

Paducah TIF District Hotel Market Study

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**Prepared for:
City of Paducah**

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EXECUTIVE SUMMARY

The City of Paducah, KY retained ConsultEcon, Inc. to analyze the market potential for a new hotel in the downtown area of Paducah. The purpose of this report is to generate a market study to inform the City of Paducah's application for Tax Increment Financing (TIF) to the Commonwealth of Kentucky. An important requirement for a new hotel development in the proposed TIF District is that it attract new overnight stays in the TIF District rather than simply shifting overnight stays from existing properties. Therefore, this study identifies the potential for a new hotel development that is most likely to attract new overnight stays.

Tourism and Development Context

Paducah is a regional center of business, shopping, services and entertainment that draws business and leisure travelers. Paducah's tourism sector is driven by its location on Interstate 24, as well as its strength as a nationally and internationally recognized destination for arts and culture. Key tourist attractions are located in the TIF District. The proposed investments in the TIF District will support the growth of Paducah's tourism industry and create a supportive environment for hotel development.

Site Evaluation

Eight sites in the TIF District were evaluated for their potential for hotel development. Most of the identified sites are suitable for hotel development, although some sites can only accommodate a small hotel development due the need for building reuse or demolition. The sites that are closest to the Paducah-McCracken County Convention and Expo Center are most appropriate for convention and meeting oriented business. The sites that are closest to Broadway and Market House Square are most appropriate for downtown, arts and cultural visitors to Paducah.

Room Supply

There are a total of 35 hotels, motels, inns, and bed & breakfasts with a total of 2,178 rooms in the City of Paducah/ McCracken County. Most of these rooms are in traditional hotels and motels. Hotels and motels are primarily located near Interstate 24 by the Kentucky Oaks Mall. The hotel and motel properties in Paducah have an average of 76 rooms per property. There are a variety of chain hotel operators, and the most common brand companies include Choice Hotels, Wyndham Worldwide, Drury Hotels and Marriott. Of these brands, midscale class hotel and motel accommodations are the most common along with economy class. A recently opened Holiday Inn with 123 rooms on the riverfront brought a chain hotel to the TIF District, in addition to providing adjacent lodging to the Paducah-McCracken County Convention and Expo Center (PMCCEC).

Annual Demand Trends

The total annual occupied room nights increased from 2012 to 2015. Since 2015, there has been a decline in total annual occupied room nights in Paducah/ McCracken County. Paducah's average daily room rate has consistently increased year-over-year since 2012 and

was almost \$87 in 2017. Revenue per available room decreased from \$54 in 2015 to \$50 in 2017, the most recent complete year of data. These demand trends reflect the increasing supply of hotel rooms in Paducah / McCracken County, as well as changes to demand patterns reportedly due to the completion of long-term construction projects that generated room nights in the area. However, the demand from the construction projects was generally in a category of hotels different than what is proposed for downtown.

Monthly Demand Trends

Monthly occupied room nights vary somewhat throughout the year, with March through November being the peak period for occupancy. For the year ending in October 2018, the monthly occupancy rate ranged from a low of 43 percent in January 2018 to a high of 67 percent in June. The average daily rate is relatively consistent throughout the year, with the exception of April and more recently September, which have rates due to the Quilt Shows at the PMCCEC in those months. For the year ending in October 2018, the monthly average daily rate ranged from a low of \$81 in January 2018 to a high of \$102 in April; September's average daily rate was \$94.

Days with High Occupancy

There were 84 days with an average daily occupancy rate over 60 percent between November 2017 and October 2018. Of these days, 21 days were in June, 16 days were in July and 13 days were in October. Many of these high occupancy days are associated with major events as well as peak summer travel period.

Competitive Set

A competitive set of six Upscale and Upper Midscale hotels indicate higher annual occupancy rates and higher average daily rates than the overall market. The annual average daily room rate for the competitive set at \$107 was 24 percent higher than the average daily room rate of \$87 for the market as a whole over the same period. Over the year, the competitive set accounted for 25 percent of the total market's room supply, 30 percent of total market occupancy, and 37 percent of the total market's room revenue. The competitive set's revenue per available room for the year was \$67, a 45 percent premium over the total market's revenue per available room of \$46.

Demand Generators

The proposed location in the TIF District is one of the primary competitive advantages for a new hotel. Compared to other areas in the competitive market, the downtown has a lower level of competition. Important demand generators in the TIF District that draw visitors from outside of the Paducah region include the array of arts and cultural attractions, events and festivals, downtown shopping and dining, the Paducah- McCracken County Convention and Expo Center, the Seamen's Church Institute, the river industry headquarters and operations that are near the TIF District. In addition, a downtown hotel would attract room nights from individuals on private business and those visiting friends and relatives. A new hotel development in the TIF District can be targeted to arts and cultural leisure visitors, business

travelers in the marine industry training and operations, and convention and meeting attendees at the PMCCEC.

Findings and Recommendations

The following summarize the findings and recommendations for new hotel development in the proposed TIF District in Paducah based on the site and market analysis.

- ◆ Many key generators of hotel room nights in Paducah are located in the TIF District. These include the arts and cultural facilities, the convention and expo center, festivals and events, marine and other river-oriented businesses and training facilities, as well as other businesses located in the downtown.
- ◆ Due to the early year operations and the proposed improvements to PMCCEC facilities and the new management agreement, the PMCCEC is poised to generate additional room nights. As convention business grows it will generate more demand for the Holiday Inn Riverfront as well as create the opportunity for more hotel rooms downtown because the Holiday Inn Riverfront will not be able to satisfy all the demand for rooms generated by larger non-local events.
- ◆ The TIF District has a shortage of available rooms to support activity created by key demand generators in the downtown. Almost all of the existing supply of hotel rooms in Paducah / McCracken County is concentrated near the highway.
- ◆ A new hotel in the TIF District would have a locational advantage over highway-oriented hotels because of its visibility and accessibility to key generators of demand that are concentrated in the downtown area.
- ◆ Arts and cultural activities in Paducah are a significant and growing market in the future. The City continues to receive national and international recognition as an appealing destination. A new hotel in the downtown would only solidify this reputation and reinforce the investments made in arts and culture in the future.
- ◆ There is an opportunity for a new TIF District hotel to carve out a new niche by offering something different than the existing accommodations. The current TIF District accommodations have limitations in serving arts and cultural audiences. The Holiday Inn Riverfront location is too far from arts and cultural attractions for an easy walk; small inns do not offer the experience of a full-scale hotel, nor the reservation system. A new hotel in the TIF District would need to be sized and scaled to the opportunity to fill a gap in the existing lodgings by offering a different experience.
- ◆ There is an estimated 25,500 room nights generated by arts and cultural events alone. Other market segments of demand include business, personal travel, convention and meetings, and visiting friends and relatives. The arts and culture segment is enough to support a 100 room hotel on its own. These room nights are serviced throughout the market area, but a TIF District hotel would likely be successful in capturing a substantial portion of this market segment.

- ◆ A new hotel, if capturing a large share of the arts and cultural market and some business travel and some convention, conference and meetings business, may range from 35 to 50 rooms.
- ◆ The new hotel would need to be positioned as a boutique hotel—like an upscale chain hotel but smaller and reflecting the unique character of Paducah—and contain amenities, such as a full-service restaurant, to appeal to a guest demographic with disposable income that can support higher price points, with daily rates 20 to 30 percent higher than the market average. Due to the size of the hotel, the restaurant associated with it will need to be profitable in order to sustain the operation. The restaurant would need to be a destination in its own right.
- ◆ A boutique hotel should be able to support nightly rates from \$100 to \$120, depending on day of week and seasonal considerations. These rates are comparable to existing upscale and upper midscale hotels in the Paducah market.
- ◆ The most logical location for a new hotel targeting arts and cultural audiences is at the city owned parking lot at Market House Square and Broadway. Different locations within the TIF District will influence the potential market segments served, which, in turn, may influence the character of the hotel. Further, other locations in the TIF District may have less market support.
- ◆ A new hotel in the TIF District with a market positioning that is differentiated from the existing hotels in the TIF District will increase the number of overnight stays because it will better serve demand generators in the downtown area, as well as compete in the overall market for other business and personal travel. It is likely that it will draw some demand from existing hotels in the TIF District. However, current redevelopment and growth in the downtown area indicates that the new competition for existing hotels would be largely mitigated by the expected increase in total demand in the downtown area.

Section I

INTRODUCTION AND ASSUMPTIONS

The City of Paducah, KY retained ConsultEcon, Inc. to analyze the market potential for a new hotel in the downtown area of Paducah. The purpose of this report is to generate a market study to inform the City of Paducah's application for Tax Increment Financing (TIF) to the Commonwealth of Kentucky. An important requirement for a new hotel development in the proposed TIF District is that it attract new overnight stays in the TIF District rather than simply shifting overnight stays from existing properties. Therefore, this study identifies the potential for a new hotel development that is most likely to attract new overnight stays.

Report Overview

This report reviews Paducah's tourism and economic development context, reviews the proposed TIF District boundaries, identifies potential sites for new hotel development, reviews existing accommodations supply and room demand trends in Paducah and the TIF District, and identifies key demand generators for overnight stays in the community, in order to inform analysis of potential demand for a new hotel in the TIF District. This study is informed by information provided by and interviews with representatives of the Carson Center, the City of Paducah, the Holiday Inn Riverfront, the Market House Theater, the National Quilt Museum, the Paducah Convention and Visitors Bureau, Paducah Economic Development, Paducah Main Street the Paducah-McCracken County Convention and Expo Center, and the Seaman's Church Institute.

Assumptions

In preparing this report, the following assumptions were made. This study is qualified in its entirety by these assumptions.

1. Every reasonable effort has been made in order that the data contained in this study reflect the most accurate and timely information possible and it is believed to be reliable. This study is based on estimates, assumptions and other information developed by ConsultEcon, Inc. from its independent research efforts, general knowledge of the industry, and consultations with the client. No responsibility is

assumed for inaccuracies in reporting by the client, its agents and representatives, or any other data source used in the preparation of this study. No warranty or representation is made that any of the projected values or results contained in this study will actually be achieved. There will usually be differences between forecasted or projected results and actual results because events and circumstances usually do not occur as expected. Other factors not considered in the study may influence actual results.

2. Possession of this report does not carry with it the right of publication. This report incorporates tabular data that is proprietary to STR, Inc. the data is not for public distribution. This report will be presented to third parties in its entirety and no abstracting of the report will be made without first obtaining permission of ConsultEcon, Inc., which consent will not be unreasonably withheld.
3. This report may not be used for any purpose other than that for which it was prepared. This report is not to be used as the basis for underwriting or securing financing or debt instruments. Neither all nor any part of the contents of this study shall be disseminated to the public through advertising media, news media or any other public means of communication without the prior consent of ConsultEcon, Inc.
4. This report was prepared during October through January 2019. It represents data available at that time.

Section II

TOURISM, ECONOMIC DEVELOPMENT

This section reviews the tourism and economic development context and the proposed sites for a downtown hotel. Based on a review of selected site factors, this report identifies the suitability of identified sites for a new hotel development.

Tourism Context

Paducah is a regional center of business, shopping, services and entertainment that draws business and leisure travelers. Paducah's hospitality sector is driven by its location on Interstate 24. Because of its location within several hours of St. Louis, Memphis, and Nashville, Paducah is proximate to large markets of potential pass through travelers, as well as travelers on day and weekend trips. Most of the area hotels are clustered along Interstate 24, primarily at Exit 4, proximate to the Kentucky Oaks Mall that is a regionally serving shopping center. Visitors travel to Paducah from all over the region for shopping, hospitals, and entertainment. Paducah is also stopping point for pass through travelers heading northbound and southbound on Interstate 24. For instance, so called "snowbirds" heading south for the fall/winter to reside in southern states and heading north in the spring/summer are an important market segment that support hotel stays in the area.

Paducah's tourism attractions in the TIF District include the Paducah-McCracken County Convention and Expo Center (PMCCEC) and arts and cultural attractions and events. Paducah's arts and culture-related tourism has garnered national and international recognition for the city, and is an important economic generator for Paducah. The city has invested in its arts and cultural programs through Artist Relocation Program and related redevelopment of the Lowertown Arts District, the Carson Center, the National Quilt Museum and its twice annual quilts show, the Creative Cities Network designation, several heritage attractions and the ongoing revitalization of the downtown. The American Quilters' Society (AQS) annual QuiltWeek is a twice annual show that brings people from across the world to Paducah to view fiber arts at their best. Known as Quilt City USA®, Paducah is recognized

worldwide as a mecca for quilters and fiber artists because of the quilt museum and quilt shows. In 2013, United Nations Educational, Scientific and Cultural Organization (UNESCO) designated the city as the world's seventh City of Crafts and Folk Art, making the city a member of the UNESCO Creative Cities Network. The Network includes cities from all regions of the world recognized as cultural centers in the creative industry fields of Crafts and Folk Arts, Literature, Film, Music, Design, Media Arts, and Gastronomy. This recognition has led to national and international awareness of Paducah, supporting a broader array of interest and visitation to the city. The program supports cross-cultural exchange—other cities in the network visit Paducah regularly to learn more about the city's cultural activity—and is an important promotional tool that has enabled the city to garner media attention.

Economic Development Context

The city has been making strategic investments in its downtown area and riverfront, in including a new hotel next to the PMCCEC. The riverfront is separated from the downtown by a flood wall creates a visual and physical barrier to the river, with several openings along its extent. On the wall facing the downtown are more than 50 life-size Dafford murals depicting Paducah's colorful past. In 2017, the city opened a 340-foot transient boat dock adjacent to a newly constructed park area that extends into the Ohio River. Amenities include fuel (diesel and marine grade gasoline), water, power pedestals, and a sewer pumpout station (seasonal for water and sewer amenities). It has become a popular stopping point for boaters on the river.

The city has long term plans in place to create a greenway along the riverfront that is now gravel or hardscape in several locations. The Paducah Commons Small Area Master Plan completed in 2015 covers approximately six square blocks located on the Paducah riverfront between the convention center and the rehabilitated Schultz Park and transient dock completed in 2017. The Paducah Commons Project envisions a new streetscape design, improved bike path connectivity, gangway access, a steamboat landing dock, and walkway amenities along the riverfront which can make the area more public and open up additional spaces for improved safety and persons with limited mobility, as well as divert traffic flow to

new forms of transportation. Streetscape designs provide filtered and/or framed views through the planting masses to significant elements along the walkways in order to ensure visual connections for safety and transparency. In addition, project plans include multiple concrete walls and detachable warning brick pavers that provide well-defined lines between traffic and pedestrian/cyclist activity. The park will act as a major transition and transportation corridor between downtown Paducah and the PMCCEC, located to the west of downtown. The city anticipates the park will spur economic development due to its connectivity to the riverfront. The park also will help spur private redevelopment in the Lowertown Arts District and the area from the PMCCEC to downtown.

TIF District Hotel Context

As stated above, Paducah's TIF District has a new 123 room hotel that opened in 2017, in addition to a handful of small inns, beds and breakfasts, and temporary accommodations. Many of Paducah's key arts and cultural destinations are located in or near the TIF District, as is the PMCCEC. For a number of years there were no large hotels in the TIF District since the closure of a 434 room Executive Inn in 2009. Available accommodations were limited to small inns, beds and breakfasts, and short-term rentals in private homes between 2009 and 2017. Opened in 2017, the Holiday Inn Riverfront includes 123 rooms, a full-service restaurant, and balcony rooms overlooking the river. Its location downtown and amenities differentiate it from other hotels in the marketplace that are located by the highway and are generally limited service facilities.

Proposed Capital Projects

The City of Paducah's capital projects are identified in its applications to the Commonwealth of Kentucky, including the BUILD Transportation Grant Program and the "to be submitted" application to establish a TIF district in the downtown. Following is a brief overview of the proposed improvements.

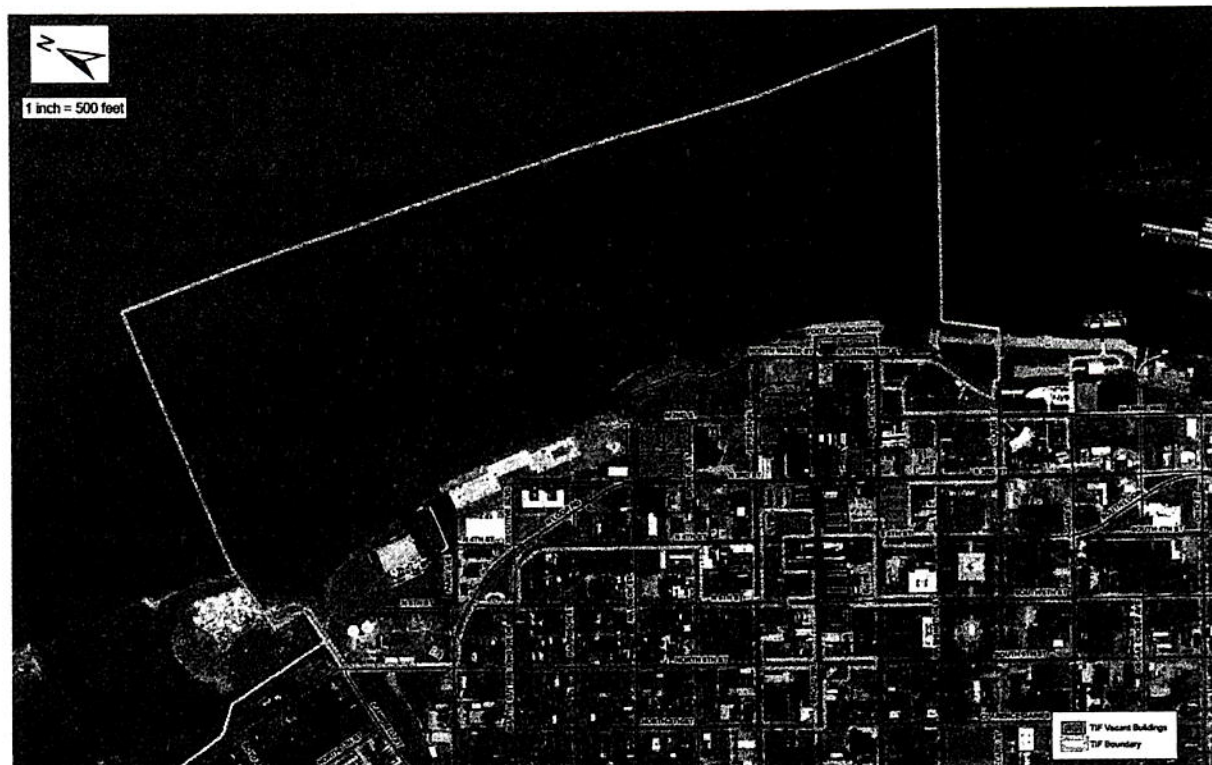
BUILD Grant

The City of Paducah is partnering with the Paducah-McCracken County Riverport Authority to seek grant funds totaling \$24.9 million through the state BUILD Transportation Grant program. The program of projects is called *Riverfront to Riverport: Investing in Paducah's Maritime Hub* will create new infrastructure to create assets that expand Paducah's river industry, tourism industry, and support downtown development. The river industry is a key business sector in Paducah because of the many marine business headquarters and operations associated with the inland port. The Port Authority is seeking \$10.8 million to construct a loading area for general cargo and containers. The City's funding request, which totals slightly more than \$12.6 million, would be used to construct a landing/excursion pier to provide a docking point for the steamboats and to complete the Paducah Commons project noted above. If funded, the City would have until the summer of 2020 to begin construction. The City's Board of Commissioners also approved providing a 20 percent match to the City's funding request.

Preliminary TIF District

Figure II-1 show the proposed TIF boundaries identified by the City of Paducah.

Figure II-1
Preliminary TIF District Boundaries



Source: City of Paducah.

TIF Project Components

Data in **Table II-1** summarize the proposed TIF project components.

Table II-1
Preliminary TIF Projects

Project	Estimate Cost	Notes
Demolition/Environmental Abatement	\$ 2,500,000.00	Kresge, Columbia Theater, Whaler's Catch, etc.
Streetscape Improvements	\$ 2,000,000.00	Planter beds, street trees, street lighting, wayfinding, stop light replacement, etc.
Bike Infrastructure	\$ 2,000,000.00	Bike lanes, bike racks, etc.
Ohio River Dredging & Bank Stabilization	\$ 7,500,000.00	\$1.5M every 5 years through the 20 year life of the TIF
Parking Improvements	\$ 7,500,000.00	Broadway parking lot, structure parking, etc.
Steamboat Pier & Paducah Commons	\$ 2,900,000.00	Match to BUILD Grant
Broadway/Jefferson Conversion	\$ 3,000,000.00	one way back to two way streets
Historic District Gateway	\$ 750,000.00	Creation of a "gateway" entrance into Historic District at Broadway & 7th Streets
Broadband Infrastructure	\$ 3,000,000.00	Public High speed interest service in the TIF District and expansion of public Wi-Fi access points
Town Square	\$ 3,000,000.00	Conversion of the Broadway & 2nd street parking lot into a town square for public events.
Total	\$ 34,150,000.00	

Source: City of Paducah.

The capital projects identified in the BUILD and TIF district applications combined represent almost \$60 million in public improvements. The proposed improvements would create a supportive environment for hotel and other development should they be implemented.

Summary

Paducah is a regional center of business, shopping, services and entertainment that draws business and leisure travelers. Paducah's tourism sector is driven by its location on Interstate

24, as well as its strength as a nationally and internationally recognized destination for arts and culture. Key tourist attractions are located in the TIF District. The proposed investments in the TIF District will support the growth of Paducah's tourism industry and create a supportive environment for hotel development.

Section III

SITE CONTEXT

This section provides an evaluation of the sites in the TIF District for new hotel development. Eight sites were identified by the City of Paducah as potential locations for new hotel development. These sites are shown in **Figure III-1** and **Figure III-2**.

Figure III-1
Location of Potential Sites for New Hotel Development



Source: Google Earth and ConsultEcon, Inc.

For the purposes of this analysis, the sites in Figure III-1 are numbered and named as follows:

- ◆ Site #1 – Old Executive Inn Site
- ◆ Site #2 – Old Nursing Home Site
- ◆ Site #3 – Farmers Market Site

Figure III-2
Location of Potential Sites for New Hotel Development



Source: Google Earth and ConsultEcon, Inc.

For the purposes of this analysis, the sites in Figure III-2 are numbered and named as follows:

- ◆ Site #4 – City Parking Lot
- ◆ Site #5 – Old Whalers Catch Restaurant Site
- ◆ Site #6 – Carson Center Site
- ◆ Site #7 – Old Kresge Building
- ◆ Site #8 – Kentucky Ave. Parking Lot

Site Characteristics

Each of identified site is evaluated for the following characteristics in order to identify the site most suited for new hotel development.

- ◆ **Site Ownership** – Public or private ownership.
- ◆ **Existing use** – Current site use, if occupied or vacant.
- ◆ **Site size** – Site area in acres from the Paducah McCracken County Property Valuation Administrator (PVA).
- ◆ **Potential for Hotel Development and Parking** – This is a preliminary assessment of the sites capacity to accommodate new hotel development based on space required for prototypical hotel. For the purposes of this analysis, hotels with up to 110 rooms are assumed to require 1.5 acres of space. Smaller sites may accommodate smaller hotel developments with a minimum threshold of half an acre for a prototypical 30 room hotel. Data in **Table III-1** show site size parameters for a variety of prototypical scales of hotel and associated parking.
- ◆ **Accessibility / Visibility** – A description of the site's accessibility and visibility to potential visitors.
- ◆ **Nearby and Adjacent Uses** – A description of nearby and adjacent uses to identify supportive uses and visitor amenities such as shopping, dining, visitor facilities and attractions.
- ◆ **Marketability** – Identification of targeted visitors and market segments.
- ◆ **Photographs** – An aerial photograph demarcating the sites identified and building photographs (if available) from the Paducah McCracken County PVA.

Data in **Table III-2** through **Table III-9** review each site for the above characteristics.

Table III-1
Prototypical Hotel Development and Parking Sizing Based on Number of Rooms

Assumptions						
Total Hotel Gross Area per Room ^{1/}	650 in square feet (SF)					
Building Stories	3 stories					
Gross Parking Area per Space	330 in SF					
Grossing Factor for Additional Site Area (outdoor landscaping, entry, loading)	10% of building footprint and parking area					
	Number of Rooms	30	50	70	90	110
Hotel Development						
Total Gross Area in SF		19,500	32,500	45,500	58,500	71,500
Building Footprint		6,500	10,833	15,167	19,500	23,833
Parking Area						
Parking Requirement ^{2/}		30	50	70	90	110
Gross Parking Area		9,900	16,500	23,100	29,700	36,300
Building Footprint + Parking Area		16,400	27,333	38,267	49,200	60,133
Grossing Factor for Additional Site Area (outdoor landscaping, entry, loading)		1,640	2,733	3,827	4,920	6,013
Total Space Required in SF		18,040	30,067	42,093	54,120	66,147
Acres		0.41	0.69	0.97	1.24	1.52

1/ For urban business hotel from deRoos, J. A. (2011). Planning and programming a hotel [electronic version]. Retrieved November 29, 2018, from Cornell University, School of Hospitality Administration site: <http://scholarship.sha.cornell.edu/articles/310>

2/ One space per room per City of Paducah Zoning Ordinance.

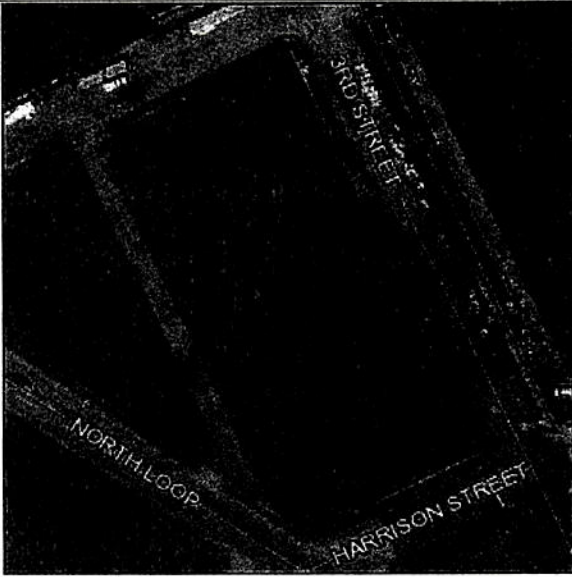
Source: ConsultEcon, Inc.

Table III-2
Site #1 – Old Executive Inn Site

Site Ownership	City of Paducah
Site Use	Transient Dock (not shown in aerial photograph below) Site for proposed Paducah River Commons, a new waterfront park.
Site Size	13.85 acres
Potential for Hotel Development and Parking	Sufficient space for hotel development and parking onsite.
Accessibility / Visibility	Visibility and accessibility is limited because the site is not on Business State Route 60, a primary thoroughfare for travelers entering and exiting the city. In addition, the flood walls also create barrier to visibility to travelers. However, visibility may be improved with the proposed Paducah Commons project.
Nearby and Adjacent Uses	Adjacent to the PMCCEC Holiday Inn Riverfront, New Transient Dock (not shown in image below taken before dock built), and industrial uses.
Marketability	The site would be most marketable to visitors at the convention and expo center, and secondarily to visitors to downtown and arts and cultural attractions. Limited accessibility and visibility due to its location a block off the primary thoroughfare also influences the marketability of the site.
Aerial Photograph	Aerial photograph not available from PVA. 

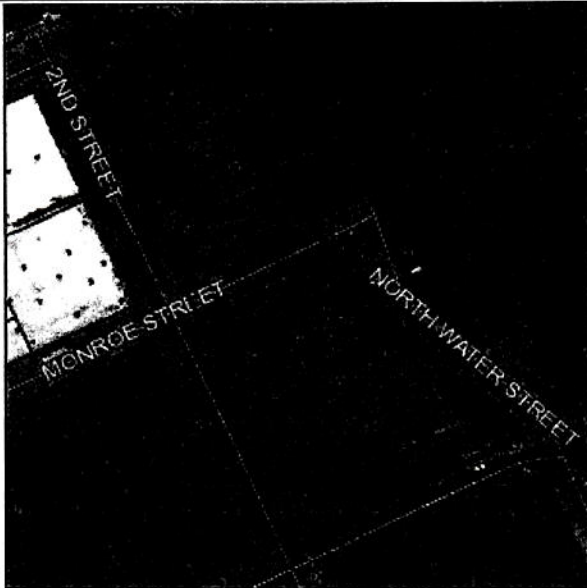
Sources: McCracken County Property Valuation Administrator, Google Earth, and ConsultEcon, Inc.

Table III-3
Site #2 – Old Nursing Home Site

Site Ownership	City of Paducah Reported three-year option on property (with 1.5 years remaining) held by LinGate Hospitality, the owner of the Holiday Inn Riverfront located across the street.
Existing Use	Vacant site
Site Size	1.29 acres
Potential for Hotel Development and Parking	Sufficient space for hotel development and parking onsite, although there may be some limits to the size of the hotel.
Accessibility / Visibility	Highly visible and accessible to visitors to PMCCEC and travelers to entering and exiting the downtown on Business State Route 60.
Nearby and Adjacent Uses	Adjacent to PMCCEC and Holiday Inn Riverfront and Paducah Commons project proposed for Old Executive Inn site (Site 1)
Marketability	The site would be most marketable to visitors at the PMCCEC, and secondarily to visitors to downtown and arts and cultural attractions.
Aerial Photograph	

Sources: McCracken County Property Valuation Administrator and ConsultEcon, Inc.

**Table III-4
Site #3 – Farmers Market Site**

Site Ownership	Private Owner City leases the property for the farmers market, public restrooms and parking.
Existing Use(s)	Seasonal farmers market use Public Restrooms Parking
Site Size	3.73 acres
Potential for Hotel Development and Parking	Sufficient space for hotel development and parking onsite.
Accessibility / Visibility	This site has good accessibility and visibility to visitors going to the Quilt Museum, and visitors parking across the street and in nearby parking lots to visit the downtown and the riverfront.
Nearby and Adjacent Uses	Located adjacent to the Quilt Museum and the riverfront and proposed Paducah Commons project. Across the street from industrial use and city parking lot.
Marketability	The site would be most marketable to visitors to downtown and arts and cultural attractions, and secondarily to visitors at the convention and expo center.
Aerial Photograph	

Sources: McCracken County Property Valuation Administrator and ConsultEcon, Inc.

Table III-5
Site #4 – City Parking Lot

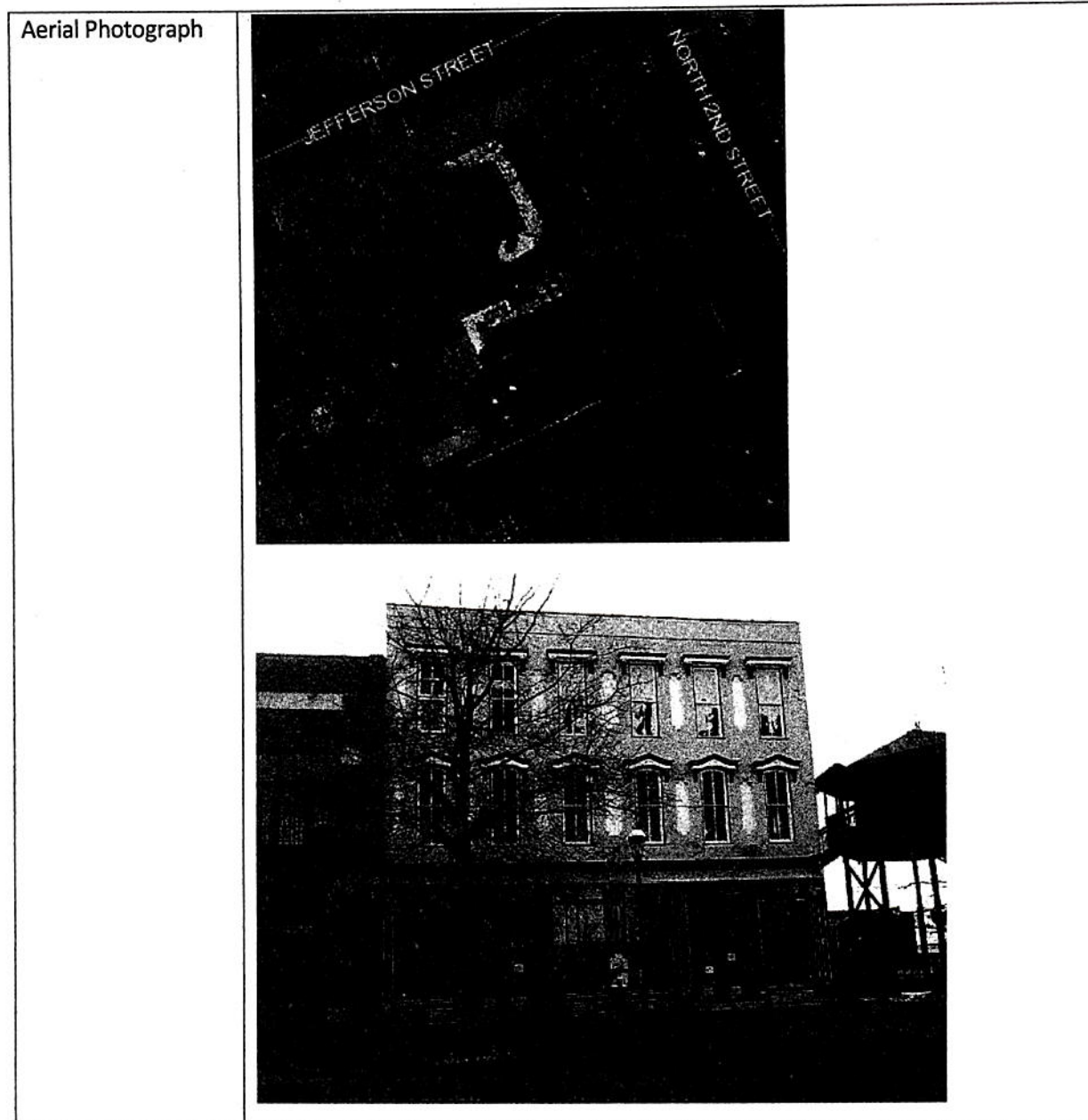
Site Ownership	City of Paducah
Existing Use(s)	Parking lot
Site Size	2.87 acres
Potential for Hotel Development and Parking	Sufficient space for hotel development and parking onsite.
Accessibility / Visibility	Center of downtown activity due to primary parking lot serving the downtown with excellent accessibility on Broadway and directly visible to downtown visitors to Market House Square. It is within a short walking distance of arts and cultural attractions and events.
Nearby and Adjacent Uses	Across the street from the riverfront, farmers market and parking lot, and downtown mixed use buildings with retail, dining and residential space.
Marketability	The site would be most marketable to visitors to downtown and arts and cultural attractions, and secondarily to visitors at the convention and expo center.
Aerial Photograph	

Sources: McCracken County Property Valuation Administrator and ConsultEcon, Inc.

Table III-6
Site #5 – Old Whalers Catch Restaurant Site

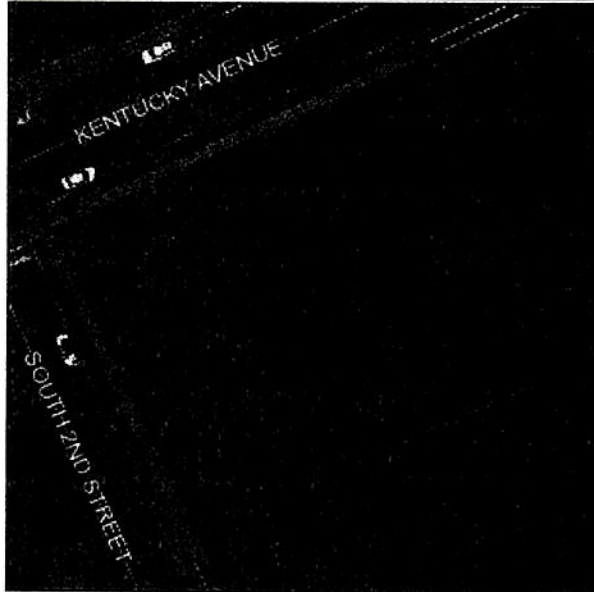
Site Ownership	Private Ownership
Existing Use(s)	Vacant; Zoned Commercial
Site Size	0.42 acres - 10,488 SF of existing building area.
Potential for Hotel Development and Parking	Sufficient space for small hotel development. Insufficient space onsite for parking that would need to be provided offsite. City parking lot across the street may offer opportunity for dedicated offsite hotel parking.
Accessibility / Visibility	Highlight accessible and visible to visitors to downtown, especially those parking in the city parking lot across the street, which is the primary parking lot serving the downtown. One block from Market House Square and Broadway, the center of commercial activity downtown.
Nearby and Adjacent Uses	Adjacent to downtown mixed-use buildings, across the street from City parking lot, and near Market House Square and Broadway, the center of commercial activity downtown. Arts and cultural attractions and events are nearby within walking distance.
Marketability	The site would be most marketable to visitors to downtown and arts and cultural attractions, and secondarily to visitors at the convention and expo center. Reuse of historic building and historic feature would add further distinction to hotel property that would enhance appeal to potential visitors. Because of the size of the site, the hotel will be limited in size and scale, and so may not be suitable for large groups.

Table III-6 (continued)
Site #5 – Old Whalers Catch Restaurant Site



Sources: McCracken County Property Valuation Administrator and ConsultEcon, Inc.

Table III-7
Site #6 – Carson Center Site

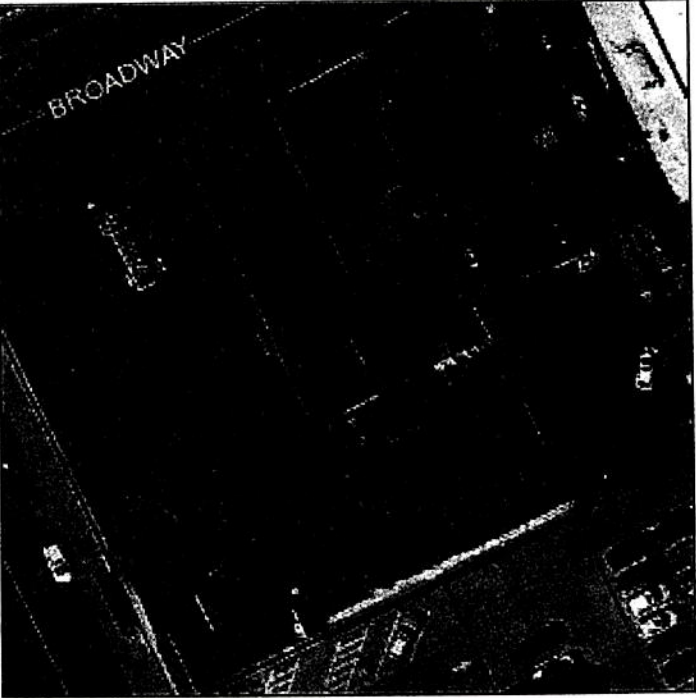
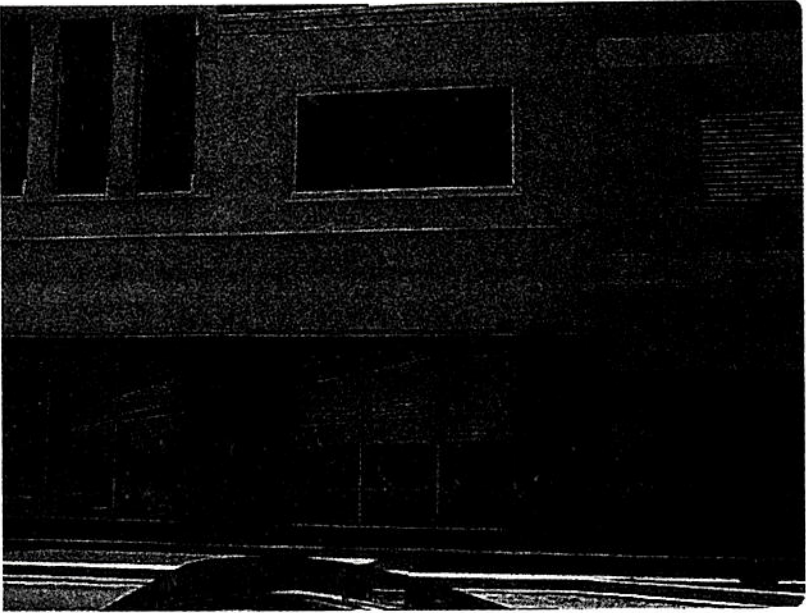
Site Ownership	City of Paducah
Existing Use(s)	Parkland
Site Size	0.56 acres
Potential for Hotel Development and Parking	Sufficient space for a small hotel development and parking onsite.
Accessibility / Visibility	Good accessibility and visibility to visitors to the downtown and to arts and cultural attractions and events. Directly visible to Carson Center, Market House Theater and Market House Square visitors.
Nearby and Adjacent Uses	Directly adjacent to the Carson Center and across the street from the Market House Theater. Shopping, dining, entertainment and other arts and cultural attractions nearby.
Marketability	The site would be most marketable to visitors to downtown and arts and cultural attractions, and secondarily to visitors at the convention and expo center. Because of the size of the site, the hotel will be limited in size and scale, and so may not be suitable for large groups.
Aerial Photograph	

Sources: McCracken County Property Valuation Administrator and ConsultEcon, Inc.

Table III-8
Site #7 – Old Kresge Building

Site Ownership	City of Paducah
Existing Use(s)	Vacant Building
Site Size	0.29 acres with building covering the entire lot. Existing building area is 33,670 square feet.
Potential for Hotel Development and Parking	Potential reuse of building. Size of lot may limit the size and configuration of the hotel. No space for parking onsite. Parking would need to be provided on street or offsite in area parking lots.
Accessibility / Visibility	Excellent accessibility due to location on Broadway that creates visibility to visitors to the downtown. Good visibility to visitors to arts and cultural attractions and events.
Nearby and Adjacent Uses	Downtown mixed-use buildings with office, retail, and residential uses. Arts and cultural attractions and events are nearby.
Marketability	The site would be most marketable to visitors to downtown and arts and cultural attractions, and secondarily to visitors at the convention and expo center. Because of the size of the site, the hotel will be limited in size and scale, and so may not be suitable for large groups.

Table III-8 (continued)
Site #7 – Old Kresge Building

Aerial Photograph	 
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Sources: McCracken County Property Valuation Administrator and ConsultEcon, Inc.

Table III-9
Site #8 – Kentucky Ave. Parking Lot

Site Ownership	City of Paducah
Existing Use(s)	Parking
Site Size	2.07 acres
Potential for Hotel Development and Parking	Sufficient space for hotel development and parking onsite.
Accessibility / Visibility	Located on edge of downtown, with good accessibility and visibility to downtown visitors. One block to Carson Center and Market House Theater and Market House Theater, but not located on Broadway, the main downtown thoroughfare.
Nearby and Adjacent Uses	Adjacent to office and retail uses, nearby to Market House Square and Carson Center and Market House Theater.
Marketability	The site would be most marketable to visitors to downtown and arts and cultural attractions, and secondarily to visitors at the convention and expo center.
Aerial Photograph	

Sources: ConsultEcon, Inc.

Site Suitability for Hotel Development

The sites identified for hotel development in the TIF District are highly differentiated from one another based on their proximity and visibility to attractions that generate hotel demand. Sites 1 and 2 are located adjacent to the convention and expo center and so would be suitable to support convention and event activity. This area is relatively remote for to service the arts and cultural attractions. Conventions, conferences and meetings requests for proposals often require a certain number of hotel rooms that are within a short walking distance proximate to or directly adjacent to event facilities so that attendees do not have to drive or be shuttled between facilities. Site 2 is more accessible and visible to potential hotel guests than Site 1 because of its location inside the flood walls. Site 1 however offers the potential for a direct connection to the convention center, but is less visible and accessible than Site 1. In addition, being on the riverside of the flood wall, while creating the opportunity for a riverfront experience, may also create development cost premiums that outweigh the advantages offered by riverfront development. Therefore, Site 1 would be the site most suitable for a convention and meeting oriented hotel. With the Holiday Inn Riverfront operator reportedly holding an option on the site owned by the City for two years, the decision about building additional hotel rooms onsite will be informed by the experience of an existing operator.

Compared to Sites 1 and 2, the other sites identified—Site 3, 4, 5, 6, 7, and 8—are more oriented towards the city's downtown dining and shopping centered on Market House Square, and its anchor arts and cultural attractions—namely, the Quilt Museum, the Carson Center and the Market House Theater. These sites are best positioned to appeal to downtown visitors drawn to the area by arts and cultural attractions. The mix of dining, shopping and entertainment are desirable amenities that support adjacent and nearby hotel development. Among these downtown oriented sites, Site 4 is most suitable to appeal to the broadest segment of leisure tourists downtown because it is on Broadway, the main thoroughfare downtown and closest to Market House Square, the locus of downtown business activity and buildings with the highest level of occupancy.

Summary

Eight sites in the TIF District were evaluated for their potential for hotel development. Most of the identified sites are suitable for hotel development, although some sites can only accommodate a small hotel development due need for building reuse or demolition. The sites that are closest to the Paducah-McCracken County Convention and Expo Center are most appropriate for convention and meeting oriented business. The sites that are closest to Broadway and Market House Square are most appropriate for downtown, arts and cultural visitors to Paducah.

Section IV

OVERVIEW OF EXISTING HOTELS AND MOTELS

This section reviews the supply trends of overnight accommodations in Paducah and McCracken County. This includes a review of hotels and small inns, beds and breakfasts, as well as Airbnb or other short-term home rentals, a growing segment of supply in the city.

Trends in Hotel Development in Paducah / McCracken County

Paducah's supply of accommodations has undergone substantial changes over the past decade. Data in **Table IV-1** show the total annual available room nights and average daily available room nights between 2012 and 2018, year to date through October. The average daily available room nights has increased from 1,821 in 2012 to 2,123 in 2017. This indicates an increase of 300 rooms since 2012 in Paducah's overall supply of hotel and motel rooms. Following are recent and planned hotel developments.

- ◆ LaQuinta Inn & Suites, 3960 Coleman Crossing, opened Fall 2014.
- ◆ Homewood Suites, Exit 4, 97 suites, opened June 2017.
- ◆ Holiday Inn Paducah Riverfront, 123 rooms, opened July 2017, located in the downtown area
- ◆ Thrifty Inn by Drury was torn down in June 2018, Exit 4 - 125 rooms (opened in 1979)
- ◆ Comfort Suites, 2880 James Sanders Blvd., became a Quality Inn because a new Comfort Suites will be built.
- ◆ Residence Inn was just sold at auction. Still open.
- ◆ Comfort Suites will open in Fall 2019. Exit 4, Coleman Crossing

Most hotel development activity has occurred near Interstate 24, with one hotel developed in the downtown area. The development activity reflects continued investment and improvement to Paducah's hotels.

Table IV-1
Trend in Total Available Room nights and Average Daily Available Room nights in Paducah/McCracken County, 2012 through 2018 (October Year-to-Date)

Year	Total Available Room-Nights	Average Daily Available Room-Nights	Percent Change in Average Daily Available Room-Nights from Prior Year
2012	666,626	1,821	
2013	684,351	1,875	3.0%
2014	713,539	1,955	4.3%
2015	727,445	1,993	1.9%
2016	727,078	1,987	-0.3%
2017	774,896	2,123	6.8%
2018 ^{1/}	670,928	2,214	4.8%

^{1/}Year through October. Percent change from the year prior through October.

Source: STR Global and ConsultEcon, Inc.

Current Room Inventory in Paducah / McCracken County

Data in **Table IV-2** present an inventory of hotel and motel rooms for Paducah and McCracken County. Paducah is the central city and county seat of McCracken County. Most of the hotel/motel rooms in McCracken County are located in the City of Paducah. There are a total of 28 hotel and motel properties that contain approximately 2,138 hotel and motel rooms in the County.

Table IV-2
Inventory of Hotel and Motel Accommodations in Paducah/McCracken County
Ranked by Number of Rooms

Name	Rooms
Drury Inn & Suites	142
Holiday Inn Paducah Riverfront	123
Days Inn	122
Drury Inn	118
Hampton Inn & Suites	108
Courtyard by Marriott	100
Homewood Suites	97
Super 8	90
Candlewood Suites	85
Holiday Inn Express & Suites	85
Fairfield Inn & Suites	83
Econo Lodge	80
Baymont Inn	78
Auburn Place Hotels and Suites	77
La Quinta Inns & Suites	77
Residence Inn Paducah	74
Comfort Inn	66
Country Inn & Suites	62
Pear Tree Inn	60
Quality Suites Paducah	59
Deluxe Inn	57
Budget Inn	56
Best Western	47
Westowne Inn	44
Red Roof Inn Paducah	40
America's Best Value Inn	39
Hickory House Inn	35
Travelers Suites	34
Total	2,138
Number of Properties	28
Average Number of Rooms	76.4

Source: Accommodations profiled, STR Global, Paducah Convention and Visitors Bureau, and ConsultEcon, Inc.

Data in **Table IV-3** present a room inventory for bed & breakfasts and small inns in Paducah and McCracken County.

Table IV-3
Inventory of Bed and Breakfast and Inn Accommodations in
Paducah/McCracken County
(Ranked by Number of Rooms)

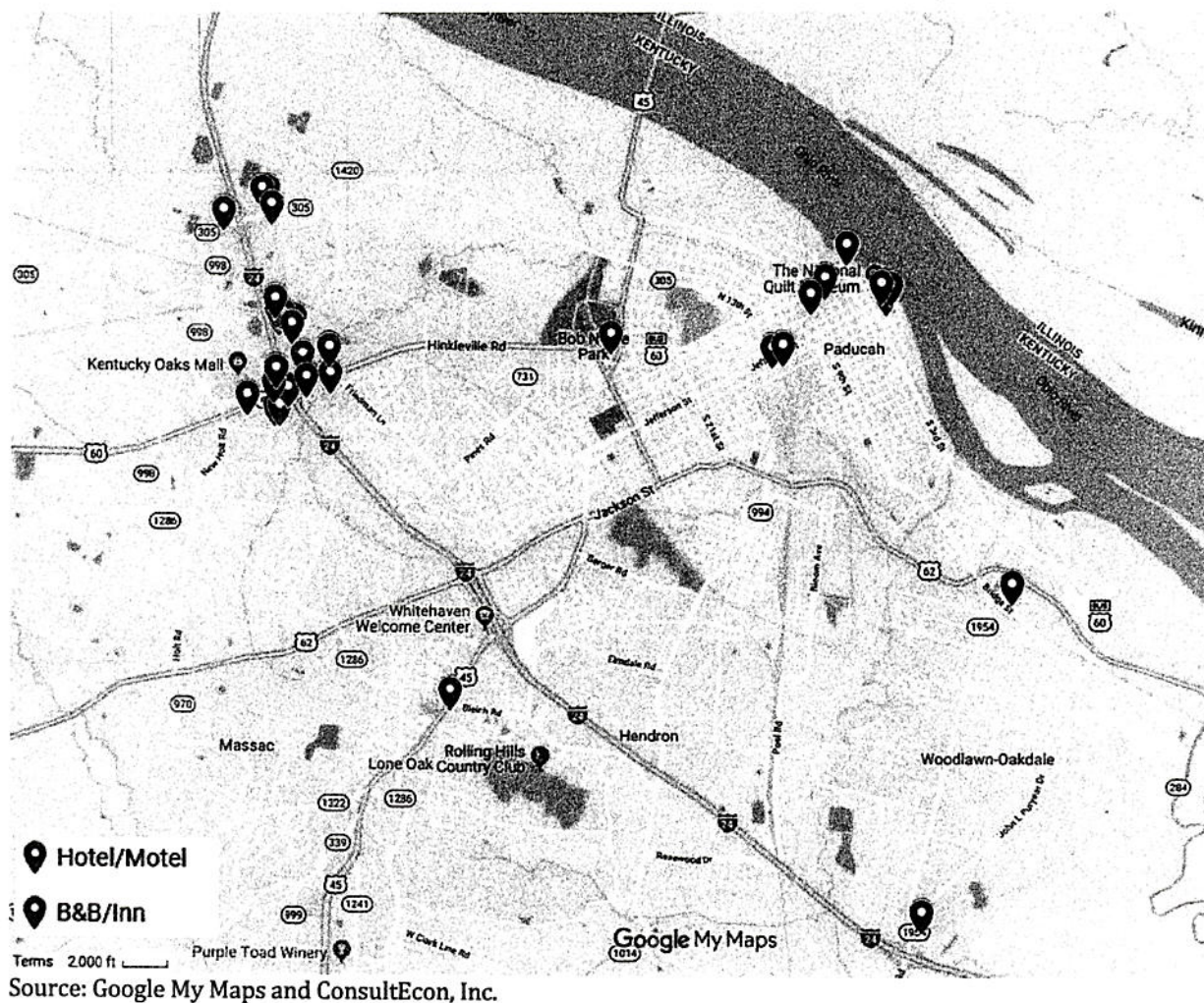
Name	Rooms
1895 Washington Hotel	12
1857 Hotel	10
Fox Briar Inn at RiverPlace	10
Paducah Harbor Plaza	4
1857 Guest House	2
The Loft at Emphemera	1
Pinecone Art Studio Bed & Breakfast	1
Total Rooms	40
Number of Properties	7
Average Number of Rooms	5.7

Source: Accommodations profiled, Paducah Convention and Visitors Bureau, and ConsultEcon, Inc.

In total, there are 35 accommodation properties in McCracken County—including hotels, motels, and small inns and bed & breakfasts. Amongst these properties there are approximately 2,178 rooms available in the County. **Figure IV-1** is a map of hotels and motels in Paducah and McCracken County. Most of the hotels and motels are located near Interstate 24 at multiple exits, in particular Exit 4. This cluster of hotels is also located near the Kentucky Oaks Mall, a regional shopping center that provides visitors with dining and shopping opportunities. Downtown Paducah has few hotel rooms in comparison to the cluster of hotels and motels near Interstate 24, Exit 4. In downtown Paducah, the accommodation supply in downtown Paducah is primarily limited to small inns and bed and breakfasts and the Holiday Inn Riverfront.

The Holiday Inn Riverfront, located in Downtown Paducah, is adjacent to the Paducah McCracken County Convention and Expo Center (PMCCEC). The Holiday Inn recently opened in 2017, a replacement of some of the rooms supplied by the former Executive Inn which was demolished in 2009. The proximity of the Holiday Inn Riverfront to the PMCCEC makes Paducah more competitive in attracting large meetings, conventions and other events that require overnight stays.

Figure IV-1
Location of Hotel, Motel, B&B, and Inn Accommodations in Paducah/McCracken County



Airbnb and Private Home-Sharing Short Term Rentals

Airbnb and other private home-sharing platforms have increased in popularity and usage in the past few years. These platforms like Airbnb, VRBO and HomeAway, amongst others, connect travelers with privately owned rooms for rent in people's homes or an entire house/apartment. As of 2016, a reported 11 percent of American adults have used the Airbnb platform to arrange travel accommodations.¹ While this may seem like a moderate share of Americans, Airbnb's has experienced rapid growth. It has accommodations in 34,000 cities throughout 110 countries worldwide. Airbnb and other home-sharing platforms are already impacting how the hotel, tourism, and housing industries function. It is still to be determined what the full effect may be on these industries and what is motivating travelers to opt for Airbnb or similar platforms over traditional hotels.

The peer to peer short term rental service industry, like Airbnb, has market segmentation of consumers and variations on what draws them to the service. A survey found five common motivators include price (perceived economic benefits), household amenities and space, authenticity, interaction with locals or social benefits.²

Household amenities and space could be a significant motivator—Airbnb provides a number of amenities that traditional hotel accommodations typically do not offer. Airbnb often has more flexible check-in and check-out timing, access to kitchen and living space, more space—with the ability to rent an entire house or multiple rooms. A primary amenity is that Airbnbs are commonly located in central neighborhoods or downtown areas. Because of differences in commercial and residential zoning, Airbnbs can be in many neighborhoods with residences whereas hotels are limited to commercial areas.

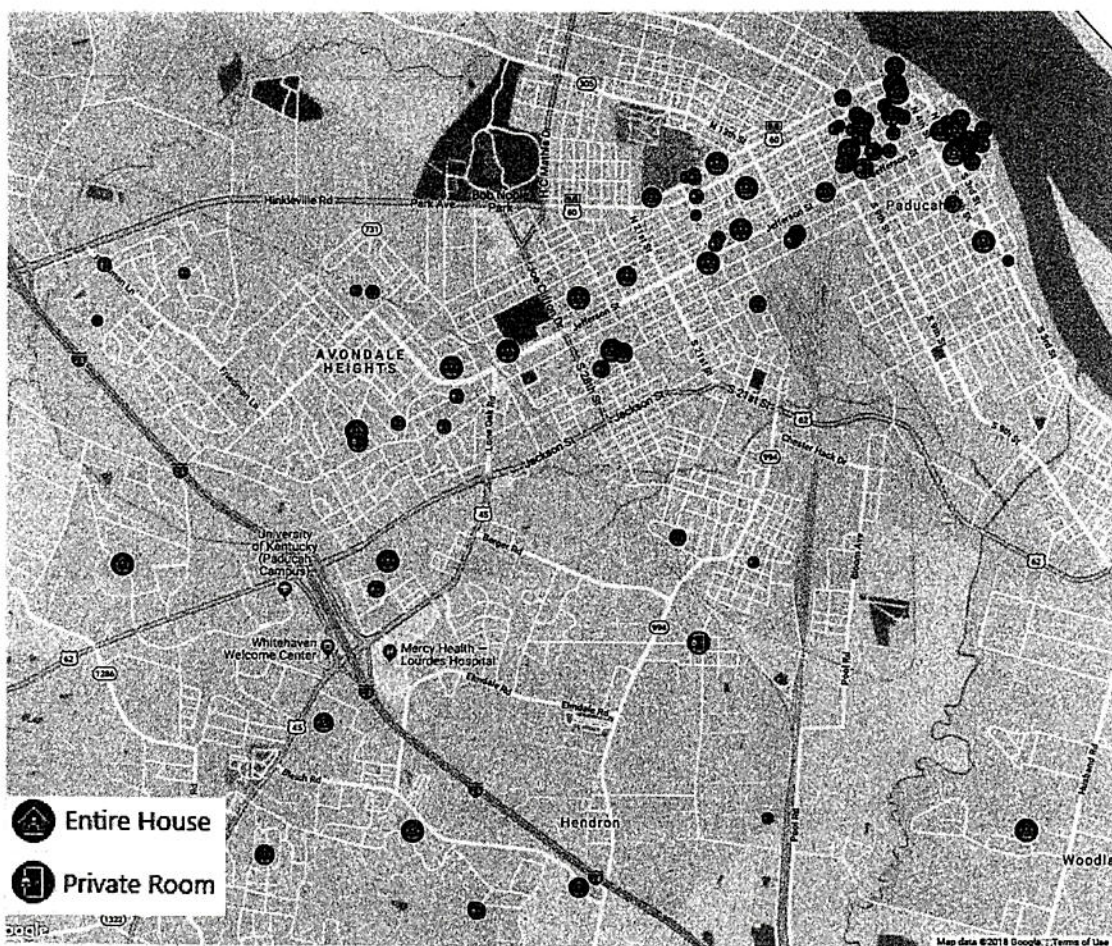
The downtown Airbnb rental trend is visible in Paducah where short-term, private room and home rentals are increasingly common and clustered in the Lowertown Arts District and the downtown. Some artists and other home owners are reportedly earning supplementary

¹ Source: Smith, A. (2016). *The New Digital Economy*; Pew Research Center

² Source: Guttentag D., Smith, S., Potwarka, L. (2017) *Why Tourists Choose Airbnb: A Motivation-Based Segmentation Theory*. Sage Journal

income by renting rooms and apartments, while meeting demand for accommodations downtown. The City reports that some condominiums in new residential developments are used as Airbnb rentals. Airbnb and other short-term peer to peer rentals can be increasing the supply of rooms available to visitors coming into Paducah. These private, short-term rentals are not subject to the same taxes as traditional hotels and motels and could be potential competitors to the traditional hotels and motels. The map in **Figure IV-2** shows a sample of private rentals on Airbnb. The average daily rate of advertised Airbnbs in downtown Paducah from February to April 2018 was \$105 per night.³

Figure IV-2
Location of Airbnb Rentals Accommodations in Paducah



³ Source: AirDNA

Size of Hotels and Motels in Paducah / McCracken County

As shown by data in Table IV-1, the size of Paducah's hotels and motels range in size from 34 rooms to 142 rooms, with an average size of approximately 76 rooms. Data in **Table IV-4** break down the room inventory into size categories. Hotel and motel properties in Paducah are fairly evenly distributed among the various size categories.

Table IV-4
Accommodations Size Distribution in Paducah/McCracken County

Size	Properties	Percent to Total	Rooms	Percent to Total	Average Rooms
100 to 149 rooms	6	21.4%	713	33.3%	118.8
75 to 99 rooms	9	32.1%	752	35.2%	83.6
50 to 74 rooms	7	25.0%	434	20.3%	62.0
Less than 50 rooms	6	21.4%	239	11.2%	39.8
Total	28	100.0%	2,138	100.0%	76.4

Source: Accommodations profiled, STR Global, Paducah Convention and Visitors Bureau, and ConsultEcon, Inc.

Brand Companies that have Properties in Paducah / McCracken County

Data in **Table IV-5** show the national and regional hotel brand companies that have affiliated hotels in Paducah and McCracken County. Choice Hotels and Wyndham Worldwide have four affiliated hotels in the area. Drury Hotels and Marriott have three affiliated hotels in the area. Hilton and IHG have two affiliated hotels in the area.

There are a number of major brand companies that do not have a presence in Paducah or McCracken County such as: Extended Stay Hotels, Fairmont Hotels and Resorts, Hyatt Hotels and Resorts, Omni hotels, and Starwood Hotels and Resorts Worldwide (Sheraton). The importance of the brand companies is that they often generate a significant portion of their room nights through proprietary reservations systems and corporate advertising.

Table IV-5
Brand Companies Active in Paducah/McCracken County

Brand Company	Hotels
Best Western	Best Western
Carlson	Country Inn & Suites
Choice Hotels	Comfort Inn Econo Lodge Quality Suites Red Roof Inn
Drury Brands	Drury Inn Drury Inn & Suites Pear Tree Inn
Hilton	Hampton Inn & Suites Homewood Suites
IHG	Holiday Inn Express & Suites Holiday Inn Paducah Riverfront
Intercontinental Hotels	Candlewood Suites
Marriott International	Courtyard by Marriott Fairfield Inn & Suites Residence Inn Paducah
Midamerica Hotels Corp.	Auburn Place Hotels and Suites
RLH Corporation	America's Best Value Inn
Wyndham Worldwide	Baymont Inn Days Inn La Quinta Inns & Suites Super 8
Unaffiliated / Independent	Budget Inn Deluxe Inn Hickory House Inn Travelers Suites Westowne Inn

Source: ConsultEcon, Inc.

Classification of Paducah / McCracken County Hotels by Chain Scale

Data in **Table IV-6** show the mix of hotels and motels by chain scales, as defined by STR, a provider of hospitality data. Chain scales are classified according to average daily room rates and are applied to hotels and motels that are affiliated with national or regional chains.

Independent hotels are not affiliated with any chain and charge a range of room rates. Midscale chains are the most prevalent in McCracken County/City of Paducah, with 35.7 percent of total chain properties. There are no luxury or upper upscale hotels in the County or City. This breakout of hotels and motels by chain scale is important, as existing and new hotels typically compete within the context of their chain scale market segment as much as they do across the overall market.

Table IV-6
Hotels and Motels by Chain Scale in Paducah/McCracken County

Chain Scale	Properties	Percent to Total	Rooms	Percent to Total	Average Rooms
Upscale	3	10.7%	271	12.7%	90.3
Upper Midscale	3	10.7%	291	13.6%	97.0
Midscale	10	35.7%	842	39.4%	84.2
Economy	7	25.0%	508	23.8%	72.6
Subtotal Chain Scale Hotels/Motels	23	82.1%	1,912	89.4%	83.1
Independent	5	17.9%	226	10.6%	45.2
Total All Hotels/Motels	28	100.0%	2,138	100.0%	76.4

Source: Accommodations profiled, STR Global, Paducah Convention and Visitors Bureau, and ConsultEcon, Inc.

Summary

There are a total of 35 hotels, motels, inns, and bed & breakfasts with a total of 2,178 rooms in the City of Paducah/ McCracken County. Most of these rooms are in traditional hotels and motels. Hotels and motels are primarily located near Interstate 24 by the Kentucky Oaks Mall. The hotel and motel properties in Paducah have an average of 76 rooms per property. There are a variety of chain hotel operators, and the most common brand companies include Choice Hotels, Wyndham Worldwide, Drury Hotels and Marriott. Of these brands, midscale class hotel and motel accommodations are the most common along with economy class. A recently opened Holiday Inn with 123 rooms on the riverfront brought a chain hotel to the TIF District,

in addition to providing adjacent lodging to the Paducah-McCracken County Convention and Expo Center.

Section V

DEMAND TRENDS FOR HOTEL AND MOTEL ROOMS

This section profiles the demand trends for hotel and motel rooms in Paducah / McCracken County.⁴ Key demand indicators include annual occupied room nights, total room revenue, and average daily rates, and the monthly pattern in occupied room nights and average daily rates. An analysis of high occupancy days is presented to show when the market experiences high levels of demand for rooms due to major events and during peak tourism periods. Later in the analysis, the demand trends for a set of six hotel properties that are classified as “Upscale” and “Upper Midscale” were reviewed because of the overall market context of hotels and motels located on the periphery of the city, and because the downtown market demand segments are better aligned with these scale properties. As noted, the arts and cultural, business and convention market segments of the downtown generally have higher disposable incomes and more discretionary spending than other market segments.

Trend in Occupied Room Nights all Market Segments in Paducah / McCracken County
Data in **Table V-1** show the total annual occupied room nights, average daily occupied room nights and the annual average occupancy rate from 2012 to 2018, year to date through October for all Paducah / McCracken County hotel / motel market segments. The number of total occupied room-nights steadily increased from 2012 to 2015, with a small decline from 2016 through 2017. The average daily occupied room nights and the average annual occupancy rate have also followed the same trend. The decline in occupancy rates is partially attributed to the increase in room supply, which occurred with the opening of new hotels in 2016 and 2017. The decrease in occupied room nights is reportedly due to the completion of several long-term construction projects that had generated a substantial volume of room nights in Paducah. Overall, the trends reflect decreased demand for hotel rooms in Paducah/McCracken County recently. However, the decrease in demand is in the lower priced segments of the market.

⁴ This section incorporates tabular data that is proprietary to STR, Inc. the data is not for public distribution.

Table V-1
Trend in Total Occupied Room Nights, Average Daily Occupied Room Nights and
Average Annual Occupancy Rate in Paducah/McCracken County,
2012 to 2018 through October

Year	Total Occupied Room-Nights	Average Daily Occupied Room-Nights	Percent Change in Average Daily Occupied Room-Nights from Prior Year	Average Annual Occupancy Rate
2012	392,633	1,073		58.9%
2013	399,813	1,095	2.1%	58.4%
2014	431,348	1,182	7.9%	60.5%
2015	474,844	1,301	10.1%	65.3%
2016	461,731	1,262	-3.0%	63.5%
2017	451,150	1,236	-2.1%	58.2%
2018 ^{1/}	365,368	1,206	-5.7%	NA

1/ Year through October. Percent change from the year prior through October.

NA = Not Available.

Source: STR Global and ConsultEcon, Inc.

Trend in Room Revenue and Average Daily Rate

Data in **Table V-2** show the total annual room revenue, average daily rate and revenue per available room between 2012 and 2018, year to date through October. Paducah's average daily room rate has consistently increased year-over-year since 2012 and was almost \$87 in 2017.

Total hotel room revenue and revenue per available room increased from 2012 to 2015. In the following years, total revenue decreased slightly in 2016, and almost recovered to 2015 levels in 2017. Revenue per available room decreased from \$54 in 2015 to \$50 in 2017, the most recent complete year of data.

Table V-2
Trend in Total Room Revenue, Average Daily Rate and Revenue per Available Room in Paducah/McCracken County, 2012 to 2018 Year through October

Year	Total Annual Room Revenue	Percent Change from Prior Year	Average Daily Room Rate	Percent Change from Prior Year	Revenue per Available Room	Percent Change from Prior Year
2012	\$29,213,963		\$74.41		\$43.82	
2013	\$30,519,160	4.5%	\$76.33	2.6%	\$44.60	1.8%
2014	\$33,935,129	11.2%	\$78.67	3.1%	\$47.56	6.6%
2015	\$39,129,148	15.3%	\$82.40	4.7%	\$53.79	13.1%
2016	\$38,854,820	-0.7%	\$84.15	2.1%	\$53.44	-0.7%
2017	\$39,071,034	0.6%	\$86.60	2.9%	\$50.42	-5.6%
2018 ^{1/}	\$31,971,441	-5.6%	\$87.50	0.2%	\$47.65	-9.9%

^{1/} Year through October. Percent change from the year prior through October.

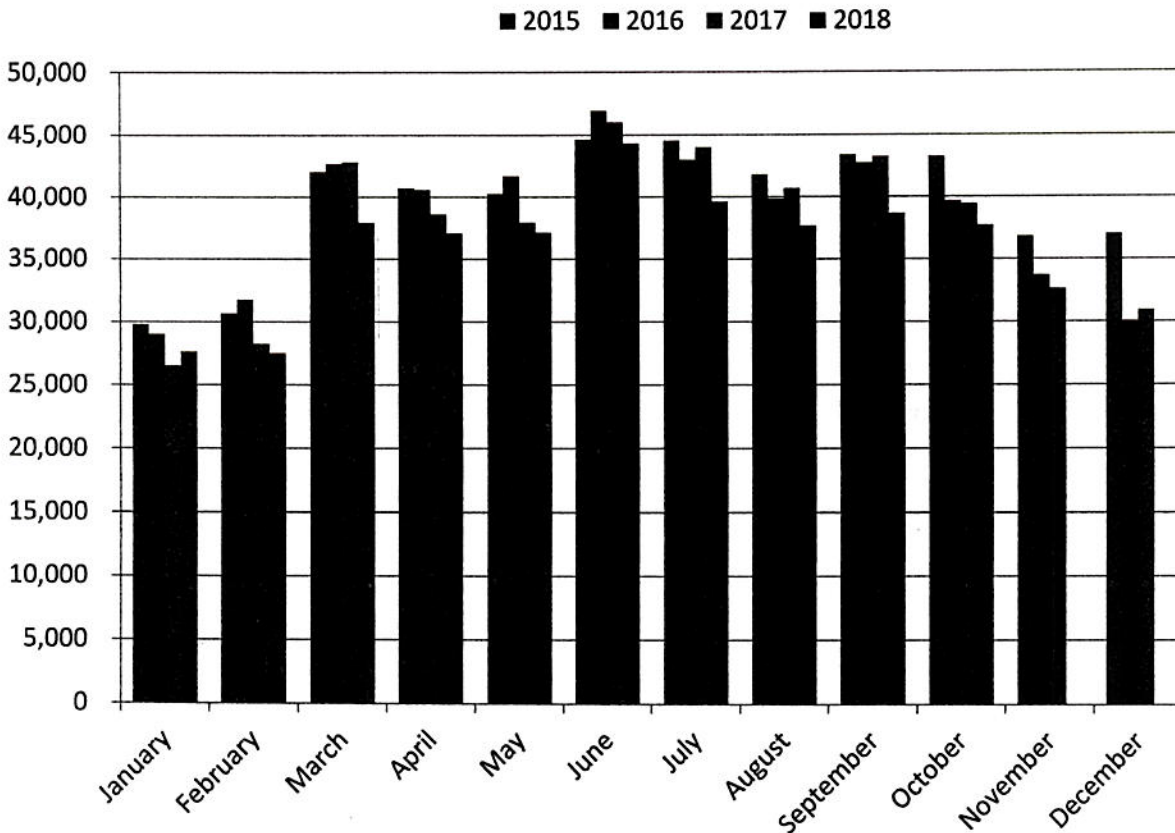
Source: STR Global and ConsultEcon, Inc.

Seasonality of Demand

Data in **Figure V-1** show the monthly occupied room nights in Paducah/McCracken County since 2012. The demand for hotel and motel rooms varies throughout the year. Low demand months are typically November through February, when people are vacationing and travelling less. Traditionally, high months of demand are during the summer months of June, July and August.

Overall, monthly occupied room nights appear to be decreasing in most months between 2017 and 2018. In the past few years, this phenomenon has contributed to a “flattening” of Paducah’s seasonal demand pattern. Meaning that in 2018, March to October reflect a less peaked seasonality—the months March through October did not have large variances and ranged between from 35,000 to 40,000 occupied room nights.

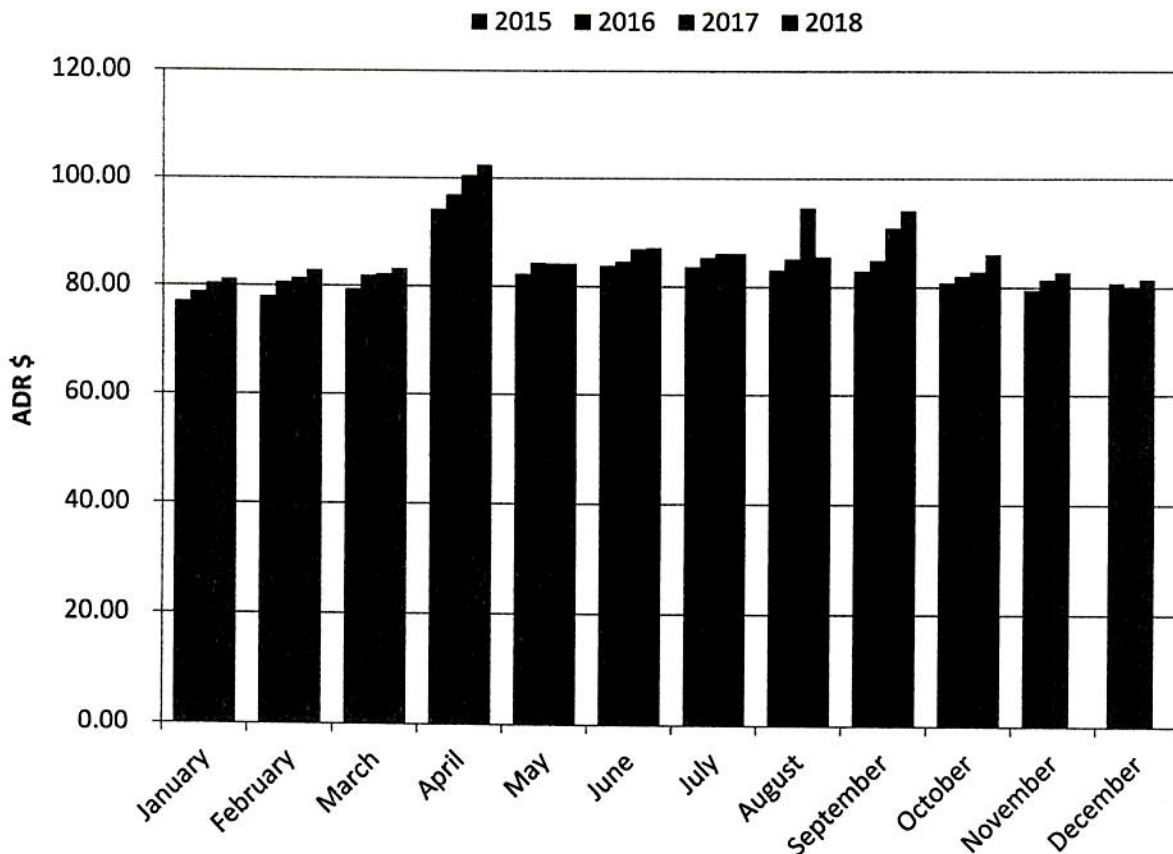
Figure V-1
Average Number of Monthly Occupied Room nights in Paducah/McCracken County, 2015 to 2018



Source: STR Global and ConsultEcon, Inc.

Data in **Figure V-2** show the monthly average room rates in Paducah/McCracken County since 2015. The average room rate in Paducah does not vary much from month to month, with the notable exception of April. This may indicate that hotel and motel operators are charging rates significantly higher during the Quilt Show than during other periods of high demand for accommodations. The recent increase in average room rate in September may also be associated with the addition of a Quilt show in the fall. Interestingly, April has total room demand lower than other high months.

Figure V-2
Average Daily Room Rate in Dollars by Month in Paducah/McCracken County, 2015 to 2018



Source: STR Global and ConsultEcon, Inc.

High Occupancy Days

Data in **Table V-3** show the high occupancy days for the most recent year in Paducah / McCracken County between November 2017 and October 2018. High occupancy days are defined as those where the average daily occupancy rate exceeds 60 percent for the whole market. There were 84 days with an occupancy rate over 60 percent between November 2017 and October 2018. Of these days, 21 days were in June, 16 days were in July and 13 days were in October. Many of these high occupancy days are associated with major events as well as the peak summer travel period.

Table V-3
Number of High Occupancy Days by Month in Paducah / McCracken County,
November 2017 to October 2018

Month	Total Days over 60% Occupancy	60-65% Occupancy Days	65-70% Occupancy Days	70-75% Occupancy Days	75-80% Occupancy Days	80-85% Occupancy Days
November	2	2	0	0	0	0
December	0	0	0	0	0	0
January	0	0	0	0	0	0
February	3	2	1	0	0	0
March	6	3	1	1	0	1
April	6	1	0	1	3	1
May	7	5	1	0	1	0
June	21	8	7	1	3	2
July	16	3	10	3	0	0
August	5	1	3	1	0	0
September	5	0	0	1	2	2
October	13	7	4	1	1	0
Total	84	32	27	9	10	6
Percent Days of the Year	23%	9%	7%	2%	3%	2%

Source: STR; Paducah Convention and Visitor Bureau; and ConsultEcon, Inc.

Competitive Set

A set of six hotel properties that are Upscale and Upper Midscale were identified as a competitive set for a new hotel in the TIF District because the arts and cultural, business and convention market segments have higher disposable incomes and more discretionary spending available for hotels and travel. These market segments predominate downtown due to the mix of demand generators in the TIF District (profiled further in the next section). Monthly trends for the competitive set were analyzed for months between November 2017 and October 2018, a full year of data. A multi-year trend for the competitive set was not available due to restrictions on the data from prior to November 2017.

There are key differences between the competitive set and the total market over the year November 2017 through October 2018. Because of the class of the hotel, the annual average daily room rate at \$107 was 24 percent higher for the competitive set than the average daily

room rate of \$87 for the market as a whole over the same period. Room occupancy rates are higher at 62 percent for the competitive set than the rate of 53 percent for the market as a whole. June, July and August occupancy rates exceeded 70 percent, and occupancy rates in March, April, May, September and October were over 60 percent. Over the year, the competitive set accounted for 25 percent of the total market room supply, 30 percent of the total market demand, and 37 percent of the total market room revenue. Revenue per available room for the year was \$67, a 45 percent premium over the total market revenue per available room of \$46 during that time period.

Summary

The total annual occupied room nights increased from 2012 to 2015. Since 2015, there has been a decline in total annual occupied room nights in Paducah/ McCracken County. Paducah's average daily room rate has consistently increased year-over-year since 2012 and was almost \$87 in 2017. Revenue per available room decreased from \$54 in 2015 to \$50 in 2017, the most recent complete year of data. These demand trends reflect the increasing supply of hotel rooms in Paducah / McCracken County, as well as changes to demand patterns reportedly due to the completion of long-term construction projects that generated room nights in the area. However, the demand from the construction projects was generally in a category of hotels different than what is proposed for downtown.

There were 84 days with an average daily occupancy rate over 60 percent between November 2017 and October 2018. Of these days, 21 days were in June, 16 days were in July and 13 days were in October. Many of these high occupancy days are associated with major events as well as peak summer travel period.

Monthly occupied room nights vary somewhat throughout the year, with March through November being the peak period for occupancy. For the year ending in October 2018, the monthly occupancy rate ranged from a low of 43 percent in January 2018 to a high of 67 percent in June. The average daily rate is relatively consistent throughout the year, with the exception of April and more recently September, which have rates due to the Quilt Shows at

the PMCCEC in those months. For the year ending in October 2018, the monthly average daily rate ranged from a low of \$81 in January 2018 to a high of \$102 in April; September's average daily rate was \$94.

A competitive set of six Upscale and Upper Midscale hotels indicate higher annual occupancy rates and higher average daily rates than the overall market. The annual average daily room rate for the competitive set at \$107 was 24 percent higher than the average daily room rate of \$87 for the market as a whole over the same period. Over the year, the competitive set accounted for 25 percent of the total market's room supply, 30 percent of total market occupancy, and 37 percent of the total market's room revenue. The competitive set's revenue per available room for the year was \$67, a 45 percent premium over the total market's revenue per available room of \$46.

Section VI

KEY SEGMENTS OF ROOM DEMAND

This section reviews various demand generators that hotel rooms in the TIF District support. Paducah has a mix of business, leisure and pass-through travelers that stay overnight in area accommodations. According to the Paducah Convention and Visitors Bureau, the demand for hotel rooms in the marketplace is split evenly between business and leisure travelers. Various hotels would support a different mix of travelers depending on their appeal to business and leisure travelers.

Hotel Demand due to Arts and Cultural Events

Arts and cultural tourism is an important component of Paducah's overall hospitality economy, and is a key segment of leisure travel in the area, particularly in the TIF District. The primary venues for regional arts and cultural events are located in the TIF district or next to it. Interviews with cultural organizations indicate that hotel rooms in the TIF District support their operations by serving their patrons that are staying overnight. This observation is supported by recent economic data on arts and culture event attendance and spending. A national advocacy organization, Americans for the Arts has produced multiple studies on the economic impact of the arts on regions throughout the United States. The City of Paducah was included in a recent edition of the study, *Arts and Economic Prosperity V: The Economic Impact of Nonprofit Arts and Culture Organizations, and Their Audiences, in the City of Paducah*. In FY 2015, this report indicates that organizations and audiences in Paducah generated \$27.4 million in economy activity, supporting 991 jobs, \$16.5 million in household income, and \$1.7 million in state and local revenue. Most locations where arts and cultural audiences were surveyed are in or near to the TIF boundaries.

Survey locations included:

1. The Carson Center;
2. Clemens Fine Arts Center/Arts in Focus;
3. Door To Door Book Club;
4. Dragon Boat Festival;
5. Hotel Metropolitan;
6. Lloyd Tilghman House & Civil War Museum;
7. Lower Town Art & Music Festival;
8. Market House Theatre of Paducah KY;
9. National Quilt Museum;
10. Paducah Art House Alliance;
11. Paducah Arts Alliance;
12. Paducah Fiber Artists;
13. Paducah School Of Art & Design;
14. Paducah Symphony Orchestra;
15. Paducah Wall To Wall;
16. Paducah-McCracken County Convention & Visitors Bureau;
17. River Discovery Center;
18. WKMS-FM; and
19. Yeiser Art Center.

An important component of this economic activity is spending by tourists on goods and services as a part of their trip to Paducah, including spending for overnight accommodations. Spending by audiences related to art and cultural events, excluding spending on the event admission (because the impact of these dollars is included in the spending by the organization itself), accounted for \$9.4 million, or 34 percent of the total estimated economic activity. The economic impact study found that 70 percent of attendees were from outside of the region. These non-residents spent an average of \$12.24 per person on one night of lodging associated with their trip.⁵ On average residents spent \$0.66 per person on one night of lodging associated with their trip. Multiplying the total number of resident and non-resident event attendees with their respective average spending on overnight lodging yields the total estimated room revenue due to event attendees. Dividing this by the average daily room rate would indicate that an estimated 25,549 occupied rooms or 5 percent of annual occupied rooms in Paducah in 2015 were due to arts and cultural event attendance.

⁵ These visitors may have spent more on overnight accommodations on their trip, but the study only counted spending on the day of the event attendance. Thus, these data indicate a conservative estimate of accommodations spending.

Data in **Table VI-1** summarize the derivation of room demand due to arts and cultural audiences, which include both residents and tourists (i.e. non-residents).

Table VI-1
Estimated Room Demand from Paducah's Arts and Cultural Audiences, 2015

FY 2015 Estimates	Residents	Non-Residents	All Greater Paducah Event Attendees
Total Event Attendance	72,419	168,176	240,595
Percent of Attendees	30.1%	69.9%	100.0%
Average Spent Per Attendee	\$31.82	\$42.14	\$39.03
Average Spent on Overnight Lodging	\$0.66	\$12.24	\$8.75
Total Spent on Overnight Lodging	\$47,797	\$2,058,474	\$2,105,206
Average Daily Rate (2015)	\$82.40	\$82.40	\$82.40
Estimated Room Demand due to Arts and Cultural Events	580	24,981	25,549
Percent of Annual Room Demand due to Arts and Cultural Events	0.1%	5.1%	5.2%

Source: Americans for the Arts, *Arts and Economic Prosperity 5*; STR, Inc.; and ConsultEcon, Inc.

It should be noted that the Quilt Shows and convention center events are not included in these estimates because the study focused exclusively on non-profit organizations.

Hotel rooms located on or near Market House Square and Broadway would have the greatest accessibility to and visibility of event attendees. Such downtown locations will foster visitors walking between events and their hotel. In addition to heightened visibility with arts and cultural audiences, a downtown hotel would also be closer to downtown dining and shopping that are supportive of the overall visitor experience and revitalization downtown. From a physical setting perspective, arts and cultural event attendees would usually prefer the downtown setting to a highway location, due to its historic structures, walkability, arts-orientation, unique shopping and dining, and riverfront amenities. Most people are willing to walk only a quarter mile, or a half mile at most, between their destinations. The National Quilt Museum is the closest attraction to the Holiday Inn Riverfront, but at over a quarter mile, the

distance is too far for many visitors to walk. The Carson Center is three quarters of a mile from the Holiday Inn Riverfront, far too far for most attendees to walk. The walkability issue for the Holiday Inn Riverfront is especially true for museum and art patrons who have an older demographic profile.

Data in **Table VI-2** show attendance and brief descriptions of selected attractions and events in the Paducah area. Attendance to some, but not all, of these attractions and events was profiled in the economic impact study reviewed above.

In addition to audiences, the performers and production crews of events at the Carson Center and the Market House Theater as well as Quilt show and other event vendors also require hotel rooms. At the Carson Center, a recent traveling Broadway show spent 8 days preparing the show for touring production, so calling "teching." The cast and crew totaled 50 people and are given a per diem and their choice of hotels. Productions negotiate the room blocks. In the future the Carson Center expects other productions to tech in Paducah twice per year which would indicate the need for about 2 weeks of room nights for 50 people. The Market House Theater has four condominium units that it uses in the TIF District to host performers and production crew which meets its needs and provides additional income due to Airbnb on the weekends, which is reportedly full most weekends in season.

The future outlook for arts and cultural activity within Paducah is positive due to expanded facilities. The Market House Theater is expanding in the downtown, to support growth in its own facility needs as well as provide performance and rehearsal space for other small arts and cultural organizations. The restoration of the Columbia Theatre will support the growth of the Maiden House Cinema and the annual River's Edge Film Festival. The River Discovery Center and the Market House Museum are in the process of expanding their facilities in the downtown area. All of these improvements if implemented will enhance Paducah overall as a destination for cultural activities. These new and expanded activities if geared for out of town audiences will create additional reasons for overnight visitors to extend their stay in Paducah and for day trip visitors to stay overnight. This, in turn, may generate additional room nights for a hotel in the TIF District.

Table VI-2
Selected Paducah Area Events and Cultural Attractions

Name/ Location	Description	Annual Attendance / info source
Luther F. Carson Four Rivers Center	Performing arts center with 1,800 seating capacity in main theater and popular Broadway series. Carson Center series produced in-house, Paducah Symphony Orchestra, educational children's theater. Also hosts private events. Held 272 events between July 2017 and June 2018. For the fiscal year 2015 to 2016, over 12,000 attendees were from over 50 miles away.	114,000 (FY 2017 annual report)
Market House Theater	Community theater with performances that draws a reported 25% of its attendance from outside of 50 miles. Programming is offered year-round with most activities September through June. Two thirds of programs are educational. Currently the theater is undertaking a \$5.6 million expansion and renovation of downtown buildings will support growth in productions and shows as well as facility rentals.	50,000 (interview)
National Quilt Museum	Over 13,000 square feet of exhibits are in this 27,000 SF building showcase the art, history, and heritage of quilt making. 95% of visitors from outside of 50 miles, many staying overnight on pass through, day or weekend trips.	41,000 (interview)
Barbeque on the River	Charitable event held on in September over 3 days, featuring over BBQ 50 teams from Western Kentucky competing for the best BBQ. Live entertainment and crafts. Reportedly does not generate substantial room nights.	40,000 (CVB)
Spring American Quilt Society (AQS) Quiltweek	Popular annual 4-day event in April includes quilt displays, classes and workshops. Most visitors are from outside the area.	35,000 (CVB)
Fall AQS Quiltweek	Popular annual 4-day event in September includes quilt displays, classes and workshops. Most visitors are from outside the area.	15,000 (CVB)
River Discovery Center	Riverside museum interprets the Ohio River and the river industry, in addition to local history, heritage and culture. Mostly educational visitation that is local.	16,000 (CVB)
Lowertown Arts and Music Festival	Held in the Lowertown Arts District over 3 days in May, featuring artists, musicians, entertainment, and the "Taste of Paducah."	12,000 (CVB)
Yeiser Art Center	This visual Art Center features historic and contemporary arts and crafts exhibits from regional, national, and international collections. Attracts primarily couples in their 40s and 50s; approximately 60% are non-resident area visitors.	10,000 (AAM)
Market House Museum	Over 4,000 square feet of rotating historical exhibits and displays focusing on Paducah and the region.	10,000 (AAM)

Table VI-2 (continued)
Selected Paducah Area Events and Cultural Attractions

Name/ Location	Description	Annual Attendance / info source
Rivers Edge International Film Festival	Annual 3-day event in November built around the showing of quality independent films. Draws overnight visitors.	1,500
Maiden Alley Cinema	Operated by the non-profit Paducah Film Society, showing independent and second run films on weekends, as well as special film events, children's programs and vintage film series.	N/A

Sources: Paducah Convention and Visitors Bureau (CVB), American Association of Museums (AAM) Official Museum Directory, profiled institution interviews, and ConsultEcon, Inc.

Room Demand due to Motorcoach Travel

Group travel on motorcoaches is a popular form of travel and Paducah reportedly draws a significant number of group travelers from this demand segment. The Paducah CVB indicates that there are between 400 and 500 motorcoaches traveling to Paducah each year. The typical motorcoach holds about 48 persons. At an assumed average occupancy rate of 75 percent, including tour guides and drivers, there are estimated to be between 14,400 and 18,000 room nights attributable to this demand generator every year. This translates to approximately 3 to 4 percent of the 2017 occupied rooms in Paducah / McCracken County market. While motorcoaches visit downtown and a good number arrive for the quilt shows in April and September, the motorcoach passengers reportedly tend to stay at the hotels by the highway. There will be some overlap with the motorcoach arrival with the demand due to arts and cultural events and attractions described previously.

Room Demand due to Convention and Expo Center Events

Located on the riverfront in TIF District, the Paducah / McCracken County Convention and Expo Center (PMCCEC) contains a total of 80,000 square feet of meeting and convention space, including a banquet hall with 18,000 square feet of contiguous open space. The signature event held at the PMCCEC is the Annual Quilt Show in April, and September. Many of these attendees are from out of town and many of the hotels in the area are reportedly booked 100 percent during the show. Aside from the Quilt Shows, other events

tend to be smaller in nature, focused on local meetings and events. Currently, the facility averages 12 to 13 events per month, with a total of 36,000 annual attendees, not including the quilt shows, which are outlier events. The Spring and Fall Quilt Shows account for 30,000 of total PMCCEC attendance. In 2017 PMCCEC events included 10 non-local events that generated room nights, 2 of which were the quilt shows. The other 8 non-local events generated 5,480 in total attendance for an average of 635 attendees per event. The events lasted a total of 18 days and 10,940 attendee days. These attendee days were approximately 2 percent of the room nights occupied in Paducah / McCracken County in 2017. Seven of eight events and 15 out of 18 attendee days had over 100 attendees which can fill rooms in the Holiday Inn Riverfront and other hotels in the downtown area.

Room demand generated by events at the PMCCEC, however, is expected to increase in the future over the current level. The new Holiday Inn Riverfront has enabled the PMCCEC to help attract new conference and meetings business, and these efforts are still ramping up as is typically expected in the early years of operation of an event center. The PMCCEC is building kitchen facilities that will make the facility more competitive and attractive as an event venue. In addition, PMCCEC is reportedly entering into an agreement in 2019 with a new management company to operate the facility with the goal to increase PMCCEC new business through an operator with established sales and marketing channels. Additional business from out-of-town groups would be generated with a new hotel within the TIF District, if it is located near to the PMCCEC, and the city would be able to compete more effectively for conventions, conferences and meetings that require a larger number of rooms in close proximity to the meeting facility. Just as the Holiday Inn Riverfront does, a new hotel would enhance the marketability of the PMCCEC. Based on the number of non-local events occurring at the PMCCEC, the current level of conventions, conferences and meetings is a small but growing share of the demand at the Holiday Inn Riverfront. Future plans for the PMCCEC should continue to increase demand for rooms at the Holiday Inn Riverfront. Should the PMCCEC be operating at full potential, it would likely support additional hotel development based on its attendee capacity, regardless of other nearby sources of demand.

Room Demand due to Businesses

According to the Paducah CVB, the split between leisure and business travel is estimated at roughly 50-50. Business-related conventions and meetings would account for a portion of business travel overall. General business travel, however, is driven by the landscape of local businesses. According to information from Paducah Economic Development, Paducah / McCracken County contains 23 large employers that account for 14,400 jobs, as shown by data in **Table VI-3**. Industries represented by these large employers include healthcare, manufacturing, distribution, marine transportation, and government entities, including public schools and higher education.

Table VI-3
Large Employers in Paducah/McCracken County

Name	Industry	Employment
Employers in Paducah / McCracken County		
Ingram Barge	Inland marine	2,500
Baptist Health Paducah	Hospital	1,655
Lourdes Hospital	Hospital	1,550
Marquette Transportation	Inland marine	1,430
McCracken Co. Public Schools	K-12	1,121
James Marine	Inland marine/barge mfg	860
Wal-Mart	Retail	728
TeleTech	Call Center	600
West KY Community & Technical College	Higher Education	500
Paducah Public Schools	K-12	448
Fluor	Clean-up Contractor	425
City of Paducah	Government	405
Credit Bureau Systems	Credit reporting/collections	298
LYNX Services	Call Center	275
TVA-Shawnee Steam Plant	Power	270
Computer Services	Bank processing	225
Dippin Dots	Ice cream Mfg	185
VMV PaducahBuilt/NRE Paducah	Locomotive Mfg	181
ViWin Tech Windows & Doors	Window/door Mfg	177
Triangle Enterprises	Industrial scaffolding, HVAC, Sheet Metal	170
Henry A. Petter Supply	Industrial distributor	150
National Maintenance & Repair	Barge repair	124
HT Hackney	Wholesale Distribution	114
Total		14,391
Employers in Greater Paducah Area		
Murray State University	Higher education	1,450
Pilgrim's Pride	Food Products Supplier	1,250
Murray-Calloway Co. Hospital	Healthcare	1,030
Briggs & Stratton Corp.	Small Engine Mfg	920
Pella Windows	Windows / Door Mfg	900
Jackson Purchase Medical Center	Healthcare	555
Harrah's Casino	Entertainment	541
Ashland, Inc. (ISP Chemicals)	Chemical Mfg	503
Verso	Paper Mfg	436
Westlake Chemical Co.	Chemical Mfg	381
Honeywell International	Chemical Mfg	267
Total		8,233

Source: Paducah Economic Development, Greater Paducah Chamber of Commerce and ConsultEcon, Inc.

Because of its strategic location on the Ohio River at the Tennessee and Cumberland Rivers and near the confluence with the Mississippi River, Paducah has a large marine industry that is an important component of its economy.

An important contributor to Paducah's marine industry is the Seaman's Church Institute Center for Maritime Education, located in the downtown adjacent to the Carson Center. One of two training facilities operated nationally by the Seaman's Church Institute, the Center offers specialized education and training to an estimated 1,400 mariners every year from across the country. The mariners are 100 percent from out of town and stay an average of 2.5 nights in Paducah. This would indicate that this segment generates up to 3,500 room nights in local hotels annually. Trainings occur 42 weeks throughout the year, with a slowdown in November and December, the traditional vacation period for mariners.

Other marine related companies that have headquarters and operations in Paducah include Ingram Barge, James Marine, and Marquette Transportation. Many of these companies are located near the downtown. Business travel is generated by training, and other activity related to their general operations, such as crew changes. Paducah's marine industry is reportedly poised for future growth, which will, in turn, expand the potential demand for hotel rooms from this market segment.

Room Demand due to Pass-Through Travelers

The cluster of accommodations near the highway indicates that Paducah has a large number of pass-through travelers staying overnight in the area, en-route to other destinations. The location is a good midpoint for travelers on long-haul trips to and from points north and south. These pass-through travelers may be traveling for business or leisure. Regardless of their trip purpose, they are differentiated from other travelers because they do not consider Paducah a destination, rather a stopping point. An important example of demand generated by pass-through traffic is people staying in Paducah whose destination is the Land Between the Lakes. This National Recreation Area receives between 1.5 million and 1.7 million visitors each year, many of whom are driving on the interstate through Paducah. Generally, a downtown hotel will not be competitive for this market segment.

Room Demand due to Personal Business

There will be additional demand for room nights due to personal business, such as those visiting people in hospitals, or going shopping. Paducah has two hospitals that are among the largest employers in region. The Kentucky Oaks Mall is the primary regional shopping center and therefore draws from a wide market area. To the extent that this personal business is conducted in and around the downtown, a downtown hotel may attract this room nights from this market segment. However, shopping and hospitals are most proximate to highway hotels.

Also included in this demand segment would be travel associated with participation in sporting events. The Paducah Regional Sports Plex is an 80,000 square foot multi-sport facility located outside of the downtown area. It hosts sports tournaments attracting high school, college and other teams from around the region and is a generator of room nights from tournament participants. Generally, a downtown hotel will not be highly competitive for this market segment, but there may be some room nights due to family and friends of the athletes that may wish to stay in the downtown environment.

Room Demand due to Visiting Friends and Relatives

A major source of travelers to any city or region is people visiting friends and relatives (VFR's). As indicated in tourism data available for Kentucky, VFR's are a significant source of overnight leisure travel. The VFR visit might be occasioned for a holiday, wedding funeral or anniversary or simply to reunite and reconnect. A consistent pattern has been shown through surveys and studies throughout the United States that the ratio of VFR's to population usually falls in a range of .5 to 2 VFR's per resident. Most areas have a 1 to 1 ratio of VFR's to population. The variance can be attributed to the attractiveness of the area for visitors (resort areas tend to have high ratios of VFR's) as well as accessibility and social patterns. A reasonable estimate for the four-county Paducah MSA population⁶ is one VFR per person,

⁶ Paducah- Mayfield, KY-II Micropolitan area includes McCracken County, Ballard County and Livingston County in Kentucky and Massac County in Illinois. The US Census Bureau 2013-2017 American Community Survey 5-Year Estimates indicated the area's population was approximately 97,000 in 2017.

rounded to a total of 100,000 visiting friends and relatives. Typically, a large portion of these visitors stay in private homes, but some stay overnight in commercial accommodations. A downtown location will appeal to some of these travelers based on its unique characteristics and offerings.

Summary

The proposed location in the TIF District is one of the primary competitive advantages for a new hotel. Compared to other areas in the competitive market, the downtown has a lower level of competition. Important demand generators in the TIF District that draw visitors from outside of the Paducah region include the array of arts and cultural attractions, events and festivals, downtown shopping and dining, the Paducah- McCracken County Convention and Expo Center, the Seamen's Church Institute, the river industry headquarters and operations that are near the TIF District. In addition a downtown hotel would attract room nights from individuals on private business and those visiting friends and relatives. A new hotel development in the TIF District can be targeted to arts and cultural leisure visitors, business travelers in the marine industry training and operations, and convention and meeting attendees at the PMCCEC.

Section VII

MARKET POTENTIAL OF A NEW TIF DISTRICT HOTEL

This section summarizes the findings and recommendations for new hotel development in the proposed TIF District in Paducah based on the site and market analysis.

- ◆ Many key generators of hotel room nights in Paducah are located in the TIF District. These include the arts and cultural facilities, the convention and expo center, festivals and events, marine and other river-oriented businesses and training facilities, as well as other businesses located in the downtown.
- ◆ Due to the early year operations and the proposed improvements to PMCCEC facilities and the new management agreement, the PMCCEC is poised to generate additional room nights. As convention business grows it will generate more demand for the Holiday Inn Riverfront as well as create the opportunity for more hotel rooms downtown because the Holiday Inn Riverfront will not be able to satisfy all the demand for rooms generated by larger non-local events.
- ◆ The TIF District has a shortage of available rooms to support activity created by key demand generators in the downtown. Almost all of the existing supply of hotel rooms in Paducah / McCracken County is concentrated near the highway.
- ◆ A new hotel in the TIF District would have a locational advantage over highway-oriented hotels because of its visibility and accessibility to key generators of demand that are concentrated in the downtown area.
- ◆ Arts and cultural activities in Paducah are a significant and growing market in the future. The City continues to receive national and international recognition as an appealing destination. A new hotel in the downtown would only solidify this reputation and reinforce the investments made in arts and culture in the future.
- ◆ There is an opportunity for a new TIF District hotel to carve out a new niche by offering something different than the existing accommodations. The current TIF District accommodations have limitations in serving arts and cultural audiences. The Holiday Inn Riverfront location is too far from arts and cultural attractions for an easy walk; small inns do not offer the experience of a full-scale hotel, nor the reservation system. A new hotel in the TIF District would need to be sized and scaled to the opportunity to fill a gap in the existing lodgings by offering a different experience.
- ◆ There is an estimated 25,500 room nights generated by arts and cultural events alone. Other market segments of demand include business, personal travel, convention and meetings, and visiting friends and relatives. The arts and culture segment is enough to support a 100 room hotel on its own. These room nights are serviced throughout the market area, but a TIF District hotel would likely be successful in capturing a substantial portion of this market segment.

- ◆ A new hotel, if capturing a large share of the arts and cultural market and some business travel and some convention, conference and meetings business, may range from 35 to 50 rooms.
- ◆ The new hotel would need to be positioned as a boutique hotel—like an upscale chain hotel but smaller and reflecting the unique character of Paducah—and contain amenities, such as a full-service restaurant, to appeal to a guest demographic with disposable income that can support higher price points, with daily rates 20 to 30 percent higher than the market average. Due to the size of the hotel, the restaurant associated with it will need to be profitable in order to sustain the operation. The restaurant would need to be a destination in its own right.
- ◆ A boutique hotel should be able to support nightly rates from \$100 to \$120, depending on day of week and seasonal considerations. These rates are comparable to existing upscale and upper midscale hotels in the Paducah market.
- ◆ The most logical location for a new hotel targeting arts and cultural audiences is at the city owned parking lot at Market House Square and Broadway. Different locations within the TIF District will influence the potential market segments served, which, in turn, may influence the character of the hotel. Further, other locations in the TIF District may have less market support.
- ◆ A new hotel in the TIF District with a market positioning that is differentiated from the existing hotels in the TIF District will increase the number of overnight stays because it will better serve demand generators in the downtown area, as well as compete in the overall market for other business and personal travel. It is likely that it will draw some demand from existing hotels in the TIF District. However, current redevelopment and growth in the downtown area indicates that the new competition for existing hotels would be largely mitigated by the expected increase in total demand in the downtown area.