Market Study for a Convention and Conference Center in Salisbury, North Carolina

Introduction 1
- Charge to the Convention/Conference Center Task Force 1

Site Visits to Other Centers 1
Three Types of Convention Centers 4
Focus on the New Bern Riverfront Convention Center 4
The Changing Economic Climate for Conventions 5
Market Differences Between Drive-In and Fly-In Convention Cities 6
Salisbury's Location Relative to the In-State Market for Conventioneers 7
Transportation Facilities Serving Salisbury 8
- Highways 8
- Passenger Rail Service 8
- Commercial Air Service 11

Availability of Hotel Accommodations in Salisbury 11
- Existing Accommodations 11
- Need for Hotel Space Downtown 12

Assessment of Salisbury's Competitive Advantage for Conventions 12
Convention Center Client Groups and Their Requirements 15
Demand for Types of Facilities Used 17
Inventory of Existing Meeting Venues in Salisbury 18
Development Program for the Salisbury Conference and Convention Center 18
- Seating Capacities 18
- Facility Components and Square Footages 19

Prospects for Building and Operating a Convention Center in Salisbury 19
- Construction Costs and Sources of Revenue for a Convention Center 20
- New Bern Riverfront Convention Center Construction Expenses, 1999-2000 20
- Convention Center Project Revenues 21

New Bern Riverfront Convention Center Economic and Fiscal Impacts 21
- Economic Benefits of a Convention Center on the Local Economy 21
- Operating Expenses and Income for the Profit/Loss Balance Sheet 22
- Estimating Total Economic Impact 22
- Indirect Revenue Coming Back to the County 23

Applying The Financial Experience of New Bern to Salisbury 24
- Estimating the Future Cost of Building a Convention Center 24
- Prospects for Facility Income Levels and Hotel Occupancy Tax Revenues 24
- Use of Occupancy Taxes to Fund Convention Centers 25

Conceptual Budget and Financing Plan for Construction and Operation 28
- Construction Financing 28
- Meeting Debt Service and Operational Expenses 29

Evaluation of Existing Salisbury Civic Center 31
Appendices 37
- New Bern Riverfront Convention Center Floor Plan 38
- New Bern Riverfront Convention Center 2005 Rental Rates 39
- New Bern Riverfront Convention Center 2005 Events Calendar 40
- Statewide Occupancy Tax Rate Data, 2003 42
- Small Is Bountiful: Salisbury Is Packed With Sweet Surprises (Assoc Press Article) 43
- Summary of the Salisbury Convention and Conference Center Design Workshop 47

Market Study for a Convention and Conference Center in Salisbury, North Carolina

Introduction

On May 4, 2004, The City Council of Salisbury adopted a resolution setting forth their interest in exploring the need and prospects for a convention and conference center in Salisbury and authorizing the creation of a Task Force to conduct the necessary work. The following statement summarizes Council's charge to the Convention Center Task Force.

Charge to the Convention/Conference Center Task Force

The Task Force shall explore the need for and feasibility of a convention center in Salisbury. The Task Force shall assess the impact of such a center in promoting economic development in Rowan County and community revitalization in the downtown area of Salisbury. In concert with appropriate input from the public and area businesses, the Task Force shall examine the design and management of other centers, analyze market information, consider costs and financing needs, and facilitate preliminary design studies. The Task Force shall report back to City Council within 180 days.

Site Visits to Other Centers

The feasibility study began with Task Force visits to four other convention, conference, and civic center facilities serving small to medium-sized urban areas in North Carolina. The four facilities were:

- Hickory Metro Convention Center
- Statesville Civic Center
- Mooresville Citizens Center
- New Bern Riverfront Convention Center

During these visits, members of the Task Force were able to see first hand several different ways that a convention, conference and civic center could be conceived, built and operated. The Task Force was also able to speak directly with managers and staff of the facilities to uncover lessons learned and gain from their experience.

Summary Comments/Observations on Other Facilities Visited

The following observations were compiled during site visits to the four other convention centers.

<u>Task Force Observations about the Hickory Metro Convention Center</u>

- 80% outside 20% local business split
- Discourages local events to achieve 80/20 market split
- Location was driven by land donation and development of nearby hotels
- Ease of access to major highways
- Currently adding breakout rooms
- Additions were added on 2 occasions
- Will be landlocked after next addition/expansion
- Independent Tourism Development Authority/ Partners

- Designed as a big box—little curb appeal
- Storage and parking are issues
- A facility manager should be consulted during planning and construction of the facility.
- Private funding—hotel bed tax and fees
- Land for the center was donated
- Event organizers may use only caterers from an approved list.
- Center offers no support to downtown.
- Meeting rooms need to have reasonably square proportions when dividers are opened—avoid long rooms that feel like long halls.
- Hickory is focused on exhibits first, then meetings.
- Overhead utility tie-ins allow for flexible use of floor space.
- Storage is too far from rooms at the back
- Very large halls to accommodate large crowds—not just for passageways
- Bottom line/financially oriented—"heads-in-beds" driven
- Combined with Convention/Visitor Center
- Some client groups complained about hotels not being immediately attached

Task Force Observations about the Statesville Civic Center

- 85% local/15% out of town (serves more of a civic center function)
- No exhibit space
- Requires subsidy from the City
- Booked two years ahead on weekends
- Priced 30% below the market for meeting space fees
- They escrowed their room taxes for several years to pay for construction
- No decent windows; poor use of interior space around the perimeter of the building—offices and bathrooms
- One single bathroom, not well-designed
- Centrally located loading dock area needed
- Hallways and corridors are too narrow for gathering space
- Exterior design fits in OK with the downtown
- Good sound proof room dividers
- Banquet space is good
- Need more breakout meeting space
- Make sure streets can accommodate trucks
- No sleeping rooms nearby
- Strong entry statement, outdoor entry courtyard not very useful, given the expense to build
- This is a City-operated facility—light staffing
- More control by City Council directing management—not always good
- Shortage of storage
- Good parking
- Served as a catalyst for downtown development
- Caterers are not charged
- Designed for local use—not much exhibition use
- 4% of room tax goes to Civic Center; 1% to Convention and Visitors Bureau
- Central kitchen area
- Service hall needed
- Had one room that was isolated from service access—space could not be rented except as part of a larger space
- Light weight tables are good
- Exits for parking lot adequate?
- Facility built around big tree in back; associated sloping grassy area for outdoor concerts--Could be used for expansion
- Controls for sound system not very well located for coordination

Task Force Observations about the Mooresville Citizens Center

- Very nice central courtyard; pulls natural light and exposure into the heart of the building
- Courtyard also provides attractive, useful outdoor space for breaks and reception activities
- Front windows on Main Street—downtown connection, architecturally integrated
- Almost 100% local community service—mostly a civic recreation center
- Civic clubs block up schedule
- Reception desk not welcoming or well located
- Conflict with senior citizen commitment and use
- Naming opportunities used for particular rooms/spaces
- Corridors very narrow
- Location of administrative offices and bathrooms in an interior central core allows perimeter of building to maximize window exposure to meeting rooms and hallways
- Very limited parking

Task Force Observations about the New Bern Riverfront Convention Center

- A full feasibility study was prepared including financial plan, location, hotels, etc.
- Identity is distinct: "Riverfront Convention Center"
- Market focus is on filling beds
- No large scale exhibition space
- Location clearly benefits the downtown
- Perimeter halls work well to bring light into useful gathering spaces
- Local weddings and other local events can be booked but are subject to being bumped if a non-local event wants the facility
- Range of spaces and fees available
- Frontage on river forces some design decisions; e.g. loading doors are at one end of front of the building
- Parking creates distance and a gap between the center and the downtown
- Second floor meeting rooms are nice
- Wide, voluminous hallways are attractive/useful/rentable
- Hotel space is close
- Strong spouse program possibilities
- Sound system needs to be zoned for different sound/music in different parts of the center
- Walkie-talkies are distributed to event client for easy communication with center staff
- Plasma information display screens used well—internet connection
- Outside scrolling marquee on main sign announces current events
- Location of floor utilities are not in the right places for many events--Use a pipe and drape company to assist with utility layout and connections
- Nice, well equipped centrally located kitchen
- Kitchen space underutilized as equipped—more for caterer layout space than for food preparation
- Catering a large profit center. $200 fee to apply as an approved caterer, then must pay a percentage of sales to center.
- Approved caterers must also have license to serve alcohol
- Concession space at New Bern was an afterthought—they use coat check closet area
- Use power operated room dividers rather than manual
- Peep holes in doors useful to check in on room use without interrupting
- Tables were too heavy
- Need larger/taller roll up loading access doors
- During construction local companies were sought from which to buy materials and supplies
- Visitor's Information Center is just inside the main entry doors

Three Types of Convention Centers

Based upon the site visits and interviews with convention center operators, it became apparent that the facilities visited represented three distinctly different types of civic convention centers. Each of the three types is summarized below:

Three Basic Types of Civic Convention Centers

Type 1. Trade Show Convention Center (e.g. Hickory)

- *Focuses on the display of merchandise, but also hosts some conferences*
- *Brings in out of town venders and conventioneers*
- *Discourages local civic groups from using the facility*
- *Emphasizes income-producing groups to make it financially self-supporting*
- *May serve a larger regional market for trade shows*

Type 2. Community Meeting Center (e.g. Mooresville and Statesville)

- *Focuses on providing meeting space for community groups and civic clubs*
- *Serves mostly local residents and local organizations*
- *Does not encourage use by out of town conventioneers*
- *Relies mainly upon local government funds for operations.*

Type 3. Conference Center (e.g. New Bern)

- *Focuses on providing conference facilities for professional groups*
- *Serves mostly out-of-town organizations seeking conference space*
- *Allows for, but does not emphasize, use by local residents and local organizations*
- *Operations largely funded by income-producing groups, but some subsidy is required.*

Focus on the New Bern Riverfront Convention Center[1]

After visiting four centers in cities of similar size, the clear consensus was that the Type 3 convention center, represented by the New Bern Riverfront Convention Center, most closely matched the type of facility and targeted market appropriate for Salisbury. Specific reasons given include:

- New Bern, like Salisbury, is a drive-in destination. While USAir offers commercial passenger service directly into Craven Regional Airport via USAir's Charlotte hub, conferees attending conferences in New Bern do not use that service to any degree. Similarly, while Salisbury does have commercial air service out of both Greensboro and Charlotte, neither airport is convenient enough to suggest that Salisbury would be a fly-in destination. Also, while Salisbury also has passenger rail service into the heart of the city, it does not (yet) represent a significant share of trips in and out of Salisbury.

[1] The Appendix to this report includes the floor plan, rental rates and a recent events calendar for the New Bern Riverfront Convention Center.

- Because both cities are drive-in destinations, the natural market orientation for these localities is toward in-state conferences. This lends itself to state-level professional associations, North Carolina based corporations, and some types of exhibitions.

- Sponsorship for the Riverfront Center came from local government. In New Bern's case, the driving force was the Craven County Board of Commissioners (urged on by the Craven County Tourism Development Authority). In Salisbury's case, the driving force has been the City Council, but the long-term benefit is likely to be for both the City and the County.

- Like Salisbury, New Bern elected to place their convention center in their historic downtown, as a natural attraction for conferees and as an economic development stimulus to the downtown area, in particular.

- New Bern's convention business focus gives first priority to out of town groups, with much lower priority given to civic functions. This is an explicit recognition of the need to fill hotel beds. In turn, New Bern's center relies upon the overnight accommodations (hotel) occupancy tax to retire the debt service on the initial costs of the facility. These objectives are necessary to avoid placing a financial burden on local taxpayers.

- Like New Bern, Salisbury would seek to employ the increased hotel occupancy tax to offset the costs of constructing and/or operating a new convention center. This tax would be collected by area hotels but paid for primarily by out of town guests.

- Like New Bern, Salisbury seeks to build a facility of high quality that will exude a reputation befitting of a high quality community.

As this study progresses through various aspects of the market and prospects for a convention center in Salisbury, the reader will observe frequent references to the New Bern Riverfront Convention Center as a useful model for consideration.

The Changing Economic Climate for Conventions

An internet-based review of the literature pertaining to the convention center market over the past fifteen to twenty years reveals the influence of the overall economy and major political events on convention attendance. One study, for example, summed up the economics of the convention center business quite simply: "The growth of the meetings market [mirrors] the recovery of the nation's economy in general."[2]

During most of the 1980's, for example, growth in convention center attendance was steady. It was during this time that many convention centers were first conceived based upon a continuation of projected steady 4 to 8% annual growth rates. During the late 1980's and through the first Gulf War, however, there was a noticeable, if brief, decline in attendance, followed by a general rebounding through the middle of the decade of the 1990's.[3]

The terrorist events of September 11, 2001 struck the World Trade Center, the United States economy, and the world-- and changed everything. Not only did convention center attendance decline but travel of every kind suffered. Hotel room occupancy rates fell to levels that had not been seen in a decade. Airlines endured the most visible and well-publicized business losses in

[2] An Analysis of Potential Public Assembly Facility Development in Craven County, North Carolina, page 8, citing the meetings industry publication, *Meetings and Conventions*.
[3] Ibid, page 10 and 11.

the travel industry.[4] Most post 9/11 economic and convention center trade reviews projected a "flat" economic future with little hope for recovery for the foreseeable future. The supply was reportedly overbuilt and the demand was in decline; convention centers were placed in a "very competitive market for the convention business there was to go around", these reports proclaimed. Typical of these reports is the following quote from March, 2002:

> "*The effects of Sept. 11 (2001) on the convention business still resonate. Business travel, hotel stays, hotel investment and air travel, factors vital to the state of the convention industry, have dropped substantially from a year ago. It remains unclear when a return to faster growth in convention attendance will occur. In light of the slow rate of increase even before Sept. 11, it could be an uncomfortably long time. Obviously, a chasm is developing between supply and demand that will create fierce competition among convention centers."*[5]

Two years after these downcast observations about the convention center business, most indicators are that the inclination to travel is rebounding with the national economy. Increased time separation from the events of September 11, 2001 is also reducing the nation's collective anxiety about travel-- to conventions or otherwise.[6]

Quoting a November 1, 2004 article in the USA Today:

> "*Hotels' business was hit hard by 9/11. Now, it's rebounded. Lately, room rates have risen so much that lodging has been singled out as a key driver of inflation. The Labor Department says lodging costs jumped 2.7% in September, contributing to the largest monthly increase in core inflation since April…Hotel costs are expected to rise 7.5% next year, vs. 5% for business airfares, a National Business Travel Association survey finds."*[7]

If past experience is any teacher, a continued expansion of the U.S. economy over the next several years could bode well for the convention, travel and tourism market. What remains to be seen is the degree to which economic growth will translate into renewed growth in the meetings market.

Market Differences Between Drive-In and Fly-In Convention Cities

It is both useful and necessary to describe the market for convention business in two categories: *drive-in* and *fly-in*. *Drive-in* convention cities are usually closer to home (regional or in-state oriented), and the vast majority of convention attendees travel to the host city by car. *Fly-in* cities are usually much farther from home (nationally oriented) and often draw attendees from considerable distances. Therefore, a significant percentage of their attendees fly in by air.

After 9/11, these two convention markets each saw declines in business, but to much different levels. Travel to national conferences at more distant locations experienced greater losses than did travel to regional or state conferences closer to home.

In the post-9/11 world, travel behavior in general has also reflected this long distance versus closer to home disparity. A widely used example compares visitor attendance to Disney World in

---

[4] **"**Airlines Hard Hit", Bill Gillette, writing for www.meetingsnet.com, October 10, 2001

[5] Midweek Perspectives: The New David L. Lawrence Convention Center Will Find the Competition Tough, Wednesday, March 13, 2002, By Jake Haulk and Eric Montarti

[6] Smith Travel: 2004 Will Be Solid for Lodging Industry *Jan26, 2004*
Despite Weakness in the Sector, Lenders Are Optimistic About Hotel Recovery, *Jan 23, 2004*
Stabilizing Room Rates Bode Well for Robust Hotel Recovery, Say Experts at ALIS Conference *Jan 22, 2004*

[7] **"**Companies Put Out by Hotel Rates"**,** By Chris Woodyard, USA TODAY, November 1, 2004

Florida (a long distance destination for most) relative to visitor attendance in Myrtle Beach, South Carolina (a much higher drive-in destination) Disney World suffered significant declines in attendance after 9/11 while Myrtle Beach did not.[8]

It is therefore a mistake to lump drive-in convention cities with fly-in convention cities with regard to economic prospects for convention center business. Yet that is precisely what many observers/writers about the convention center business are inclined to do.

Salisbury's Location Relative to the In-State Market for Conventioneers

An analysis of population distribution within the State of North Carolina confirms that Salisbury is very well located to serve the convention needs of in-state associations and professional groups. For example, the following statements can be made about Salisbury's geographic position in North Carolina:

Within a 150-mile radius of Salisbury are…

- …66 of North Carolina's 100 counties[9]
- …7 million of North Carolina's 8.4 million people[10]
- …84% of the total population of the state
- …17 of North Carolina's 20 most populated counties
- …17 of North Carolina's 20 largest municipalities

North Carolina's five largest cities, Charlotte, Raleigh, Greensboro, Durham, and Winston-Salem, are less than 120 miles away-- within 2 hours driving time from Salisbury. Interestingly, of these five cities, only Raleigh is within 2 hours driving time from the successful convention center city of New Bern. Further, many of the coastal plain counties closest to New Bern are among the most economically depressed in the state. Yet, despite its location at one end of the state, and in the midst of the predominantly poor coastal plain economy, New Bern has been able to capture enough convention business to more than pay its own way. (More on this later in this report.)

In contrast, the economically vibrant Research Triangle communities of Raleigh, Durham, Chapel Hill, Apex and Cary, to name a few, are close enough to Salisbury for an easy 2-hour drive, but far enough away that conventioneers would require overnight accommodations to attend a conference.

Worth noting also, is that in-state convention planners, as well as travel and tourism agencies, typically view North Carolina as being made up of three geographic regions: (1) the *Mountains* (2) the *Heartland* (sometimes called the Piedmont) and (3) the *Coast*. Some organizations do a three-year rotation of their annual conference among these three regions. Many more, however, gravitate toward locations in the middle of the state so as to make attendance convenient to prospective attendees in both the mountain and coastal regions. Generally, a three to four hour maximum driving time to the middle of the state is viewed as more reasonable that the six to eight hours required to travel from the mountains to the coast or vice versa. Salisbury is well located within the prime Heartland area, where drive times are equitable to most parts of the state.

Finally, it should be observed that the above discussion does not mention the prospects for *interstate regional conferences*. Such conferences are often jointly sponsored by professional associations in North Carolina and their counterpart groups in Virginia and South Carolina. Sizable areas in these two adjoining states are within a three to four hour drive of Salisbury.

---

[8] **"**Florida theme parks hoping for an end to attendance slide", July 20, 2004, Tampa Bay Business Journal
[9] Most of the 34 other counties are in the economically depressed northeastern quadrant of the state.
[10] 2003 estimates by the Office of State Budget and Management, North Carolina State Data Center

Transportation Facilities Serving Salisbury

Highways

Salisbury straddles Interstate 85 mid way between Charlotte and Greensboro. At Lexington, just 18 miles east on I-85, US 52 north leads directly into Winston Salem. At Greensboro, I-85 joins with Interstate 40 toward Burlington, Durham, Raleigh and on to the coast at Wilmington. Just 26 miles west of Salisbury in Statesville, I-40 leads further west to Hickory, Morganton and Asheville.

Of note, Salisbury is connected to all five of the largest cities in the State of North Carolina via uninterrupted, limited access, multi-lane, divided highways.

Passenger Rail Service

In recent years, as highways have become increasingly congested, there has been growing interest in alternative forms of transportation, including passenger rail. Salisbury is one of the most strategically located small urban centers in the state for inter-city travel by passenger rail service. In fact, the city is one of only 16 communities in the state served by Amtrak. Of the 12 daily passenger trains serving these 16 North Carolina cities, half pass through and serve Salisbury. In addition, there continues to be considerable planning at the state and federal levels for future passenger rail service to western North Carolina (i.e. Asheville) as well as high speed rail which would also pass through and likely serve Salisbury. In the meantime, the 6 existing trains and departure times from Salisbury are summarized below.

Overview of Daily Train Departures Serving Salisbury, North Carolina
effective 11-1-04

Departs Salisbury	Train Name	Origin and Destination
1:57am	Crescent Southbound	New York to New Orleans
2:35am	Crescent Northbound	New Orleans to New York
8:35am	Carolinian Northbound	Charlotte to New York
9:40am	Piedmont Southbound	Raleigh to Charlotte
6:14pm	Piedmont Northbound	Charlotte to Raleigh
7:11pm	Carolinian Southbound	New York to Charlotte

Of the six trains daily, the schedules of the **Piedmont** and **Carolinian** are quite good in terms of arrival and departure times in Salisbury. Using the Research Triangle area as an example once again, a conference attendee could easily travel to and from Salisbury by train at very convenient times. Such a conference goer could board the southbound **Piedmont** in Raleigh or Cary between 7:00 and 7:30 am and arrive in Salisbury by 9:40 am-- in time for a keynote address on the first day of a conference.

Alternatively, the conference goer could travel to Salisbury by train the evening before. In this case, the traveler would board the **Carolinian** in Raleigh or Cary between 4:30 and 5:00 pm, arriving in Salisbury just after 7:00 pm for a mid-evening dinner. For the return trip to the Triangle, the conference attendee could board the train in Salisbury shortly after 6:00 pm and arrive back in Raleigh or Cary before 9:00 pm. While on the train, this person could fine-tune his or her

presentation, preview the conference program, do other productive work, eat breakfast or dinner, or simply relax.

Note: As stated previously, Salisbury would generally be considered a "drive in" location due to the absence of direct commercial air service into the city. Further, most travel would be considered "*intra-state"* meaning that most travelers would be from within the state of North Carolina. Even so, the availability of passenger rail service into the heart of downtown Salisbury from cities like Atlanta, New Orleans, Washington, Philadelphia and New York, raise interesting possibilities for "*interstate"* travel and therefore interstate conferences involving smaller and more widely dispersed professional groups. This would place Salisbury in the unique position of being able to cater to a particular market niche that larger convention facilities would not likely pursue.

Each of the six trains and their schedules are further analyzed below. While the above example focused on a prospective traveler from the Research Triangle area, please note that travel options for a conference attendee from the Charlotte area are equally, if not more attractive. For the sake of brevity, and to stay consistent with an analysis of the in-state market for conventions, only those portions of the train schedules with stops in North Carolina are shown in tables here. To view the full out-of-state schedules, please visit Amtrak's website at www.amtrak.com.

The Carolinian

The **Northbound Carolinian** originates in Charlotte at 7:50 am, stopping in Salisbury at 8:35 am. It then continues on with stops in North Carolina at High Point, Greensboro, Burlington, Durham, Cary, Raleigh, Selma, Wilson and lastly, Rocky Mount at 12:42 pm. The Carolinian then continues up the eastern seaboard of the US before terminating in New York City some twelve hours later.

The **Southbound Carolinian** originates in New York City at 7:05 am. Its first stop in North Carolina is in Rocky Mount at 3:04 pm. After stopping at the same cities as the northbound train, only in opposite order, it arrives in Salisbury at 7:11 pm before terminating in Charlotte at 8:05. The North Carolina schedules for these two trains are shown as follows:

Daily Carolinian Train Schedule (Only NC Service is Shown Below)

effective 11-1-04

Northbound - Train 80			Southbound - Train 79		
Charlotte	departs	7:50 am	Rocky Mount	departs	3.04 pm
Kannapolis	departs	8:17 am	Wilson	departs	3:23 pm
Salisbury	**departs**	**8:35 am**	Selma	departs	3:49 pm
High Point	departs	9:08 am	Raleigh	departs	4:36 pm
Greensboro	departs	9:28 am	Cary	departs	4:49 pm
Burlington	departs	9:54 am	Durham	departs	5:10 pm
Durham	departs	10:34 am	Burlington	departs	5:47 pm
Cary	departs	10:54 am	Greensboro	departs	6:21 pm
Raleigh	departs	11:18 am	High Point	departs	6:35 pm
Selma	departs	11:53 am	**Salisbury**	**departs**	**7:11 pm**
Wilson	departs	12:22 pm	Kannapolis	departs	7:28 pm
Rocky Mount*	departs	12:42 pm	Charlotte	arrives	8:05 pm

The Crescent

The **Northbound Crescent** originates in New Orleans at 7:20 am, departing Salisbury at 2:35 am of the next day. It then continues on with two additional stops in North Carolina at High Point and Greensboro before continuing on up the eastern seaboard, terminating in New York City some twelve hours later.

The **Southbound Crescent** originates in New York City at 2:50 pm. Its first stop in North Carolina is in Greensboro at 1:03 am. After departing Salisbury at 1:57 am, it makes two additional stops in North Carolina at Charlotte and Gastonia. It arrives back in New Orleans at 7:50 pm. The North Carolina schedules for these two trains are shown below.

Daily Crescent Train Schedule (Only NC Service is Shown Below)
effective 11-1-04

Gastonia	departs	12:41 am
Charlotte	departs	1:49 am
Salisbury	**departs**	**2:35 am**
High Point	departs	3:16 am
Greensboro	departs	3:39 am

Greensboro	departs	1:03 am
High Point	departs	1:17 am
Salisbury	**departs**	**1:57 am**
Charlotte	departs	3:25 am
Gastonia	departs	3:52 am

The Piedmont

Unlike the **Crescent** and the **Carolinian**, the **Piedmont** serves North Carolina exclusively. For this reason, the Piedmont schedule is quite ideal for travel into and out of Salisbury from most cities located along the *Piedmont Crescent* of the state.

The **Southbound Piedmont** originates in Raleigh at 7:15 am. It then continues on with stops in Cary, Durham, Burlington, Greensboro, and High Point, before departing Salisbury at 9:40 am. The Piedmont then continues on to Charlotte arriving at 10:30 am.
.
The **Northbound Piedmont** originates in Charlotte at 5:30 pm, departing Salisbury at 6:14 pm. It then continues on with stops in North Carolina at High Point, Greensboro, Burlington, Durham, and Cary, before terminating in Raleigh at 8:45 pm. The complete schedules for these two North-Carolina-only trains are shown below.

Daily Piedmont Train Schedule
effective 11-1-04

Southbound - Train 73		
Raleigh	departs	7:15 a.m.
Cary	departs	7:27 a.m.
Durham	departs	7:46 a.m.
Burlington	departs	8:23 a.m.
Greensboro	departs	8:50 a.m.
High Point	departs	9:04 a.m.
Salisbury	**departs**	**9:40 a.m.**
Kannapolis	departs	9:57 a.m.
Charlotte	arrives	10:30 a.m.

Northbound - Train 74		
Charlotte	departs	5:30 p.m.
Kannapolis	departs	5:57 p.m.
Salisbury	**departs**	**6:14 p.m.**
High Point	departs	6:47 p.m.
Greensboro	departs	7:05 p.m
Burlington	departs	7:30 p.m.
Durham	departs	8:07 p.m.
Cary	departs	8:26 p.m.
Raleigh	arrives	8:45 p.m.

Commercial Air Service

Salisbury is served by two international airports, Piedmont Triad International Airport, about 55 miles north in Greensboro, and Charlotte-Douglas International Airport, some 45 miles south.

Piedmont Triad International Airport has over 100 flights daily with non-stop service to roughly 20 cities, including Atlanta, Baltimore, Boston, Charlotte, Chicago, Cincinnati, Dallas, Detroit, Houston, Memphis, Minneapolis/St. Paul, Newark, New York, Orlando, Philadelphia, Pittsburgh, and Washington. About a dozen commercial carriers serve Greensboro including United, United Express, Independence Air, Delta, Delta Connection, US Airways, US Airways Commuter, American Eagle, Northwest, Continental, Continental Express.

Charlotte-Douglas International Airport averages 520 daily departures and 23 million passengers annually. Nine major airlines provide service in and out of Charlotte, including American, Air Canada, ATA, Continental, Delta, Lufthansa, Northwest, United and US Air. Eight regional carriers also serve the airport. Collectively these airlines provide non-stop service to about 150 cities, including about two dozen international destinations.

Though Salisbury is considered a “drive-in” destination for conventions, it is not unusual for keynote speakers or other special guests to be flown into the area. Therefore, having these two excellent airports relatively close at hand is an asset nonetheless.

Availability of Hotel Accommodations in Salisbury

Existing Accommodations

According to the Rowan County Convention and Visitor’s Bureau, Salisbury currently has 966 hotel rooms under the following ownership or management:

	Number of Rooms
Holiday Inn	181
Hampton Inn	119
Ramada Limited	113
Days Inn	91
Budget Inn	85
Comfort Suites	78
Super 8	59
Best Western	54
Happy Traveler Inn	52
Studio Suites	40
Affordable Suites of America	33
Center Motel	16
Executive Inn	12
Volonte Motel	12
Mama Josephine's	8
Historic Murphy House B&B	4
Rowan Oak House B&B	4
Turn of the Century Victorian B&B	4
Grand Haven Lodge	1
Totals	**966**

Of these 966 rooms, the convention and visitors bureau estimates that about 550 to 560 might be considered “first class” rooms. Of these first class rooms, some two thirds might be considered *committable* for conventions, based on current average occupancy rates in Salisbury.[11]

[11] Source: Judith G. Newman, Executive Director, Rowan County Convention and Visitors Bureau.

Need for Hotel Space Downtown

In preparing this study, there was universal agreement among all persons consulted that, for a conference center to be successful in downtown Salisbury, it will be necessary for a "headquarters hotel" to be located attached to or within a very short distance (i.e. 1-2 city blocks) of the facility. The promotional literature for the New Bern Riverfront Convention Center, for example, notes that the meeting facility is "connected to 275 hotel rooms, with 1,500 rooms within a five-minute drive".[12] While Salisbury has a good start on rooms within a 5-minute drive of the downtown, there will need to be hotel space added downtown.

It must be remembered that demand for hotel accommodations may increase markedly after construction of a convention center. In Hickory, for example, several hotels "sprouted up" close to the Hickory Metro Convention Center shortly after it opened. Similarly, the demand for hotel accommodations in downtown New Bern was quite limited prior to the opening of the Riverfront Convention Center. With the advent of the new convention center there, the facility manager indicated that a couple new hotels came in and more would come if there were building sites available near the convention center.

Fortunately, for Salisbury, the area of South Main Street being explored as the primary opportunity site for a downtown convention center, has many properties that are either vacant or marginally utilized relative to their highest and best use. These vacant and marginally utilized sites present opportunities close at hand for development not available in New Bern or Hickory.

One prime development opportunity already in place is the historic Empire Hotel, located just one block from the prime convention center site on South Main Street. First erected in 1855, the hotel underwent some radical modifications in 1907, when it was enlarged and modified. While the hotel eventually closed in the 1940's, it has been the subject of recent interest for restoration and reuse. Upon renovation, it is believed that the hotel structure could yield about 90 first class hotel rooms.[13]

Assessment of Salisbury's Competitive Advantage for Conventions

All other things being equal (central location in the state, quality convention facility, adequate number of hotel rooms, etc.), it is important to identify Salisbury's unique competitive advantage as a meeting destination. Why would someone want to come to a convention in Salisbury rather than some other place of similar size in North Carolina? This report, based upon the findings of many interviews and consultations with other convention center "stakeholders", holds that what sets Salisbury apart is *the community's growing reputation as a small town that has worked successfully for historic preservation, innovations and partnerships in community development, small town livability and a sense of place*.

Surveys consistently show that, if given the choice, Americans would rather spend time in a small town than in a suburb or large city. Most recently, for example, a Money Magazine/America Online poll[14] found that nearly 1 in 3 persons would prefer small town living over suburbs, cities or even "the country". Yet only a fraction of that number actually live in small towns. By all

[12] Specifically, the Sheraton Hotel, with 172 rooms, immediately adjoins the convention center, and the Comfort Inn, with 106 rooms, is close by.
[13] The Empire Hotel, Salisbury, North Carolina, An Economic Impact Assessment, Michel A Kanters, Ph.D. and Bryant G. Pearson, April 2000. This study initially identified the potential for 73 rooms (page 3) but subsequent studies have increased the number to 90 rooms.
[14] Money Magazine/America Online poll conducted March 11, 2004.

measures, Salisbury is just such a place, and a very good one, according to perceptions around the state of North Carolina.[15]

Salisbury Residents May Not Realize the Great Appeal of the Community They Live In

A recent feature article in the Winston Salem Journal provides additional anecdotal evidence of Salisbury's growing reputation as small town with a very high quality of life. Entitled "Small Is Bountiful: Salisbury Is Packed With Sweet Surprises" the news article first appeared in the December 3, 2004 edition of the Winston paper, but was picked up by the Associated Press and published in a number of other papers around the state. Of note, the article touted many of the businesses, historic buildings and other amenities located in downtown Salisbury and the type of small town flavor they create. The article concluded by listing a number of special events planned for the downtown during the holiday season. The text of the full article is included in the Appendices to this report.

For those who cannot live in Salisbury, the next best thing may be to attend a conference for a few days in the midst of an authentic small town that has done a superior job of preserving its past--while continuing to move forward. In Salisbury, conference attendees will not see a "museum community" like Williamsburg, VA, or Old Salem, NC, but rather, a town that offers an authentic feeling of by-gone days in a modern-day, functioning community.[16]

National Interest in Small Town Quality of Life

In today's fast-paced, technology-driven environment, people increasingly seek relief from the mass-marketed, sterile sameness of suburban America.[17] Consider the following press release by the widely acclaimed, new "old" town of Celebration, Florida:

FOR IMMEDIATE RELEASE Contact: Andrea Finger
October 27, 2003 (407) 566-4164

Celebration Annual Home Sales Break Records – Again

CELEBRATION, FLORIDA -- With an annual residential sales volume passing $120 million, Celebration has topped new homes sales records for the third straight year. The community also passed prior records for the total number of homes sold in Celebration, with builders closing more than 350 new homes during the fiscal year ending September 30.

The Celebration Company attributes this success to homebuyers' desire to live in a place where they know their neighbors and share a sense of community with other families and friends. "Celebration appeals to homebuyers who expect to stretch their homes' boundaries by living in a community where playgrounds are walkable, schools are enriching and neighbors have reasons to stay connected," said Perry Reader, president of The Celebration Company. (emphasis added)

[15] Personal interviews with town managers and planning directors around the state, 2000-2004.
[16] "Small Is Bountiful ; Salisbury Is Packed With Sweet Surprises"; [METRO Edition] *Kim Underwood Journal Reporter*. Winston - Salem Journal. Winston-Salem, N.C. Dec 3, 2004.pg.1
[17] Clayton, John. *Small Town Bound*. Career Press, 1996.
Crampton, Norman. *The 100 Best Small Towns in America.* Macmillion, 1995.
Krause, Bea. *A Time to Remember*, Priscilla Press, 1999.
Levering, Frank & Urbanska, Wanda. *Simple Living: One Couple's Search for a Better Life*. Penguin. 1993.
Longino, Jr., Charles F. *Retirement Migration in America*. Vacation Publications.
Savageau, David and Loftus, Geoffrey. *Places Rated Almanac*. Macmillion, 1997.
Urbanska, Wanda and Levering, Frank. *Moving to a Small Town*. Fireside, 1996.
Villani, John. *The 100 Best Small Art Towns in America.* John Muir Publications, 1996.

The developers of Celebration (a subsidiary of the Walt Disney Company) have spent many millions of dollars to design and build a downtown, community parks and residential neighborhoods that look and feel like a pre-World War II community—in other words, a walkable community with a sense of place. Significantly, all the things that Celebration has spent huge sums of money creating, Salisbury already has. But even more importantly, Salisbury has certain community assets of that no amount of money can buy:

- Hundreds of well-maintained historic homes, each unique, many dating to the 1800's.
- A national cemetery and site of a Civil War prison camp.
- An historic train depot of outstanding architecture, still serving 12 passenger trains daily.
- A fully restored historic downtown theater, with a patina and ambience that cannot be replicated.
- Dozens of well-preserved and used pre-World War II commercial buildings clustered in an economically healthy, walkable central business district
- A number of attractive central city parks, each accessible on foot or bicycle
- Numerous downtown area churches, schools and university buildings of memorable architecture and character.
- A community that has grown naturally over a period of more than 250 years, rather than being artificially contrived overnight.

Further, the founders of Celebration are quick to point out the national and worldwide interest that their community has sparked since the mid 1990's:

> "*The impact of Celebration has been significant. When Celebration's original planners found inspiration in traditional towns of the past, only a handful of modern developments reminiscent of neighborhoods of the 1940s existed. In 2001, as people search for places with a strong sense of community, parks for children, neighborhood schools and walkable destinations, New Urban News reports that 380 such communities are currently planned or constructed. Planners, architects, and educational leaders and government officials from around the world visit the central Florida community each year to learn many of the best practices in community-building."* (emphasis added, from the Celebration website)

And one more quote:

> *"Shortly after the first residents settled in to the community in 1996, Celebration soon became a poster-child for "traditional neighborhood design," as it rejuvenated the spirit of community with its neighborhood parks, front porches and pedestrian-friendly design. Inspired by great, traditional towns of the past, Celebration focused a spotlight on the way town planning influences the way we lead our everyday lives. 'Celebration's example has made place-making a valued and important piece of community development once again,' according to Perry Reader, president of The Celebration Company." (*emphasis added--also from the Celebration website)

Obviously, there is widespread demand to see first hand what a successful community with a well-developed sense of place looks and feels like. If Celebration can become the poster child for "newly created traditional neighborhood design", it would seem possible that Salisbury could perform a similar role for successful community revitalization, historic preservation and maintaining a sense of place. In fact, just as Celebration has become noted for "place making" over the past decade, Salisbury has, during the same period, earned considerable recognition around the state of North Carolina and beyond for its repeated successes in "place preserving and enhancing".

It is apparent from the Celebration experience, that the demand to spend time in a living, functioning, walkable, historic community reaches much deeper in the American psyche than previously thought. It's not just urban planners, architects and social scientists that find the

experience of authentic small town life interesting. The average person attending a conference in downtown Salisbury will likely be quite interested in the total conference setting, not just what goes on inside the convention center walls. Therein lies Salisbury's true, small town competitive advantage over a conference site in a similar-sized suburban "Anywhere USA":

> *"A place where memories of a lifetime are made, it's more than a home; it's a community rich with old-fashioned appeal and an eye on the future. Homes are a blend of traditional southeastern exteriors with welcoming front porches and interiors that enhance today's lifestyles…Although the spirit of neighborliness comes from the people who live next door and down the street, there's something about life [here] that seems to encourage it. The pedestrian pathways, the welcoming parks, the special places of discovery all beckon residents to come out of their homes to explore and enjoy."*[18]

Convention Center Client Groups and Their Requirements

Due to Salisbury's central location in the state, and the logic of it being a "drive-in" destination for conventions, information related to the convention market for in-state organizations is of particular interest. Fortunately, research studies for a convention center in Greenville, North Carolina and another for the Riverfront Convention Center in New Bern, provide useful insights to the small to medium-sized community meeting market in the state.

Prior to the opening of the Greenville Center in 2002, the consulting firm of KPMG Peat Marwick conducted a survey of 44 in-state organizations regarding their requirements and preferences for a convention facility. According to the report, these 44 organizations accounted for 71 conventions and about 250 seminars, district meetings and other types of small meetings annually. Significantly for Salisbury, KPMG found that their survey findings were "*similar to surveys taken by independent organizations on a national level*."[19]

Likewise, before committing to build a convention center in New Bern, the community hired the consulting firm of Coopers and Lybrand to conduct an analysis of the market potential for such a facility in Craven County.[20]

Key findings and interpretation of the KPMG and Coopers/Lybrand research relevant to the Salisbury situation include:

- **Virtually every trade, business and type of government service that exists has some form of professional association that holds an annual conference at the state level.**

  The KPMG survey report tallied about 75 organization-sponsored events but, from the listing, it would not be unreasonable to expect that there exists an annual event for most types of businesses and nearly all types of government agencies. A sampling from the KPMG survey includes, for example, the following groups who hold annual convention events: American Business Women's Association (850 attendees), North Carolina Retired Government Employees Association (500 attendees), North Carolina National Guard Association (850 attendees), North Carolina Heating and Air Conditioning Association (2,100 attendees) North Carolina Beer and Wine Wholesalers (250 attendees), North Carolina Pharmaceutical Association (700 attendees), NC Credit Union Network (850 attendees), etc.

- **Proximity of the headquarters hotel and meeting site ranked first among priority considerations for meeting planners.**

---

[18] As quoted from the Celebration, Florida website

[19] Survey of Potential Convention Center Users conducted for the Proposed Greenville, NC Convention Center, 1999, KPMG Peat Marwick, page 38.

[20] An Analysis of Potential Public Assembly Facility Development in Craven County, North Carolina, 1996.

Further, KPMG found that the maximum hotel room block reserved for the various groups ranged from a low of 30 to a high of 1,200. The mean number of rooms reserved was 265. About two-thirds of all the groups required 200 or fewer rooms; 80% of all the groups required 300 or fewer rooms. For Salisbury, this would mean that, to maximize occupancy rates, the combined number of hotel rooms built on or very near the site of a downtown convention center should ideally total no less than 200 but no more than 300 rooms.

- **Beyond the proximity of the headquarters hotel to the convention center, other factors figuring into meeting planner requirements and preferences for a convention center included, in order:**

KPMG Findings	Coopers Lybrand Findings
price of the meeting space	Quality of food service
date/space availability	number, size & quality of meeting rooms
entertainment (restaurants, shopping, etc.)[21]	negotiable food and room rates
hotel price	meeting support services & equip
quality/price of food service	efficiency of billing procedures
overall service level	#, size and quality of sleeping rooms
audio-visual capabilities	efficiency of check in/check out
parking	person assigned for all aspects of mtg
size of breakout rooms	previous experience with facility/staff

Despite some differences in the specific terminology used, there is a great deal of commonality between the findings of the two studies. Price, service and quality are the common threads that all meeting planners seek in selecting a convention facility.

- **The vast majority of these in-state groups did not view limited air access as a deterrent to the meeting location**.

As might be expected from in-state groups, survey respondents indicated that nearly all of their attendees would be driving to the meeting event. Therefore, having an airport immediately at hand was not an issue. In fact, the Coopers and Lybrand research found that, of the top ten or so factors considered important in the selection of meeting/convention destination, three of the top four were ground-transportation related and included ease of transporting attendees to location, transportation costs, and distance from the home towns of

[21] Interestingly, those organizations seeking a meeting site with activities unique to the area (such as those at a resort community) said they would not consider meeting in Greenville. The location of the Greenville Convention Center, within a typical suburban commercial area, does not offer a particularly unique setting. Thus, some organizations seek a conference site that provides a unique experience in the local community while others view their conference as being a largely self-contained, internally focused event, with the only outside activities focusing on restaurants and shopping. Greenville's client base would fall into the latter group. In contrast, early consensus was that Salisbury would clearly fall into the former category. In fact, it was felt that Salisbury's track record of successful community development, urban revitalization and historic preservation efforts might be especially attractive to groups such as:

Antique shows	Housing and neighborhood redevelopment groups
Civil war history groups	Parks and recreation organizations
Community planning organizations	Performing arts: plays, dance, music, entertainment
Downtown revitalization groups	Police Organizations, Especially Community Policing
Educators	Religious conferences: adult and youth
Environmental organizations	Urban forestry groups
Historic preservation groups	Design Professionals (Architects, Engineers, etc.)

individual attendees.[22] This bodes well for a facility in Salisbury, given the city's excellent central location relative to the geography and population distribution in the state.

- **Total attendance at the events ranged from a low of 150 to a high of 2,200.**

  Less than 5% of the events attracted more than about 1300-1400 persons. This maximum number speaks to the appropriate overall design capacity for a convention center in Salisbury.

- **Banquet attendance ranged from a high of 1,300 to a low of 60**.

  Over 95% of the groups required banquet capacities for 1,000 persons or less. Presumably, with partitionable banquet space, this suggests that Salisbury's Center should be designed to accommodate banquets for up to 1,000 persons. A facility larger than that might be providing additional space that would go unused 95% of the time.

- **Event length ranged from 1 to 5 days, with the vast majority falling into the 2 to 4 day range**.

  This suggests that, given the geographic size of North Carolina, and the driving time to reach even the most centrally located conference site, the bulk of all conferences or conventions held in the state will require that at least some portion of their membership stay overnight. Indeed, only a small percentage of attendees at a *statewide* conference would likely commute from their home community to the conference site daily.

- **Requirements for breakout space ranged from 1 to 20 rooms, with the average being about 7**, **and about 90% requiring 8 or fewer break out rooms.**

  According to the survey, to maximize the use of breakout spaces, a conference center oriented toward an in-state market would want to include perhaps 7 or 8 breakout spaces.

Demand for Types of Facilities Used

Given the focus of Salisbury on the conference market for in-state associations, corporate meetings and certain compatible trade shows, information related to the types of facilities these groups prefer is also of great interest. Consider the following finding:

> "Conventions and trade event segments are generally housed in convention centers, where as major corporate and association meetings are held in a variety of facility types…*A majority of off-site corporate and association meetings are hosted by hotel facilities.* Approximately 63 percent of corporate meetings use hotels for their events compared with approximately 61 percent of association meetings. Convention and conference centers account for approximately 13 percent of corporate and association meeting business. *This characteristic provides a general market indication that facilities which have targeted corporate and association meetings will likely have to achieve higher capture percentages to maintain market viability*."[23] (Emphasis added)

This places a significant challenge before Salisbury, given the presumption that Salisbury is best suited as a location for the professional association and corporate meeting market. Worth noting, too, is that New Bern faced (and continues to overcome) the same challenges as Salisbury in choosing to focus on the professional association/corporate meeting market.

---

[22] An Analysis of Potential Public Assembly Facility Development in Craven County, North Carolina, page 12
[23] An Analysis of Potential Public Assembly Facility Development in Craven County, North Carolina, page 11

Inventory of Existing Meeting Venues in Salisbury

Rental fees and banquet style seating capacities are presented below for several existing meeting venues in Salisbury:

Venue	*Rental Fee for the Largest Space*	*Seating Capacity (Banquet)*
Civic Center (City of Salisbury)	$350	288
Salisbury Depot	$1,000	250
Crystal Lounge	$600	225
Rowan Museum	$500	120
Holiday Inn	$1,000	300
Trolley Barn	$1,000	NA

Note that the rental fee for the City's Civic Center is the lowest of the six, while having the second highest capacity for banquet style seating. Also instructive is to compare the numbers on banquet seating to the desired seating capacity (1000 persons) noted in the preceding section entitled "*Convention Center Client Groups and Their Requirements".* Obviously, none of these existing facilities come close the capacity standard for a convention center designed to meet the needs of many professional associations and trade groups in North Carolina.

Development Program for the Salisbury Conference and Convention Center

As shown below and on the following page, the proposed development program for a convention and conference facility in Salisbury calls for a maximum seating capacity of 1,300 to 1,400 persons depending upon the seating arrangement. The facility would total about 45,000 to 50,000 square feet with 28,000 to 30,500 in rentable space.

Please note that, as part of the exploratory process for a convention center in Salisbury, a design workshop was held to help determine whether a convention center of the size described above could be built in downtown Salisbury. The workshop also served to create visual images of what such a center might look like. Examples of several of these site schematics and illustrations are included in the Appendices to this report.

The numbers below and on the following page were derived largely from the analysis of facility preferences and requirements presented earlier in this report. These numbers are also quite close to the numbers employed in design and construction of the New Bern Riverfront Convention Center. As will be shown later, by using the actual numbers associated with the as-built New Bern facility, much guesswork can be eliminated regarding cost estimates and financial considerations.

Seating Capacities

Maximum Seating Capacities	**Proposed Convention Center** *Number of Persons*
Auditorium	*1,300-1400*
Banquet	*1,000*

Facility Components and Square Footages

Name of Facility Component	**Proposed Convention Center** *(Square Feet)*	**Rentable Space** *(Square Feet)*
Vestibule/Lobby/Pre-Function Space	*8,500-9,000*	*8,500-9,000*
Administrative Offices/Business Hub	*1,500-1,600*	
Multi-Purpose/Great Room/Ballroom	*12,000-13,000*	*12,000-13,000*
Small Meeting Room/Break Out Space	*4,000-4,500*	*4,000-4,500*
Outdoor Terrace, Veranda or Plaza	*3,500-4,000*	*3,500-4,000*
Restrooms	*1,800-2,000*	
Kitchen	*4,000-4,500*	
Storage/ Service Space	*5,000-6,000*	
Stairwells/Elevator Shafts/Loading Docks.	*5,000-5,500*	
TOTAL SQUARE FOOTAGE	***45,300-50,100***	***28,000-30,500***

Note that the facility would be designed to have slightly more than 60% of its total square footage in rentable spaces.

Prospects for Building and Operating a Convention Center in Salisbury

Perhaps the most critical information of interest to the citizens of Salisbury and Rowan County is how a convention center might be constructed, placed in service and successfully operated-- accomplishing its economic development objectives-- while not adding a burden to the local tax base. Again, the New Bern Center is a useful model to answer this question.

This part of the study will review the center's constructions costs, funding mechanisms and operating expenses versus revenues. The advantage of using the numbers from New Bern is that they are *real* costs, *real* funding sources, *real* expenses and *real* operating revenues pegged to economic conditions and local government enabling legislation in North Carolina. They are also geared to the in-state market for convention business, similar to the type of business desired for Salisbury. Using actual numbers from a recently built, actively managed, successful convention center obviates the need to speculate about what may or may not work. In this manner, the necessary assumptions involved in formulating the likely financial outlook for such a center can be made with a higher level of certainty than might be possible with a hypothetical convention center. The study will focus first on the initial costs of the New Bern facility and how funding for the center's construction was secured. Second, it will examine the financial track record of the center since opening in 2000—in terms of annual expenses, rental income, debt service, occupancy tax revenues and local government balance sheet.

Construction Costs and Sources of Revenue for a Convention Center

The final budget report for the construction of the New Bern Convention Center showed the following line item expenses. Expense items are listed as presented in the original budget printout from the Craven County finance office. Some expense items have been aggregated and subtotaled, but the overall numbers remain unchanged from the original printout. These subtotals have been provided here to better understand the relative magnitude of various cost items.

New Bern Riverfront Convention Center Construction Expenses, 1999-2000

Expense	*Budget*	*Subtotals*
Administration Fees	$123,600	**$123,600**
Land and Improvements		**1,205,100**
Land Acquisition	1,199,200	
Other Improvements	5,900	
Equipment		**675,100**
Food Service Equipment	235,900	
Movable Equipment	439,200	
Supplies		**299,900**
Food/Beverage Small Wares	40,400	
Detention System	13,500	
Drainage Pipe	64,400	
Other Supplies	181,600	
Contractors		**2,228,400**
General Contractor	517,200	
Heating and Air Conditioning	716,000	
Electrical	701,700	
Plumbing	288,500	
Moving Expenses	5000	
Design Services		**586,400**
Architect	38,800	
Bidding Phase	20,000	
Design Development	80,000	
Expense Reimbursement	20,000	
Other	80,000	
Monitoring S and ME	41,400	
Inspection	15,000	
Additional Design	85,000	
Construction Documents	160,000	
Interior Design	19,200	
Stormwater	22,400	
Irrigation Design	4,600	
Construction and Related		**6,751,900**
General Construction	6,535,800	
Easements	19,800	
Soil Testing	1,200	
Clearance Activities	45,000	
Demolition	31,800	
Archeological Dig	73,600	
Irrigation System	44,700	
Interest	**233,500**	**233,500**
GRAND TOTAL		**$12,103,900**[24]

Source: Budget Report—Final For Fiscal Year 2002, Craven County

[24] According to Convention Center Director Sandy Richardson, the as-built cost of the convention center actually came in slightly under the approved final budget, about $11.5 million.

Looking at the preceding budget figures, it can be noted that the land cost was about 10% of the total project cost. Design fees were about 5%. About 6% of the total budget went to furnishing the food service operation and purchasing tables, chairs and other equipment necessary to operate the center. About 75% of the total project cost went to building contractors and general construction costs.

Convention Center Project Construction Revenue Sources

Revenue Source	*Budget ($)*	*% of Total cost*
Interest on Investment	320,000	2.6%
Miscellaneous Revenue	9,200	<1.0
Economic Development Administration	165,000	1.4
Contractors Sales Tax	150,000	1.2
From Trust Fund 590	1,500,000	12.4
Global Transpark	7,700	<1.0
City of New Bern	52,000	<1.0
Loan Proceeds	9,900,000	81.8
TOTAL REVENUES	**12,103,900**	**100%**

Source: Budget Report—Final For Fiscal Year 2002, Craven County

On the revenue side, the bulk of the money necessary to build the center came from a $9.9 million loan (certificate of participation) to be paid back by a 3 percent room occupancy tax added in 1996 to an existing 3 percent tax. Craven County contributed $1.5 million directly to the construction cost, while the City of New Bern and Global Transpark kicked in $52,000 and $7,000 respectively. Another $320,000 came from interest, presumably on investment of the loan proceeds prior to their actual use in construction. The remaining $300,000 or so came from a grant from the Economic Development Administration.

New Bern Riverfront Convention Center Economic and Fiscal Impacts

Economic Benefits of a Convention Center on the Local Economy

The Director of the New Bern Riverfront Convention Center does not hesitate to point out that the facility does not “break even” (and was never expected to do so), from an *internal* profit and loss standpoint. Rather, calculations show that the full economic impact and increased sales taxes brought into the area by visitors to the center more than make up the difference in operating expenses over rental income. Thus, when Craven County uses its budget dollars to make up the annual operating deficit of the convention center, it expects to receive back at least that amount in identifiable sales taxes and other revenues. (More details on this in subsequent paragraphs)

To be specific, during fiscal year 2003, the most recent year for which complete information is available, and an “off year” for the convention business (shortly after 9/11), records indicate that:

- The Convention Center hosted over 32 conventions and trade shows, 19 public shows, 92 meetings and 116 miscellaneous events for a total of 259 events and 333 total utility days.

- Service providers at the Convention Center include caterers, show decorators, florists, entertainers, phone/internet service providers, cleaning companies, landscape maintenance companies, media outlets, sign/banner producers, temporary employment companies, printers, security companies, wholesale food and beverage companies, and others. Estimates are that the convention center, plus these providers, employ about 125

people. This number does not include the many more workers employed locally by hotels restaurants, and retail stores whose businesses are directly benefited by convention and conference attendees.

- Over 15 local caterers provided nearly $600,000 in food and beverage to groups holding events at the Convention Center. Also, over $75,000 was spent on coffee breaks and over $8,000 on concession food and beverages for public shows.

- Show decorators provided pipe and drape and show services in the amount of over $360,000. During that year, a local decorator increased their inventory of pipe, drape, staging and dance floors to accommodate convention center group rental requests.

- Local florist provided centerpieces and decorations for over 160 events at the convention center.

- Downtown merchants have reported that their business has risen an average of 35 to 40% since the convention center opened.

- In the two years since the convention center opened, the average daily rate (ADR) for hotel rooms in the New Bern area increased by $20. This increase occurred during a time when new hotel rooms were being added to the local inventory.

Operating Expenses and Income for the Convention Center Profit/Loss Balance Sheet

As noted above, the additional 3% room occupancy tax is applied directly to the debt service on the $9.9 million loan[25]. Convention center operating expenses must therefore be addressed by other sources of revenue.

In fiscal year 2003, the most recent year for which operating expenses and revenues were available, the convention center had an operating budget of $613,000. During the same period, the center took in $408,000[26] in room rental fees and other sources of income (catering fees, equipment rental, etc.) This income represented two-thirds of the total operating cost for the convention center. The remaining one third, or approximately $200,000 operating deficit, was made up by Craven County. As will be seen in the paragraphs that follow, this is a relatively small amount compared to the total economic impact and tax revenue that the convention center brings into the county.

Estimating Total Economic Impact

To provide a complete financial picture, the full economic impact of the convention center on businesses in the county must be accounted for. In fiscal year 2003, economic impact in Craven County was estimated conservatively at $6.9 million, with projections to $8.2 million for FY 2004.[27] These are considered to be conservative figures because Craven County uses no economic multipliers in calculating economic impact.

To verify this number, the total number of overnight visitors brought in to the County by the center can be multiplied by the amount of spending generated by each delegate to a convention. In 2002, the IACVB Foundation Annual Survey of Convention Center Income reported that spending

[25] The tax is collected by hoteliers for the County on all room-nights in the county whether or not the overnight stay is convention related.
[26] Facility income of $437,000 was also mentioned in another source, but this report has elected to use the lower $408,000 figure, to err on the conservative side.
[27] Source: Fact sheet issued by the New Bern Riverfront Convention Center.

generated by conventions averaged $284 per day per delegate[28]. For Craven County, FY 2003 records show that the New Bern Convention Center generated a *confirmed* 11,500 room nights and a *probable* 14,000 room nights[29]. Delegates staying for two room-nights generate three visitor days. At $284 per day, the total expenditures generated by 21,000 delegate days at the New Bern Convention Center during FY 2003 would be just under $6 million. It must be remembered that this figure is based on delegate days generated only by overnight delegates, and does not include delegates who day-trip to the convention, or visitors to other events at the center that do not require overnight stays.

Indirect Revenue Coming Back to the County

If the County looks only at sales tax revenues generated by the *additional* hotel room-nights generated by the convention center, an estimated $135,000 to $150,000 was returned to Craven County's tax coffers for FY 2003[30]. Therefore, the 2003 sales tax revenue from accommodations returned 70 to 75% of the county's $200,000 subsidy to cover the operating deficit.

Significantly, lodging accounts for only about 40 to 50% of direct delegate spending, and does not include expenditures for meals, retail sales, tours and sightseeing, attendance at sporting events or theater productions, gasoline purchases, etc. It is therefore quite understandable that the County's annual contribution is more than covered by sales tax revenues coming back to the County.

In addition to sales tax, the convention center spawns new private investment in area real estate (hotels, restaurants, retail businesses, etc.); this real estate adds significantly to the property tax base of the City and County. While these numbers have not been specifically documented, the tax revenues they generate also come back to the tax coffers of the City and County.[31]

Finally, it should be remembered that the benefits of a convention center should not be measured by whether the operating costs are covered immediately by income and returned taxes, but rather, by whether the center achieves its economic development, community revitalization and quality of life objectives.

---

[28] International Association of Convention and Visitor Bureaus, Convention Income Survey—2002 Update. The $284 figure includes $211 in direct delegate spending, $15 in Association spending, and $58 in Exhibitor spending. Convention-generated spending per delegate is typically greater in large host cities and somewhat less in smaller host cities.

[29] Specifically, Craven County can determine with some certainty that for FY 2003, no fewer than 11,500 "blocked" rooms were reserved by visitors attending conventions at the Riverfront Center. Again, this is a conservative number, because about 15-20% of all convention attendees choose to book their own rooms independently of conference organizers. For Craven County, it is estimated that the actual number of room nights spawned by the convention center is closer to 14,000 annually.

[30] This number reportedly came from the New Bern Riverfront Center Director Sandy Richardson, but has not yet been verified.

[31] For example, a cost benefit analysis prepared to evaluate the merits of renovating the historic Empire Hotel in Salisbury revealed that, following the restoration, some $15,000 in property taxes would be generated annually. See: The Empire Hotel, Salisbury, North Carolina, An Economic Impact Assessment, p. 13, Michel A Kanters, Ph.D. and Bryant G. Pearson, April 2000.

Applying The Financial Experience of New Bern to Salisbury

Estimating the Future Cost of Building a Convention Center

To accurately portray the costs of building a convention center in Salisbury, it is necessary to determine the estimated construction cost of such a center in the projected opening year. This is where important assumptions come into play.

Assume, for example, that Salisbury's new convention center will have a projected opening date of 2010, about 5 years from now. As stated previously, New Bern's convention center opened in 2000 at a cost of about $12 million[32]. If Salisbury were to build a convention center of the same type as New Bern's with an opening date ten years later, the estimated cost of such a center, based upon commonly recognized construction cost indexes over the past decade, could fall in the vicinity of $15.6 million.

The $15.6 figure is approximately 30% higher than the original cost in New Bern, and was calculated by looking at construction cost increases over the past decade and applying this rate of increase to the period from 2000 to 2010.[33] Specifically, the Engineering News Record Construction Cost Index increased by 23.8% from March 1994 through March 2004, the most recent 10-year period available. This figure was then adjusted upward another 6% to account for dramatic increase in construction costs during the first four months of 2004.[34]

Caution is advised however, that such estimates can vary substantially based upon a host of factors including the price of oil, demand for lumber, interest rates, gains in construction productivity, site specific construction conditions, and how busy the construction industry happens to be at the time of bidding, to name just a few.

Prospects for Facility Income Levels and Hotel Occupancy Tax Revenues

The next major calculation that must be made has to do with convention center revenues and hotel occupancy taxes and their ability to pay down the convention center debt service and operating expenses starting in, say, 2010. This question will be approached from both a macro (national) level and micro (local) level. First, the macro level.

According to the US Bureau of Labor Statistics, the Consumer Price Index (CPI) for the southeastern United States, from March 1994 through March 2004, increased by 25.4%. Therefore, the cost of consumer products and services increased by more than 25% during a period when the costs of construction increased by slightly less than 24%. As with the construction index, the CPI also experienced a sudden jump during the first four months of 2004,

---

[32] According to final budget figures provided by the Craven County finance department, actual construction costs were about $200 per square foot. This figure does not include the equivalent of $67 per square foot in land acquisition costs, equipment, furnishings and other miscellaneous expenses.

[33] The proposed development program for a convention center in Salisbury, as described previously in this report, calls for a facility of 45,000 to 50,000 square feet. The $15.6 million cost estimate is intended to replicate a 45,000 square foot facility in the year 2010. At the year 2010 price, with the same 30% increase in cost over ten years, a 50,000 square foot facility would cost about $17.3 million, all other things being equal.

[34] ENR's building construction index is computed on the basis of a hypothetical unit of construction requiring 6 bbl. of portland cement, 1088 M bd. ft. of 2"x4" lumber, 2,500 lb. of structural steel and 68.38 hrs. of skilled labor. In March 1994, the ENR Construction Index stood at 3116. By March of 2004, it had risen to 3859 or an increase of 23.8% over the ten-year period. During the 4-month period from January to April 2004, construction costs grew by 15-20 percent, a substantial increase for such a short period of time. For this reason, the percentage increase suggested for the period from 2000 to 2010 was increased to 30% to account for this sudden increase. (Telephone consultation with Stuart Milford, Cost Estimator with Construction Management, Inc.)

though to a lesser degree than construction. For all intents and purposes, therefore, and given the acknowledged uncertainties involved in making such forecasts, this study suggests that the Construction Cost Index and Consumer Price Index will increase by the same amount (30%) from 2000 to 2010.

Now, focusing on the meeting industry segment of the US economy (and as stated elsewhere in this report), the convention center and hotel industry has been basically flat (or even declining in some locations) since 9/11. Recent economic indicators show a significant rebound taking shape, however, at least within the hotel industry. (See report section entitled "The Changing Economic Climate for Conventions"). In other words, as the US economy continues to heat up, the number of persons traveling and demand for hotel accommodations during 2004 has increased faster than the expansion of the economy as a whole.

Marked improvement in the hotel industry could lead to the conclusion that meeting industry fees and income will also increase with equal vigor. The hotel industry, however, is not the convention business, and it would be a mistake to equate the two in economic terms or projections. For this reason, a more conservative stance is to assume that meeting industry economics will be less than recent historical growth rates of 4 to 8% per year during "healthy times"; a growth rate of perhaps 3 to 5% per year would appear more prudent. Moving forward, and compounding this annual growth rate over the period from 2005 to 2010, is not sufficient to bring convention center income projections in line with increases in the general Consumer Price Index, given the flat condition of the industry over the first half of this decade.

Now, the micro level.

Returning to the New Bern example, we find that the Riverfront Convention Center has more than "carried its own weight" during the worst downturn in travel and convention business of the past several decades—the immediate aftermath of the post 9/11 environment. This fact should carry as much weight as any number of statistical computations concerning the US economy and the travel and tourism industry in general.[35] Thus, despite difficulties in the industry over the past three years, one could argue that a well-conceived convention center complex in an attractive locale, with effective marketing and promotion, should expect no less financial success from say, 2010 through 2014, than has been experienced by New Bern Center during the very challenging, but successful years from 2000 through 2004. Bottom line, the facility income and hotel occupancy tax revenues of 2010 should be no less able to sustain a newly conceived convention center in 2010 than did the income and tax revenues of 2000 in New Bern.

Use of Occupancy Taxes to Fund Convention Centers

As is evident from the discussion of convention center revenue sources, occupancy taxes play a key role in the funding of many, if not most, convention centers. For this reason, it is useful to fully examine this important source of revenue.

In North Carolina, both cities and counties may levy hotel occupancy taxes, which are collected by hoteliers from their guests on behalf of the local government. These occupancy tax revenues are then typically used to fund the operating expenses and promotional efforts of local convention and visitor bureaus. In some localities, occupancy tax revenues are also used to fund the construction of travel and tourism related facilities, including convention centers. Permission from the North Carolina General Assembly must be granted to the local government to impose or increase local occupancy taxes.

[35] Among all 100 North Carolina counties, Rowan County fell from 25th to 27th from 2002 to 2003 in terms of travel and tourism expenditures. During this post 9/11/01 period, travel and tourism expenditures remained virtually level at about $98 million.

Survey of North Carolina Counties and Cities Using Occupancy Taxes

According to the NC Department of Commerce, the distribution of occupancy tax rates across the state is currently as follows[36]:

Number of counties with a…	1% rate	2% rate	3% rate	4% rate	5% rate	6% rate
	1	**1**	**49**	**3**	**4**	**12**

Number of municipalities with a…	1% rate	2% rate	3% rate	4% rate	5% rate	6% rate
	3	**1**	**23**	**2**	**7**	**9**

Number of localities with a combined city/county...	1% rate	2% rate	3% rate	4% rate	5% rate	6% rate	7% rate
	0	**0**	**0**	**3**	**1**	**16**	**1**

Thus, according to the preceding occupancy tax data:

- 60 of North Carolina's 100 counties have some form of occupancy tax.
- 49 counties, or about 5 of every 6 counties that do have an occupancy tax, levy a 3% tax.
- 12 counties, or about 1 in 5 counties that do have an occupancy tax, levy a 6% tax.
- 45 municipalities in North Carolina have some form of occupancy tax.
- 21 municipalities, or about half of those that do have an occupancy tax, levy a 3% tax.
- 18 municipalities, or about 1 in 3 that do have an occupancy tax, levy a 5 or 6% tax.
- 19 localities levy both a municipal occupancy tax as well as a county occupancy tax. When the municipal occupancy tax is combined with the county occupancy tax in these cities, the most common combined tax levy is 6%.

Occupancy Tax Rates in North Carolina Localities With Convention Centers

The following information shows occupancy tax rates for localities in North Carolina with convention centers:

Locality with Convention Center[37]	*County Tax*	*Municipal Tax*	*Combined*
Buncombe County (Asheville)	4%	--	4%
Hickory (Catawba County)	--	5%	5%
Forsyth County (Winston-Salem)	6%	--	6%
Greensboro/Guilford County	3%	3%	6%
High Point/Guilford County	3%	3%	6%
Mecklenburg County (Charlotte)	6%	--	6%
Durham County (Durham)	6%	--	6%
Orange County/Chapel Hill	2%	3%	5%
Wake County (Raleigh/Cary)	6%	--	6%
Pitt County (Greenville)	6%	--	6%
Craven County (New Bern)	6%	--	6%
Wilmington (separate)	6%	--	6%[*]

[36] A complete listing of all counties and municipalities in North Carolina that levy an occupancy tax, along with the actual rates imposed, is included in the appendix to this report.
[37] Localities with convention centers were identified by Judith G. Newman, Executive Director, Rowan County Convention and Visitors Bureau.
[*] The City of Wilmington and New Hanover County both have occupancy taxes, but the County tax only applies to accommodations located only in the unincorporated area, so there is no "combined" tax.

Thus, all but two of twelve localities in North Carolina with a convention center have a local occupancy tax rate of 6%. The other two are at 4% and 5%.

Occupancy Tax Rates in Localities Near Salisbury

The following information shows occupancy tax rates for localities close to Salisbury:

Locality Near Salisbury	County Tax	Municipal Tax	Combined
Davie County	3%	--	3%
Cabarrus County	5%	--	5%
Forsyth County (Winston-Salem)	6%	--	6%
Mecklenburg County (Charlotte)	6%	--	6%
Stanly County	6%	--	6%
Greensboro/Guilford County	3%	3%	6%
Lexington (Davidson County)	6%	--	6%
Thomasville (Davidson County)	6%	--	6%
Statesville (Iredell County)	5%	--	5%
Mooresville (Iredell County)	4%	--	4%

Thus, most localities near Salisbury and Rowan County already have room occupancy taxes of 6%.

Using the Occupancy Tax to Fund A Convention Center in Salisbury and Rowan County

As is evident from the above analysis, most communities in North Carolina with a convention center employ local occupancy taxes to fund some portion of their center. As noted previously, hoteliers in Craven County collect, on behalf of the County, a 6% occupancy tax on room rates. (The City of New Bern does not levy an occupancy tax.) One half of the occupancy tax revenue, the result of an increase in the occupancy tax rate from 3% to 6%, is applied to the debt service on a $9.9 million loan that was used to build the New Bern Riverfront Convention Center. Thus, occupancy taxes carry the burden of the debt service, leaving convention center rental fees to address as much of the facility operation, maintenance and replacement costs as possible

Currently, hoteliers in Rowan County collect a 3% occupancy tax on room rates. This tax generates $250,000 to $280,000 annually, nearly all of which is used to fund the activities of the Rowan County Convention and Visitors Bureau. To help pay for a new convention center in Salisbury and Rowan County, this study assumes that the local occupancy tax would be increased to 6%, on a par with 12 other counties in the state. Alternatively, the City of Salisbury could seek permission to levy its own 3% occupancy tax, as have 21 other municipalities in the state. In either case, the increased revenues should be applied directly to the debt service of the new facility. Also, if a decision is made to go forward with such a facility, it would be advantageous to start collecting the occupancy tax as soon as possible thereafter to begin accumulating a “down payment” savings account for the construction of the convention center.

Note: As revealed during the focus group interviews conducted as part of the Committee’s work, an increased occupancy tax should not put Salisbury or Rowan County at a pricing disadvantage relative to other “competing” locations. The vast majority of all travelers compare the basic hotel rate when looking for accommodations and give little thought to state and local taxes, including occupancy taxes. And, as shown in the preceding analysis of occupancy taxes, most localities near Salisbury are already charging a 6% occupancy tax. Still other travelers compare hotel rates within their destination community only; an occupancy tax equally applied would therefore have no influence over the decisions of these individuals.

Conceptual Budget and Financing Plan for Construction and Operation of a Convention Center in Salisbury

Construction Financing

The table below shows one possible way in which the construction of a convention center in Salisbury might be funded. Of course, there could be any number of variations on this budget, depending on the level of participation/contribution by each funding source[38]. Explanation follows:

Revenue Sources for Construction	*Budget In 2010 Dollars*
Loan Proceeds	$10,000,000
Corporate/Civic Contributions	4,000,000
Interest on Investment	250,000
City of Salisbury/Rowan County	300,000
Grants	300,000
Accrued occupancy taxes	750,000
TOTAL PROJECTED COST/ TOTAL REVENUES	**$15,600,000**

- The **total projected cost** of **$15.6 million** was carried forward from the earlier section of this report entitled *Estimating the Future Cost of Building a Convention Center.* This figure represents a 30% increase over the $12 million cost of the New Bern Convention Center, and was based on a review of construction cost indexes over the past ten years.

- A $**10 million Loan** is about the same amount as was secured to pay for the bulk of the New Bern Center ($9.9 million). Keeping this number the same would place Salisbury in a conservative financial position relative to the ability to meet the debt service payments. In other words, by 2010, increases in the price of the average hotel stay will result in proportionately larger proceeds from the occupancy tax at that time.

- **Corporate/Civic Contributions** have been pegged at **$4 million**, an ambitious figure for most communities, but not necessarily so for Salisbury. The convention center will yield many opportunities to showcase the best that Salisbury has to offer, including historic preservation, an environmental ethic, and an ability to pull together for the greater community. The possibility of a “named” convention center, or perhaps “named” rooms within the center, offer additional opportunities for benevolences.

- **Interest on investment** of **$250,000** is the amount that might be earned from the $10 million loan prior to the expenditure of these funds for construction. This is conservatively estimated at $70,000 less than the amount earned by New Bern on that center’s loan.

- Contributions from the **City of Salisbury and Rowan County** in the combined amount of **$300,000** is considered a figure that could be absorbed by the general fund of each local government without having an impact on the property tax rate.

- **Grants** in the amount of **$300,000** are guesswork at this time, but could involve funding from a variety of as yet unidentified sources related to community revitalization, economic development, environmental protection, or other interests. In any event, this amount is not of a magnitude that, if lost, would determine the fate of the center.

- **Accrued occupancy taxes** of **$750,000** assumes 3 years of occupancy tax collections prior to construction. To be conservative, this figure is held constant at the lower end of the $250,000-$280,000 per year revenues that accrue under current (2004) hotel prices.

[38] One could envision, for example, a public-private partnership, whereby a private entity would finance the convention center and hotel, while the City and County would finance the construction of a parking deck.

Meeting Debt Service and Operational Expenses

Paying for Debt Service

The tables below present figures showing how an additional 3% room occupancy tax on hotel rooms (in the year 2010) could satisfy the debt service payments on a $10 million certificate of participation. Debt service payments at 5.5% and 4.5% interest rates are calculated for three alternative payment periods of 30, 25 and 20 years[39]. Occupancy tax revenues generated under higher ($100) and lower ($80) average room rates are also calculated for comparison.

Revenue Analysis at **5.5%** interest and **$80 per night** average room rate:

	Semi-Annual Payment ($) at 5.5%	Total Annual Payments ($) at 5.5% (Rounded)	# of $80 room nights (in the year 2010) needed for a 3% tax to generate sufficient revenue	If 1,250 rooms are available in 2010, how many nights per year would the average room have to be occupied?	Ave. Annual Minimum Occupancy Rate Required to Meet Payments
30 yr term	$342,200	$685,000	285,417	228	63%
25 yr term	$370,409	$741,000	308,750	247	68%
20 yr term	$415,315	$830,600	346,083	277	76%

Revenue Analysis at **5.5%** interest and $**100 per night** average room rate:

	Semi-Annual Payment ($) at 5.5%	Total Annual Payments ($) at 5.5% (Rounded)	# of $100 room nights (in the year 2010) needed for a 3% tax to generate sufficient revenue	If 1,250 rooms are available in 2010, how many nights per year would the average room have to be occupied?	Ave. Annual Minimum Occupancy Rate Required to Meet Payments
30 yr term	$342,200	$685,000	228,333	183	50%
25 yr term	$370,409	$741,000	247,000	198	54%
20 yr term	$415,315	$830,600	276,867	221	61%

Revenue Analysis at **4.5%** interest and **$80 per night** average room rate:

	Semi-Annual Payment ($) at 4.5%	Total Annual Payments ($) at 4.5% (Rounded)	Number of $80 room nights (in the year 2010) needed for a 3% tax to generate sufficient revenue	If 1,250 rooms are available in 2010, how many nights per year would the average room have to be occupied?	Ave Annual Minimum Occupancy Rate Required to Meet Payments
30 yr term	$305,353	$611,000	254,583	204	56%
25 yr term	$335,184	$670,000	279,167	223	61%
20 yr term	$381,774	$764,000	318,333	255	70%

Revenue Analysis at **4.5%** interest and **$100 per night** average room rate:

	Semi-Annual Payment ($) at 4.5%	Total Annual Payments ($) at 4.5% (Rounded)	Number of $100 room nights (in the year 2010) needed for a 3% tax to generate sufficient revenue	If 1,250 rooms are available in 2010, how many nights per year would the average room have to be occupied?	Ave Annual Minimum Occupancy Rate Required to Meet Payments
30 yr term	$305,353	$611,000	203,667	163	45%
25 yr term	$335,184	$670,000	223,333	179	49%
20 yr term	$381,774	$764,000	254,667	204	56%

[39] John Sofley, Management Services Director for the City of Salisbury, suggested that terms as short as twenty years be employed in calculating semi-annual principal and interest payments.

The following conclusions can be drawn from the preceding tables:

- The annual principle and interest payments on the $10 million loan range from a low of $611,000 to a high of $831,000, or a difference of over $200,000 per year. The average would therefore be about $712,000 per year.

- The minimum year round occupancy rates necessary to generate enough revenue to meet the annual payments on a $10 million loan range from a low of about 45% to a high of about 76%. The average would therefore be about 60%.

- Changes in principle and interest payments as well as minimum year round occupancy requirements are very sensitive seemingly small differences in room rates and interest rates on the loan amount.

Also, it is important to note that, with each subsequent year that the convention center remains open, hotel rates and occupancy tax revenues are likely to creep upward while annual principle and interest payments will remain the same.

Paying for Operation, Maintenance and Replacement Expenses

The table below shows the projected annual operating expenses, the source(s) of revenue projected to meet the expenses, the amount of money to be applied to the expense, and the percentage of the total expense met by each source of revenue.

	Annual Expense in 2010 dollars	*Source of Revenue*	*Amount in 2010 dollars*	*% of Annual Cost Covered*
Operation, Maintenance and Replacement Expenses	$705,000	Rental income from the facility	$510,000	72%
		Annual contributions from City and County	$195,000	28%
		Totals	$705,000	100%

Annual Operation, Maintenance and Replacement Costs are projected to be $705,000 by 2010, or an increase of 15% over actual FY 2003 expenses of $613,000 at the New Bern Center. Rental income from the convention center is projected to be $510,000 by 2010, or an increase of about 17% percent over actual FY 2003 rental income[40]. This leaves a first year operating deficit of $195,000 to be split between the City and County based upon their sales tax receipts. Subsequent annual subsidies should be expected to remain at about this level ($200,000), but could vary up or down by 10-20% according to the business climate of a particular year.

[40] The facility's rental income is pegged at a slightly higher percent increase relative to the increase in operating expenses because fiscal year 2003 was a particularly poor year for business in the aftermath of 9/11.

Evaluation of Existing Salisbury Civic Center

For the concluding section of this report, it was felt necessary to clear up any confusion as to whether a new convention and conference center wouldn't be just a newer, perhaps larger, version of the City's existing civic center. This confusion was brought to light during the focus group interviews conducted during the early stages of the study.

Therefore, this section explains why the convention center described in this report serves a clearly different purpose than the City's existing civic center. Included in the explanation is an assessment of the inadequacy of the existing civic center to perform a convention center function. This inadequacy stems from both the limited size of the civic center as well as the many components missing from the civic center that are necessary to support convention activity. In conducting the assessment, the features of Salisbury's existing civic center are compared and contrasted with the features of the type of convention center that has been deemed most appropriate for the Salisbury situation.

Overview and Contrasting Purpose

Salisbury's existing *civic center* opened as a multiple-purpose community building in 1979. The approximate 12,000 square foot center is located on Boundary Street some six blocks south of the city center. The building features a large multi-purpose room with stage, one break out room, a small warming kitchen, four racquetball courts, a fitness room, a weight lifting room and two small administrative offices. Other smaller spaces include restrooms, dressing rooms, and several storage closets. The existing civic center was designed to serve as both a meeting center and recreation facility, primarily to meet local area needs.

In contrast, the proposed new *conference and convention center* would be a 45,000 to 50,000 square foot building located in downtown Salisbury. The new convention center would be designed specifically for professional conferences, trade shows and, occasionally, major entertainment events. Unlike the civic center, the convention center would have no recreation component. The proposed convention center would target out-of-town groups, with an eye toward bringing new dollars into the community through visitor expenditures for accommodations, meals and retail sales.

Evaluation of Facility Components and Space Utilization at the Civic Center

The following paragraphs identify and evaluate each component of Salisbury's existing Civic Center relative to those components that might be found in a well-designed convention center of suitable type and size for Salisbury.

Vestibule/Lobby/Pre-Function Space

Salisbury's existing civic center has a modest lobby of perhaps 400 square feet. It is not adequate to handle pre-meeting arrangements and pre-functions for large crowds. It is also inadequate for break times. The existing civic center has no vestibule separating the lobby from the cold of winter or heat of summer.

In contrast, the proposed convention and conference center would have a "great entry and gathering hall" of up to 9,000 square feet suitable for pre-function activities, exhibits, and break times. A vestibule would likely be positioned as a transition space between the outdoors and the heated/cooled indoors of the lobby and great hall. The vestibule would require an additional 200 to 400 square feet, roughly equivalent to the entire lobby of the existing civic center.

Administrative Offices/Business Hub

The current civic center has two small offices just off the lobby with a combined space of about 250 square feet. There is just enough space in these two rooms for the basic equipment needs of the center's staff. In recent years, internet access capability was added to the two rooms. There is no business hub or service center available in the civic center.

In contrast, the proposed convention and conference center would have a full service business center (phones, fax, copiers, internet access, mailing service, etc.) as well as administrative offices requiring at least 1,500 square feet.

Multi-Purpose/Great Room/Ball Room

The main feature of the existing civic center is the 4,300 square foot multi-purpose room. The approximate 60 by 70 foot space has cinder block walls and a tile (linoleum) floor that makes it less suitable for formal events. The original accordion-type, floor to ceiling room dividers fell into disrepair several years ago and were removed. While the acoustics are fair, there is no integrated sound system-- only portable speakers sitting on the stage. Lighting is poor and electrical outlets are insufficient. There is no internet access anywhere in the building outside the administrative offices. A single roll-up door provides direct, floor level access into the room from the outside.

In contrast, the proposed convention and conference center would have about 12,000 to 13,000 square feet of clearspan area in the great room (or ballroom). The space would be designed for partitioning into three spaces of varying size. Power and service access ports would be located throughout the floor of the space at intervals frequent enough to meet anticipated exhibit needs. Walls would have a finished appearance; the floors would be carpeted. A portable dance floor could be positioned wherever it is needed, only when it is needed. Lighting would be upscale (perhaps a combination of chandeliers and recessed lighting) and adjustable by dimmer switches, making it quite suitable for formal affairs.

Maximum Seating Capacities

The *multi-purpose room* in the existing civic center has been approved by the fire marshal for a maximum of 423 persons in auditorium-style seating and 288 sitting at tables (i.e. banquet style).

In contrast, the proposed convention and conference center would be designed to accommodate perhaps 1,300 to 1,400 in auditorium style seating and up to 1,000 sitting at tables.

Stage

The 450 square foot elevated stage in the existing civic center equals about 10 % of the total space available on the *multi-purpose room* floor. This permanent stage has no side or back stage areas; drapes simply cover the side and rear walls. There are no dressing rooms and no space for props and scenery. Stage lighting is provided by a single row of lights.

In contrast, the stage for the proposed convention and conference center would be portable and storable in sections. It could be made to be larger or smaller depending upon the specific needs of the required function. This would allow the stage to be placed in a variety of locations and serve many different needs. For some uses, such as trade shows, the stage could be completely removed, freeing up valuable floor space for exhibits.

Small Meeting Room/Break Out Space

The existing civic center has one small meeting room of about 600 square feet, capable of being partitioned into two smaller spaces.

In contrast, the proposed convention and conference center would likely have a minimum of six to eight break-out spaces, depending upon the particular configuration of spaces employed. Total break-out space would be a minimum of 4,000 square feet.

Outdoor Terrace, Veranda or Plaza

The existing civic center has no outdoor meeting or gathering space.

In contrast, the proposed convention and conference center would likely have some form of outdoor meeting space specifically designed to accommodate receptions, conference breaks and other gatherings. Such space could be incorporated into the design of the center in a variety of ways, including a terrace or plaza, a rooftop garden and/or observation deck, or any number of options. Such space might be on the order of 3,500 to 4,000 square feet.

Restrooms

The existing civic center has one pair of rest rooms serving the main floor of the building. The 10 by 12 foot men's room has two stalls, one urinal and one small sink just inside the door. The slightly larger ladies room has three stalls and one sink. Total square footage for both the men's and ladies bathrooms is about 250 square feet. While there is another pair of bathrooms (with one stall each) on the lower level, these are located to serve users of the adjoining athletic facilities.

In contrast, the proposed convention and conference center would have much larger bathrooms capable of handling very large crowds. The two-story building would have multiple pairs of bathroom facilities serving meeting rooms on each floor. Total square footage allocated for bathroom space on both floors would be not less than about 1,800 square feet.

Kitchen

The existing civic center has a small kitchen totaling about 320 square feet. It has a warming oven, refrigerator (no freezer), 4-burner range, microwave, ice maker and large double basin sink. Layout space consists of two tables pushed together. Caterers must bring in all food serving containers.

In contrast, the proposed convention and conference center would have a full food service facility capable of handling the needs of multiple caterers at the same time. The total floor area dedicated to the food service facility would be at least 4000 square feet. The facility would likely be equipped with multiple ovens and cook tops with ventilation hoods, several large refrigerators, a walk-in freezer, several large sinks, automatic dishwashing equipment, and extensive food preparation and layout space. The fully furnished kitchen would have considerable storage space to hold serving dishes, dinner plates, glassware and the like.

Athletic Facilities

The lower level of the existing civic center has four racquetball courts with overhead viewing gallery, a fitness room with nautilus equipment, a weight room with free weights and two small dressing rooms. The lower level of the civic center totals nearly 5,000 square feet, including all corridors, stairwells and storage closets. This represents about 40% of the total square footage in the entire civic center.

In contrast, the proposed convention and conference center would have no space allocated to athletic facilities. All 45,000 or more square feet would be dedicated to the mission of hosting professional conferences, trade shows and other major events.

Storage/Service Space

Storage and service space for the non-athletic floor (upper level) of the existing civic center consists of one 12 by 15 foot storage room and three other small closets. The single storage room is not large enough to hold even the tables and chairs necessary to serve the multi-purpose room. For large events, additional tables and chairs must be brought in from off-site storage facilities elsewhere in the city. The other three closets are used primarily for cleaning equipment and supplies. All total there is, at most, 250 square feet of storage space serving the upper level of the civic center.

In contrast, the proposed convention and conference center would have no less than 5,000 square feet of space dedicated to storage and related service corridors. This would be in addition to numerous individual storage closets, cabinets, etc. located within various rooms and spaces in the convention center.

Parking and Transportation Access:

The existing civic center has a total of 163 parking spaces, all in surface parking lots distributed around the building. Despite being located just six blocks south of the city center, the location of the facility requires that most users drive to it.

In contrast, the proposed convention and conference center would be designed and located to be accessed by a number of means-- in addition to the car. Certainly, there would be provision for parking on-site, either by surface lot or parking structure. An adjoining or nearby headquarters hotel would provide additional parking. Parking might also be provided on other adjoining properties as well as in on-street spaces within a block or two of the center.

Significantly, conceptual designs prepared during the November 2004 design workshop for the Convention Center showed a variety of parking configurations from on-site surface lots to underground parking structures[41]. Estimates of the number of parking spaces necessary to support convention center activities average about 350 to 500 spaces. Preliminary designs prepared during the design workshop showed the principal site being explored capable of accommodating no less than 150 surface spaces without crowding the convention center and or hotel buildings. Perhaps twice as many spaces could be accommodated in structured parking. If surface parking was the option chosen, additional parking would be needed on adjoining or nearby properties. Fortunately, the area of South Main Street that has been the principal area of investigation for a convention center has many marginally utilized properties that could be used for convention center related activities, including parking.

In addition, shuttle service would likely be employed to bring conventioneers to the facility from hotels on Jake Alexander Boulevard or near the Innes Street interchange with I-85. Taxis might bring others to the convention center from the passenger rail station a few blocks to east. (Also, those conferees coming to Salisbury by train would not require parking spaces.) Finally, conferees staying at nearby bed and breakfast inns in the adjoining historic district might choose to walk to the center.

[41] Currently, construction of surface parking reportedly runs about $900 per space, while structured parking (i.e. in a parking deck) can cost about $12,000 per space to build; the tradeoffs between costs and benefits of each type of parking must therefore be carefully considered.

Summary of Facility Capacity, Components and Space Utilization

Maximum Seating Capacities	**Existing Civic Center** *# of Persons*	**Proposed Convention Center** *# of Persons*
Auditorium	*423*	*1,300 to 1,400*
Banquet	*288*	*1,000*

Name of Facility Component	**Existing Civic Center** *Square Feet*	**Proposed Convention Center** *Square Feet*
Vestibule/Lobby/Pre-Function Space	*400*	*8,500-9,000*
Administrative Offices/Business Hub	*250*	*1,500-1,600*
Multi-Purpose/Great Room/Ballroom	*4,300*	*12,000-13,000*
Stage	*450 (fixed)*	*Varies (movable)*
Small Meeting Room/Break Out Space	*600*	*4,000-4,500*
Outdoor Terrace, Veranda or Plaza	*0*	*3,500-4,000*
Restrooms	*250*	*1,800-2,000*
Kitchen	*320*	*4,000-4,500*
Athletic Facilities	*5,000*	*0*
Storage/ Service Space	*250*	*5,000-6,000*
Stairwells/Elevator Shafts/Loading Docks.	*500*	*5,000-5,500*
TOTAL SQUARE FOOTAGE	***12,320***	***45,300-50,100***
Square Footage Less Athletic Facilities	***7,320***	***45,300-50,100***

Evaluation of Events Held at the Civic Center, As Well As Those Turned Away

Events held at the Salisbury Civic Center average about 150 to 250 persons. A few events, such as the Martin Luther King Breakfast, draw upwards of 500 people. A quick review of the events listed reveals that nearly all are local, community-based events that require few, if any overnight accommodations. Neither do these events bring newcomers to Salisbury and Rowan County from outside the area. Therefore, there is not a significant economic development aspect to the types of functions held at the Civic Center.

Some local community and corporate events, that used to take place at the Civic Center, have moved to other venues due to space limitations. These include, for example, the Orrel Food Service Distributors Show, the Annual Boy Scout Oyster Roast, the Crafts Fair, and certain trade shows. Other events have reached the capacity limits of the Civic Center and may soon be seeking another facility. These events include, for example, the annual Wedding Extravaganza, the Filipino American Society Valentine Dance, the March of Dimes Port-A-Pit BBQ, and the Habitat for Humanity Port-A-Pit BBQ.

Due to space limitations, the Rowan/Salisbury Schools Academic Achievement Banquet must be held without the parents of students. The Relay For Life Banquet and the Civitan Spaghetti Supper require two sittings to accommodate the crowds. The Rowan Museum Annual Antique Show now erects a tent outside the Civic Center in an effort to meet the demand for additional booths. The Center's staff has observed that, over the past several years, many event organizers have simply stopped calling to inquire, as word has spread about the limitations of the facility. The experiences of other convention centers reveals that there are many local groups and organizations in a community that have a need for convention and meeting space. If no space is available then they go outside the community to find space. Examples of these groups might include corporate retreats and sales meetings, talent and dance competitions, art and craft

shows, concerts, athletic banquets, university gatherings, religious conferences, boat shows, rod and gun shows, etc.

Fee Schedule

Reportedly, fees at the Salisbury Civic Center are quite reasonable compared to other venues in the area. These very reasonable fees are perhaps one reason why the Civic Center continues to be in demand, despite its physical limitations.

Summary

It must be emphasized that the differences between the existing civic center and the proposed convention center are much more than a several-order-of-magnitude disparity in the size of the facility. **As noted in the introduction to this section, the contrasts between the two facilities stem from a fundamental difference in purpose.** The existing *civic* center serves the dual purpose of providing a recreational facility as well as a place for community events. The convention center, on the other hand, might best be described as a public/private business enterprise, intended to bring people and dollars into the area from other parts of the state.

Market Study for a Convention and Conference Center in Salisbury, North Carolina

Appendices

New Bern Riverfront Convention Center
Floor Plan

See chart on next page for square footages, room capacities and rental rates for 2005.

New Bern Riverfront Convention Center
2005 Rental Rates

Colonial Capital Ballroom								
	Sq ft.	**Dimensions**	**Theatre**	**Classroom**	**Reception**	**Banquet**	**Booths 10x10**	**Daily Rental**
Colonial Capital Ballroom A,B,& C	12,000	100x120	1350	770	1350	1000	75	$1,950
Ballroom A	6,000	60x100	650	375	650	500	38	$975
Ballroom B	3,500	58x60	390	220	390	250	21	$575
Ballroom C	2,500	42x60	280	175	260	150	15	$475
Tryon Rooms								
	Sq ft.	**Dimensions**	**Theatre**	**Classroom**	**Reception**	**Banquet**	**Booths 10x10**	**Daily Rental**
Tryon Rooms A & B	2,030	42x48	225	145	225	150		$400
Tryon Room A	1,100	42x26	140	85	140	90		$250
Tryon Room B	930	42x22	70	55	75	60		$200
Berne Room								
	Sq ft.	**Dimensions**	**Theatre**	**Classroom**	**Reception**	**Banquet**	**Booths 10x10**	**Daily Rental**
Berne Room	1,680	42x40	175	120	175	120		$300
Craven Board Room								
	Sq ft.	**Dimensions**	**Theatre**	**Classroom**	**Reception**	**Banquet**	**Booths 10x10**	**Daily Rental**
Craven Board Room	450	19x24						$150
Heritage Hall								
	Sq ft.	**Dimensions**	**Theatre**	**Classroom**	**Reception**	**Banquet**	**Booths 10x10**	**Daily Rental**
Heritage Hall	8,000				800		27	$350
Promenade								
	Sq ft.	**Dimensions**	**Theatre**	**Classroom**	**Reception**	**Banquet**	**Booths 10x10**	**Daily Rental**
Promenade	1900							$225
Veranda								
	Sq ft.	**Dimensions**	**Theatre**	**Classroom**	**Reception**	**Banquet**	**Booths 10x10**	**Daily Rental**
Veranda	3,740				100	320		$350
Entire Facility								
	Sq ft.	**Dimensions**	**Theatre**	**Classroom**	**Reception**	**Banquet**	**Booths 10x10**	**Daily Rental**
ENTIRE FACILITY	29,800							$3,050

Source: http://www.newbernconventions.com

The New Bern Riverfront Convention Center estimates a 5% increase in daily rental rates for 2006 and beyond.

New Bern Riverfront Convention Center
Events Calendar for 2005

----January 2005 ----	
* January 2	Starving Artist Art Show
January 5	NOAA Fisheries
January 6	RSM McGladrey
January 7	Waddel Victory Celebration
* January 8	New Jerus Comedy Show
January 11-14	Small Grain, Corn & Soybean Growers
January 15	UPHC of Rocky Run
January 16	Martin Luther King
January 18	Christian Womens Club
January 18-21	UNC School of Government
January 22	Shrine Ladies Breakfast
January 22	Scottish Heritage Society
January 22	Sessoms/Bourre Wedding
January 26-27	North Carolina Main Street Program
* January 28-30	2005 Bridal Expo
----February 2005 ----	
February 3	New Bern Chamber of Commerce Banquet
* February 4	North Carolina Symphony
February 5	Hope Clinic Charity Ball
February 6	Methodist District Meeting
February 7	The Nature Conservancy
* February 11-13	Antique Show
February 15	Christian Womens Club
February 16	Eastern Aviation Fuels
* February 17	Craven Regional Medical Center Career Day
February 18	50th Birthday Celebration
February 18	Firemen's Museum Banquet
February 19	Heart Ball
February 22	Craven County GOP
February 23	Rotary District Celebration
February 23	Ward & Smith
February 24-25	Barnhill Contractors
* February 26	Archway Broadcasting
----March 2005 ----	
March 3	Coastal Conservation Banquet
March 4	Uptown Business
March 5	Tobacco Youth Prevention Summit
March 11	National Wild Turkey Federation
* March 12-13	Craven Community Chorus
March 15	Christian Womens Club
March 16	Fairfield Yacht Club Commodore Ball
March 17	Vocational Rehabilitation
* March 18-20	Home and Garden Show
March 21	North Carolina Association of Realtors
March 22-25	Abundant Life Baptist Conference
March 26	Area Day Reporting Heritage Ball
March 26	Moore/Freeman Wedding
March 30	Ward & Smith
March 30 - April 1	Victory Cathedral
----April 2005 ----	
* April 2	Music City Artist - James Gregory "The Funniest Man in America"
April 8-9	ATA Blackbelt Competition
April 15-16	TOPS Club, Inc.

April 17-19	North Carolina American Water Works Association
April 20	New Bern Chamber of Commerce
April 21-22	Craven County Board of Education - Teacher Recruitment Fair
April 22	National League of Junior Cotillions
April 22	Calvary Baptist Church
April 23	Bengel Reception
April 25	Craven County Schools Banquet
April 29	Arapahoe Charter School
April 30	New Bern High School Banquet
----May 2005 ----	
May 7	State Elks Convention
May 7	Gramercy Christian School
May 12-14	Duke University
May 14	Jackie London Ministries
May 14	Prescott/Shields Wedding
May 15	North Carolina Symphony
May 21	Pastors Banquet
May 21	Hilgers/Castillo Wedding
May 21	NJROTC
May 28	New Bern Police Officers Ball
----June 2005 ----	
June 9	North Carolina Association of CPA's
June 9	National Wild Turkey Federation
June 11	Sikora/Cline Wedding
June 11-12	United Missionary Baptist Church
June 15-17	North Carolina Public Works Conference
June 18	Child Care Resources and Referrals
June 18	Combs/Williams Wedding
June 19-22	North Carolina District Attorneys Conference
June 25	Miller/Himbry Wedding
----July 2005 ----	
July 3	White Family Reunion
July 16-20	North Carolina Sheriffs Association
----August 2005 ----	
August 6	Richard/Jiles Wedding
August 12-13	Coastal Mid-Atlantic Christian Education
* August 18	New Bern Chamber of Commerce Business Expo
* August 19-21	Sun Journal Hunting and Fishing Show
----September 2005 ----	
* September 9-11	National MS Society
September 17	Marine Corps Reunion
----October 2005 ----	
October 8	Young Marines Ball
October 10-12	North Carolina Community College Adult Educators
October 18-21	UNC Institute On Aging
October 25	Craven County Schools
----November 2005 ----	
November 5	Merci Clinic
November 15-16	NC Association of Electric Cooperatives

Source: http://www.newbernconventions.com

North Carolina Department of Commerce

Statewide Occupancy Tax Rate Data, 2003

August 18, 2003

avidson County

Source: http://www.nccommerce.com/tourism/econ/occupancyr.pdf

SMALL IS BOUNTIFUL ; SALISBURY IS PACKED WITH SWEET SURPRISES; [METRO Edition]

Kim Underwood JOURNAL REPORTER. **Winston - Salem Journal**. Winston-Salem, N.C.: Dec 3,

2004. pg. 1

Paul Bernhardt likes to tell people that malls may have plenty of parking but his store has something even better - front-door parking.

Anyone who wants to shop at Bernhardt Hardware Co. Inc. in downtown Salisbury can drive up, park at the curb for free and walk right in.

At this time of the year, though, people might want to pause on the sidewalk to admire the window display that features Santa in his sleigh. Or they can touch the North Pole - a refrigerated contraption covered with ice that Bernhardt sets up outside the store during the holidays.

Once inside, people will find Bernhardt - who joined the family business after returning home from World War II - or another worker ready to point out whatever people need -kerosene wicks, Flexible Flyer sleds, bulk nails, Red Devil Lye, stove pipes, Johnson Paste Wax.

"We have plenty of competition," Bernhardt said, "but we get along fine."

Visitors to the historic downtown will find not only traditional stores such as Bernhardt Hardware but also sophisticated stores that would be right at home in a big city. For instance, the A Step in Time store has an eclectic mix of primitive furniture, folk art and gourmet foods - such as chutneys and chocolates - that one might find in a Dean & Deluca. The displays are clever and, in many cases, humorous. At one table setting, articulated wooden hands serve as napkin rings.

Tom Wolpert - who owns the store with Joe Lancione - has traveled extensively, and all the art sold in the shop is by artists he has met along the way.

"It's fun to tell the stories that go with it," he said.

A Step in Time can be found on Easy Street, which was named, some think, during Prohibition times when people went there to find a tipple. In some cases, the water to make the illegal alcohol came from a spring that bubbled up at the courthouse and formed a creek that flowed along Easy Street.

In playful tribute to that, Lancione and Wolpert have set up a replica still and have water flowing into an antique bathtub. Goldfish swim around in the "bathtub gin."

Home of Cheerwine

Salisbury - a town of about 28,000 - is about 40 miles southwest of Winston-Salem, in Rowan County. Its downtown is home to about 75 other shops as well. There are art galleries, wine shops, frame shops, clothing stores and sporting-goods stores, including one that specializes in soccer equipment. Visitors will also find a drugstore with a soda fountain that features Cheerwine, which Salisbury grocer L.D. Peeler invented in 1917.

The town has 10 antiques shops. The largest one, Salisbury Square Antiques & Collectibles, has more than 100 vendors displaying their wares over 43,000 square feet on three floors.

Co-owner John Shuler said that a lot of Salisbury's shoppers come from larger cities such as Winston-Salem. A number of those are people in their 20s who show up in minivans with kids in tow. He thinks that they come because they are attracted to Salisbury's old- time hometown feel and because they feel at ease.

"They feel safe here," Shuler said.

At this time of year, Salisbury has other holiday attractions in addition to the window at Bernhardt. This is the fourth year that the town has invited artists to paint 7-foot-tall wooden angels. Including the angels from previous years, 29 of the big angels will be on display, starting Saturday. Other planned holiday activities include a candlelight tour of historic homes.

When shoppers get hungry, they have lots of choices. At the Wrenn House, they can have a sit-down lunch in a historic building. Or they could grab a hot dog at Hap's Grill or a snowball at Frost Bites. Those sticking around for dinner - and willing to splurge (entrees are $18.95 and up) - can have dinner at La Cava Italian Restaurant, which is in a church building that dates to 1897.

Altogether, visitors will find about 15 restaurants, coffee shops and desserteries.

It would be easy enough to make a day of it just with shopping and eating. But the town, founded about 1753, also offers visitors oodles of history. Daniel Boone spent his childhood in Rowan County, and it was from Salisbury that he headed off into the wilds of Tennessee and Kentucky.

Andrew Jackson - who served as seventh president of the United States, from 1829 to 1837 - studied law in Salisbury during the 1780s. During the Civil War, a Confederate military prison was located there. A national cemetery, Historic Salisbury National Cemetery, is next to the former site of the prison.

Some of that history is on display at the Rowan County Museum on Main Street. Its treasures include a ladder-back chair that once belonged to Daniel Boone and an 1860s Salem wagon, similar to a Conestoga wagon, only smaller.

The museum, originally a courthouse, was built in 1854.

Historic preservation

The town also has a remarkable number of historic homes and buildings thanks, in large part, to the efforts of the Historic Salisbury Foundation Inc., founded in 1972.

"It (historic preservation) started a lot earlier here than it did other places," said Randy Hemann, the executive director of Downtown Salisbury Inc.

In addition to helping save and restore nearly 100 privately owned buildings, the foundation owns and maintains three landmark properties - the 1820 Dr. Josephus Hall House, the 1896 Grimes Mill and the 1908 Salisbury Railroad Passenger Station where, at one time, 22 passenger trains a day stopped.

Both freight and passenger trains still run through Salisbury.

"We have people come over just to sit and watch the trains," Hemann said.

The Salisbury Emporium is not far from the station. The 15,000- square-foot historic building was built as the Overman Warehouse to serve as a distribution center for "everything from produce to buggy parts," according to an earlier Winston-Salem Journal story. Later, the building became the Frick Co., a sawmill supply and repair company.

At one time, according to Mickey Black, who owns the Emporium with his wife, Betty, small

sawmills were quite common as people harvested the timber on their property. Today, 85 vendors sell products both old - Civil War bullets - and new - gourmet food, jewelry, art.

Salisbury also has a number of historic churches. St. Luke's Episcopal Church was established in 1753, and the building in use today dates to 1828. The cemetery beside the church has graves that predate the Revolutionary War.

Those making a day trip to Salisbury from Winston-Salem could easily devote the whole day to history, strolling through the historic West Square neighborhood and going into such places as in the Hall House, and the Utzman-Chambers House, a Federal town house built between 1815 and 1819.

Those who like some narration with their stroll can borrow a free walking-tour recording from the Rowan County Convention and Visitors Bureau.

The historic downtown district is roughly four blocks by seven blocks - small enough for most people to be able to walk wherever they want to go once they park the car, unless they want to visit the national cemetery, which requires a short drive.

The tallest building downtown - the Plaza Building - is only seven stories. Its upper stories are apartments. Most downtown buildings are two or three stories, giving the downtown a comfortable feel. Many of the buildings are brick. There are also a lot of brick walks, including Easy Street, which has been converted into a pedestrian walkway between Main and Depot streets east of Council Street.

One of the Easy Street attractions is the Waterworks Visual Arts Center. Founded in old waterworks building, it now occupies a former car dealership building. Changing exhibits by artists both local and international can be found in the center's four galleries.

Art, shopping, history. In Salisbury, people can mix and match.

Kim Underwood can be reached at (336) 727-7389 or at kunderwood @wsjournal.com

IF YOU GO DURING THE HOLIDAY SEASON

General information about Salisbury is also available at www.visit salisburync.com and at the Rowan County Convention & Visitors Bureau at 204 E. Innes St. The phone number there is (704) 638-0780. The visitors center has public restrooms and free parking in the lot behind the building.

When planning a trip to Salisbury, keep in mind that on Sundays many of the businesses and museums and the Waterworks Visual Arts Center are closed. Here is a list of coming activities:

10 a.m. to Noon, Saturday: Celebration of Angels, Robertson Eastern Gateway Park, corner of Innes and Depot streets. Unveiling of new painted angels by local artists and children. Refreshments. Most of the angels will be displayed at the park. A few will be set up at downtown churches. Free. Horse & carriage rides available for $3 for adults and $1 for children 12 and younger.

7:30 p.m., next Friday: N.C. Symphony holiday pops concert, Keppel Auditorium at Catawba College. A gala reception follows. Admission $18 for adults, $15 for senior citizens and $6 for students.

10 a.m. to Noon, Dec. 11: Trolley Treat Tour. Catch the trolley at Innes Street Drug Co. at 112 S. Main St. and explore downtown. Free. Horse-and-carriage rides available for $3 for adults and $1 for children 12 and younger.

10 a.m. to 10 p.m., Dec. 11: Christmas Shoppe in the Heritage Room at 118 E. Council St. Sponsored by the Salisbury-Rowan Symphony Guild.

2 to 4 p.m., Dec. 11: Santa at the guild's Christmas Shoppe. Children will receive a gift from the Tree of Surprises.

4 to 7 p.m., Dec. 11: Christmas in Olde Salisbury Candlelight Tour. Tour six history homes. Stroll or ride by horse-drawn carriage. At 7, ride the trolley to Easy Street for refreshments and live entertainment. Sponsored by the Salisbury-Rowan Symphony Guild. Tickets $12.

10 a.m. to Noon, Dec. 18: Santa Claus and the Grinch Fire Trucks. Ride on an antique firetruck with Santa and the Grinch. Meet at Okey Dokey & Co. at 126 E. Innes St. Free. Horse and carriage rides available for $3 for adults and $1 for children 12 and younger.

11:30 p.m. to 12:30 a.m. Dec. 31-Jan. 1: New Year's Eve at the Bell Tower, Bell Tower Park, corner of Innes and North Jackson streets. Ring in the New Year. Refreshments. Free.

For information about the events sponsored by the symphony guild, call (704) 637-4314. For information about other activities, check the Downtown Salisbury Inc. Web site at www.down townsalisburync.com, or call (704) 637-7814. They can send you a brochure that includes a map of downtown.

[Illustration]
JOURNAL PHOTOS BY DAVID ROLFE JOURNAL PHOTO BY DAVID ROLFE; JOURNAL GRAPHIC BY NICHOLAS WEIR; Caption: A memorial sculpture (right) looking down Innes Street is an angel bearing up a fallen Confederate soldier. 2. A monument (middle) in the National Cemetery, on the site of a Civil War prison camp, commemorates the Union dead. 3. The Dr. Josephus Hall House (1820) is one of three landmark properties owned and maintained by the Historic Salisbury Foundation. 4. A bandstand that was once on the grounds of the military prison frames the tower remaining from a Presbyterian church downtown. 5. Salisbury's railroad station (top) is a study in Moorish gables, tiles and turrets. 6. Easy Street (left) has been converted into a pedestrian walkway. 7. Restored buildings (below) preserve the flavor of earlier times. E3: A Conestoga-style wagon is among items on display in the Rowan County Museum. 2. Map shows location of Salisbury in reference to Winston-Salem.