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December 1, 2013

City of Madison
c/o Mr. George Austin
210 Martin Luther King Junior Boulevard
Madison, Wisconsin 53703
Email: gaustin@wjffoundation.org

Re: Economic and Fiscal Impact Analysis

Dear Mr. Austin,

The purpose of this letter is to respond to questions from the Judge Doyle Square Selection Committee regarding our approach to the market analysis of the proposed hotel development at Judge Doyle Square.

Question 1: Please examine the Hilton Monona Terrace's impact on the competitive set after it opened in 2001.

The Hilton opened in February of 2001. The economy entered an eight month recession from March to November of 2001. The events of September 11, 2001 had a profound but short-lived negative impact on travel and hotel market performance. During this period of economic and geopolitical turmoil, the downtown Madison market showed surprising resilience, absorbing the new room supply. The figure below shows the change in available room nights, occupancy rate, room night demand and average daily room rate ("ADR") from 2000 to 2001.

IMPACT OF HILTON OPENING ON THE DOWNTOWN HOTEL MARKET

	2000	2001*	Percent Change
Available Room Nights	446,395	526,555	15%
Occupancy	59%	56%	-5%
Room Night Demand	302,013	319,871	6%
ADR	$87	$86	-2%

*The September 2011 terrorist attack and the rececession that started in March of 2011 depressed the hotel markedt but demand grew in the competitive set.

The opening of the Hilton caused a 15% increase in available room nights, but occupancy only fell by 5% (from 59% to 56%). While other markets experienced large declines in average daily room rates, they only fell by 2% in downtown Madison. While this data cannot precisely measure the impact of the Hilton, it is clear that its entry into the downtown marked provided significant support to room night demand and ADR. Clearly, the hotel allowed the market to capture unaccommodated and induced demand in amounts greater than the underlying loss of demand due to adverse economic conditions. Growth in demand and a richer mix of group and meeting demand provided strong support to ADR and allowed the market to maintain its rate integrity while nearly all other markets suffered declines.

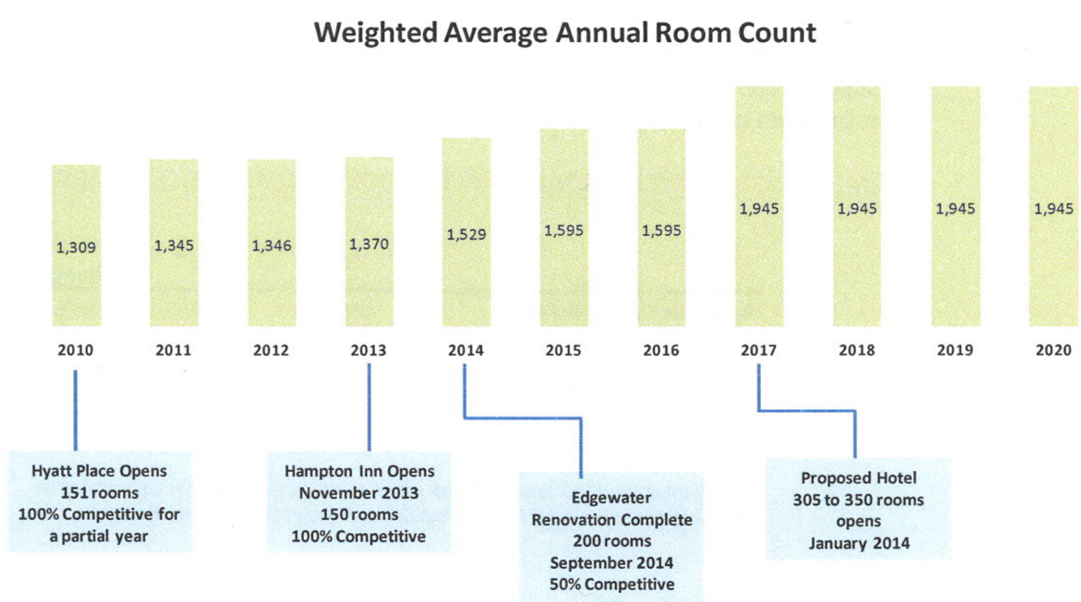
Question 2: Please comment on the mix of Monona Terrace and the In-house groups that would use the new hotel to better understand the extent to which the new hotel would compete with vs. complement Monona Terrace's operation.

HVS assumed that the group segment in the proposed hotel would account for nearly 50 percent of its demand. Based on our experience with other convention hotels, we estimate that roughly half of the group demand in the hotel would be generated by Monona Terrace.

Question 3: Please show that the opening of the Edgewater Hotel and the Hampton Inn downtown were factored into the competitive set analysis.

Please see the attached supply graphic below for the hotel supply included in the HVS analysis.

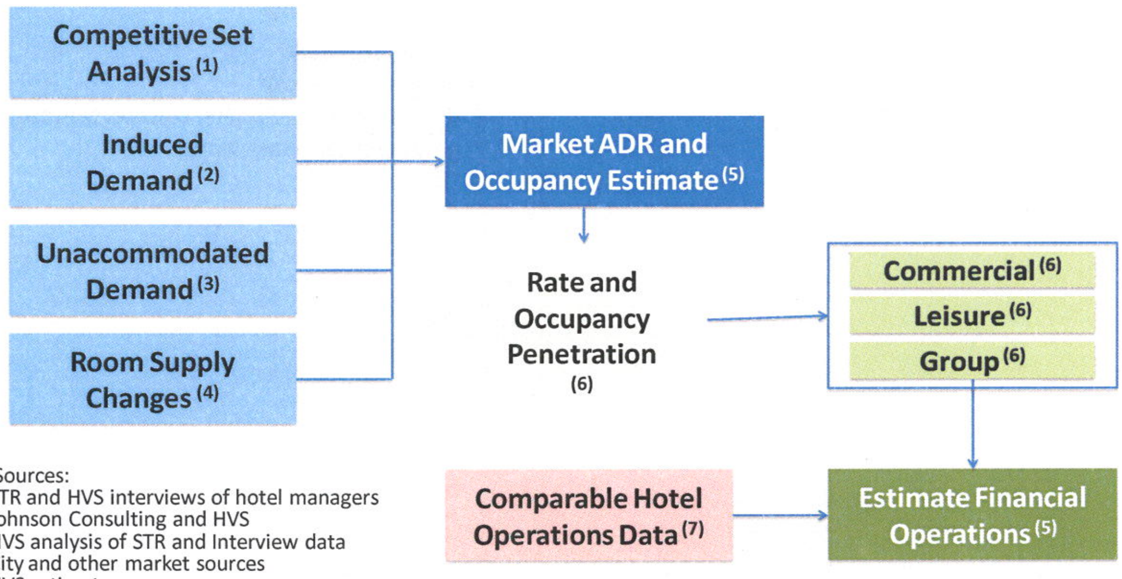
HISTORICAL SUPPLY IN DOWNTOWN MADISON



Question 4: What are the data sources for the Demand and Rate Forecast?

Please see the process and data sources illustration to show the sources of information used in each component of the HVS analysis.

DATA SOURCES USED IN HVS MARKET STUDY



Data Sources:
1) STR and HVS interviews of hotel managers
2) Johnson Consulting and HVS
3) HVS analysis of STR and Interview data
4) City and other market sources
5) HVS estimates
6) HVS penetration model
7) HVS SPIDER data base

Question 5: The properties that HVS chose to put into that group vary so greatly. The Concourse occupancy and ADR are likely significantly different than that of the Inntowner.

Our secondary competition data is accurate. The Concourse hotel is considered 90% competitive. We would have considered it as a primary competitor except that it is not a major branded hotel and does not compete for brand loyal guests. We recognize the differences among the hotels in the secondary set and have weighted their competitiveness accordingly.

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We hope this provides some clarity to our approach and findings. We look forward to the opportunity to present this information to the selection committee.

Very truly yours,

Thomas Hazinski

Thomas Hazinski
Managing Director
HVS Convention, Sports, & Entertainment
Facilities Consulting