

HVS Convention Center Study

March 31, 2026

Locations:

Former K-Mart Site

Gallatin County Fairgrounds

N. Willson Avenue

Requested Funding:

\$19,000.00

Total Budget:

\$76,000.00



Convention, Sports & Entertainment
Facilities Consulting
Chicago, Illinois

October 7, 2025

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Daryl Schliem
Gallatin Foundation Inc.
2000 Commerce Way
Bozeman, MT 59715
(406) 586-5421
dschliem@bozemanchamber.com

Re: Hotel and Convention Center Demand Analysis

Dear Mr. Schliem,

HVS Convention, Sports & Entertainment Facilities Consulting (“HVS”) is pleased to present this proposal to provide a Demand Analysis for a proposed hotel and convention/conference center project in Bozeman, Montana.

The Gallatin Foundation Inc. (“Chamber”) asked HVS to provide this proposal to study the development of a hotel and convention center on the former Kmart site at the intersection of North 7th Avenue and West Oak St. in Bozeman. The developer is planning a mixed-use development including retail, residential, a performing arts center, and a hotel and convention center. The Chamber needs the assistance of an experienced consulting firm with in-depth knowledge of the hospitality and convention and event industries and familiarity with the Bozeman market. HVS offers such a team.

HVS is recognized as the leading hospitality consulting firm. We offer expertise in the following primary areas to meet your needs: 1) hotel market and analysis, 2) convention center analysis and development strategies, and 3) experience in Bozeman. The HVS methods of hotel market analysis set the standards for the industry. HVS leads the industry in analysis of convention center and event venue development and performance. We have developed new methods to understand the interactions between meeting and event venues and their surrounding lodging supply and to quantify demand and revenue impacts.

We are pleased to submit this proposal for our services. The attached proposal describes the objectives and scope of the assignment, a detailed description of the methodology to be employed, an estimate of the time requirements, and a schedule of professional fees.



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Should you wish to proceed with our services and engage us in this pivotal project, we kindly request your signature on the attached confirmation page. Our team is enthusiastic about contributing to this significant initiative and eagerly anticipates your response.

Very truly yours,

A handwritten signature in black ink that reads "Thomas Hazinski".

Thomas Hazinski, Managing Director
HVS Convention, Sports &
Entertainment Facilities Consulting
thazinski@hvs.com

A handwritten signature in black ink that reads "Katy Black".

Katy Black, MAI, Managing Director
HVS Consulting & Valuation, Denver
kblack@hvs.com



Firm Overview

Since 1980, HVS, the leading global hospitality consulting organization, has provided financial and valuation consulting services for over 50,000 assignments worldwide for nearly every major industry participant. Our professional staff of more than 300 industry specialists offers various services, including market feasibility studies, valuations, strategic analyses, impact studies, advisory and development planning, and litigation support. With over 40 offices in 10 countries, HVS offers one of the most comprehensive knowledge bases in the industry. Annually, HVS completes more than 3,000 feasibility studies, appraisals, and consulting engagements. HVS is respected worldwide by developers, underwriters, operators, and investors. We operate independently as consultants and have no ownership in any venues. We serve owners through the life cycle of facility ownership from the project inception and throughout their operation and ongoing improvement. HVS provided a wide variety of services to the hospitality industry.



By engaging HVS for this assignment, you will benefit from access to some of the most experienced hospitality consultants in the industry and the industry's most comprehensive databases. Our reputation among investors, bankers, rating agencies, developers, and public officials is extremely important to us and ensures that we pay close attention to each engagement we accept. HVS offers a wide range of skills and experience in analyzing various land uses, including hotels, convention and convention centers, tourist and visitor attractions, entertainment and arts centers, sports facilities, restaurants, casinos, and other land uses related to hospitality and tourism.

HVS offers a comprehensive range of customized market, feasibility, and advisory services to help owners, developers, and municipalities to evaluate new and



existing properties. HVS specializes in studying hotels, event and meeting facilities, and mixed-use developments in public-private partnerships.

Our database of hotel operations and information – the largest in the world – combined with our broad insight and extensive experience in the market, enables HVS to recommend products that provide the optimal "product/market fit" for the market and type of customers visiting a given market area.

Our studies often appear in bond offering statements, and our staff has presented these studies to rating agencies, bond insurers, and investors. As a global hospitality consulting firm, HVS has many resources that our competitors lack.

The HVS integrated hotel database includes operating information on over 60,000 properties in North America, and we have the most up-to-date database on hotel developments of any consulting firm in the industry. This unmatched resource will be used to consider a variety of development options for Bozeman.

Our business philosophy is always to provide our clients with the best objective advice. HVS works for a wide range of industry participants including lenders, private developers, operators, and public owners. They rely on our advice to make important investment decisions and use our services repeatedly precisely because they can rely on our credibility.

Two divisions of HVS will coordinate work to provide the requested analysis: HVS Hotel Consulting & Valuation will lead the hotel analysis and HVS Convention, Sports and Entertainment will perform the convention center analysis. The work will be performed concurrently, as they will inform each other.



Proposed Scope of work

We designed our scope of services to meet your goals and allow us to provide our findings according to schedule.

HVS will conduct the following tasks:

Task	Description
Phase 1: Market and Demand Analysis	
1	Project Orientation and Fieldwork
2	Market Assessment
3	Demand Assessments
4	Program Recommendations and Site Review
5	Summary Report
Optional Services	
1	Financial Feasibility
2	Economic Impact

PHASE 1: MARKET AND DEMAND ANALYSIS

Task 1.1: Project Orientation & Fieldwork

HVS will meet with you and your representatives in Bozeman to discuss our study in more detail and to formulate a schedule for performing the engagement. We will gather any information from you that may assist us in performing this assignment, including data and key contacts. We will conduct interviews, collect statistical data, and investigate the market area as follows.

1. Prior to the visit, we will provide an information request letter and set up an interview schedule.
2. Meet with Client representatives to discuss the project, establish lines of communication, and gather any information from you, which may assist us in performing this assignment.
3. Review any previous analysis and planning documents prepared for the project.
4. Tour the site and surrounding area.
5. The demand for transient accommodations, including meeting and group and transient accommodations will be investigated to identify the various generators of visitation operating within the local market. The current and anticipated potential of each of these market segments will be evaluated to determine the extent of existing and future demand. Interviews with



officials of business and government, as well as statistical data collected during the fieldwork, are useful in locating and quantifying transient demand. In conjunction with the identification of potential demand, an investigation will be made of the respective strengths of these markets in terms of seasonality, weekly demand fluctuations, vulnerability to economic trends and changes in travel patterns, and other related factors.

6. The market orientation of lodging facilities will be evaluated to determine their competitive position with respect to potential hotel development. Those properties displaying similar market attributes will receive a physical inspection, along with selective management interviews, to estimate levels of occupancy, room rates, market segmentation, and other pertinent operational characteristics. Some of the competitive factors that will be specifically reviewed include location, type and quality of facilities, physical condition, management expertise, and chain affiliation.
7. HVS will gather relevant statistical data including:
 - a. economic and demographic trends—population, workforce characteristic, employment levels, income, major business and industry, and other relevant indicators of economic growth or decline
 - b. project site considerations—maps, site plans, zoning designations, and description of adjacent land uses
 - c. transportation access—air service, highway access, and public transit
 - d. tourism attractions and visitation
 - e. lodging market—existing and new supply, occupancy, room rates, demand sources, and seasonality of demand
 - f. comparable and competitive meeting and event venue supply and demand
 - g. expense factors such as labor, food and beverage costs, energy rates, assessed values and taxes.

Task 1.2:
Market Assessment

HVS will assess key market variables and economic data, culminating in an analysis of the following demographic and economic characteristics and conditions of the local area:

- Work force characteristics,
- Projected economic growth,
- Business climate and major employers,
- Corporate presence,
- Colleges and universities,
- Meetings and assembly facilities,



- Arts, culture, and entertainment,
- Retail destinations,
- Hotel supply (including number of rooms by type and meeting space),
- Leisure and tourism and future expected trends,
- Visitor industry-related taxes,
- Proposed development initiatives, and
- Transportation/air access and costs.

Task 1.3:
Demand Assessment

HVS will assess the market and demand potential for the hotel and convention center at the site.

Hotel Supply and Demand Analysis

The HVS integrated hotel database includes operating information on over 60,000 properties in the U.S. We have the most up to date database on hotel developments of any consulting firm in the industry. This unmatched resource will be available as we provide our hotel analysis and recommendations. We will also order data from Smith Travel Research (“STR”).

HVS will thoroughly analyze supply and demand for lodging in the area. We will provide an overview of regional and national trends; we will also provide analysis pertaining specifically to how the proposed hotel is likely to perform in the local market. Key steps of our analysis include the following:

- **Competitive Set Analyses** – We define a set of local area hotels that will compete most directly with the proposed hotel, as well as hotels that compete on a secondary basis. Our consultants will analyze how each of these competitors performs, including information about their historical occupancy and average daily rates. Through interviews with hotel operators, developers, government planning officials, and others, we will also ascertain whether any potentially competitive projects are under construction, proposed, or rumored. We will identify the degree to which these properties would compete with the proposed hotel.
- **Accommodated Demand** – Using the occupancy levels and market segmentations of the competitive properties, the number of room nights actually accommodated in each segment is calculated by multiplying each property's room count by its occupancy, market segmentation, and 365 days. This yields the accommodated room night demand in the competitive set. The annual number of room nights occupied per room in each segment is also calculated (room nights occupied per year divided by the room count), and the results serve as a competitive index.



- **Segmentation Analysis** – HVS will evaluate which demand segments are currently served by the competitive set of hotels and we will quantify accommodated room night demand in each of several demand segments, such as: commercial; leisure; and meeting and group.
- **Demand Growth Rates** – Growth rates are projected for each of the market segments.
- **Penetration Analysis** – HVS then determines the appropriate penetration rates for the proposed hotel within each of the defined demand segments. The appropriate positioning of these penetration rates will depend on the subject’s relative advantages and disadvantages compared to the defined competitive set of hotels.
- **Latent Demand** – Latent demand may be “Unaccommodated” or “Induced” demand. Unaccommodated demand represents potential lodging demand that historically has not been served because of lack of available rooms during periods of peak demand. Induced demand represents additional lodging demand that may result from the addition of the proposed hotel property or other major developments in the area. HVS factors estimates of these additional types of potential demand in our room night analysis.

Accurate data and competent analysis are critical to developing accurate forecasts of supply and demand. Using market data from our proprietary SPIDER® database, industry data purchased from Smith Travel Research, and information from our fieldwork interviews with hotel managers, HVS will estimate existing and future room night demand in the market area. We will also provide an overview of historical performance for these hotels.

HVS sets the industry standard for thoroughness in hotel supply and demand analyses. Our proprietary market segmentation models and penetration analysis models are preferred by most, if not all, lenders and investors working in the industry. Our report would provide a thorough explanation of these models and their outputs.

Convention Center Demand Analysis

HVS will gather the following data for the convention and meetings market and demand assessment:

- **Competitive and Comparable Convention Venue Analysis** - HVS will gather data on selected competitive facilities, including facility size, flexibility, and overall quality; number of supporting hotel rooms; rates, surrounding amenities; and, if available, levels of event demand by event type and revenue and expenses. HVS will also compile and analyze data on convention facilities that may not be competitive but are comparable (located in other similar settings). HVS will analyze this data on



comparable markets and their facilities and use it as a basis for developing the demand and induced room night projections for the proposed convention center. Through interviews and research, HVS will gather the following data:

- Descriptions of their facilities and capacities,
- Recent expansions or plans and description of the most effective innovations among these comparable venues,
- Number of supporting hotel rooms,
- Rental rates for the convention facilities,
- Levels of event demand by event type, as well as unaccommodated demand,
- Revenue and expenses of competitive facilities, and
- Surrounding amenities (hotel package, parking, restaurants, night life, shopping, entertainment, etc.).

The analysis will include a comparison assessment. HVS will provide recommendations and offer solutions to any challenges that can help position the market for future success.

- Interviews - HVS will interview key informants in person or over the phone. Possible interviews include various city and county officials, representatives from Visit Bozeman, the Bozeman Chamber of commerce, economic development representatives, tourism stakeholders, and hospitality business leaders to identify local and regional event requirements. We will also interview meeting and event planners who may plan group meeting events that could use the proposed convention center.

We will also interview operators of the adjacent Gallatin County Fairgrounds to discuss possible synergies in meeting event demand, as well as obtain an understanding of the room nights induced by events at the Fairgrounds.

We will also review the plans for the proposed performing arts center and assess the studies completed by Webb Management to determine the center's impact on demand for hotel rooms and potential event synergies with the proposed convention center. Our analysis will not include an independent market and feasibility study for the performing arts venue. We will rely on existing studies and data to determine the demand and attendance information for use in our analysis.

- Demand and Attendance Projections - HVS will quantify the event demand in several different event categories for any recommended facility. Demand projections will include the number of events, number of event days,



number of attendees, and the amount and type of space utilized. The demand projections will consider the likely levels of initial demand, seasonality, typical patterns of the number of events and attendance during the first years of operation, and the number of years it will take to reach a stabilized level of demand.

Our demand projections will also provide the basis for room night demand estimates. We will create a statistical model of the number of room nights generated by events held in the convention center for use in our hotel analysis.

**Task 1.4:
Development
Recommendations**

The match between the market demand and the quality and size of the recommended hotel and convention development at the site is essential to their continued success. An important part of this analysis will be to provide recommendations that will allow the Client to meet the needs of customers, maximize revenue opportunities, enhance the image of Bozeman, foster an efficient operation, and create economic impacts.

HVS will provide development recommendations for the proposed hotel and convention center. Based on our market and demand analysis, we will provide the recommended room count and meeting and function space. We will recommend whether the development should be a combined hotel convention center operated under one proforma or separate developments.

HVS will also provide feedback on the proposed site, the former Kmart site at the intersection of North 7th Avenue and West Oak Street in Bozeman. The site's suitability for a hotel and conference center is a crucial consideration that affects the economic viability and marketability of the facility. We employ a site evaluation process that involves 20-30 variables that assess issues related to access, circulation, parking, size, topography, visibility, and the availability of utilities, which have a direct impact on the desirability of a particular site.

Phase 1 Reporting

Upon completion of the Phase 1 analysis, we will submit a summary report in PowerPoint. After you have had the opportunity to review it, we will convene a conference call to discuss our findings. HVS will consider all Client comments on our study and incorporate them into further study as may be necessary. All reports will be provided electronically in PDF format.

Assuming the findings are positive, and a consensus is reached on the proposed developments, HVS will proceed with the following analysis.

OPTIONAL SERVICES

HVS is available to provide additional services for the project if requested. These additional services will require separate authorization. Potential additional services may include:



- Develop financial proformas for the hotel and convention center. Our projected financial proformas conform with the Uniform System of Accounts for the Lodging Industry (USALI) and include a detailed line-by-line account of all revenue sources and expenses.
- Provide a feasibility analysis to determine whether the proposed hotel and convention center have economic justification, based on a discounted cash flow analysis and IRR calculations.
- Identify potential financing strategies for the recommended development. Case studies from financing plans used in other markets can illustrate various options. HVS can research various innovative approaches to project financing, including various forms of public/private partnerships.
- Project the economic and fiscal impacts of the hotel and convention center development. HVS estimates direct, indirect, induced, employment, and fiscal (tax revenue) impacts.

SCHEDULE AND COSTS

We propose a 6-8-week schedule to complete Phase 1, beginning from the date of our fieldwork.

We propose to perform the Phase 1 scope of services presented in this proposal for a fee of \$38,000. A retainer of \$19,000 will be due upon authorization to proceed with Phase 1.

In addition to the fees presented above, you agree to reimburse us for reasonable out-of-pocket expenses incurred on your behalf. We will bill expenses at cost and include all travel-related expenditures for 2-person trips for fieldwork, the cost of all data from third-party data sources, including STR, Esri, CEIR, and Placer.ai, and the production of presentation materials and reports. We estimate expenses to be approximately \$8,300.

To engage our services for the Phase 1 analysis, please return this executed agreement along with the retainer in the amount of \$19,000. After this initial payment, the remaining fees will be due prior to the delivery of the Phase 1 findings. We will bill you for expenses on a monthly basis as incurred. All outstanding invoices must be paid in full before delivery of any report products.

Restrictions on the Use of Draft Reports

Until the time that all professional fees and other charges have been paid in full, the draft report, which is provided to you as a professional courtesy, remains the intellectual property of HVS and shall not be utilized in attempting:

- a) to obtain financial capital (whether debt or equity).
- b) to further any litigation, mediation, or arbitration processes.



c) to assist the client in any cause, action, or endeavor.

If HVS has not been paid in full for its outstanding professional fees and other charges, and the draft report is used in violation of this agreement, HVS will be entitled to seek injunctive relief, monetary damages, and the cost of attorney fees and collection expenses.

Rates

The following are our hourly rates for HVS staff for services requested outside our scope of services:

HVS HOURLY RATES

Position	Hourly Rate
Managing Director	\$400
Senior Director	\$350
Director	\$250
Project Manager	\$200
Associate	\$150
Staff	\$90