounds. Davis Covered Facility is below the hill, and 45,000 SF. It provides a 120'x240' show ring, or can serve as a temporary stall building. It also has a restaurant/meeting room, restrooms, showers, bleachers, and its own stall buildings. There is also a livestock facility with a 500 seat sales arena, and a livestock barn attached to it. There is paved parking, and full service RV hookups on the site.

Figure 10: McGough Arena, WNC Agricultural Center

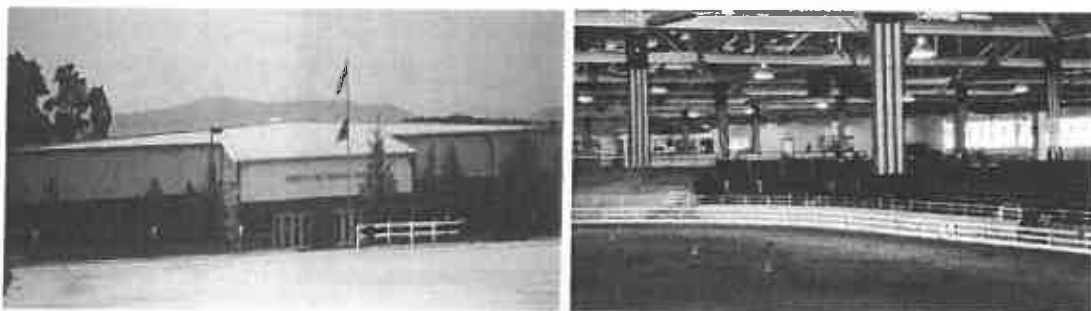
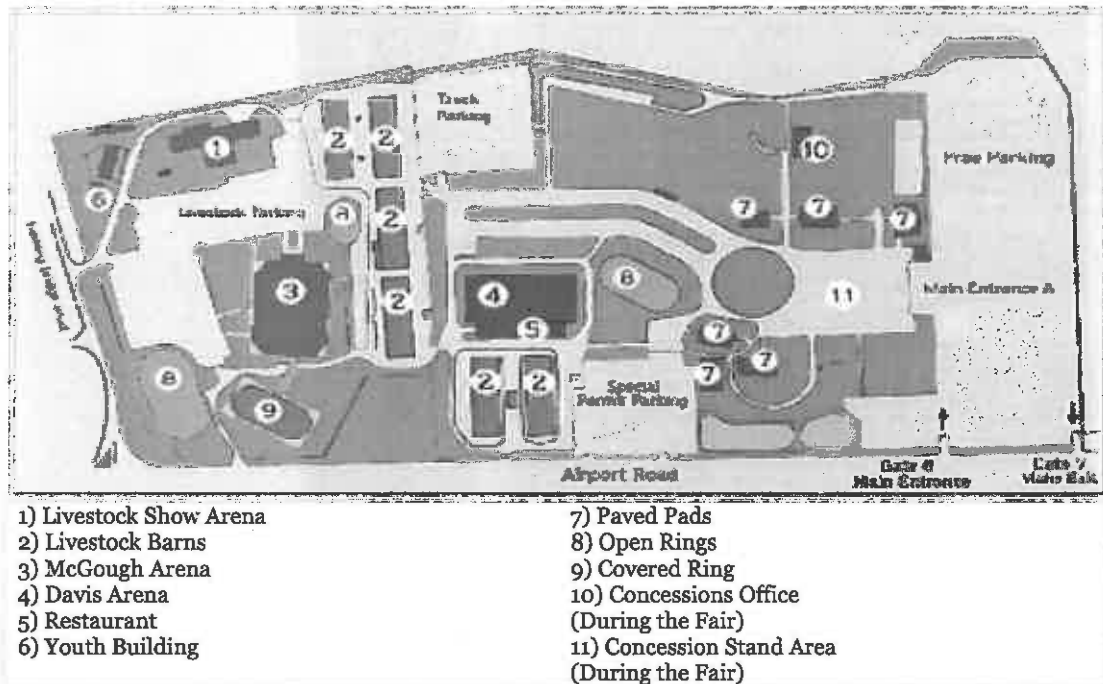


Figure 11: Western North Carolina Ag Center Site Plan



Rockingham County Fairgrounds

In 1980, the first fair was held at the present site in Harrisonburg. The fair association that manages the fairgrounds has 111 acres of land, a 21,000 sq ft. exhibit hall, a barn complex, a building for horticulture, flowers and farm crops displays, a building for poultry and rabbit exhibits; and food booths run by local civic clubs. The fairgrounds are used for many different fund raising activities, livestock breed shows, trade shows, exhibitions and community activities throughout the year. The Annual Rockingham County Fair is held in August.

Figure 12: Barns at Rockingham County Fairgrounds



Figure 13: Sign of Rockingham County Fairgrounds on US Route 11



The three comparable facilities host a variety of events, although each focuses on different segments of the industry. The WSGSM Expo Center hosts mostly equestrian type events, whereas the WNC Agricultural Center focuses on performance and sports. Rockingham County Fairgrounds' concentrates heavily on consumer shows.

Table 7: Current Event Analysis at Benchmark Facilities

Event Type	WSGSM Expo Center	WNC Agricultural Center	Rockingham County Fairgrounds
Equestrian Events	24	13	9
Livestock Events	3	3	12
Consumer Shows	6	3	25
Performance & Sports	17	23	12
Total	50	42	58

The WSGSM Expo Center and WNC Agricultural Center, based on the configuration of their facilities, are viewed by OED as likely having a similar event composition to the proposed facility. The Rockingham County Fairgrounds focused more on consumer shows than would be practicable for the proposed center due to the lack of demand in the region. For the purpose of this analysis, events relating to annual fairs were removed. Both the WNC Agricultural Center and Rockingham County Fairgrounds have annual fair events that do not translate operationally to the proposed center in Fort Chiswell. Therefore, in this analysis, those events have been redacted. This allows OED to gain a better operational understanding of the types of events the AAEC would attract.

Demand Analysis

In order to establish whether or not market demand is strong enough to support an agricultural exposition center, OED undertook extensive interviewing of organizations, associations, and promoters. The interview was aimed at understanding whether or not there was interest in the proposed facility and what specific amenities should be included in the building (see interview questions in the Appendix). Since a large percentage of shows in an agricultural exposition center are concentrated heavily in equestrian and livestock event industries, our interview focused mostly on the equestrian and livestock organizations in the state of Virginia and surrounding states. Other event promoters were also contacted.

Among the 207 organizations that were called in order to survey demand for the proposed agricultural exposition center, there were a wide variety of responses. Of the 207 called, close to 100 groups were contacted; this means an OED staff member actually talked to a representative of the organization. This conversation may have been as brief as simply asking them if they have events (if the answer was "no" that would terminate the interview). Of those, around 50 groups were not interested in the proposed center, while the other half said they either were currently, or might be interested in using the proposed facility.

Many of the groups that were contacted and not interested in the proposed facility were located in Northern Virginia. The main reasons they listed for not wanting to use the facility was that it would be too far away from their membership. Many of these organizations were riding clubs of a local nature. Another large group of organizations that were not interested were out of state breed organizations and equestrian livestock groups. Their refusal to consider the facility was primarily based in their views that their current facilities were satisfactory and that it would be unusual for a geographically specific group to meet outside of their membership area (i.e. the Tennessee Quarter Horse Association meeting in Virginia).

The organizations that would consider holding an event at the center had varying degrees of interest. Among the most interested were organizations, primarily focused on rodeo-type activities (bull riding, barrel horse racing, etc.). The Virginia High School Rodeo Association (VHSRA) said the facility would be "used all of the time" by their organization and also said it would be "perfect for (their) needs. This is significant because of the large number of events the VHSRA sponsors (roughly twenty a year, nearly all in Southwest Virginia. The facilities the organization currently uses are the Virginia Equestrian Center and the state fairgrounds. The estimated attendance for each event is 500 people. People travel statewide for these events. The VHSRA representative said that his perception of Wythe County was that it was a "... great area, 90% of our association's membership is in southwest Virginia."

The Virginia Beef Exposition also mentioned that the facility, if configured properly, would be appealing for their cattle sale. Currently, the exposition uses the Rockingham County Fairgrounds and the Lexington Horse Center. Attendees travel up to 500 miles for the event and typically there are 2000 attendees. In order to be able to use the facility, the exposition needs to be able to pen 350 cattle.

The Virginia Angus Association was also optimistic that the facility would be appropriate for their needs and could be used frequently. The International Barrel Racing Association said that the proposed center "would be a great place for them." This is also a significant group because they manage between 50 and 60 events a year. This means these events could bring considerable revenue into the facility.

Another Angus group that expressed interest in the facility was the Southwest Virginia Angus Association, who currently hold sales at the Washington County Fairgrounds and at the former Wytheville BCIA Bull Test Facility. The group stated that they "hope to move that sale to the proposed AAEC facility", as the bull test facility has been sold and will not be available much longer.

The Virginia Reining Horse Association is also likely to use the proposed facility. The interviewee from this organization stated that they "... were desperate to have a facility in Virginia, most of the facilities in the state are too expensive and the dirt is not good for reining horses."

The National Barrel Horse Association representative who was interviewed stated that they would also be interested in having events at the new facility. The Professional Bull Riders Association also may use the facility for some of their 100 events drawing an estimated 2,000 attendees. Southern Extreme Bull Riding Association, a group which manages 220 events a year, was very interested in the proposed facility. Typically their events have an attendance in excess of 2000.

Other organizations that expressed a lot of interest in the facility include the Virginia Gelbvieh Association, Wytheville Fire Department, and gun show producers such as Showmaster Gun Shows and Old Dominion Gun Show. Some of the other associations that might be interested in the new facility, based on its configuration after construction were also notable. The Virginia Horse Shows Association said it would consider the facility if it were of comparable quality to the Virginia Horse Center but offered greater value in terms of an adequate fee structure and preferred dates. Several groups from Northern Virginia stated that they would consider the facility but that it was far away from their membership.

Among the other questions posed during the phone survey were queries relating to the configuration of the facility. Almost unanimously, groups said there should be food on site. The most popular suggestion was for a well-organized concession stand that could offer food of decent quality. Several of the interviewees pointed-

out that this was a good way for the facility to generate revenue. Most did not feel a restaurant was a good idea.

Interviewees generally had a positive perception of Wythe County as a spot for the prospective center. One organization said that the proximity of Wythe County to the Veterinary School at Virginia Tech was an asset. Many who were interviewed said that Wythe County would be a “great place” because of the large number of horses in the area. Several people pointed-out that the facility should be close to both I-77 and I-81. Critics of the site said that the complex was too far away from Northern Virginia’s horse country and some wondered if there was enough population to sustain the facility.

Finally, interviewees had many suggestions about the configuration of the facility. A few people said that the facility needed at least 50 trailer hook-ups. One interviewee said that in order for their show to come, the facility needed “100,000 square feet, accessibility to interstates, wireless internet, and big doors.” Most interviewees said an indoor arena with good seating was a necessity. A promoter in the performance industry said that for his show to be held at the facility, it would need a 160’ stage. Yet another interviewee said the facility should have at least 225 stalls.

There is considerable demand for the facility in certain market segments. However, the concentration of associations holding events in Virginia is primarily in the northern portion of the state. There was little interest from associations that were called in adjoining states. This was due to the nature of most of the associations that host events. Since the associations are geographically-bounded (i.e. the Virginia Angus Association), there is reluctance on the part of event organizers to stray too far away from their membership. Despite this, some event managers stated that there was need for better facilities across the state. In fact, some said that an affordable and nearby facility could prompt those in the area to host events. Promoters of rodeo-type events are for more interested in a facility in the region because of the strong rodeo culture and unavailability of satisfactory facilities.

Financial Parameters

The analysis of financial performance has been structured using revenue and expense parameters that were developed by OED based on the following: fees and charges at comparable facilities, modified to meet local requirements and needs; and the operating experience of comparable facilities in terms of events and financial performance. We assume a “bare box” management strategy, where the facility is provided to others who organize, sponsor and promote events.

Financial projections are based on a stabilized performance in the fifth year of operation. Events in years one through four were discounted to reflect the realities of attracting and retaining events and attendees during the first few years of the facility. Another assumption is that we do not expect to observe a

significant change in terms of fee schedules, event projections, and cost estimates from Year 1 to Year 2 and from Year 3 to Year 4. The stages where changes occur with respect to number of events, fee schedules, and the operating costs are Year 3 and Year 5, after the facility is in operation.

It is also important to note that financial projections do not include debt service. This is based on our research on other comparable facilities that are financially solvent because they receive-state funding, or they are well established and therefore service no debt.

The two principle revenue categories are rental and non-rental revenue. Rental revenues, given below are assumed to start at comparable rates observed in other facilities, and are expected to increase over time.

Table 8: Proposed Fee Schedule in the Operation Stage

Revenue Generator	Year 1	Year 3	Year 5
Indoor Ring Rental/day	\$1,300	\$1,400	\$1,500
Barn Rental/day	\$300	\$400	\$500
Set-up Days/day	\$135	\$150	\$165
Pens	\$15	\$20	\$25
Horse Stalls	\$30	\$40	\$50
Straw Removal/stall	\$5	\$7	\$9
Placing of bedding/stall	\$5	\$7	\$9
Heat/day	\$300	\$400	\$500
Tables	\$10	\$12	\$14
Chairs	\$2	\$3	\$4
Sectional Stage/day	\$80	\$90	\$100
Small tent	\$700	\$750	\$800
Large tent	\$1,600	\$1,700	\$1,800

The proposed rental fee schedule for the facility is based on the fees charged by the benchmark facilities considered in this study. These fees were also adjusted considering possible price increases in the future as the proposed facility will be in operation in 2-3 years.

Non-rental revenue covers revenue from food sales (as opposed to concession sales) which is expected to be the facility's largest source of revenue. This is based on the assumption that the facility will contract with a local caterer that will sell lunch and dinner during events. We assume that 75% of attendees will purchase one lunch during a one-day meeting, two lunches and one dinner during a two-day meeting, three lunches and two dinners during a three day meeting, and so on. We propose that the fee the center will collect from the caterer be \$1.00 per

purchased lunch meal, and \$2.00 per dinner meal. Sponsorship revenue was not considered in this analysis. However, it is recommended that the facility manager explore this possible revenue stream aggressively.

Revenue Projections

Based on the stabilized year projection of 71 events, we estimate that during the first year of operation, the facility could generate roughly 33 events. Local and non-profit events will likely utilize the space at a higher percentage than outside events during the initial start up years. The larger spectator events will take more time to attract and therefore were discounted before the estimated stabilization in Year 5. The specific events that are projected to be hosted at the facility are given in Table 9, Table 10, and Table 11. It is important to note that shows in italic are not based on actual association interviews. We added a reasonable number of events in categories other than equestrian and livestock shows to account for all potential shows that could be held at the facility. It is also important to note that events that take place more than once in a given quarter have the number of times they will be hosted in brackets.

This facility could potentially branch out and host events outside the realm of its agricultural base. There are several civic and expo centers in the surrounding region that host high end agriculture shows as well as concerts, trade shows, and performances. Examples of similar venues in the region are: the Roanoke Civic Center, VA; Salem Civic Center, VA; Washington County Fairgrounds, VA; Freedom Hall in Johnson City, TN; Viking Hall in Bristol, TN; and the Greensboro Coliseum in Greensboro, NC. The proposed facility in Wythe County will possess varying degrees of similarity to each to venue. One venue, the Salem Civic Center, hosts an annual regional horse show as well as minor league sports, major concerts, and touring children's shows. Depending on the constraints of the show space constructed at the proposed facility it is possible that it would feature similar events. However, at a minimum the facility will require modifications such as an adaptable floor covering, stage (with lights, audio, etc.), and high capacity HVAC system.

If the facility is to serve in this hybrid capacity additional costs will certainly be incurred during construction and as part of ongoing maintenance. Further, the facility's suitability to host agricultural events should not be impeded by these modifications. By trying to attract a wider client base the facility may dilute its appeal to the events it was originally designed to host or find itself in the difficult position of needing to charge more than organizers can afford to pay.

Table 9: Event Projections in the First Year of Operation

Quarter 1 Jan-Mar	Quarter 2 Apr-Jun	Quarter 3 Jul-Sep	Quarter 4 Oct-Dec
International Barrel Racing	SWVA Angus Association	International Barrel Racing	Virginia Gelbvieh Association
Boone Enterprises	<i>Gun Show</i>	Southern Extreme Bullriding	SWVA Charolais Association
Professional Bullriding	Professional Bullriding	VA Farm Show	International Barrel Racing
<i>Gun Show</i>	VHS Rodeo Event	USTPA (Team Penning)	<i>Performance</i>
Southern Extreme Bullriding	VA Horse Shows Association	VHS Rodeo Event	Professional Bullriding
VHS Rodeo Event	Southern Extreme Bullriding	Primetime Productions	Southern Extreme Building
VA Angus Association	International Barrel Racing	Virginia Beef Cattle Improvement (& Sheep Producers)	VHS Rodeo Event
Virginia Reining Horse <i>Performance</i>			Virginia Reining Horse GENEX Co-op Purebred Sale <i>Collectible Show</i>

Table 10: Event Projections in the Third Year of Operation

Quarter 1 Jan-Mar	Quarter 2 Apr-Jun	Quarter 3 Jul-Sep	Quarter 4 Oct-Dec
Boone Enterprises	Virginia Beef Cattle Improvement (& Sheep Producers)	VA Thoroughbred Association	Professional Bullriding (2)
Professional Bullriding (2)	<i>Gun Show</i>	International Barrel Racing (2)	Virginia Gelbvieh Association
Commonwealth Dressage	Virginia Reining Horse	Professional Bullriding	SWVA Charolais Association
VA Angus Association	International Barrel Racing	Southern Extreme Bullriding	<i>Performance</i>
<i>Gun Show</i>	Professional Bullriding	VA Beef Expo	<i>Gun Show</i>
VA Farm Show	Southern Extreme Building	USTPA (Team Penning)	International Barrel Racing
International Barrel Racing (2)	Wytheville Fire Department	VHS Rodeo Event	Southern Extreme Bullriding
<i>Performance</i>	SWVA Angus Association	NRV Hereford Association	Anchor Bull Company
Southern Extreme Bullriding	VA Horse Shows Association	Primetime Productions	VHS Rodeo Event
VA Draft Horse and Mule	Virginia Gelbvieh Association	SWVA Angus Association	GENEX Co-op Purebred Sale
VHS Rodeo Event	SWVA Charolais Association	Virginia Beef Cattle Improvement (& Sheep Producers)	Virginia Reining Horse
	VHS Rodeo Event	Wytheville Arts Council	
		<i>Collectibles Show</i>	

Table 11: Event Projections in the Fifth Year of Operation

Quarter 1 Jan-Mar	Quarter 2 Apr-Jun	Quarter 3 Jul-Sep	Quarter 4 Oct-Dec
Boone Enterprises	<i>Arena Cross</i>	<i>Arena Cross</i>	<i>Consumer Show</i>
Botetourt County Horseman	<i>Gun Show</i>	Boone Enterprises	International Barrel Racing (2)
Commonwealth Dressage (2)	<i>Collectibles Show</i>	<i>Demolition Derby</i>	<i>Performance</i>
VHS Rodeo Event (2)	<i>Demolition Derby</i>	International Barrel Racing	Pinto of the Virginias
<i>Gun Show</i>	International Barrel Racing	Professional Bullriding	Virginia Gelbvieh Association
Anchor Bull Company	Southern Extreme Bullriding (2)	Southern Extreme Bullriding	SWVA Charolais Association
<i>Consumer Show</i>	Wytheville Fire Department	VA Beef Expo	Professional Bullriding (2)
International Barrel Racing (2)	SWVA Angus Association	VA Draft Horse and Mule	Southern Extreme Bullriding
<i>Performance</i>	Professional Bullriding	USTPA (Team Penning)	<i>Coin Show</i>
VA Angus Association	VHS Rodeo Event	<i>Gun Show</i>	Anchor Bull Company
Professional Bullriding (2)	Virginia Beef Cattle Improvement (& Sheep Producers)	VA Farm Show	GENEX Co-op Purebred Sale
Southern Extreme Bullriding	VA Draft Horse and Mule	VA Thoroughbred Association	<i>Gun Show</i>
Virginia Beef Cattle Improvement (& Sheep Producers)	VA Horse Shows Association	VHS Rodeo Event	VHS Rodeo Event
VA Draft Horse and Mule	VA Thoroughbred Association	Primetime Productions	Virginia Reining Horse
VA Pony Breeders	Virginia Gelbvieh Association	SWVA Angus Association	Wytheville Arts Council
Virginia Reining Horse	SWVA Charolais Association	Virginia Beef Cattle Improvement (& Sheep Producers)	
		Wytheville Arts Council	

The revenue projections associated with these event schedules are summarized in Table 12. Based on our projections, the center will generate more than \$150,000 in the first year of operation, with the attendance number reaching 33,000. Adding the potential food revenue, estimated at around \$70,000, will bring the first year revenue to \$223,933. In the third year, the facility will be able to host more events with attendance up to 47,600, therefore reaching an estimate of more than \$380,000 in revenue including the revenue from food sales. In the fifth year, the event schedule is expected to stabilize at close to 71 events, bringing in more than 60,000 attendees. The revenue stream at this stage will be around \$530,000, including the revenue from food sales.

Table 12: Revenue Projections in the Operation Stage

	Quarter 1 Jan-Mar	Quarter 2 Apr-Jun	Quarter 3 Jul-Sep	Quarter 4 Oct-Dec	TOTAL
Year 1					
Events	9	7	7	10	33
Revenue	\$38,175	\$33,860	\$38,585	\$41,500	\$152,120
Attendance	9,750	6,500	7,250	9,250	32,750
Food Revenue	\$23,063	\$11,625	\$16,688	\$20,438	\$71,813
TOTAL	\$61,238	\$45,485	\$55,273	\$61,938	\$223,933
Year 3					
Events	13	12	14	12	51
Revenue	\$82,105	\$62,270	\$76,595	\$63,835	\$284,805
Attendance	15,850	8,000	10,500	13,250	47,600
Food Revenue	\$38,888	\$12,750	\$16,875	\$30,188	\$98,700
TOTAL	\$120,993	\$75,020	\$93,470	\$94,023	\$383,505
Year 5					
Events	20	17	17	17	71
Revenue	\$116,550	\$97,948	\$110,810	\$98,115	\$423,423
Attendance	14,900	14,600	15,350	15,850	60,700
Food Revenue	\$26,925	\$24,450	\$27,263	\$32,138	\$110,775
TOTAL	\$143,475	\$122,398	\$138,073	\$130,253	\$534,198

Cost Projections

Operating expenses can be divided into four principle categories, these are; marketing, administrative, service and equipment, and salaries and wages. The majority of expenses within this category are fixed, representing the annual salaries of full-time and part-time personnel. Fringe benefits were not included in this analysis; rather, salaries include all benefits.

In order to determine the proper staffing level for the proposed facility, OED looked at the three comparable facilities. Their respective staff was:

- WSGSM Expo Center: Executive Director, Executive Assistant, Maintenance Supervisor, Maintenance Worker (2)
- WNC Agricultural Center: Executive Director, Marketing Director/Executive Assistant, Manager, Office Worker Level 2, Office Worker (2), Facility/Maintenance Supervisor, Electrician, Plumber, Machine Operator Level 2, Laborer (2)
- Rockingham County Fairgrounds: Executive Director, Administrative Assistant, Facilities Manager, Laborer, Supervisor, Laborer, Part-time Accountant

Based on our interviews, we recommend that the facility be staffed with these positions at a minimum: Manager, Administrative Assistant, Facility Manager,

Part-time Accounting Clerk, and Laborer. This staffing recommendation is predicated upon the significant use of outsourced labor for sanitary work, grounds-keeping and special event staff. One of the executives we spoke with recommended that prison labor (under the supervision of local sheriffs) be used for manual labor before and after events. He pointed-out that it is inexpensive and the prisoners like being away from the general public. This might be a workable way of keeping labor costs down.

Security and event set-ups are variable components in this analysis. The largest single expense in this category is service and equipment during the first year. This represents 47.39% of the annual expenses of the facility in its first year. Below are the total estimated costs with their percentages during the first, third, and fifth years of operation.

Table 13: Cost Projections in the Operation Stage

Cost Component	Year 1	Year 3	Year 5
Marketing	5.69%	4.81%	4.64%
Administrative	12.94%	10.41%	7.83%
Service & Equipment	47.39%	40.12%	42.00%
Salaries & Wages	33.98%	44.65%	45.53%
Total	\$544,425	\$436,195	\$452,425

Financial Feasibility Statement

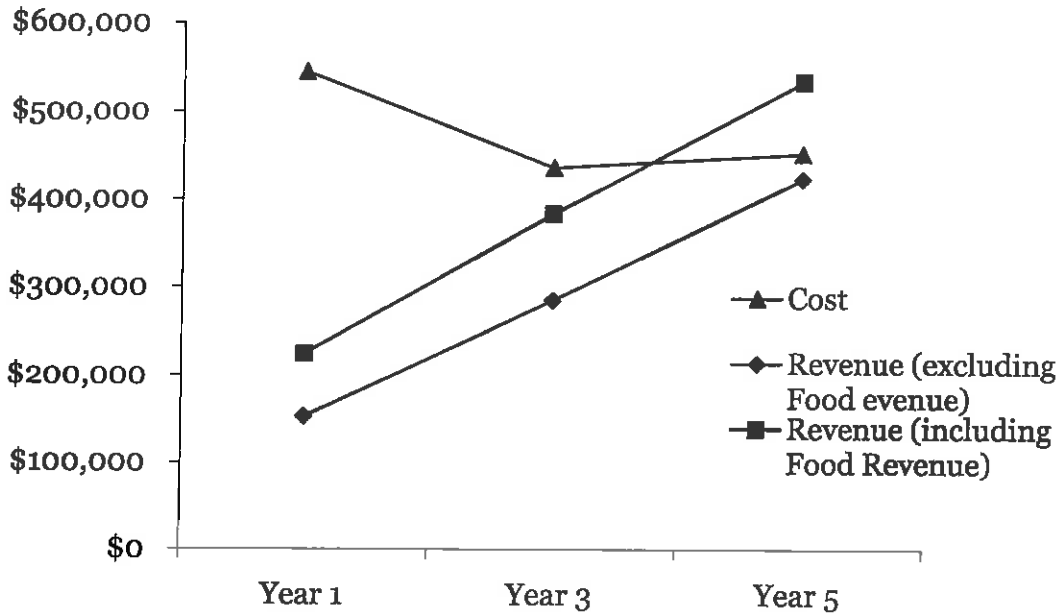
States support agricultural facilities to varying degrees. Realizing the importance of special events for the community development, some governments seek to help maximize their potential. In 2006, the Tennessee Department of Agriculture spent over 100,000 state tax dollars. The financial support was provided to state fairs and livestock shows in the form of state aid. Additional \$43,000 was given as merit awards in recognition of productive work of the fairs (Tennessee Center for Policy Research). However, in the state of Virginia, there is little direct financial support from Richmond for these types of facilities.

With that said, with proactive management, the facility is financially feasible, as long as there is very little or no debt service. The nature of most agricultural event centers is that they either have a considerable donation of land and money, state funding, or a major fair event that makes them profitable.¹¹ As stated previously, the state of Virginia is not an active supporter of the agricultural events industry. Therefore, creative and proactive management must be the key to the feasibility

¹¹ The discussion OED managers had with the executives of similar facilities all had a similar theme. Each manager of a comparable facility said that it was very difficult for their facility to break even, and they did not service debt. These managers all stressed that the key to a new facility was that there be some financial reserves for the first few years and no debt service. One manager said "you can't service debt when you barely break even."

of this facility. With this assumption in place, based on our revenue and cost projections, we find that the facility could be financially sustainable, without debt service as early as the fourth year of operation if the additional revenue stream of food revenue is pursued.

Figure 14: Cost and Revenue Trends for the Proposed Center



Economic Impact of the AAEC

An assessment of the economic benefits that could potentially accrue to Wythe County and Virginia as a result of the proposed facility can be approached in several ways. One frequently used approach considers the revenue side of the facility for documentation of the initial direct impacts to the community. In this approach, revenues generated by the facility and its attendees from sources such as facility rental, admissions, food and beverages, and other sources are used as an initial measure of economic activity.¹² Additionally, revenues associated with attendee spending outside the facility on items such as lodging, transportation, food and beverages, retail and entertainment are also included. Once the amounts for both in-facility and out-of-facility direct spending are estimated, a multiplier is applied to generate the total (direct and induced) spending, earnings, and employment associated with the proposed facility.

Using this approach, it is possible to estimate the economic impact of a proposed facility (before it is built), but the approach is limited since it is generally not

¹² Considering only the revenue side and not the expenditures the facility incurs (such as wages, facility maintenance, utilities, etc.) helps avoid double counting in the marketplace.

possible to account for all economic activity attributed to the facility. Unaccounted expenditures could be projected, but this requires extensive research on travel patterns, visitor spending, and existing economic impact studies. Therefore, while a comprehensive economic impact analysis is outside the scope of the study, a simple economic impact statement can be generated based on the projected annual attendance numbers, rental revenues, food and beverages, and hotel nights of overnight visitors. As mentioned above, an analysis based on these categories will significantly underestimate the center's economic impact as direct expenditures will also include transportation, parking, merchandise/retail, and other expenses.

In generating the economic impact of the proposed facility to we focused on the annual impact on the Wythe County economy at the fifth year of operation, where the number of events at the proposed facility will stabilize. The total direct impact resulting from rental and admission fees, food and beverages, and hotel nights of overnight visitors is estimated to be around \$1.5 million in the fifth year, which corresponds to \$1.2 million in current dollars. This direct impact, associated with 30 full-time jobs in Wythe County, is estimated to result in a total (including indirect and induced) economic impact of \$1.6 million and 35 full-time jobs to the Wythe County economy.

Considering statewide impacts, the direct impact is smaller as some of the events will be shifting from other areas in the state to Wythe County, and therefore they do not represent "new" economic activity injected into the state economy. In this case, the annual direct impact is \$0.97 million (in current dollars) associated with 18 full-time jobs, resulting in a total economic impact of \$1.6 million (in current dollars) and 23 jobs in Virginia.

As mentioned above, these results underestimate the economic impact of the proposed center to Wythe County and Virginia as we include a limited number of categories that generate direct economic impacts. In a more general fashion, the Virginia Tech BTC used the Virginia Horse Center economic impact study as a basis and estimated that the AAEC would have an annual economic impact on the region of about \$5 million, supporting 50 to 75 jobs. Without a good understanding of AAEC's operations, it is not possible to come up with better estimates. However, our results indicate that the center has great potential to generate significant economic impacts to Wythe County, Southwest Virginia, and the state.

Appendix

Association Interview Sheet

Interview Instructions

My name is _____ I am calling from the Office of Economic Development at Virginia Tech to ask for your input related to the development of an agricultural exposition center near Wytheville, Virginia. The interview will last 15-20 minutes. Is now a good time for the interview? (If now is not a good time, ask when you can call back.)

Interview Questions

Brief background: The Southwest Virginia Horseman's Association merged with the Wythe County Farm Bureau to pursue the development of an agricultural oriented exposition center in Fort Chiswell Exit 80 of I-81. The facility will have an indoor show arena that will be able to accommodate equestrian events, livestock events and other events year-round.

- 1) What facilities do you currently use for your events?

- 2) How many events do you produce annually? What time of the year are these events? What is the average length of your events?

- 3) How far do people travel to attend your events?

- 4) How do you get revenues from your events? e.g. Does the general public pay? Do the participants pay? Percent of sales?

- 5) Is it likely that your organization will use the expo center?

- 6) What does the center need to handle your events (barns, stalls, ring size, parking, etc.)?

- 7) What kind of events would you use the center for? What would you estimate the attendance to be at these shows?

- 8) How important are these categories to **event organizers** in choosing a facility?
 - a) Accessibility (highways, major roads, etc.)
 - b) Location and proximity to services (availability of hotels, restaurants, and shopping, etc.)**
 - c) Size of the event (national, regional, local, etc.)

- 9) How important are these categories to **attendees** in choosing a facility?
 - a) Accessibility (highways, major roads, etc.)
 - b) Location and proximity to services (availability of hotels, restaurants, and shopping, etc.)**
 - c) Size of the event (national, regional, local, etc.)

- 10) Do you think the expo center should have a restaurant, if so, what kind?

- 11) What is your overall perception of Wytheville area as a potential host community for your events?

- 12) Are there other associations you think we should talk to?

Cash Flow Analysis

Cash Flow Analysis for the First Year												
	January	February	March	April	May	June	July	August	September	October	November	December
Number of Events	2	3	4	2	3	2	1	3	3	4	3	3
Attendees	2000	6500	1250	750	3250	2500	1000	5500	750	2000	6250	1000
Cash In												
Beginning Cash	\$0	-\$33,325	-\$46,191	-\$75,369	-\$115,472	-\$131,070	-\$166,490	-\$207,391	-\$212,266	-\$247,824	-\$277,864	-\$287,947
Rental Fees	\$8,460	\$14,295	\$15,420	\$4,870	\$20,750	\$8,240	\$3,885	\$25,285	\$9,415	\$13,995	\$17,265	\$10,240
Food Sales	\$3,750	\$18,375	\$938	\$563	\$9,188	\$1,875	\$750	\$15,375	\$563	\$1,500	\$18,188	\$750
Total Cash in	\$12,210	-\$655	-\$29,833	-\$69,936	-\$85,534	-\$120,955	-\$161,855	-\$166,731	-\$202,288	-\$232,329	-\$242,412	-\$276,957
Cash Out												
Staff	\$15,417	\$15,417	\$15,417	\$15,417	\$15,417	\$15,417	\$15,417	\$15,417	\$15,417	\$15,417	\$15,417	\$15,417
Insurances	\$3,583	\$3,583	\$3,583	\$3,583	\$3,583	\$3,583	\$3,583	\$3,583	\$3,583	\$3,583	\$3,583	\$3,583
Custodial	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917
Marketing	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
Legal/Accounting	\$667	\$667	\$667	\$667	\$667	\$667	\$667	\$667	\$667	\$667	\$667	\$667
Office Supplies	\$2,535	\$2,535	\$2,535	\$2,535	\$2,535	\$2,535	\$2,535	\$2,535	\$2,535	\$2,535	\$2,535	\$2,535
Miscellaneous	\$17,917	\$17,917	\$17,917	\$17,917	\$17,917	\$17,917	\$17,917	\$17,917	\$17,917	\$17,917	\$17,917	\$17,917
Total Cash Out	\$45,535	\$45,535	\$45,535	\$45,535	\$45,535	\$45,535	\$45,535	\$45,535	\$45,535	\$45,535	\$45,535	\$45,535
Ending Cash	-\$33,325	-\$46,191	-\$75,369	-\$115,472	-\$131,070	-\$166,490	-\$207,391	-\$212,266	-\$247,824	-\$277,864	-\$287,947	-\$322,493

Estimated Cash Flow for the Second Year	
Beginning Cash	-\$322,493
Ending Cash	-\$548,462

Cash Flow Analysis for the Third Year

	January	February	March	April	May	June	July	August	September	October	November	December
Number of Events	4	4	5	4	5	3	4	5	5	4	5	3
Attendees	4500	4000	7350	2000	5250	750	5750	2250	2500	4000	8500	750
Cash In												
Beginning Cash	-\$548,462	-\$545,986	-\$546,771	-\$537,268	-\$556,277	-\$547,460	-\$572,047	-\$572,474	-\$573,736	-\$588,375	-\$595,670	-\$584,764
Rental Fees	\$26,700	\$28,315	\$27,090	\$16,090	\$34,730	\$11,450	\$25,110	\$31,400	\$20,085	\$19,555	\$27,630	\$16,650
Food Sales	\$12,375	\$7,500	\$19,013	\$1,500	\$10,688	\$563	\$11,063	\$3,938	\$1,875	\$9,750	\$19,875	\$563
Total Cash in	-\$509,387	-\$510,171	-\$500,668	-\$519,678	-\$510,860	-\$535,447	-\$535,874	-\$537,136	-\$551,776	-\$559,070	-\$548,165	-\$567,552
Cash Out												
Staff	\$16,231	\$16,231	\$16,231	\$16,231	\$16,231	\$16,231	\$16,231	\$16,231	\$16,231	\$16,231	\$16,231	\$16,231
Insurances	\$3,583	\$3,583	\$3,583	\$3,583	\$3,583	\$3,583	\$3,583	\$3,583	\$3,583	\$3,583	\$3,583	\$3,583
Custodial	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917
Marketing	\$1,667	\$1,667	\$1,667	\$1,667	\$1,667	\$1,667	\$1,667	\$1,667	\$1,667	\$1,667	\$1,667	\$1,667
Legal/Accounting	\$417	\$417	\$417	\$417	\$417	\$417	\$417	\$417	\$417	\$417	\$417	\$417
Office Supplies	\$452	\$452	\$452	\$452	\$452	\$452	\$452	\$452	\$452	\$452	\$452	\$452
Miscellaneous	\$11,333	\$11,333	\$11,333	\$11,333	\$11,333	\$11,333	\$11,333	\$11,333	\$11,333	\$11,333	\$11,333	\$11,333
Total Cash Out	\$36,600	\$36,600	\$36,600	\$36,600	\$36,600	\$36,600	\$36,600	\$36,600	\$36,600	\$36,600	\$36,600	\$36,600
Ending Cash	-\$545,986	-\$546,771	-\$537,268	-\$556,277	-\$547,460	-\$572,047	-\$572,474	-\$573,736	-\$588,375	-\$595,670	-\$584,764	-\$604,151

Estimated Cash Flow for the Fourth Year

Beginning Cash	-\$604,151
Ending Cash	-\$719,797

Cash Flow Analysis for the Fifth Year

	January	February	March	April	May	June	July	August	September	October	November	December
Number of Events	7	6	7	6	5	6	5	5	7	5	6	6
Attendees	3600	6500	4800	8000	4000	2600	6500	5100	3750	2350	8750	4750
Cash In												
Beginning Cash	-\$719,797	-\$717,136	-\$705,140	-\$691,428	-\$692,992	-\$702,458	-\$684,137	-\$694,755	-\$681,944	-\$661,170	-\$674,802	-\$655,938
Rental Fees	\$36,080	\$38,740	\$41,730	\$24,055	\$25,903	\$47,990	\$20,625	\$38,355	\$51,830	\$22,975	\$37,170	\$37,970
Food Sales	\$4,950	\$11,625	\$10,350	\$12,750	\$3,000	\$8,700	\$7,125	\$12,825	\$7,313	\$1,763	\$20,063	\$10,313
Total Cash in	-\$678,767	-\$666,771	-\$653,060	-\$654,623	-\$664,089	-\$645,768	-\$656,387	-\$643,575	-\$622,802	-\$636,433	-\$617,569	-\$607,655
Cash Out												
Staff	\$17,167	\$17,167	\$17,167	\$17,167	\$17,167	\$17,167	\$17,167	\$17,167	\$17,167	\$17,167	\$17,167	\$17,167
Insurances	\$3,583	\$3,583	\$3,583	\$3,583	\$3,583	\$3,583	\$3,583	\$3,583	\$3,583	\$3,583	\$3,583	\$3,583
Custodial	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917
Marketing	\$1,667	\$1,667	\$1,667	\$1,667	\$1,667	\$1,667	\$1,667	\$1,667	\$1,667	\$1,667	\$1,667	\$1,667
Legal/Accounting	\$417	\$417	\$417	\$417	\$417	\$417	\$417	\$417	\$417	\$417	\$417	\$417
Office Supplies	\$452	\$452	\$452	\$452	\$452	\$452	\$452	\$452	\$452	\$452	\$452	\$452
Miscellaneous	\$12,167	\$12,167	\$12,167	\$12,167	\$12,167	\$12,167	\$12,167	\$12,167	\$12,167	\$12,167	\$12,167	\$12,167
Total Cash Out	\$38,369	\$38,369	\$38,369	\$38,369	\$38,369	\$38,369	\$38,369	\$38,369	\$38,369	\$38,369	\$38,369	\$38,369
Ending Cash	-\$717,136	-\$705,140	-\$691,428	-\$692,992	-\$702,458	-\$684,137	-\$694,755	-\$681,944	-\$661,170	-\$674,802	-\$655,938	-\$646,024