

ECONOMIC IMPACT ANALYSIS

Proposed Buda Hotel and Conference Center
Buda, Texas

16-484HO-0049

Ms. Ann Miller, CEcD
Executive Director
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CBRE HOTELS

The World's Leading Hotel Experts.



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May 30, 2017

Ms. Ann Miller, CEcD
Executive Director
Buda Economic Development Corporation
203 Railroad Street, Suite 3-A
Buda, Texas 78610

Dear Ms. Miller:

In accordance with our engagement letter dated August 12, 2016, we have completed an Economic Impact Analysis for the proposed Buda Hotel and Conference Center in Buda, Texas. The economic impact includes the direct and indirect spending related to construction and operation of the proposed Buda Hotel and Conference Center. The operation of the hotel will also have a direct, indirect and induced impact on employment in the Austin MSA. In addition, we have provided a fiscal impact summary that details the estimated tax receipts that the City of Buda would obtain from the proposed facility.

The Economic Impact Study assumes that the proposed Buda Hotel and Conference Center would open in January 2020. The hotel market study issued by CBRE Hotels to the Buda Economic Development Corporation on April 27, 2017 is utilized as the supporting documentation for computing the economic and fiscal impacts.

Although the proposed property's future performance has been conscientiously prepared using information obtained during the course of this study and our experience in the industry, it is based on estimates and assumptions, which are subject to uncertainty and variation, and we do not represent them as results that will actually be achieved. This report is subject to the same Terms and Conditions as set forth in the market study.

We would be pleased to hear from you if we may be of further assistance in the interpretation and application of our findings and conclusions. We express our appreciation to you and your associates for the cooperation extended to us during the course of this assignment.

Respectfully submitted,

CBRE Hotels Consulting



G. Randle McCaslin, CRE
Managing Director

ECONOMIC IMPACT

Total economic impact is a product of new direct and indirect spending within the local economy. CBRE Hotels analyzed the direct spending relative to construction of the development and activities associated with the proposed Buda Hotel and Conference Center in Buda, Texas. We also analyzed the direct spending relative to the operation of the proposed Buda Hotel and Conference Center. Each new dollar spent (direct) has a multiplied effect on the economy in the form of increased revenues (spin off activity) to local businesses, increased employment and increased wages (indirect). An example of this would be a retailer who hires more employees as a result of an increase in sales volumes. Each new employee is a new consumer who then re-spends the money within the local economy. Therefore, direct economic impacts are all expenditures that can be linked directly to construction and operations, while indirect impacts are generated when these new dollars are re-spent within the local economy. These direct and indirect expenditures represent the total impact to the economy.

Our methodology separates economic impact into two categories: Construction and Operations. We then utilized the Regional Input-Output Modeling System (RIMS II) for the Austin MSA developed by the U.S. Department of Commerce's Bureau of Economic Analysis. Based on these multipliers, we developed estimates for total economic impact, the increased wages to the area and the increased employment.

- Construction - The impact from the physical construction of the hotel and conference center and the one-time increase it has on spending. The construction spending also influences employment in many sectors of the local economy. Economic impact from the construction of the hotel comes in the form of wages paid to construction personnel as well as the purchase of construction materials.
- Operations – The creation of jobs and paying of wages to the employees of the proposed facility. This figure represents increased payroll expenditures, excluding benefits paid to workers locally. It also expresses how the employees of local business share in the increased outputs.

Economic Impact from Construction

In addition to the ongoing impacts from the operation of the facilities, the construction of the proposed Buda Hotel and Conference Center would create a one-time increase in spending. The estimated cost to develop the proposed Buda Hotel and Conference Center based on construction cost estimates is \$150,000 per key or \$18 million. These costs provide an order of magnitude estimate of the development costs for the proposed Buda Hotel and Conference Center in order to assess economic impact. The estimates could change once the final design and costing of the project by qualified architects, engineers and contractors is completed.

CBRE Hotels interviewed local representatives to determine a reasonable assumption (90%) of materials and labor that will originate from within the Austin MSA. The following table uses the multipliers supplied by the RIMS II model for the Austin MSA to estimate economic impact resulting from construction.

Proposed Buda Hotel & Conference Center - Buda, Texas		
Economic Impact from Construction		
Total Construction Cost ¹		\$18,000,000
Cost Generated		
From Within Austin MSA	90% ²	\$16,200,000
Output - represents the dollar increase in area output for every dollar increase in direct spending	1.8962	\$30,718,440
Wages - represents the dollar increase in area household income for every dollar increase in direct spending	0.6070	\$9,833,400
Total Economic Impact From Construction		\$40,551,840
Jobs - represents the increase in area jobs for every \$1 million in direct spending	12.0594	195 jobs
¹ Construction cost estimated based on brand prototypes		
² According to local representatives		
Multiplier Source: US Department of Commerce - Bureau of Economic Analysis		

Economic Impact from Operations

Direct economic impact from employment is generated by the creation of jobs and the paying of wages to the employees of the proposed facility. According to our comparables, a typical hotel would have payroll costs of approximately 30% of its total revenue. As much as 30% of these wages are typically withheld for taxes and savings and are not spent, which leaves 70% of these wages to be spent on household products and services. For purposes of the analysis, we estimated that 70% of the wages would be spent within the local economy.

After calculating the amount spent by employees in the local economy, we then applied the multipliers provided by the U.S. Department of Commerce's Bureau of Economic Analysis. Indirect impact occurs when the industries that produce these products and deliver these services hire more persons and pay more wages. The local economic impact from operations is presented in the following table.

Proposed Buda Hotel & Conference Center - Buda, Texas							
Local Economic Impact From Operations							
	Total Revenue ¹	Total Payroll (30% of Total Revenue)	Taxes & Savings - (30% of Payroll)	Amount Spent In Local Economy (70%)	Economic Impact ²		
					Output ³ 1.7753	Wages ⁴ 0.5142	Total
2020	\$4,981,000	\$1,494,300	\$448,290	\$732,207	\$1,299,887	\$376,501	\$1,676,388
2021	\$5,606,000	\$1,681,800	\$504,540	\$824,082	\$1,462,993	\$423,743	\$1,886,736
2022	\$6,073,000	\$1,821,900	\$546,570	\$892,731	\$1,584,865	\$459,042	\$2,043,908
2023	\$6,251,000	\$1,875,300	\$562,590	\$918,897	\$1,631,318	\$472,497	\$2,103,815
2024	\$6,461,000	\$1,938,300	\$581,490	\$949,767	\$1,686,121	\$488,370	\$2,174,492
2025	\$6,640,000	\$1,992,000	\$597,600	\$976,080	\$1,732,835	\$501,900	\$2,234,735
2026	\$6,854,000	\$2,056,200	\$616,860	\$1,007,538	\$1,788,682	\$518,076	\$2,306,758
2027	\$7,036,000	\$2,110,800	\$633,240	\$1,034,292	\$1,836,179	\$531,833	\$2,368,012
2028	\$7,253,000	\$2,175,900	\$652,770	\$1,066,191	\$1,892,809	\$548,235	\$2,441,044
2029	\$7,471,000	\$2,241,300	\$672,390	\$1,098,237	\$1,949,700	\$564,713	\$2,514,414
Total	\$64,626,000	\$19,387,800	\$5,816,340	\$9,500,022	\$16,865,389	\$4,884,911	\$21,750,300

¹CBRE Hotels performance projections for the proposed Buda Hotel and Conference Center scheduled to open January 2020
²US Department of Commerce - Bureau of Economic Analysis (BEA) RIMS II Multipliers
³Output represents the dollar increase in output in all industries for every dollar increase in direct spending
⁴Earnings represents the dollar increase in earnings of households in all industries for every dollar increase in direct spending

Source: CBRE Hotels Consulting

Total Economic Impact

The following table summarizes the local economic impact of the proposed Buda Hotel Conference Center beginning with construction in 2019 through the proposed facilities first 10 years (2020 through 2029) of operations.

Proposed Buda Hotel & Conference Center - Buda, Texas			
Total Economic Impact			
Year	Construction	Operations	Total Economic Impact
2019	\$40,551,840	--	\$40,551,840
2020	--	\$1,676,388	\$1,676,388
2021	--	\$1,886,736	\$1,886,736
2022	--	\$2,043,908	\$2,043,908
2023	--	\$2,103,815	\$2,103,815
2024	--	\$2,174,492	\$2,174,492
2025	--	\$2,234,735	\$2,234,735
2026	--	\$2,306,758	\$2,306,758
2027	--	\$2,368,012	\$2,368,012
2028	--	\$2,441,044	\$2,441,044
2029	--	\$2,514,414	\$2,514,414
Total	\$40,551,840	\$21,750,300	\$62,302,140

Source: CBRE Hotels Consulting

FISCAL IMPACT

In addition to the economic impact, we have also identified the fiscal benefit to the local community. This analysis estimates fiscal impacts for the governmental units that levy taxes in the jurisdiction. The fiscal impacts are tax revenues that result from the spending and income related to the activities at the new hotel. CBRE Hotels estimated fiscal impact by multiplying the applicable tax rates by the estimated amounts of direct and indirect spending.

Hotel Occupancy Tax

The City of Buda will benefit from the collection of a 7% City Hotel Occupancy Tax levied on the rooms revenue of the proposed Buda Hotel and Conference Center. The following table summarizes the potential hotel occupancy taxes for the period 2020 through 2029, the first 10 years of hotel operations.

Proposed Buda Hotel & Conference Center - Buda, Texas		
Potential Hotel Occupancy Tax Revenues		
Year	Projected Rooms Revenue	Potential Hotel Occupancy Tax Revenues (7%)
2020	\$3,694,000	\$258,580
2021	\$4,158,000	\$291,060
2022	\$4,505,000	\$315,350
2023	\$4,635,000	\$324,450
2024	\$4,797,000	\$335,790
2025	\$4,926,000	\$344,820
2026	\$5,088,000	\$356,160
2027	\$5,218,000	\$365,260
2028	\$5,380,000	\$376,600
2029	\$5,542,000	\$387,940
Total	\$47,943,000	\$3,356,010

Source: CBRE Hotels Consulting

Sales Tax

The following table summarizes the potential sales taxes generated by the proposed Buda Hotel and Conference Center for the period 2019 through 2029, which encompasses the period from construction through the first 10 years of operations. The table presents the taxable revenues realized by the City of Buda from the construction spending and operation of the proposed Buda Hotel and Conference Center.

Proposed Buda Hotel & Conference Center - Buda, Texas
Potential Sales Tax Revenues

Year	Construction	Hotel Revenues	Operations Employment	Total Taxable Revenues	Potential Sales Tax Revenues (2%)
2019	\$40,551,840	--	--	\$40,551,840	\$811,037
2020	--	\$4,981,000	\$1,676,388	\$6,657,388	\$133,148
2021	--	\$5,606,000	\$1,886,736	\$7,492,736	\$149,855
2022	--	\$6,073,000	\$2,043,908	\$8,116,908	\$162,338
2023	--	\$6,251,000	\$2,103,815	\$8,354,815	\$167,096
2024	--	\$6,461,000	\$2,174,492	\$8,635,492	\$172,710
2025	--	\$6,640,000	\$2,234,735	\$8,874,735	\$177,495
2026	--	\$6,854,000	\$2,306,758	\$9,160,758	\$183,215
2027	--	\$7,036,000	\$2,368,012	\$9,404,012	\$188,080
2028	--	\$7,253,000	\$2,441,044	\$9,694,044	\$193,881
2029	--	\$7,471,000	\$2,514,414	\$9,985,414	\$199,708
Total	\$40,551,840	\$64,626,000	\$21,750,300	\$126,928,140	\$2,538,563

Source: CBRE Hotels Consulting

Property Tax

We have used our projected property tax estimates from the CBRE Hotels market study as a baseline for estimating the expected property tax receipts related to the development. For purposes of this analysis, CBRE Hotels has assumed no tax rebates are associated with the development.

Proposed Buda Hotel & Conference Center Buda, Texas Forecasted Property Tax	
Year	Forecasted Property Tax
2019	\$197,000
2020	\$203,000
2021	\$209,000
2022	\$215,000
2023	\$221,000
2024	\$228,000
2025	\$235,000
2026	\$242,000
2027	\$249,000
2028	\$257,000
Total	\$2,256,000

Source: CBRE Hotels Consulting

TOTAL PROJECTED ECONOMIC, EMPLOYMENT AND FISCAL IMPACT SUMMARY

The table below presents the Total Projected Economic, Employment and Fiscal Impact for the proposed Buda Hotel and Conference Center in Buda, Texas.

Proposed Buda Hotel & Conference Center - Buda, Texas
Summary of Economic, Employment & Fiscal Impact

Economic Impact

Total Economic Impact from Construction (rounded)	\$40,600,000
Total Economic Impact from Operations (rounded) - 10-Year Period	\$21,800,000

Employment Impact

Total Jobs from Construction within Austin MSA	195 jobs
Direct Jobs from Hotel Operation	54 Jobs

Fiscal Impact

Potential Hotel Occupancy Tax Revenues (rounded) - 10-Year Period	\$3,400,000
Potential Sales Tax Revenues (rounded) - 10-Year Period	\$2,500,000
Potential Property Tax Revenues (rounded) - 10-Year Period	\$2,300,000

Source: CBRE Hotels Consulting, US Department of Commerce - Bureau of Economic Analysis
