



## East Gateway Initiative

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## PREFACE

In August 2019, the City of Amarillo (“Amarillo” or the “City”) engaged Brailsford & Dunlavey, Inc. (“B&D” or the “Project Team”) to provide planning and advisory services for potential developments in the East Gateway Tax Increment Reinvestment Zone (“TIRZ”). The principal purpose of this work (“Study”) was to assist Amarillo in determining strategies to leverage current development opportunities within the TIRZ, specifically the redevelopment of The Big Texan and supporting facilities, such as hotel and retail spaces.

B&D conducted the following analyses and activities to develop its findings and recommendations:

- **Development and Confirmation of Criteria:** In order for development in the East Gateway to advance the strategic goals of the City, the criteria and objectives for success had to be defined according to Amarillo's unique values and culture. B&D conducted a Strategic Asset Value (“SAV”) work session to confirm the strategic drivers of the City for the East Gateway.
- **Document Review and Stakeholder Interviews:** In order to understand current conditions and opportunities within the TIRZ and broader city, B&D conducted stakeholder interviews with both private business owners and public agency leaders.
- **Market Analysis:** In order to understand current market conditions and gauge demand for potential project components, B&D conducted a market analysis of hotel, retail, recreation, and entertainment assets in the City.
- **Preliminary Market Sounding:** In order to establish likely demand drivers for the East Gateway, B&D conducted primary and secondary research for multiple asset types that typically stimulate development activity.
- **Documentation and Plans:** In order to guide future planning activities while informing project stakeholders, B&D detailed its processes, findings, recommendations, and next steps in documents and presentations.

Brailsford & Dunlavey wishes to acknowledge the support, cooperation, and effort of the City staff and stakeholders who contributed to the completion of this Study, with special recognition to:

- **Andrew Freeman**, Director of Planning and Development Services, Amarillo
- **Wesley Luginbyhl**, Senior Planner – Economic Development, Amarillo
- **Mercy Murguia**, Potter County Commissioner – Precinct Two

The Study was produced by the B&D Project Team comprised of the following individuals:

- **Jeff Turner**, Project Executive
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## **QUALIFICATIONS**

The findings of this Study constitute the professional opinions of B&D personnel based on the assumptions and conditions detailed herein. B&D conducted each analysis under the following conditions and assumptions:

- B&D's analyses, recommendations, observations, and conclusions contained in the Study are based on research conducted using primary, secondary, and tertiary sources and the Project Team's professional experience.
- The Project Team performed its work using industry and public information that is deemed reliable, but whose accuracy cannot be guaranteed. B&D makes no recommendation and provides no warranty as to such information's accuracy or completeness.
- B&D makes no assurance and provides no guarantee that results identified in this Study will be achieved. Economic and market conditions, management action or inaction, and implementation timing, as well as other important circumstances, often do not occur as planned and such deviations can be material.

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## **EXECUTIVE SUMMARY**

The East Gateway Tax Increment Reinvestment Zone (“East Gateway” or the “TIRZ”) was established in 2016 as a tool to leverage existing development opportunities and catalyze new development and public amenities in a historically underdeveloped eastern part of the city, located near the intersection of Interstate 40 and Loop 335.

In September 2017, the City developed a Project and Finance Plan, which provided an overview of the East Gateway, the goals and objectives of the TIRZ, and the key public improvements needed to realize the plan.

The four (4) key objectives outlined in the plan are summarized as follows:

1. Development of new retail and entertainment venues that will contribute additional property and sales tax revenue, including:
  - RV park;
  - Retail outlets;
  - Entertainment venues;
  - Auto and truck service outlets; and
  - Full- and limited-service hotels.
2. Relocation and expansion of the Big Texan Steakhouse to increase customers who will support new retail and entertainment venues.
3. Development of new entertainment and recreation opportunities to activate the East Gateway.
4. New development totaling more than \$100 million in new construction.

The City engaged Brailsford and Dunlavey, Inc. (“B&D”) in August 2019 to evaluate the key goals and objectives outlined in the Project and Finance Plan and to strategize ways to catalyze and advance the first phase of development in the East Gateway.

Relocation and expansion of the Big Texan represents a key lynchpin in achieving the City’s objectives in the East Gateway. In order for the Big Texan to make a capital investment of a new, expanded restaurant, they need additional customers drawn to the area through ancillary development and activities. Private investment and development have historically been drawn to other areas, such as downtown and west Amarillo near the medical district, where initiatives with broader support and financial backing are underway. As part of this work, B&D examined how to position the East Gateway, and the amenities therein, effectively so the private market will take on development risk in the area.

### **Development Criteria**

B&D identified and confirmed strategic drivers and desired outcomes for the Study. These criteria served as filters for data and analysis to inform market-driven recommendations that align with the overall vision.

As a result of this exercise, the following mission and purpose statement for the East Gateway was developed:

***Through a gateway that celebrates Amarillo's heritage, spur development activity that provides an experience and lasting economic benefits for residents while providing entertainment, retail, and lodging to visitors.***

In accordance with this statement, the East Gateway will focus on providing unique entertainment that draws in both visitors and current residents through a cohesive, family-friendly experience. Programming should pay homage to Amarillo's culture and history while offering products unique from amenities located downtown and in other parts of the city. While still adhering to this framework, uses that maximize property tax revenue generation should be prioritized to fund public facilities and infrastructure. In order to achieve these outcomes, developments should be market responsive and opportunities for alternative financing and delivery should be explored to maximize options within the public financial toolkit.

### **Market Analysis Findings**

The market analysis focused on testing the feasibility of development components that would attract and retain travelers and outside visitors, in alignment with the vision and criteria. Two (2) key feasibility indicators were examined as part of this analysis:

- **Hotel:** inventory and distribution, occupancy rates, demand, and revenue
- **Retail:** inventory and distribution, occupancy rates, rental rates, and market spending leakage by subsector

The hotel, travel, and retail industries are in transition as new generational preferences influence the product type offered. The focus of new offerings is crafting an experience where the product sold is only part of the equation. The retail industry has suffered more acutely in this experience economy, with high vacancy rates and long-established brands shrinking or closing while new retail models rise. The hotel industry has endured by shifting design and offerings within each hotel and by locating near demand drivers or including such drivers in the development itself.

Analysis of the Amarillo and regional market revealed that demand for both hotel and retail developments are limited within the East Gateway. The hotel market is nearing saturation and will require an increase in demand in order to avoid dilution. Retail spending is largely satisfied by the market's current supply with the exception of a few specific subsectors. Of these subsectors, not all areas of spending leakage align with the vision for the East Gateway. In order to add new hotel and retail inventory, additional demand is needed to achieve market conditions that will be attractive to developers and operators.

## **Market Sounding Findings**

To further support this process and determine the optimal path forward, B&D conducted preliminary market sounding activities. Market sounding involved primary research, such as interviews, and secondary research, such as review of City-provided documents and data, for three (3) potential demand drivers that have alignment with the development criteria:

1. Recreation and Sports Tourism
2. Water Park Resorts
3. Retail Outlets

Preliminary demographic analysis indicates that there is demand for recreation and sports tourism offerings in the Amarillo market. Interviews with area sports organization administrators and Amarillo Parks and Recreation staff further signaled that demand for additional sports and recreation facilities to serve local demand and sports tourism exists within the region. Sports tourism is a fast-growing market and many communities are exploring ways to draw additional visitors through sporting events; however, there is not one definition of sports tourism. The term reflects many unique concepts and opportunities, which will need to be defined specifically for the Amarillo community based on the market demand, project drivers, and operational goals.

## **Recommendation & Next Steps**

B&D's evaluation of the Amarillo market revealed that unless a new demand driver is identified, hotel and retail are not optimal investments in the East Gateway. A new demand driver is also needed to support increased visitors and additional sales at the Big Texan to minimize its redevelopment risk. The addition of demand-generating components to the East Gateway will ensure favorable market conditions for private development.

Based on the market analysis findings, market sounding activities, and the Project Team's professional expertise, B&D recommends the City further explore recreation and sports tourism as the potential demand driver and co-anchor for the East Gateway. B&D recommends the City conduct a comprehensive supply and demand analysis of the market for regional athletics.

## **INTRODUCTION & BACKGROUND**

At the intersection of Interstate 40 and Loop 335 on the eastern edge of the City of Amarillo sits the world-famous Big Texan Steak Ranch. Individuals, families, and truck drivers traveling west along I-40 are teased for miles about the legendary landmark's 72 ounce steak challenge and the unique roadside attraction is known far and wide. Currently, the Big Texan boasts over 500,000 annual visitors from all over the world – some looking to take on the steak challenge while others want a preview of the Old West experience.

In 2015, the owners of the Big Texan began planning for a new building to provide them with additional capacity and replace their aging facilities. They envisioned a new building on land they owned just a half-mile away as well as other supporting development, such as hotel, retail, family entertainment, and sports and recreation facilities.

If realized, the vision for the Big Texan would transform the area. Besides a few truck stops, gas stations, and two hotels, the area immediately surrounding the Big Texan is mostly vacant land or blighted buildings. Historically, development in the area has been constrained to uses that can largely be supported by the area's high volume of pass-through traffic or nearby business travelers. Private investment in the area has been further limited by the lack of infrastructure and poor site drainage.

The City recognizes the value the Big Texan provides to the East Gateway and to the city as a whole. In 2016, the City established the East Gateway Tax Increment Reinvestment Zone ("East Gateway" or "TIRZ") to leverage existing development opportunities and catalyze new development in the historically underdeveloped eastern part of the city. Then in 2017, the City developed a Project and Finance Plan, which provided an overview of the East Gateway, the goals and objectives of the TIRZ, and the key public improvements needed to realize the plan.

The four (4) key objectives outlined in the plan are summarized as follows:

1. Development of new retail and entertainment venues that will contribute additional property and sales tax revenue, including:
  - RV park;
  - Retail outlets;
  - Entertainment venues;
  - Auto and truck service outlets; and
  - Full- and limited-service hotels.
2. Relocation and expansion of the Big Texan Steakhouse, resulting in an increase in customers who support new retail and entertainment venues.
3. Development of new entertainment and recreation opportunities to activate the East Gateway.
4. New development totaling more than \$100 million in new construction.



Relocation and expansion of the Big Texan represents a key lynchpin in achieving the City's objectives in the East Gateway. As currently conceived, the Big Texan, along with the addition of ancillary project components, would generate incremental tax revenue to fund public improvements, such as a sports and recreation facility. However, private investment and development have historically been drawn to other areas, such as downtown and west Amarillo near the medical center, where initiatives with broader support and financial backing are underway.

The City engaged Brailsford and Dunlavey, Inc. ("B&D") to evaluate the key goals and objectives outlined in the Project and Finance Plan and to strategize ways to catalyze and advance the first phase of development in the East Gateway. As part of its work, B&D examined how to position the East Gateway effectively so the private market will take on development risk in the area. The remainder of this report documents B&D's findings, recommendations, and next steps.

## **DEVELOPMENT CRITERIA**

In order for the East Gateway to advance the City's strategic goals, the criteria and objectives for success had to be defined according to Amarillo's unique values and culture. B&D conducted a Strategic Asset Value ("SAV") work session to identify and confirm strategic drivers and desired outcomes for the Study. The purpose of the SAV work session was to gather key stakeholders together to clearly define the strategic criteria with which B&D must filter all data and recommendations during the planning effort. The SAV work session had three primary objectives:

1. To engage key stakeholders in the planning process;
2. To ground the objectives of the planning process in agreed-upon criteria; and
3. To ensure that any recommendations put forward align with City's mission, values, and strategic priorities.

The SAV work session was held with key stakeholders representing Amarillo and Potter County. The session established the vision for the East Gateway TIRZ and set parameters for its implementation.

The TIRZ's vision and key objectives established by the SAV are outlined as follows:

### **Mission & Purpose**

Through a gateway that celebrates Amarillo's heritage, spur development activity that provides an experience and lasting economic benefits for residents while providing entertainment, retail, and lodging to visitors.

### **Target Market(s)**

The East Gateway TIRZ will focus on two target markets: current residents and visitors. The development will aim to provide amenities and attractions that will attract travelers passing through the area and retain them for at least one (1) hotel night. In order to achieve this goal, the

East Gateway must provide a cohesive experience that is unique and pays homage to Amarillo's history and culture. The TIRZ will also draw Amarillo residents and regional visitors by providing affordable family entertainment and recreation opportunities. The East Gateway will provide a cross-generational experience where residents and visitors intermingle.

### **Development Positioning, Program, and Location**

In order to ensure long-term benefits to Amarillo, it is important that the project complement development in other parts of the city while positively contributing to the city's brand. The East Gateway TIRZ is unique from the Downtown TIRZ and development efforts should avoid duplicating amenities available in other parts of the city. Development should capitalize on the area's existing offerings, such as the Big Texan, and leverage these attractions as anchors for future development. Development should be situated in a prominent location within the TIRZ in order to provide visibility from I-40 and convenient access for travelers. The City will rely on existing landowners within the TIRZ to initiate development and catalyze the area for long-term success.

### **Economic Development**

Programming that maximizes the generation of property tax revenue in the near term should be prioritized in order to catalyze further growth within the TIRZ. By maximizing this revenue, the City can collect needed funding for public facilities and infrastructure to support future private investment. This private investment will help support the City's broader goals by increasing hotel and sales taxes and creating new employment opportunities for residents.

### **Institutional Will and Financial Performance**

The East Gateway should generate broader community support for development in the eastern part of the city while protecting and supporting existing businesses. Initial development should include programming that can be delivered expeditiously in order to demonstrate the area's viability and support public improvements. Development must be market responsive and opportunities for alternative financing and delivery structures should be explored.

## **RESEARCH & STAKEHOLDER INPUT FINDINGS**

At the outset of this Study, B&D reviewed existing materials and interviewed seven (7) stakeholder groups to understand the existing plans and future vision for the East Gateway, as well as potential challenges to developing in the area. The stakeholder groups and the key findings from each are described below.

- **Amarillo Convention & Visitors Council (CVC):** The CVC provided context on broader tourism initiatives in the city as well as hotel data that were used in the market analysis. The CVC confirmed that the Big Texan is a key component of tourism marketing for the City and is its top attraction. Business travel and families comprise the bulk of Amarillo's

visitors. Additionally, the CVC has observed growth in popularity of youth hockey due to the Denver to Dallas hockey corridor and presence of the Bulls at the Civic Center.

- **Amarillo Economic Development Corporation (AEDC):** AEDC supports economic development in Amarillo through a sales tax that is used for primary job creation. There are numerous initiatives underway near the East Gateway that could help elevate the area and stimulate broader development initiatives. AEDC worked alongside developments in the Downtown TIRZ and believes sports will be important to Amarillo's long-term success. There are currently plans to update the Civic Center to accommodate more entertainment in the area. The fairgrounds, which is near the East Gateway, hosts the rodeo and is significantly outdated and in need of modernization.
- **The Lee Family, Big Texan Restaurant:** The owners of the Big Texan provided information about their current operations and future vision for the restaurant and supporting attractions. Most importantly, the owners are interested in expanding their business within the East Gateway, but envision a sports and recreation facility as a co-anchor of the area. The owners are not interested in a lateral move or simple relocation. They are planning for succession and envision the Big Texan as a generational rite of passage for families rather than accidental tourism. They believe sports – specifically ice hockey, basketball, and volleyball – are market-driven concepts in Amarillo that could support a unified concept for the East Gateway.
- **The Patel Family, hotel owners and operators:** The Patel family owns the Holiday Inn and Hampton Inn in the East Gateway, and has planned an extended stay hotel in the area. The Patels have observed that Amarillo's hotel market has become saturated with business being increasingly split among new hotels and hotels with new concepts. They believe Amarillo is a "truckers' choice" town and the majority of hotel business, especially in the East Gateway, is tourists passing through the area. They indicated that providing basic site infrastructure would help the East Gateway and opportunities in the TIRZ should be advertised in a coordinated manner.
- **Toot'n Totum Food Stores** – TNT bookends the East Gateway with a large truck stop planned for the I-40 and Loop interchange and an older convenience store located on the west end along Eastern Street. The planned truck stop will include two (2) restaurants, 10 fuel lanes, and overnight truck parking. TNT believes that success of the Big Texan drives the East Gateway and is the catalyst of the area.
- **Other Stakeholders:** Individual interviews with representatives from Amarillo National Bank, the Bivens Foundation, and Gaut, Whittenburg, and Emerson Commercial Real Estate were also conducted.

The Project Team's initial interviews provided context for additional research activities and the market analysis conducted as part of this Study. Synthesizing what was learned during the activities allowed B&D to develop the major takeaway that guided the Project Team's next set of research activities and analyses: Moving the long-established Big Texan – even just a few blocks away – is risky. First, the quirky cowboy brand has been rooted in its current location for decades and replicating the experience within new construction will be challenging. Second, to support the capital investment of a new, expanded Big Texan, the restaurant will need additional customers drawn to the area through ancillary development and activities.

The Big Texan recognizes the value of its brand and is considering other ideas as it plans for succession, including courting new locations in other areas of Texas where higher levels of traffic could support its business. Losing the opportunity to capitalize on the Big Texan's renovation and expansion in the East Gateway would prove detrimental to the success of the TIRZ and the achievement of the City's broader economic goals. Overall, this suggests that the current plan for development phasing needs to be reconsidered. Instead of relying on the Big Texan's redevelopment to be the initial catalyst for the project, an additional demand generator such as a sports and recreation facility may need to be developed first or alongside the Big Texan.

## **MARKET ANALYSIS FINDINGS**

B&D conducted a comprehensive review of existing conditions and demographic trends and a detailed analysis of hotel and retail market conditions. To conduct the market analysis, B&D utilized data provided by the City, the Convention and Visitors Bureau, and nationally recognized sources such as CoStar and Smith Travel Research.

For the hotel analysis, data were examined at citywide and East Gateway levels. A sensitivity test was performed to assess potential impacts of further hotel development and the market's ability to absorb additional rooms.

For the retail analysis, 45- and 90-minute drive time radii were analyzed based on the typical commuting patterns of residents in the Panhandle region. Retail opportunities were identified based on demand and alignment with the brand and criteria established in the SAV work session.

### **Demographic Overview**

Amarillo's population has grown to nearly 200,000 people, rising more than 5% over the past decade. The majority of growth has occurred in western and southern portions of the city. Youth, ages 5-19, comprise a higher than average proportion of the population at about 29% compared to 27% nationally. Additionally, more than 30% of the population identifies as Hispanic or Latino.

The metropolitan area has recently experienced a full year of economic recovery with an unemployment rate below 3%. Employment growth in Amarillo outpaces the nation, but lags

slightly behind the state of Texas. The cost of living in Amarillo continues to be lower than other Texas cities and the national average.

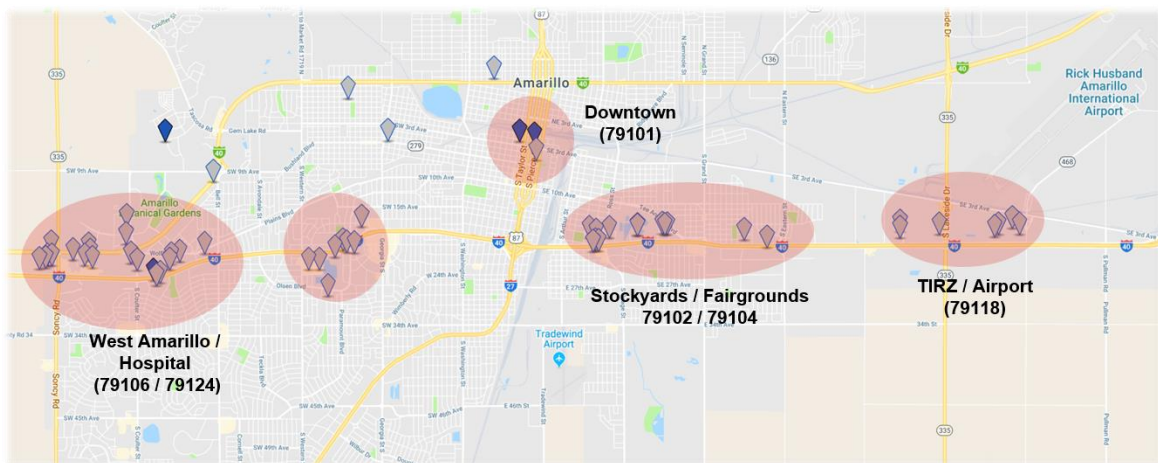
These demographic trends provide important context for understanding potential development partners' perceptions of the health of the Amarillo market and their interest in making potential investments within it.

**Hotel**

Nationwide, the hotel and travel industries are experiencing transitions with innovative players like Airbnb emerging in the market. At the same time, brand saturation continues to grow as hotel groups become more and more fragmented. Hotel operators are increasingly looking to unique models in order to attract a new generation of consumers. In particular, new hotel development has shifted towards creating experiences and destinations rather than just providing accommodations. By including ancillary project components, such as retail and entertainment amenities, hotel operators are manufacturing their own demand to support occupancy.

As shown on the map below, Amarillo's hotel inventory is divided among five (5) main clusters, each with distinct attributes. Most hotels are concentrated in the western part of the city where they benefit from nearby anchors such as the Northwest Texas Healthcare System, Westgate Mall, and other commercial developments. Hotels in the downtown area benefit from Hodgetown, the minor league ballpark, and the Amarillo Civic Center. Three (3) hotels currently exist within the TIRZ boundaries with a fourth one planned for future delivery. Hotels near the TIRZ are supported by proximity to the airport and nearby industries.

**Figure 1: Map of Current and Planned Hotels**



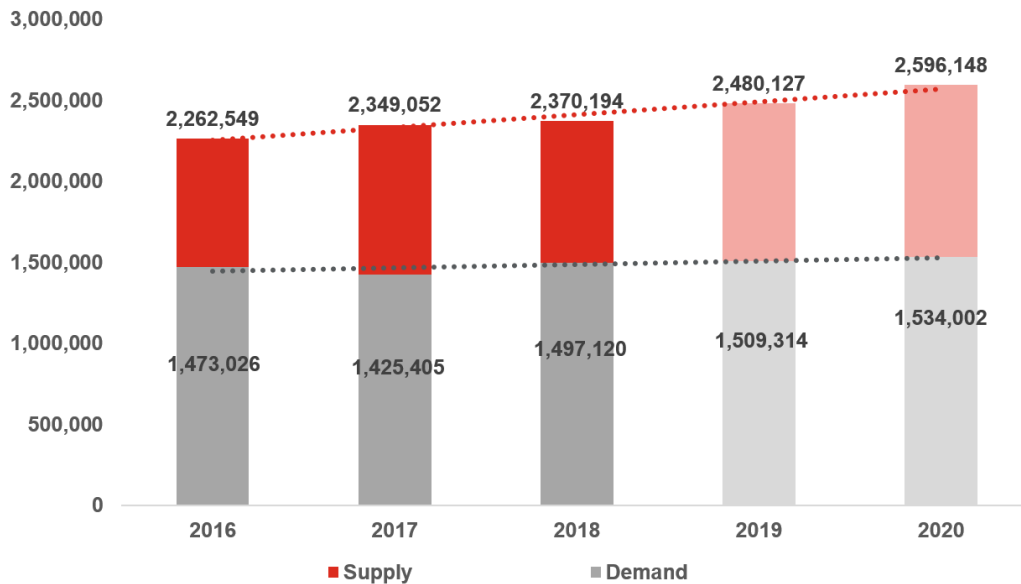
Source: CoStar

★ Planned Hotels

In Amarillo, nine (9) new hotels are planned for delivery through 2021, increasing the city’s hotel inventory to more than 7,000 rooms in more than 90 properties. However, all of these planned hotels are located within existing clusters and do not present a new or differentiated product in the market. This added product will continue a supply growth trend in Amarillo, with hotel inventory growing almost 5% annually since 2016.

During this same time period, hotel demand has experienced a more modest growth rate of less than 1% annually. Figure 2 illustrates this disparity between supply and demand growth. Hotel supply is calculated by multiplying the total number of rooms in the market by the number of days in the year, while demand is the number of hotel stays sold over that year.

**Figure 2: Hotel Supply and Demand**



Source: STR

Consequently, Amarillo’s hotel market is reaching a saturation point. Hotel occupancy is projected to decrease from 63% to less than 60% by 2020 unless new demand materializes; therefore, hotel owners may be forced to drop room rates and accept less revenue per available room in order to compete in the market.

Figure 3 below provides a comparison of market indicators across Amarillo’s five (5) main hotel clusters. Each cluster was assessed using the following three key market indicators:

- **Occupancy:** The ratio of the number of rooms sold to the total number of rooms.
- **Average Daily Rate (ADR):** The average price of rooms sold.
- **RevPar:** The ratio of total revenue to the total amount of rooms. RevPar is more directly related to occupancy. As occupancy increases, so will RevPar.

As shown in Figure 3, hotel market indicators in the East Gateway are stronger than across the city as a whole. Hotels in this area currently boast the strongest occupancy rates (68%) of anywhere in the city and trail only downtown hotels in annual revenue. The current level of market health benefits from proximity to several key demand drivers including Rick Husband Amarillo International Airport and large employers like Xcel Energy and Bell Helicopter. Business travelers and employees visiting for training at these industries utilize hotels within the East Gateway and provide a consistent level of demand in this part of the City.

**Figure 3: Hotel Cluster Comparison**

	Downtown	West Side	Stockyards / Fairgrounds	TIRZ / Airport	Amarillo Total
<b># of Hotels</b>	3	14	12	5	<b>87</b>
<b># of Rooms</b>	367	1,377	1,379	424	<b>6,619</b>
<b>Average Hotel Size</b>	122	98	115	85	<b>76</b>
<b>Average Daily Rate</b>	\$133.99	\$77.28	\$47.00	\$119.05	<b>\$78.17</b>
<b>RevPAR</b>	\$89.34	\$47.47	\$24.94	\$81.15	<b>\$49.38</b>
<b>Occupancy</b>	66.7%	61.4%	52.9%	68.2%	<b>63.2%</b>

Source: STR

B&D performed a sensitivity test to gauge the East Gateway’s ability to absorb and support additional hotel development. As shown in Scenarios A and C in Figure 4 below, the East Gateway can support at most one hotel if occupancy levels are held at or above citywide levels of 63%. With the new extended stay hotel already planned for the TIRZ, the market will not support additional hotel development without an increase in demand. To justify additional hotel developments in the East Gateway, an additional demand driver is needed.

**Figure 4: Scenario Testing**

Sensitivity Test	Scenario A	Scenario B	Scenario C
<b>Demand Growth</b>	0%	1% growth (citywide rate)	1% growth (citywide rate)
<b>Occupancy</b>	63% (citywide rate)	68% (TIRZ rate)	63% (citywide rate)
<b>Projected Demand</b>	<b>33 Rooms</b>	<b>3 Rooms</b>	<b>37 Rooms</b>

Source: STR

## Retail

Nationally, the brick and mortar retail market continues to struggle as competition from e-commerce businesses increases. Large department stores that historically served as anchors have closed hundreds of locations, impacting regional malls, and national retail vacancy levels remain high at 10%. Retail developers are shifting focus to experience-based retail rather than relying on traditional brick and mortar establishments. To ensure success in the new retail environment, developers are being more judicious in their market selections and prioritizing demographics that can support this new type of development. Urban areas with higher levels of household retail and entertainment expenditure are becoming increasingly attractive to developers. Furthermore, the importance of strong branding and placemaking is necessary to ensure a cohesive experience and sustained success at these developments.

Unlike the hotel market, Amarillo’s retail inventory has not grown significantly in recent years; it trails behind nearby competitor and peer cities, such as Lubbock. Though Amarillo’s retail vacancy of 4% is lower than national levels, this is largely a consequence of the city’s small inventory rather than an indication of large demand to support further retail development.

As shown in the map below, retail development on the east side of the city is scarce and no multitenant projects have delivered in recent years. Instead, retail in this area is largely limited to truck service stations, convenience stores, and other small miscellaneous retailers. Major regional retail, shown in red and orange, is located primarily in west Amarillo while neighborhood markets, shown in blue, are located near residential hubs.

**Figure 5: Retail Map**

Retail Category	Sq. Ft.
<b>Super Regional</b>	
Traditional Mall	750,000+
<b>Regional</b>	
Big Box Retailers	
Discount Retailers	749,000 – 250,000
Restaurants	
Entertainment	
<b>Community</b>	
Super Market	
Big Box Retailers	249,000 - 100,000
Restaurants	
<b>Neighborhood</b>	
Super-Market	
Pharmacy	99,000 - 30,000
Fast-Food	
Sit Down Restaurant	
<b>Convenience</b>	
Convenience Store	
Dry Cleaners	
Fast Food	29,000 or less
Coffee Shop	
Storefront	



Source: Costar

\* Source: ICSC



B&D examined retail spending leakage data for 45- and 90-minute drive time radii around Amarillo. Retail leakage measures the retail supply against consumer spending or demand. Retail leakage occurs when demand is greater than supply, indicating that shoppers are traveling outside of the trade area to make purchases and that retail spending could be captured within the area if it were available. A retail deficit indicates that shoppers are attracted from outside the retail trade area.

Leakage numbers indicate that Amarillo has an overall surplus of retail and food and beverage establishments and is attracting shoppers from outside of the trade area to support businesses. There is some spending leakage for industry subsectors, indicating opportunities to capture new sales in the TIRZ. These selected subsectors, shown in Figure 6, were evaluated for alignment with the overall project vision.

**Figure 6: Retail Spending Leakage**

<b>Selected Subsectors</b>	<b>45-Minute Retail Gap</b>	<b>90-Minute Retail Gap</b>
<b>Electronics &amp; Appliance Stores</b>	\$21 M	\$31 M
Food & Beverage Stores	\$73 M	-\$23 M
Grocery Stores	\$70 M	-\$20 M
<b>Specialty Food Stores</b>	\$2 M	\$4 M
Beer, Wine, & Liquor Stores	\$1 M	-\$7 M
Clothing Stores	-\$14 M	\$23 M
<b>Clothing Stores</b>	-\$8 M	\$18 M
<b>Shoe Stores</b>	\$5 M	\$10 M
Jewelry, Luggage, & Leather Goods	-\$11 M	-\$5 M
<b>Sporting Goods, Hobby, Book &amp; Music Stores</b>	-\$19 M	\$21 M
Sporting Goods & Hobby Stores	-\$24 M	\$12 M
<b>Book &amp; Music Stores</b>	\$5M	\$9 M
Food Services & Drinks Establishments	-\$124 M	-\$95 M
Special Food Services	-\$1 M	-\$2 M
<b>Drinking Places – Alcoholic Beverages</b>	\$3 M	\$6 M
Restaurants / Other Eating Places	-\$126 M	-\$99 M

Source: ESRI

As shown in Figure 6, there are discrepancies between leakage numbers when comparing Amarillo's trade areas. The only retail subsector in the TIRZ aligning with other the Amarillo trade areas is electronics and appliances. Additional market testing is needed to better understand these market dynamics and to more accurately assess the scale of feasibility. Furthermore, because retail development typically aligns with residential patterns in the west and southwest parts of the city, it is likely that an additional demand driver will be required to draw traffic and support retail in the TIRZ.

B&D recommends additional market analysis to test whether the following retail subsectors should be included in the East Gateway:

1. Electronics and Appliances
2. Specialty Food
3. Clothing
4. Shoes
5. Sporting Goods and Hobby
6. Book and Music
7. Drinking Places

All seven (7) retail subsectors align with the vision for the East Gateway. The retail selected for future development should fit within the concept and brand as described by the criteria developed earlier in this process (i.e. affordable, family entertainment; Old West; etc.).

## **MARKET SOUNDING**

Based on the observed market conditions and the East Gateway's location, B&D believes an experiential demand driver is needed to create desirable levels of spending to support retail and hotel stays in the TIRZ. This driver will also bring the new customers needed to support the Big Texan's expansion and capital investment.

B&D conducted research to identify a potential new demand driver that aligns with the project criteria and has the ability to draw in visitors for hotel stays while also serving Amarillo residents. The assets with these attributes include convention and exposition centers, professional sports teams, museums, and other forms of family entertainment.

Based on B&D's expertise and understanding of the Amarillo market, it is essential that potential project components be unique and not duplicate amenities already present in other parts of the city in order to effectively drive demand to the East Gateway; therefore, convention and exposition centers were not considered due to the impending Civic Center renovation. Likewise, professional sports venues were eliminated from consideration due to both the aforementioned redevelopment and the presence of the baseball park downtown. Instead, net new family entertainment

attractions capable of both drawing in visitors from the greater trade area for short stays and capturing pass-through traffic were prioritized.

Based on B&D's understanding of entertainment and leisure amenities currently undersupplied in the broader Amarillo market, several potential project components were selected for further examination. More specifically, recreation facilities and family entertainment assets were identified as areas of both greatest need and highest potential. Although recreation facilities are already included in the project plan, the Project Team sought to better understand opportunities for hosting sports tourism events, such as youth tournaments, to drive hotel stays and retail spending in the East Gateway. Additionally, based on past planning efforts and project concepts, indoor waterparks were identified as family entertainment assets with potential to support the first phase of project components.

Finally, opportunities for retail outlet center development were examined for the East Gateway. B&D hypothesized that retail outlets could capitalize on both current pass-through traffic, as well as visitors drawn to the area by other project components. Very few competing developments currently exist within Amarillo and the larger trade area. Therefore, B&D researched and compared market indicators in areas where these assets exist to those in Amarillo to determine baseline feasibility.

### **Recreation**

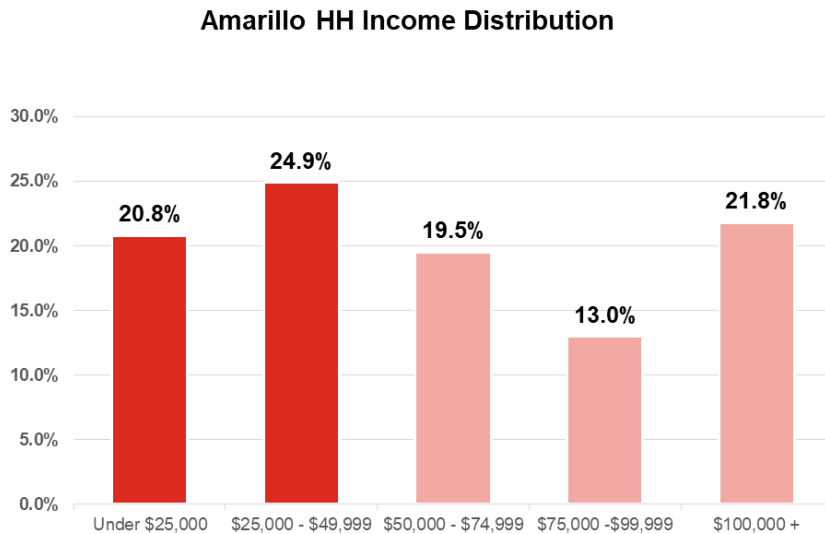
Nationwide, fitness and recreation behavior is shifting in accordance with demographic, economic, and consumer trends. Notably, participation in fitness sports, such as running and weight lifting, is increasing while team sports participation is stagnant. In fact, national youth participation in specific sports like football and soccer has declined significantly in recent years. Furthermore, there is a growing socioeconomic divide in youth sports, with participation increasing among more affluent groups and falling sharply among the less affluent.

Despite these national trends, youth sports participation in the state of Texas has historically remained strong. In fact, Texas is one of only four states where high school participation in football has not declined over the last decade. B&D considered these unique strengths of the Texas market since recreation and sports tourism events are possible demand drivers for TIRZ facility development.

B&D conducted primary and secondary research to understand potential demand for net new recreation and athletic facilities to support youth sports in Amarillo. National sports participation information was applied to the Amarillo market to gain a general understanding of potential demand for youth sports programs and facilities in the city and broader Panhandle region.

Amarillo’s median household income trails state and national levels and 46% of the city’s population falls among socioeconomic cohorts with decreasing rates of physical activity. However, due to the lower cost of living in both the city and state, consumer spending on entertainment, sports, and leisure is comparable to nationwide levels. Furthermore, Texas’s history as a hotbed for youth sports suggests that the market remains favorable for the addition of recreation facilities.

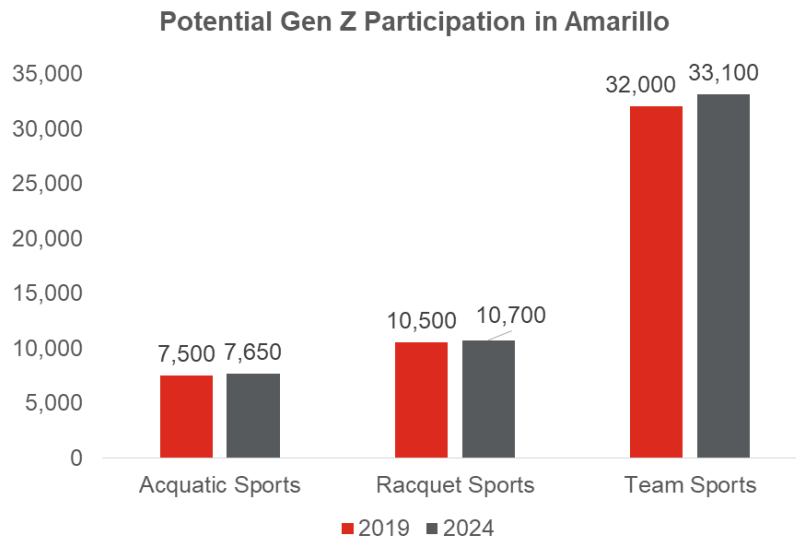
**Figure 7: Amarillo Household Income**



Source: ESRI

Amarillo’s sizeable youth population is indicative of a favorable market for recreation and sports tourism. Historically, youths from ages 5-19 have largely dominated team sports participation. This population roughly aligns with Gen Z, those individuals born after 1995. Gen Z comprises about 29% of Amarillo’s total population as compared to the national average of about 27%; therefore, Amarillo has a healthy youth population to support recreation and sports facilities.

As illustrated in Figure 8 on the next page, B&D applied national participation rates to the Amarillo market to quantify potential participation in aquatic, racquet, and team sports. This high-level application indicated up to 32,000 potential Gen Z participants based on Amarillo’s current demographics. Furthermore, this number is projected to grow by an additional 1,000 over the next five (5) years. The addition of net new recreation and sports facilities will be needed in order to keep up with demand.

**Figure 8: Potential Gen Z Sports Participation**

Source: SFIA

B&D also conducted interviews with youth sports administrators in Amarillo to understand existing needs and opportunities for sports tourism in the East Gateway. The primary objective of these interviews was to obtain anecdotal information on existing supply and demand for public recreation facilities to support the Project Team’s research activities. B&D spoke with individuals representing both indoor and outdoor sports, including volleyball, cheer, baseball, softball, and basketball administrators.

All individuals indicated that there is a shortage of facilities in Amarillo to adequately support their respective sports. Administrators also indicated that Amarillo’s youth sports organizations serve the broader Panhandle region and draw individuals from up to two (2) hours away, further necessitating the addition of recreation and sports facilities. At the same time, Amarillo loses some potential participants who are willing and able to commute to other markets with better facilities. All of this is indicative of an opportunity to capitalize on youth sports demand in the Panhandle and leverage it to support development within the East Gateway.

The overall shortage of recreation facilities, coupled with the challenges presented by lower income levels in the city, provides an opportunity for public facilities to fill a supply gap. B&D conducted a stakeholder interview with Michael Kashuba, Director of Amarillo Parks & Recreation, to understand the department’s current state and potential opportunities within the East Gateway. Parks & Recreation currently faces numerous challenges, including an aging building stock and insufficient capital to maintain and operate existing facilities; therefore, the department is currently focused on improving operations and conditions of current facilities rather than developing new ones.

Though the Parks and Recreation department is not directing the upcoming Civic Center renovation, the project has the potential to fill some of the facility supply gaps in Amarillo, specifically for ice hockey and figure skating. Historically, gaps in facility supply have been filled by the private market. Anecdotal observations are that these privately-run facilities struggle to operate at break even or profitable levels. Unless public facilities are available, teams are displaced when these private facilities fail. Therefore, coordination between Amarillo's public agencies and the private market is essential to supply adequate sports and recreation opportunities in the City.

Recreation and sports tourism is a crucial component of the concept plan for the East Gateway and will be needed to support retail and hotel developments and provide the Big Texan with more customers to support its capital investment decisions. Development of an experiential facility, such as a sports and recreation center, should occur prior to or concurrent with other planned Phase I developments.

B&D believes a private partner is needed to make a facility in the East Gateway possible. This partner could also help fund development costs, reducing or eliminating the initial need for tax increment revenue; however, City incentives may be needed to make the partnership attractive. A comprehensive market analysis and business plan for the recreation and sports facility or complex can help give confidence to the private market that there is a real project opportunity.

### **Indoor Waterpark Resorts**

Aquatic amenities were also identified as a potential demand driver based on previous planning efforts related to the ARC. Furthermore, aquatic entertainment attractions, such as indoor waterparks have demonstrated a propensity to support hotel and residential development in markets where they are successfully implemented. B&D examined demographic, economic, and real estate indicators in markets where these attractions exist for comparison with the Amarillo market.

B&D researched existing indoor waterpark developments of varying size in order to gauge the possible scale of any potential development in Amarillo. Markets with Great Wolf Lodge or Kalahari Resort locations represented the upper end of the spectrum, while the Water-Zoo in Clinton, OK, represented the lower end. Markets were selected for study based on demographic or economic indicators that most closely compared with those of Amarillo.

Typically, a 90-minute drive time radius or larger is used to examine the market conditions for waterparks. B&D assumed that the potential development would need to pull visitors from this distance and beyond in order to drive hotel stays, as immediate residents likely have no need for accommodations.

As shown in Figure 9 on the next page, median household income and household entertainment expenditures compare closely across the studied markets. However, comparable markets have much larger populations to draw from than that of Amarillo. Almost half of the residents within the

90-minute drive time radius reside in Amarillo proper. By contrast, Clinton has a population of under 10,000 in the city proper, but over 1.5 million within a 90 minute drive time. The success of any potential waterpark in Amarillo will likely hinge on residents and nearby populations, and hotel demand may be limited.

**Figure 9: Comparable Market Demographic Comparison**

<b>90-Minute Drive Time</b>	<b>Clinton, OK</b>	<b>Wisconsin Dells, WI</b>	<b>Sandusky, OH</b>	<b>Amarillo, TX</b>
<b>2019 Population</b>	1,589,000	2,920,000	2,280,000	458,000
<b>Households with Children</b>	205,000	336,000	269,000	62,000
<b>Median Household Income</b>	\$62,000	\$69,000	\$56,000	\$59,000
<b>Monthly Household Entertainment Expenditure</b>	\$260	\$294	\$253	\$255

When examining a smaller 45-minute drive time radius, conditions look more favorable in Amarillo. As seen in Figure 10 below, Amarillo's population within this radius is about three times larger than Clinton's. A preliminary comparison of population at this level indicates potential for demand to support development of a larger scale than Clinton, but smaller than the Great Wolf Lodge locations in Sandusky and Wisconsin Dells.

**Figure 10: Comparable Market Income Comparison**

<b>45-Minute Drive Time</b>	<b>Clinton, OK</b>	<b>Wisconsin Dells, WI</b>	<b>Sandusky, OH</b>	<b>Amarillo, TX</b>
<b>2019 Population</b>	96,000	723,000	1,060,000	300,000
<b>Households with Children</b>	38,000	79,000	124,000	40,000
<b>Median Household Income</b>	\$54,000	\$71,000	\$64,000	\$62,000
<b>Monthly Household Entertainment Expenditure</b>	\$260	\$297	\$253	\$264

However, such development may not support the same level of hotel stays as the Water-Zoo in Clinton based on their aforementioned population patterns. Further market analysis is needed to determine potential capture rates of pass-through traffic to support hotel development in the TIRZ.

### **Retail Outlets**

B&D conducted preliminary research to assess opportunities for retail outlet center development in Amarillo. Nationwide, there are very few of these developments in the pipeline as retail properties struggle to compete with online shopping. Consequently, most of the properties in development or recently delivered focus on placemaking and mixed use experiences. To achieve this experience, outlet developers are choosing more vibrant, urban locations for new centers. Otherwise, most outlets are located in large suburbs of major cities or in tourist towns.

On initial examination, Amarillo does not fit the typical profile of an outlet center location. Instead, retail development that complements the demand drivers described earlier in this report are likely to be more successful.

## **RECOMMENDATIONS & NEXT STEPS**

B&D utilized a SWOT (strengths, weaknesses, opportunities, and threats) analysis as a way to frame the findings of its planning efforts and understand what strategies should be prioritized to advance the initiative.

In applying this framework, B&D used the following considerations:

Strengths and weaknesses are internal to the East Gateway Initiative / TIRZ 2 and are matters the TIRZ 2 Board of Directors has some control over and can change. Examining the strengths and weaknesses can help the board understand how it can be leveraged to take advantage of the opportunities and manage threats.

Opportunities and threats are external to the East Gateway Initiative and relate to the broader City government and economy. In this manner, the TIRZ 2 Board can take advantage of opportunities and protect against threats, but cannot change them. Examples include competitive development activity, national trends, and political leadership change.

This format mirrors how the conclusions in the Align Amarillo: Economic Development Strategic Plan were reported so that the findings of both documents can be juxtaposed while providing focus to the TIRZ 2 area.



<p><b>Strengths (Internal)</b></p> <ul style="list-style-type: none"> <li>• Land in the East Gateway TIRZ is inexpensive and ownership is consolidated among a few who are willing to engage with the City in development discussions.</li> <li>• The Big Texan has a strong brand and ability to attract visitors and generate sales.</li> <li>• The TIRZ 2 location directly off I-40 gives it access to an annual average daily traffic count (“AADT”) of over 50,000 vehicles per day, according to TXDOT.</li> <li>• There are existing demand generators for hotels that bring business travelers and other visitors to the area – the Rick Husband Amarillo International Airport, Xcel Energy, Bell Flight (Textron Inc.).</li> </ul>	<p><b>Weaknesses (Internal)</b></p> <ul style="list-style-type: none"> <li>• TIRZ 2 has insufficient infrastructure and utilities access that complicate development timing and siting.</li> <li>• The location within Amarillo is not as attractive to mixed-use development concepts as downtown or in the west near the medical center.</li> <li>• Without a new demand generator within TIRZ 2:             <ul style="list-style-type: none"> <li>○ There is little to no demand for new retail as it has limited residential development nearby and there are limited areas of leakage.</li> <li>○ There is little to no demand for new hotels as the supply growth is exceeding demand growth.</li> </ul> </li> </ul>
<p><b>Opportunities (External)</b></p> <ul style="list-style-type: none"> <li>• Amarillo’s economy has experienced steady growth – new jobs, diverse economy, and a growing number of young professionals.</li> <li>• There appears to be considerable demand for sports and recreation and the City Parks &amp; Recreation Department has challenges in supplying adequate facilities. The City could partner with the private market to deliver this capability to both the East Gateway and Amarillo as a whole.</li> <li>• There are regional resources that can be leveraged to bring more visitors to the area, such as Palo Duro Canyon State Park.</li> </ul>	<p><b>Threats (External)</b></p> <ul style="list-style-type: none"> <li>• The Big Texan owners could relocate the business to another city or sell the business or close if a succession plan does not materialize.</li> <li>• Consumer trends are changing, particularly for retail, and shifting to reflect the desire for experiences.</li> <li>• The hotel market in Amarillo is fragmented and opportunities to add new products or brands are minimal.</li> <li>• There are competing interests for public dollars and the Amarillo community does not have strong desire to increase taxes to provide public amenities (e.g., downtown, civic center, parks &amp; recreation facilities, etc.).</li> <li>• Amarillo has a lack of quality of life amenities that help attract and retain young talented professionals and sustain the economy.</li> <li>• There is a general weakness in the private market and the business model needed to operate recreation facilities at a profit.</li> <li>• Amarillo’s political cycle makes it difficult to maintain a consistent project champion.</li> </ul>

### **Next Steps**

Based on the findings presented in the SWOT analysis, B&D recommends the following next steps to support the advancement of the East Gateway Initiative / TIRZ 2.

- 1) Define an additional demand driver for further analysis. B&D recommends that the City further study potential development scenarios for sports tourism and recreation facilities to drive demand in the East Gateway.
- 2) Establish project champions throughout Amarillo in order to ensure process continuity and thought leadership that is resistant to political cycles.
- 3) Financial analysis and economic impact modeling for the Big Texan in order to understand the potential impacts of redevelopment within the TIRZ and risks associated with potential relocation outside of Amarillo.
- 4) Develop and refine Phase 1 project concept including preliminary program outline, development phasing and siting, and development / operational model.



# **EXHIBIT A: CRITERIA & STRATEGIC ASSET VALUE SYNTHESIS**



# STRATEGIC VISION

## AMARILLO EAST GATEWAY INITIATIVE

**DATE:** September 23, 2019

**RE:** Strategic Vision for East Gateway Tax Increment Reinvestment Zone

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### EAST GATEWAY MISSION & PURPOSE

Through a gateway that celebrates Amarillo's heritage, spur development activity that provides an experience and lasting economic benefits for residents while providing entertainment, retail, and lodging to visitors.

### TARGET MARKET

Confirming target market(s) and how the East Gateway Initiative should be positioned to address the target markets.

- The East Gateway Initiative shall...
  - Serve two (2) main market segments:
    - Primary Market: travelers making a short stop along the I-40 and Highway 287 corridors;
    - Secondary Market: residents and other visitors for an occasional night;
  - cater to travelers in the southwest region and beyond;
  - provide affordable, family, and traveler-friendly entertainment and hospitality;
  - provide cross-generational experiences that facilitate intermingling of tourists and locals;
  - offer a unique experience with a brand that aligns with the Big Texan and pays homage to Amarillo's history and culture;

### DEVELOPMENT POSITIONING, PROGRAM, & LOCATION

Clarify the development program and its positioning within the TIRZ.

- The East Gateway Initiative shall...
  - include attractions that complement downtown, west Amarillo, and other tourist offerings in the area and contribute to the Texas Panhandle region's friendly reputation;
  - satisfy existing demand with an eye for future growth within the TIRZ;
  - include mixed use development area that aligns with the regional brand while maximizing value within the TIRZ district;



- feature the Big Texan Restaurant as a primary anchor of the initial development with other landowners in the TIRZ developing properties;
- depend on other land owners in the TIRZ to initiate development for long-term success;
- be situated in a prominent location within the TIRZ that provides visibility from I-40 and convenient access for travelers;
- include a centralized attraction that promotes a unified experience through the streetscape and principles of placemaking and walkability;

## ECONOMIC DEVELOPMENT

Story behind the economic goals of the development and what should be prioritized as the focal points

- The East Gateway Initiative shall...
  - prioritize programming that maximizes the generation of property tax revenue in the near-term;
  - generate revenue to support public infrastructure and community recreation & athletic facility needs in the East Gateway area;
  - stimulate additional private investment and development in the TIRZ through the density of activity in the area;
  - generate increased sales and hotel taxes to support the City of Amarillo and broader initiatives;
  - generate new opportunities for employment in the area;

## INSTITUTIONAL WILL & FINANCIAL PERFORMANCE

Desire and willingness of the City to participate in the development to ensure it aligns with vision and goals.

- The East Gateway Initiative shall...
  - build momentum and generate broader community support and political will behind the effort to develop the East Gateway area;
  - protect existing businesses and celebrate their deep roots and unique aspects;
  - include developments that are market-responsive and consider alternative financing and delivery structures;
  - maximize options within the public financial toolkit to spur development; these include public incentives or subsidies such as infrastructure development, PID overlays, or sales and hotel taxes abatement or refunds;
  - generate civic pride in the East Gateway area and serve as a gateway to the City of Amarillo by proving development can be successful on the east side;
  - prioritize and package program elements into a development scenario that provides the quickest delivery to support the first phase of the community recreation or other infrastructure and community assets;

# **EXHIBIT B: MARKET ANALYSIS FINDINGS PRESENTATION**



# East Gateway Initiative

MARKET ANALYSIS &  
CONCEPT REFINEMENT

SEPTEMBER 27, 2019





# Agenda

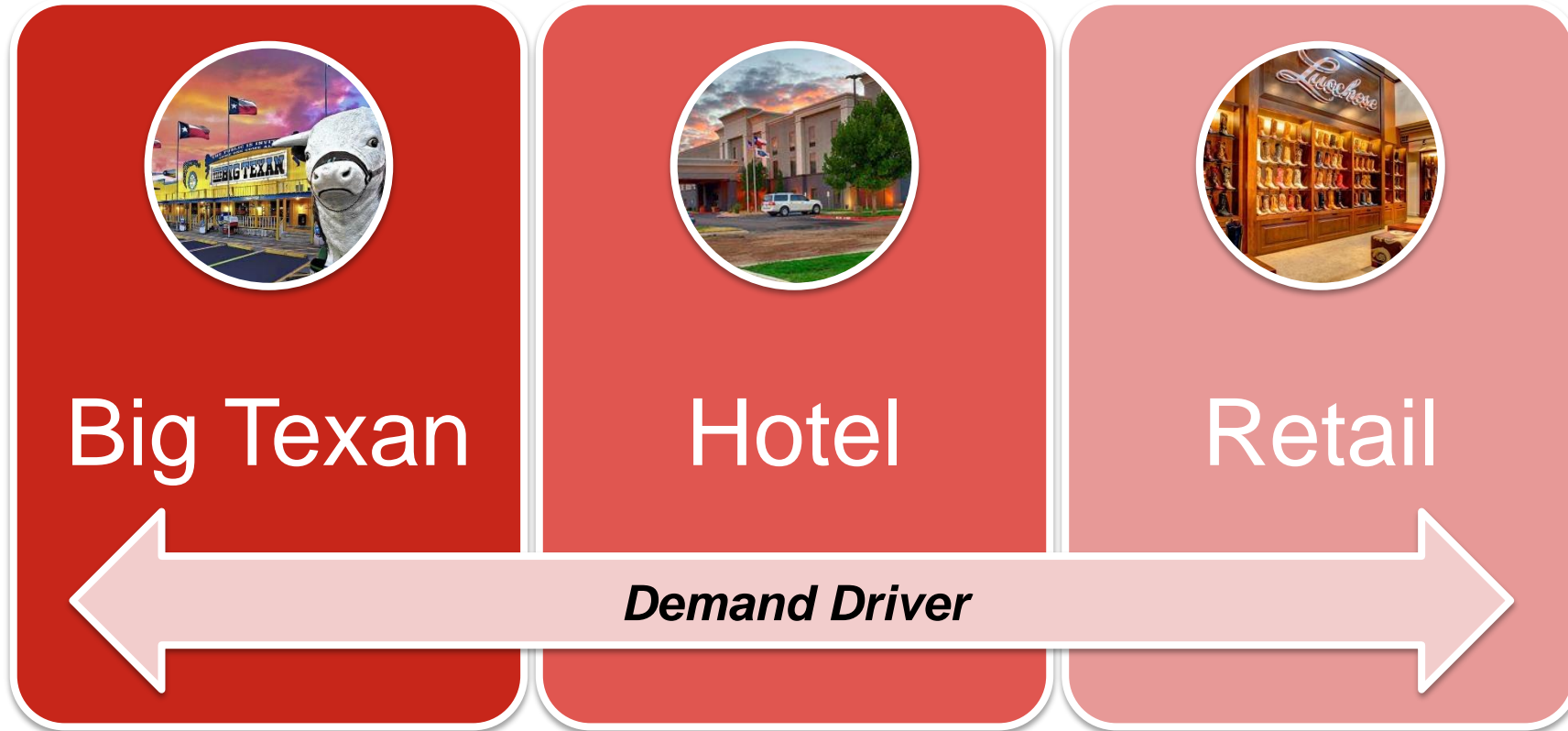
SEPTEMBER 27, 2019

1. Introduction
2. Market Analysis
  - › Hotel
  - › Retail
  - › Recreation
3. Concept Refinement
4. Wrap-up & Next Steps



# East Gateway

## MARKET ANALYSIS FINDINGS



**Could sports tourism be that driver?**

# 2

## Market Analysis



hotel



# Market Analysis

## HOTEL TRENDS

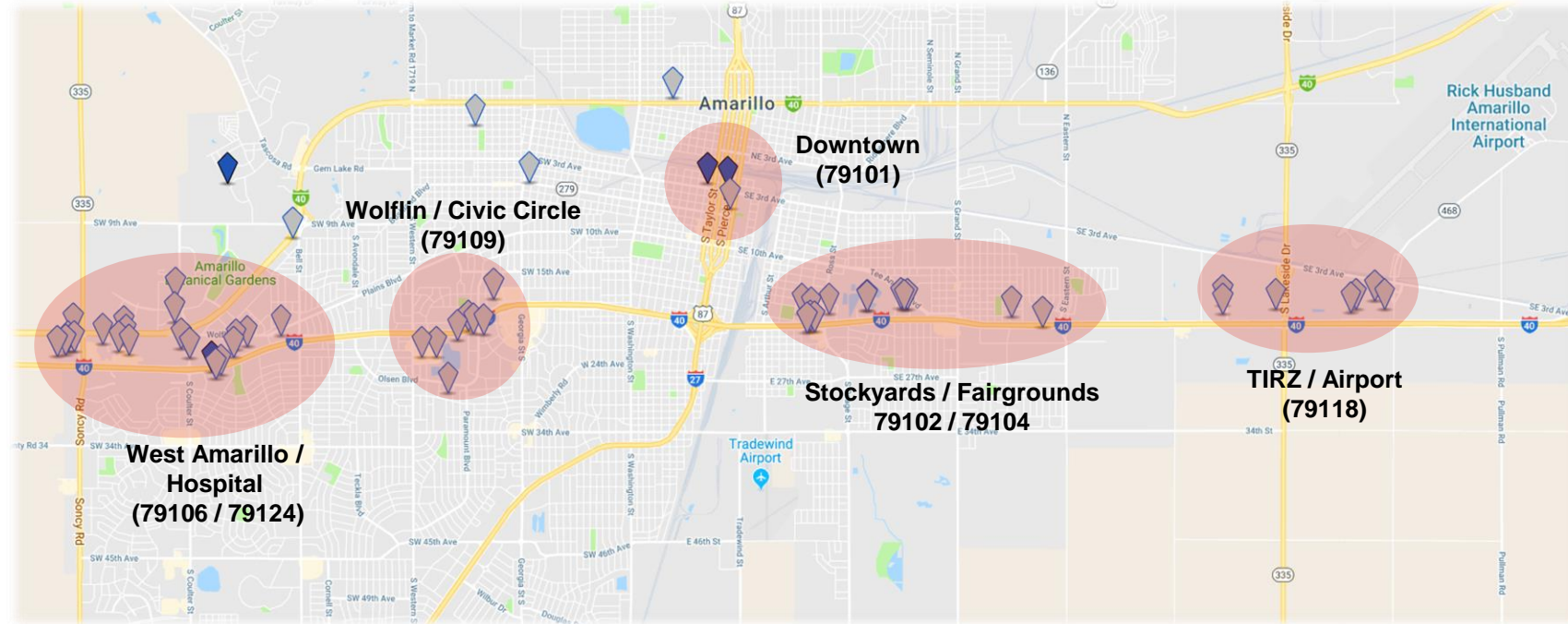
- › 2019 marks a decade since the US travel industry emerged from the depths of economic recession
  - Hotel revenue grew 6% in that time
- › Hotel market is highly fragmented – by both chain scales and by brands
  - Hotel brands are prolific – nearly 700 in market (Marriott has over 30) – and non-compete clauses limit what can be added to the market
- › Growth not limited to traditional players (Airbnb)
  - Changing expectations of travelers – more experiential with the comforts of home (success of Marriott's Moxy)
  - Impact of guest ratings on hotel selection



# Market Analysis

## HOTEL CLUSTERS

- > Amarillo has 5 distinct hotel clusters
- > The largest cluster of hotels is located in west Amarillo near regional hospitals and shopping
- > There are 3 hotels located within the TIRZ boundary
  - Holiday Inn
  - Hampton Inn
  - Big Texan Motel
- > Airbnb is primarily located in the south and west parts of the city

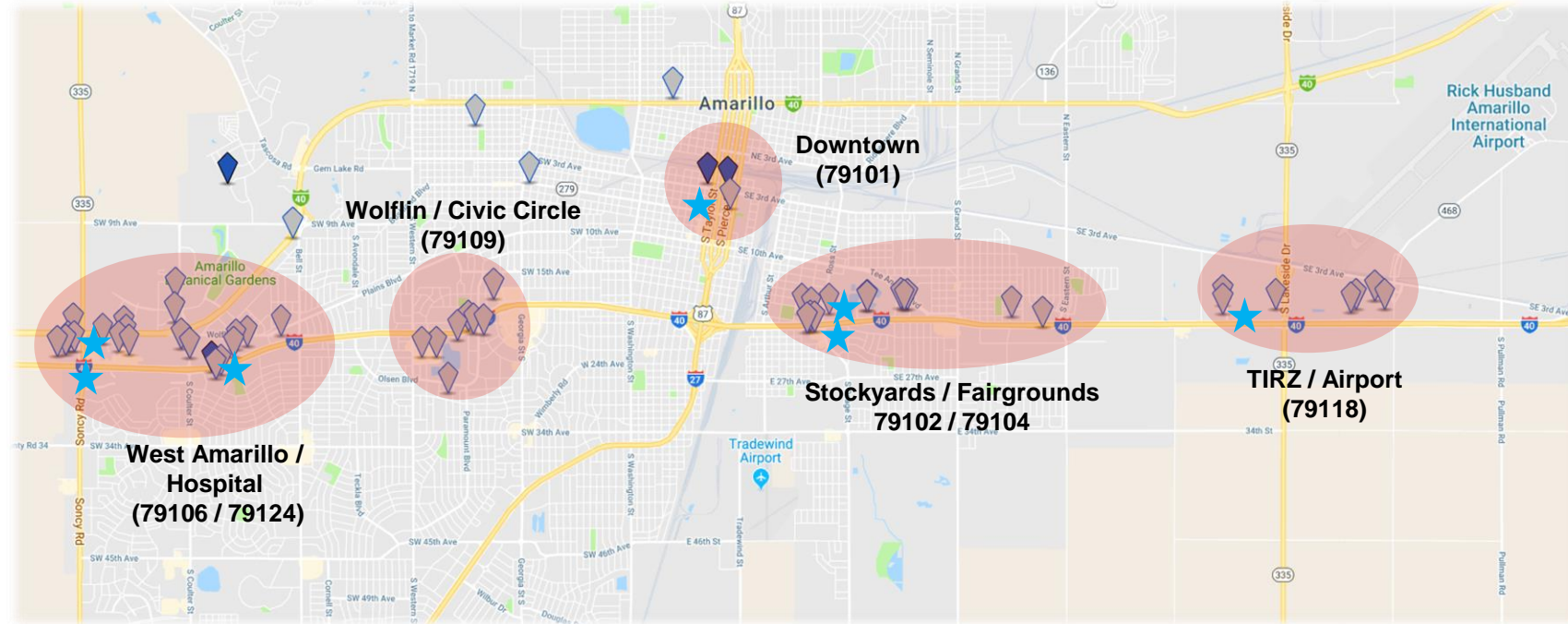


Source: CoStar

# Market Analysis

## HOTEL CLUSTERS

- › Planned hotels are located within existing hotel clusters
- › Planned hotels are similar in size and concept to existing inventory and do not present a differentiated product
- › One extended stay hotel of just under 100 rooms is planned for the TIRZ



Source: CoStar

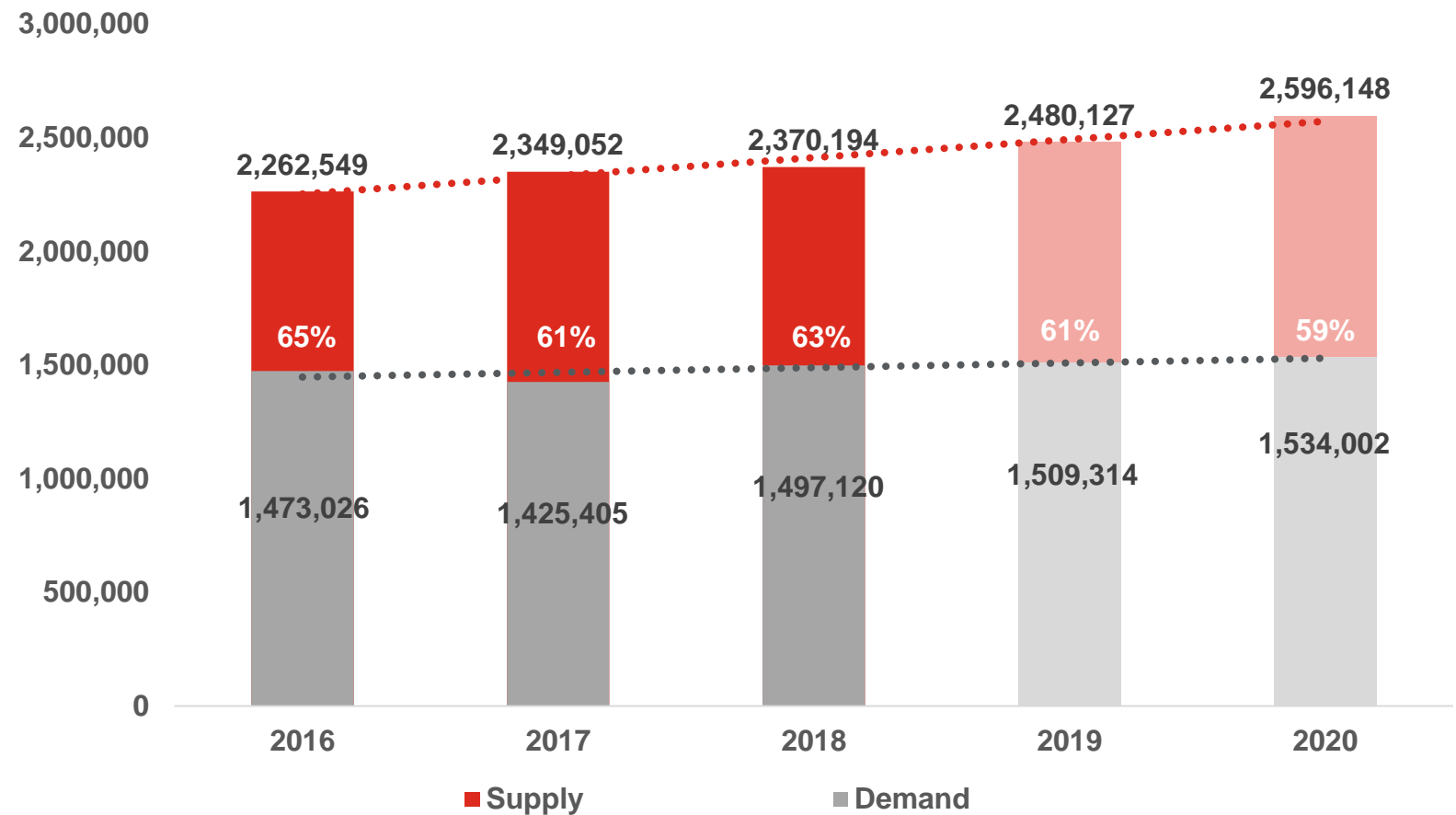
★ Planned Hotels

# Market Analysis

## HOTEL SUPPLY & DEMAND

- > Amarillo's 2018 hotel occupancy is below nationwide levels (63% vs. 66%)
- > Hotel supply growth has outpaced demand growth in Amarillo
  - Supply growth at 4.8%
  - Demand growth under 1%
- > If supply and demand trends continue through 2020, occupancy will decrease from 63% to 59%

### Amarillo Annual Hotel Supply & Demand



Source: STR



# Market Analysis

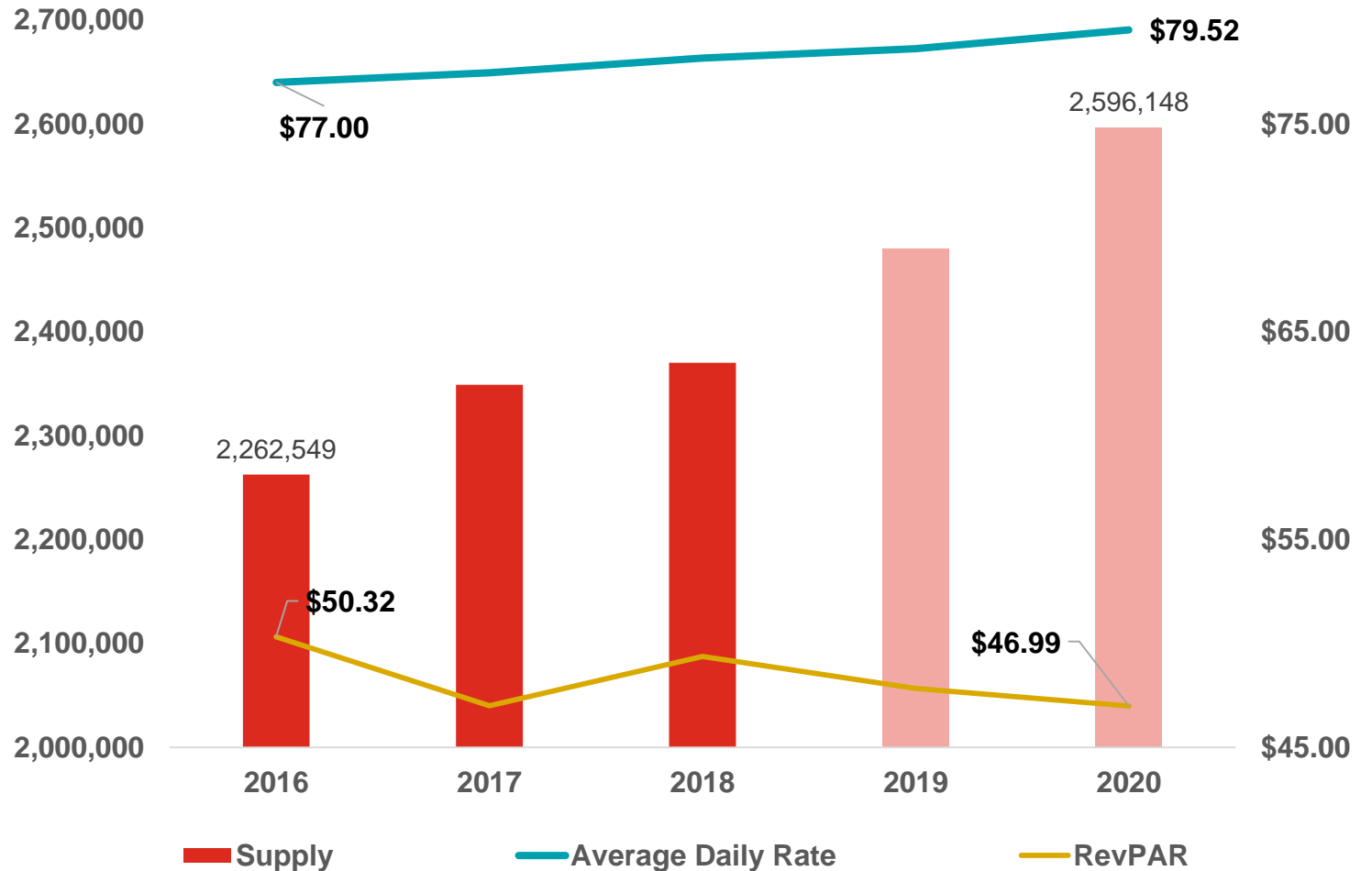
## CITYWIDE HOTEL METRICS

- > Amarillo’s average daily rate (ADR) and revenue per available room (RevPar) lag significantly behind national averages

Amarillo	United States
ADR: \$78.17	ADR: \$129.83
RevPar: \$49.38	RevPar: \$85.96

- > As hotel supply increases through 2020, the revenue per available room (RevPar) will decrease without an added demand driver

- > As more hotel supply is introduced to the market, additional demand drivers must be introduced to maintain market health



Source: STR

# Market Analysis

## HOTEL METRICS BY CLUSTER

- › TIRZ East has highest occupancy of any cluster in Amarillo, likely due to their proximity to the airport and major employers in the area
- › TIRZ East has higher revenue per room than Amarillo as a whole, reflective of its high occupancy rates and newer hotel stock
- › Larger hotels are located downtown, while hotels in and around the East Gateway tend to be smaller at about 85 rooms on average

	Downtown	West Side	Stockyards / Fairgrounds	TIRZ / Airport	Amarillo Total
<b># of Hotels</b>	3	14	12	5	87
<b># of Rooms</b>	367	1,377	1,379	424	6,619
<b>Average Hotel Size</b>	122	98	115	85	76
<b>Average Daily Rate</b>	\$133.99	\$77.28	\$47.00	\$119.05	\$78.17
<b>RevPAR</b>	\$89.34	\$47.47	\$24.94	\$81.15	\$49.38
<b>Occupancy</b>	66.7%	61.4%	52.9%	68.2%	63.2%

# Market Analysis

## DEMAND SENSITIVITY TESTING

	Scenario A	Scenario B	Scenario C
Demand Growth	0%	1% growth (citywide rate)	1% growth (citywide rate)
Occupancy	63% (citywide rate)	68% (TIRZ rate)	63% (citywide rate)
<b>Projected Demand</b>	<b>33 Rooms</b>	<b>3 Rooms</b>	<b>37 Rooms</b>

- Without an added driver, hotel demand expected to be limited
- Suggests that up to 37 rooms could be added in the East Gateway if demand growth continues at 1% and hoteliers experience a decreased occupancy rate
- Does not include extended stay hotel currently in construction

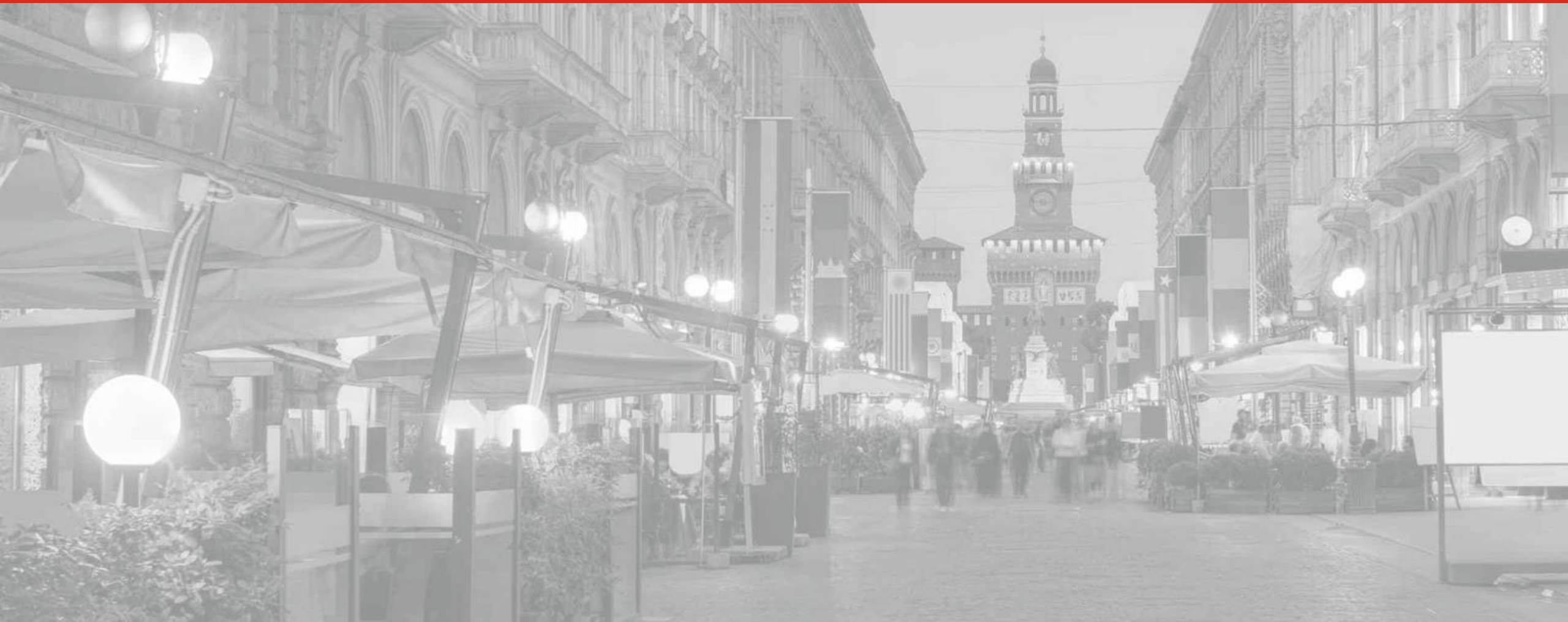
# Market Analysis

## HOTEL TRENDS

- › Developers are recognizing the synergies that exist between hotel and retail – development near retail is at its highest point since 2008
- › Hotel and retail can be demand drivers for each other
- › Currently, over 330 mixed use projects in development in the U.S. with hotels or nearby hotels
  - Retail accounts for 65% of square footage in these developments, while hotels comprise the remaining 35%



retail



# Market Analysis

## RETAIL TRENDS

### Retail industry seeing significant transformation over past decade

- › Changing preferences and attitudes regarding corporate responsibility and social consciousness as well as brand experience
- › E-commerce capturing 11-12% of retail sales in the U.S.
- › Traditional brick-and-mortar retailers are capitalizing on e-commerce
- › Large anchors (Macy's, Sears) closing hundreds of locations, impacting regional malls & creating vacancy at enclosed malls
- › Specialty stores and independent retail are surging
- › 200+ outlet centers in the U.S. representing 1% of retail space
  - Anchors are around 5,000-6,000 SF as opposed to 50,000 SF at regional malls
  - Have endured market upheaval of brick-and-mortar retail, but development is beginning to slow

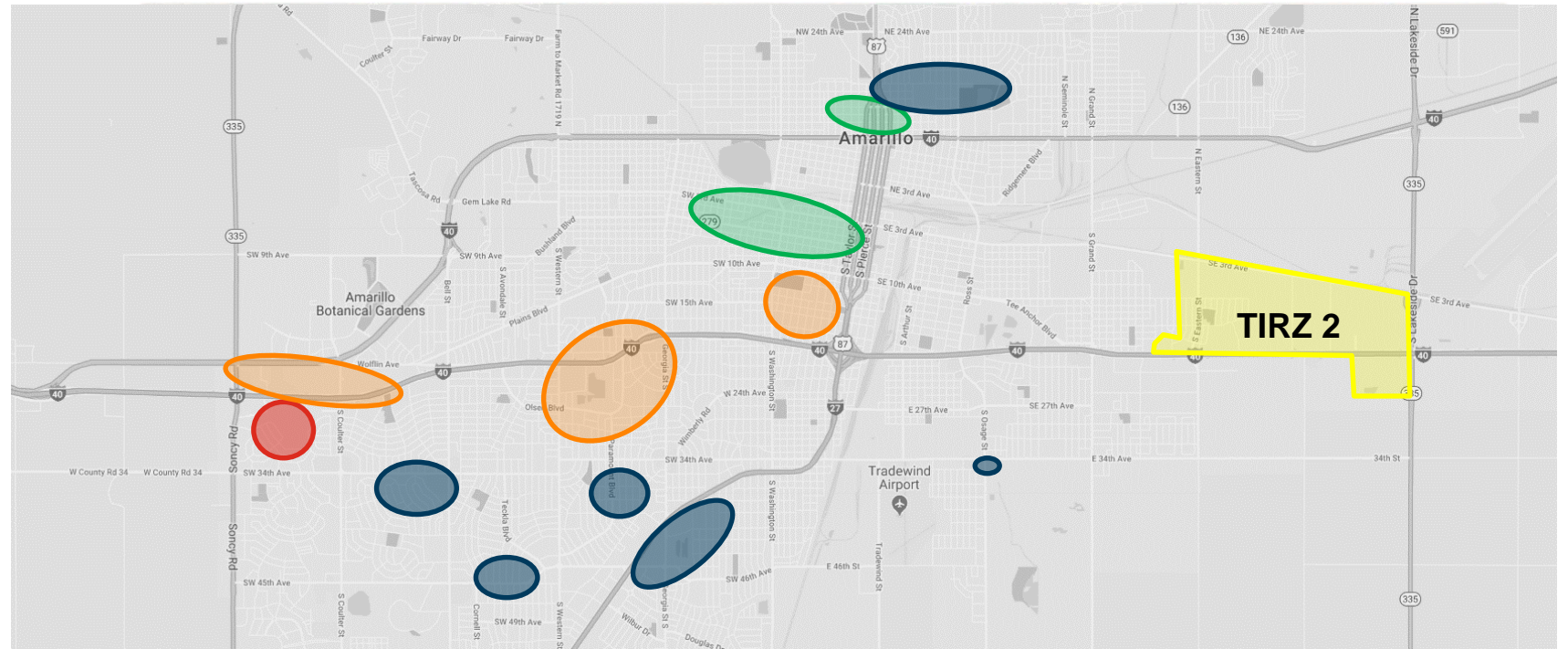
**The Warby Parker of cowboy boots has a Texas-sized plan to win 21st-century retail**



# Market Analysis

## RETAIL LANDSCAPE – CITYWIDE

Retail Category	Sq. Ft.
<b>Super Regional</b> Traditional Mall	<b>750,000+</b>
<b>Regional</b> Big Box Retailers Discount Retailers Restaurants Entertainment	<b>749,000 – 250,000</b>
<b>Community</b> Super Market Big Box Retailers Restaurants	<b>249,000 - 100,000</b>
<b>Neighborhood</b> Super-Market Pharmacy Fast-Food Sit Down Restaurant	<b>99,000 - 30,000</b>
<b>Convenience</b> Convenience Store Dry Cleaners Fast Food Coffee Shop Storefront	<b>29,000 or less</b>



Source: Costar

\* Source: ICSC

# Market Analysis

## RETAIL LANDSCAPE – REGIONAL

How does the retail landscape compare to nearby markets?

	Lubbock	Midland	Amarillo
Total Retail SF	26 M SF	8.5 M SF	14 M SF
SF per Capita	102	63	71
Super Regional Centers	1.5 M SF	0	900,000 SF
Regional Centers	0	602,000 SF	0
Community Centers	1.5 M SF	1.5 M SF	1.6 M SF
Neighborhood Centers SF	3.4 M SF	1.4 M SF	2.6 M SF

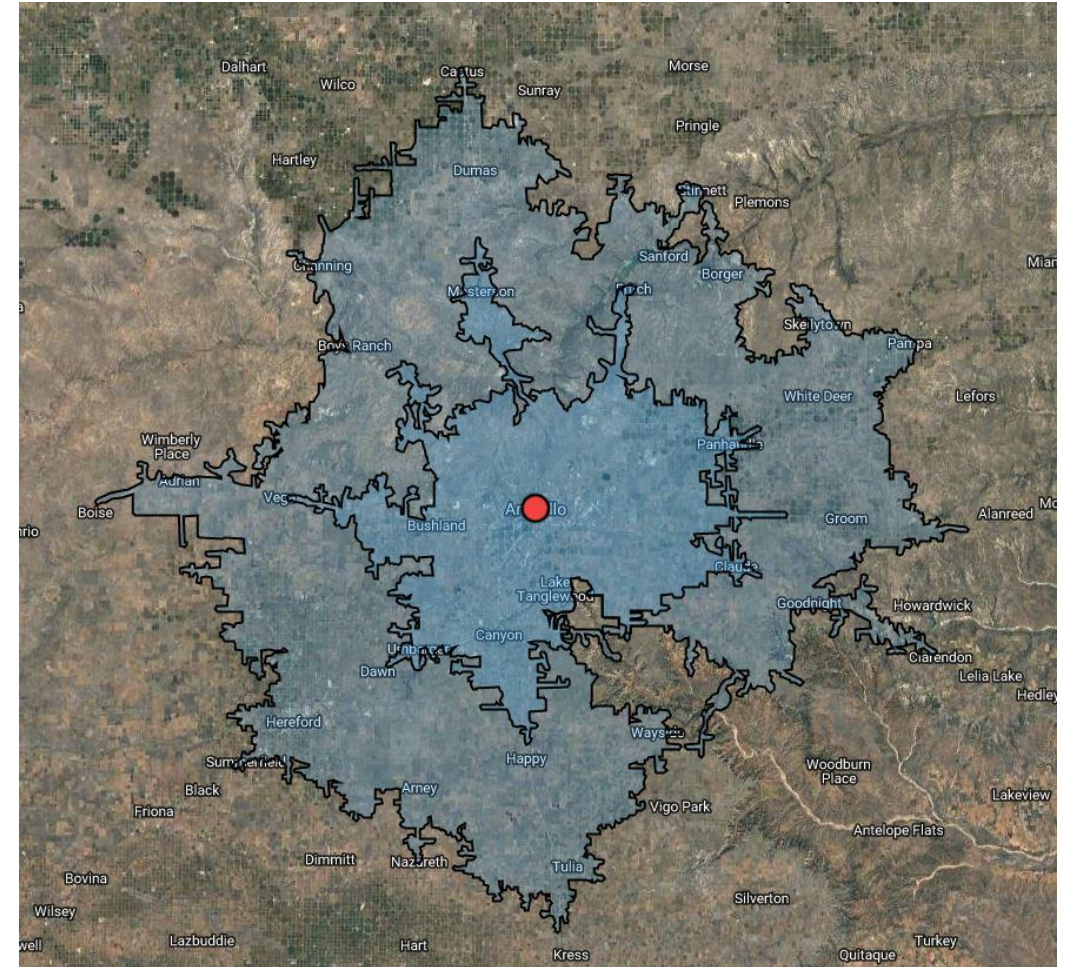
Source: Costar



# Market Analysis

## RETAIL LEAKAGE

- **ESRI Retail MarketPlace Profiles**
  - Measures the volume of supply against the demand in the same industry
  - Business revenues (retail sales) reveals market supply
  - Consumer spending reveals market demand or retail potential
- **Selected trade areas**
  - 45-minute drive: 277,000 population
  - 75-minute drive: 430,000 population



Source: SitesUSA

# Market Analysis

## RETAIL LEAKAGE

- A **positive value** represents a leakage of retail opportunity outside the trade area.
- A **negative value** represents a surplus of retail sales, a market where customers are drawn in from outside the trade area.
- The Leakage/Surplus Factor ranges in value:
  - 100 (total surplus, no local shoppers)
  - +100 (total leakage, no retailers)
- Overall, Amarillo has a surplus of retail and food & drink – supply in the area exceeds consumer demand and retailers attract shoppers from outside the trade area

Industry Summary	Demand	Supply	Gap	Leakage / Surplus Factor
Total Retail	\$4.8 B	\$7.1 B	-\$2.3 B	-19.3
Total Food & Drink	\$502 M	\$597 M	-\$95 M	-8.6
<b>Total</b>	<b>\$5.3 B</b>	<b>\$7.7 B</b>	<b>-\$2.4 B</b>	<b>-18.4</b>

Source: ESRI 75-minute Trade Area

# Market Analysis

## RETAIL LEAKAGE

Industry Subsectors	Alignment with Strategic Vision
Motor Vehicle & Parts Dealers	Low
Furniture & Home Furnishings Stores	Low
Electronics & Appliance Stores	High
Bldg Materials, Garden Equip. & Supply Stores	Low
Food & Beverage Stores	High
Health & Personal Care Stores	Low
Gasoline Stations	Low
Clothing and Clothing Accessories Stores	High
Sporting Goods, Hobby, Book, and Music Stores	High
General Merchandise Stores (Dept. Stores)	Low
Miscellaneous Store Retailers (Florists, Office Supplies, Gift Stores)	Low
Non-store Retailers (Electronic Shopping)	Low
Food Services & Drinking Places	High



### Selected Subsectors:

1. Electronics & Appliance Stores
2. Food & Beverage Stores
3. Clothing & Clothing Accessories Stores
4. Sporting Goods, Hobby, Book, & Music Stores
5. Food Services & Drinking Places

# Market Analysis

## RETAIL LEAKAGE

Selected Subsectors	Retail Gap for 45-Min	Retail Gap for Broader Region
<b>1. Electronics &amp; Appliance Stores</b>	<b>\$21 M</b>	<b>\$31 M</b>
<b>2. Food &amp; Beverage Stores</b>	<b>\$73 M</b>	<b>-\$23 M</b>
<i>Grocery Stores</i>	\$70 M	-\$20 M
<i>Specialty Food Stores</i>	\$2 M	\$4 M
<i>Beer, Wine, &amp; Liquor Stores</i>	\$1 M	-\$7 M
<b>3. Clothing and Clothing Accessories Stores</b>	<b>-\$14 M</b>	<b>\$23 M</b>
<i>Clothing Stores</i>	-\$8 M	\$18 M
<i>Shoe Stores</i>	\$5 M	\$10 M
<i>Jewelry, Luggage, &amp; Leather Goods Stores</i>	-\$11 M	-\$5 M
<b>4. Sporting Goods, Hobby, Book, and Music Stores</b>	<b>-\$19 M</b>	<b>\$21 M</b>
<i>Sporting Goods and Hobby Stores</i>	-\$24 M	\$12 M
<i>Book and Music Stores</i>	\$5 M	\$9 M
<b>5. Food Services &amp; Drinking Places</b>	<b>-\$124 M</b>	<b>-\$95 M</b>
<i>Special Food Services</i>	-\$1 M	-\$2 M
<i>Drinking Places – Alcoholic Beverages</i>	\$3 M	\$6 M
<i>Restaurants / Other Eating Places</i>	-\$126 M	-\$99 M

Which selected subsectors have **leakage**?

# Market Analysis

## RETAIL LEAKAGE

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**Potential retail opportunity in 7 groups that align with vision for East Gateway:**

1. Electronics & Appliances
2. Specialty Food
3. Clothing
4. Shoes
5. Sporting Goods & Hobby
6. Book & Music
7. Drinking Places

# Market Analysis

## RETAIL SYNTHESIS & SUMMARY

- Analysis indicates there is some demand in Amarillo and region for the seven groups identified on the previous slide
- Grocery – the largest source of demand – does not align with Strategic Vision for East Gateway
- Demand typically aligns with residential patterns (West / South Amarillo)
  - Retail in East Gateway would likely need incentives
- Further market sounding and testing needed to confirm demand & understand dynamics to inform square footage assumptions in the concept development

# sports & recreation



# Market Analysis

## NATIONWIDE SPORTS & RECREATION TRENDS

### *Over the Past 5 Years...*

- › Fitness and outdoor activities have had the greatest increase in participation
- › Team sports, aquatic sports, and racquet sports have grown more modestly or remained static
  - Baseball, Basketball, Ice Hockey, Lacrosse, and Court Volleyball have seen increased levels of participation among children 6 - 12
  - Tackle Football and Soccer participation has fallen nationwide over the last decade
- › Participation rates are higher among more affluent households





# Market Analysis

## TEXAS SPORTS & RECREATION TRENDS

- > Texas is not a leader in overall activity rates, but youth and high school sports have remained strong
- > Texas is one of four states where High School football participation stayed the same or increased over the last decade
- > Team sports and outdoor sports have high participation in Texas, while fitness sports are less popular

Source: NFHS, Aspen Institute



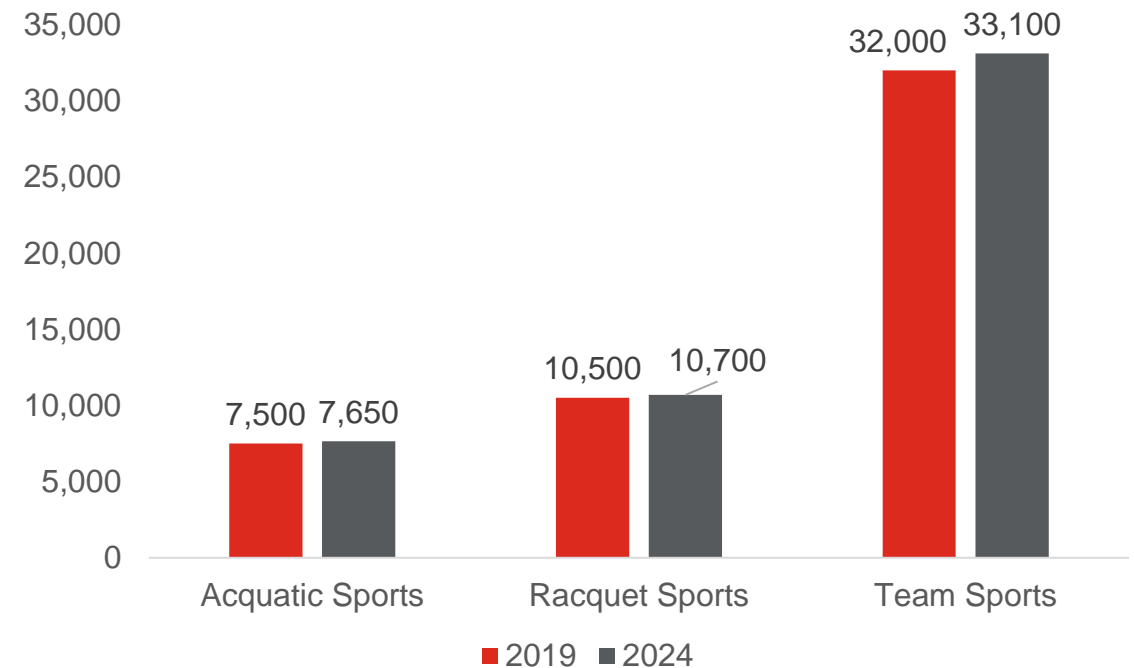
Source: SFIA Participation Topline Report

# Market Analysis

## YOUTH SPORTS & RECREATION TRENDS

- > Nationwide, team sports participation is dominated by Gen Z, though it has declined slightly in recent years
- > **29%** of Amarillo's population is ages 0 – 19
  - Amarillo's market for youth sports is slightly larger than the nationwide average of 27%
- > Youth population in Amarillo is projected to grow in the next 5 years

Potential Gen Z Participation in Amarillo



# Market Analysis

## INCOME IMPACTS ON SPORTS & RECREATION

- > Nationally, participation in sports and recreation is highly correlated with income
- > Participation among lower socioeconomic cohorts has declined greatly in recent years

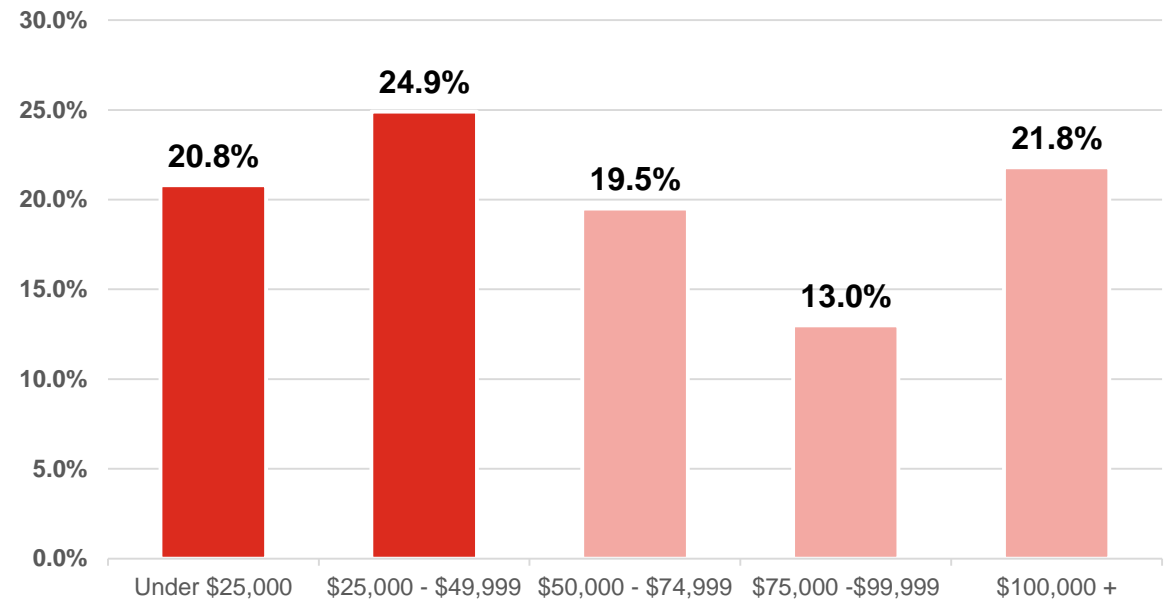
### 5-Year Nationwide Increase in Inactivity Rates

Under \$25,000	25%
\$25,000 - \$49,999	11%

- > Amarillo's Median Household Income trails state and national levels

Amarillo	Texas	Nationwide
\$55,000	\$63,000	\$59,000

### Amarillo HH Income Distribution



Almost half (**46%**) of Amarillo's population falls within socioeconomic groups experiencing a significant decline in activity levels.

# Market Analysis

## SPORTS FACILITIES IN AMARILLO

- › Amarillo youth sports leagues and organizations support the larger Panhandle region and draw participants from as far as two hours away
- › Major sports facilities include
  - Amarillo Netplex
  - John Stiff Memorial Park
  - Bus & Freda Dugger Sportsplex
- › For most sports, there is only one or two larger, multi-field complexes
- › High School fields and facilities are utilized by youth sports organizations, but are in high demand and limited supply
- › Amarillo sports organizations are often forced to utilize facilities outside of the City proper due to lack of supply

Sport / Facility	Amarillo Facilities	Gap per Parks & Rec (NRPA)
Baseball Fields	12	18
Soccer Fields	44	18
Softball Fields	20	16
Volleyball Courts	18	17
Football Fields	19	2
Swimming Pools	3	2
Tennis Courts	32	28
Multi Use Courts	11	9

**Source:** Amarillo Parks & Recreation, revised April 2012  
Not verified by Brailsford & Dunlavey

# Market Analysis

## COURT SPORTS

### Volleyball

- › Amarillo has very high volleyball participation per capita and is considered the volleyball capital of Texas by local contacts
- › Amarillo volleyball clubs routinely draw youth from up to an hour away, and sometimes as far as 90 minutes outside the city
- › Local clubs are forced to use gyms outside of Amarillo due to a shortage of regulation courts and competing programs
- › Per local contacts, there is a need for 10 -15 additional courts within Amarillo to accommodate local club schedules and tournaments

### Cheer

- › Cheer Texas is the only cheer gym in the area and consistently has 300 – 350 girls enrolled in its programs
- › Cheer Texas sees the greatest demand for recreational tumbling – there are 6 tumbling gyms in Amarillo
- › Though most participants are local, Cheer Texas draws girls from up to an hour away
- › School gyms are sometimes used for cheer programs when needed

# Market Analysis

## FIELD SPORTS



### Softball

- › There are currently no regulation fast pitch softball fields in Amarillo and slow pitch fields have to be adapted for fast pitch use
- › Softball participation fluctuates from 600-1,200 a year and draws athletes from as far as Dumas and Perryton
- › There is a need at least 5-6 regulation fast-pitch fields to support demand

### Baseball

- › Baseball has a newer 6-7 field complex, but still has less than adequate field supply
- › There is a need for more lighted baseball fields as the local school fields are not lighted
- › If new fields were added, baseball and softball are willing to share and configure fields to their individual needs

### Soccer

- › There are 3 major clubs with around 12,000 total participants in the Amarillo Soccer Association
- › Soccer games are almost exclusively played at John Stiff Memorial Park
- › The Amarillo Soccer Association hosts two annual tournaments with the larger having around 5,000 participants
- › Existing field numbers are adequate to serve demand, but field quality is poor and lighted fields are in short supply

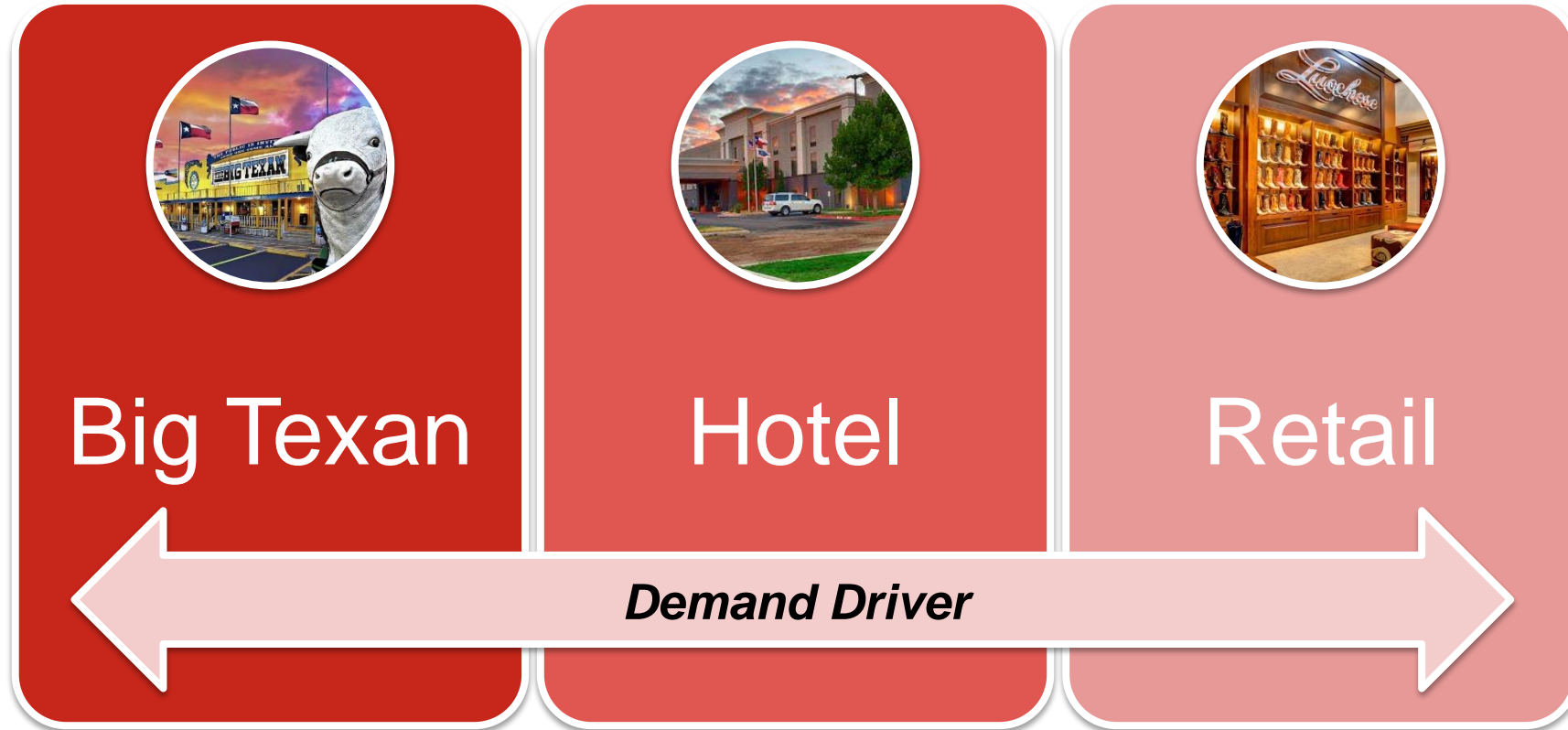
# 3

## Concept Refinement



# Concept Refinement

## EAST GATEWAY



**Could sports tourism be that driver?**



# Concept Refinement

## COMMUNITY RECREATION VS. SPORTS TOURISM

### Community Recreation

- › Focuses on Amarillo/Panhandle residents
- › Enhances quality of life for the Panhandle
- › Helps recruit + retain businesses and families
- › Activates site through the week and weekend as a hub of activity
- › Must appeal to all age groups and provide a place for residents at every level
- › Typically house leagues & clubs

### Sports Tourism

- › Focuses on drawing individuals from the region to Amarillo for major events
- › Requires first class facility that is competitive with surrounding markets
- › Site activated primarily on weekends a few times each year for major tournaments
- › Requires transportation infrastructure, lodging supply, and supporting civic assets
- › Typically competitive travel leagues
- › 3<sup>rd</sup> party operators

# 4

## Wrap Up & Next Steps



# Wrap Up & Next Steps


## AMARILLO, TX

- › **Refine and confirm concept**
  - Community Recreation vs. Sports Tourism
  - High-level development budget
  - Discussion with Big Texan
- › **Market Sounding**
  - Sports Tourism
  - Hotel/Retail/Entertainment such as Great Wolf Lodge or other product type
- › **Confirm Final Presentation Date**
  - November 1, 2019 to Executive Committee




# Map of Selected Waterpark Resorts


Great Wolf Lodge

 All items

Kalahari Resorts

 All items












Schlitterbahn

 All items

Amarillo

 Amarillo

Texas Waterparks

-  Six Flags Hurricane Harbor
-  Castaway Cove Waterpark
- 
-  Hurricane Harbor Splashtown
-  Wet 'N' Wild Waterworld
-  Aquatica San Antonio
-  Six Flags Fiesta Texas
-  NRH2O Family Water Park
-  Splashway Water Park
-  Pirates Bay Water Park
-  Waterpark at the Villages



# Map of Selected Outlets

## Amarillo



## Outlet Malls



TUMI Outlet Store - Grand Prairie Premium Outlets



The Outlet Shoppes at El Paso



Allen Premium Outlets



Tanger Outlets Fort Worth



Tanger Outlets Houston



Tanger Outlets



Rio Grande Valley Premium Outlets



Round Rock Premium Outlets



Grapevine Mills



San Marcos Premium Outlets



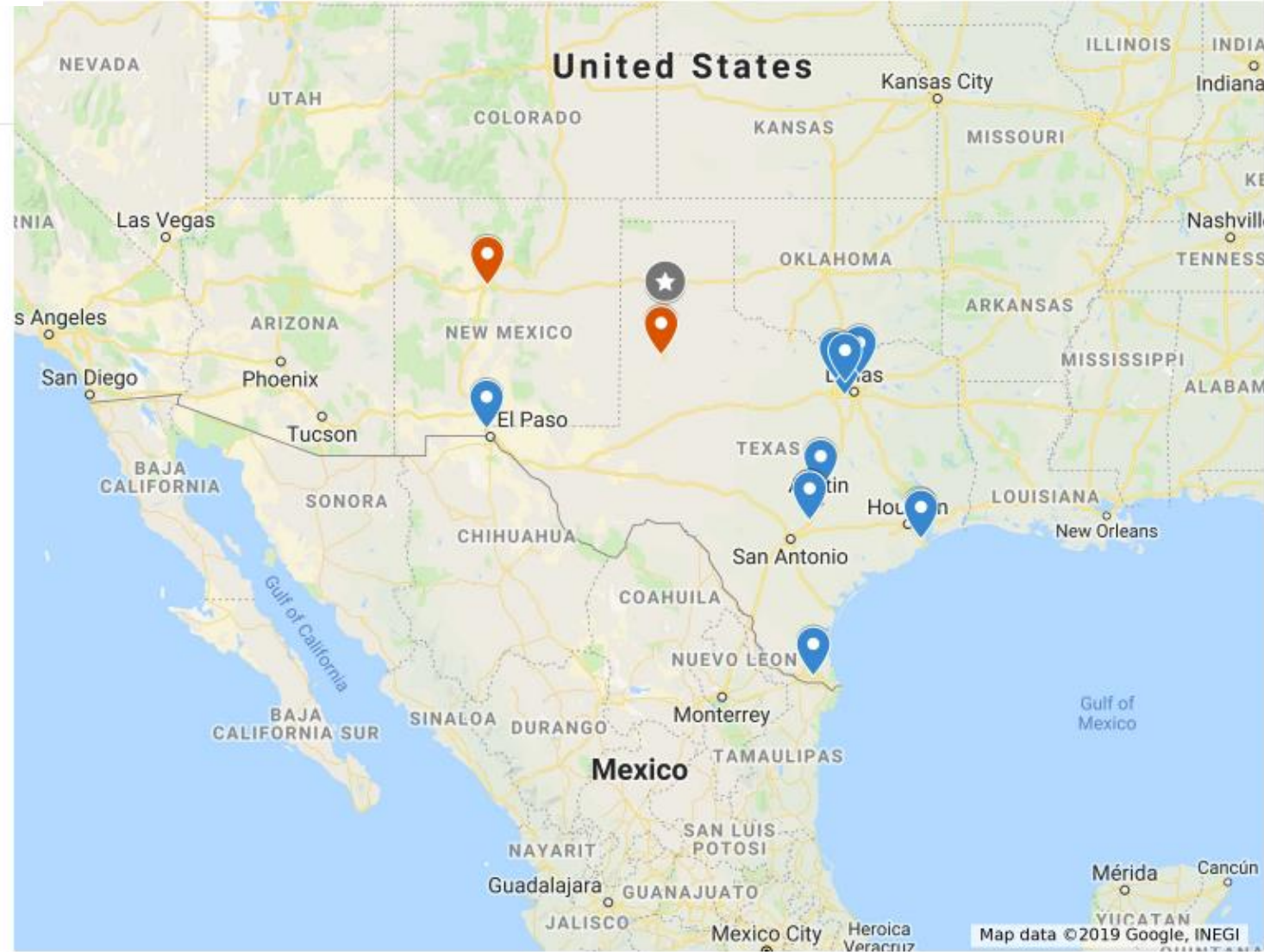
Tanger Outlets San Marcos



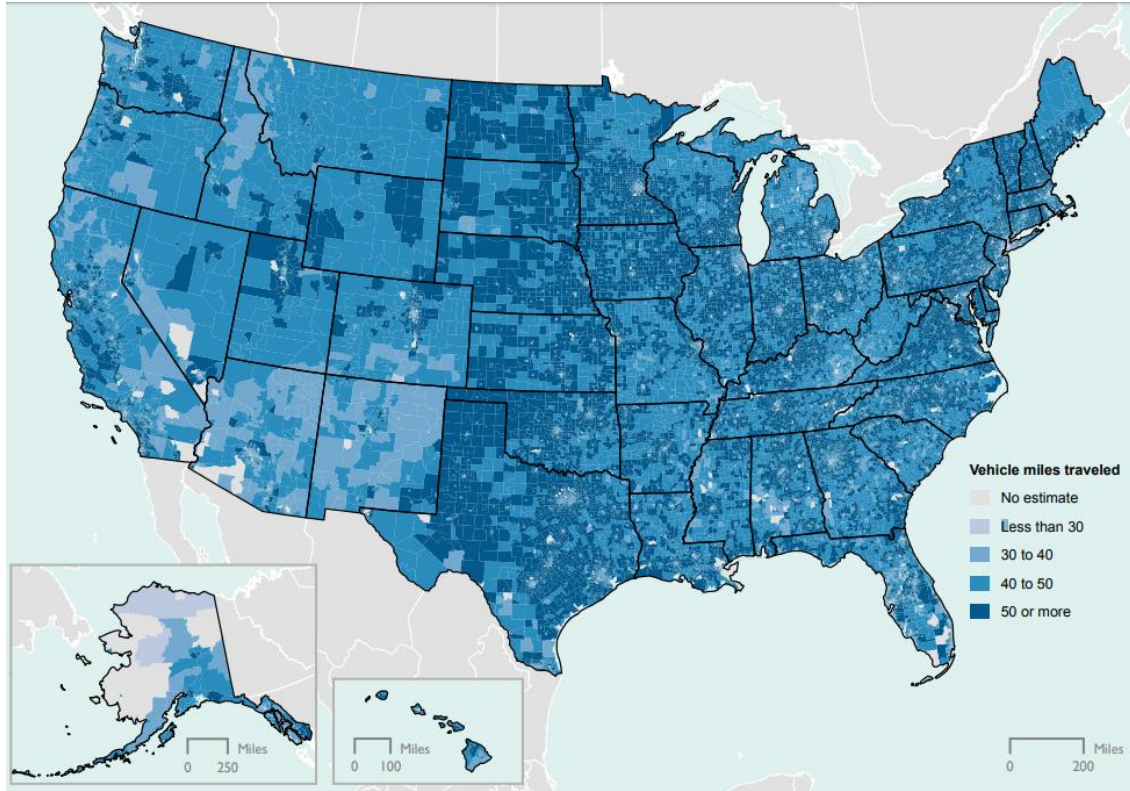
West End Plaza



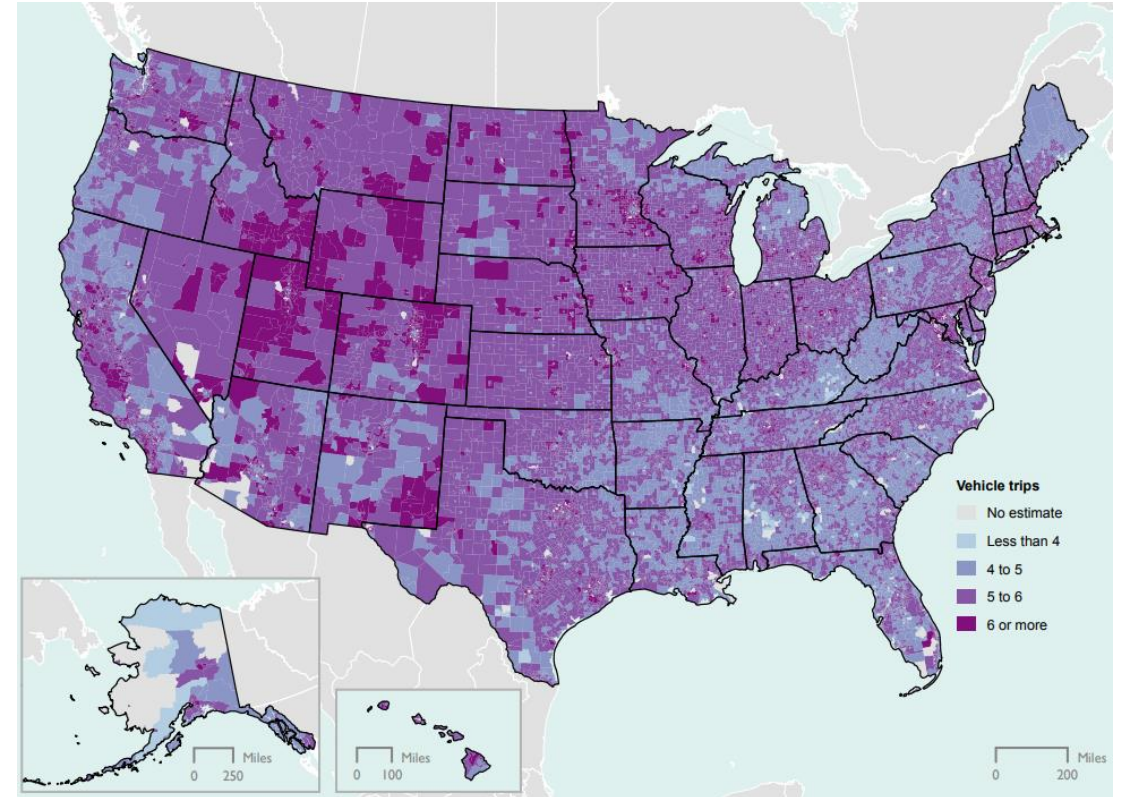
ABQ Uptown



Average weekday household vehicle-miles traveled by U.S. Census Tract (per day)



Average weekday household vehicle trips by U.S. Census Tract (per day)

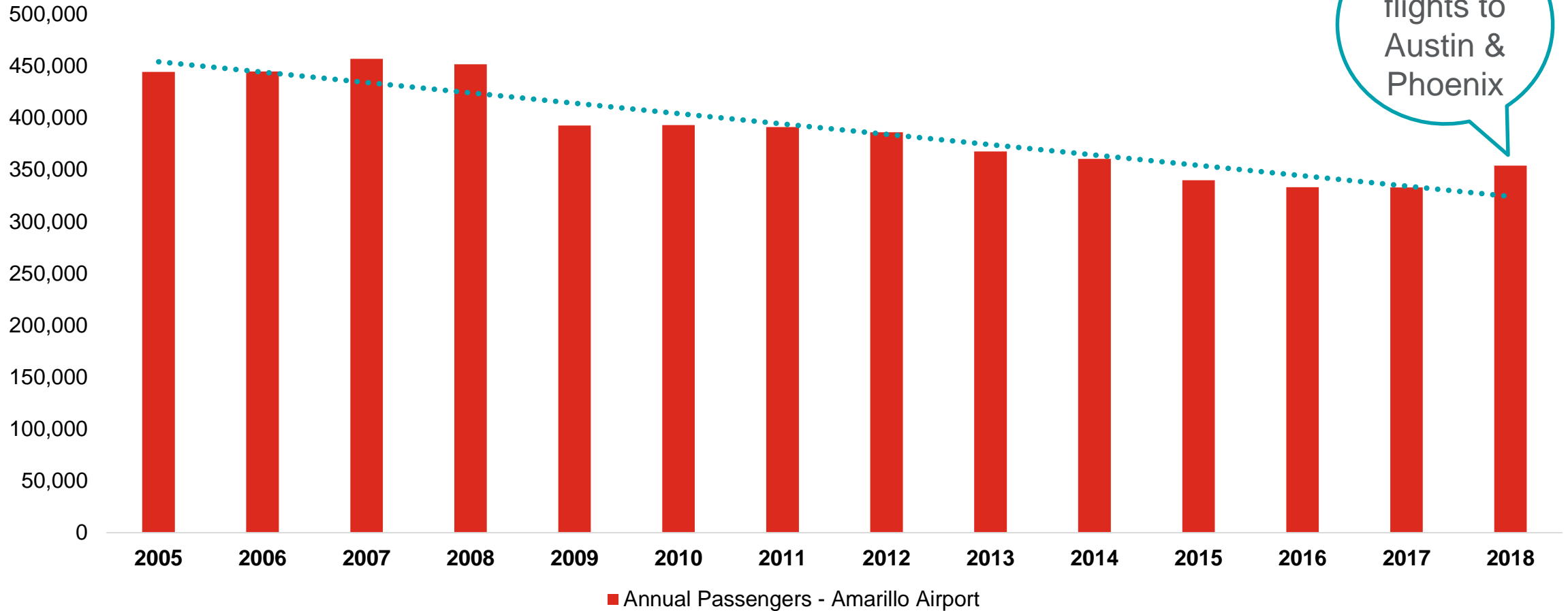


Source: Bureau of Transportation Statistics

# Market Analysis

## AMARILLO AIR TRAVEL

### Annual Passengers - Amarillo Airport





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