Certec Inc.
Lexington, KY

ECONOMIC IMPACT OF THE PROPOSED MARITIME HERITAGE CENTER

INTRODUCTION

Tourism is a key component of the Michigan economy. In 2006 it contributed over $17.5 billion to the state's economy. The state's attractions are an important part of the tourism industry. The development of the proposed Maritime Heritage Center at the city owned site on the Saginaw River would enhance the tourism experience offered by Michigan, particularly the Bay City area. The purpose of this component of the total study is to quantify the economic impact of the Center by projecting visitation to the facility and then determining the expenditures, jobs, and tax revenues that will accrue to the economy from these travelers.

This analysis assumes that key components of the development will be in place when the Center complex opens for business, both structures and programs. Key revenue producing facilities such as the gift shop and restaurant are essential and will need to be in operation when the Center opens. All of the partner organizations, which should also serve as traffic generators, should be on the site and functioning as early as possible, but no later than the beginning of the second year of operation. These varied components of the development, as well as the visitor generating programs, are all critical to the success of the Maritime Heritage Center complex.

It is anticipated that the Center will be a year-round operation. This is viewed as a positive development for tourism in Bay City. It will fill a hole in the current product offerings of the community. To succeed it will be essential to establish a long-range marketing strategy to keep visitors coming back once they have been to the Center. This requires adding new product from year to year, either new facilities or programs or both. The successful execution of this long-range strategy will also aid Bay City tourism in the development of its Brand Image around the Maritime Heritage Center facility and its programs. This intangible by-product of the Center's development could lead to social and economic benefits to Bay City far beyond those being measured in the current project.

ECONOMIC IMPACT

Expenditures

The addition of the proposed Maritime Heritage Center to Bay City will have a major impact on the economy of the area. It is projected to draw 85,000 visitors the first year; 145,000 the second year, and 255,000 the third full-year of operation. The third year is

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Table A-1
ECONOMIC IMPACT OF THE PROPOSED MARITIME HERITAGE CENTER
Year 3

Total Expenditures in Michigan		**$26,673,621**[1]
Direct Expenditures	**$16,314,135**	
Indirect Expenditures[2]		**$10,359,486**
Wages		**$ 6,254,964**
Total State and Local Taxes	**$ 3,945,320**	
State Taxes		**$ 2,563,800**
Local Taxes		**$ 1,381,520**
Number of Jobs Created		**373**
Direct Jobs		**261**
Indirect Jobs		**112**

Source: Certec Inc.

[1] All expenditures are in 2007 dollars.

[2] Based on analysis using the Michigan Economic Impact Model developed at Michigan State University by Dr. Daniel Stynes.

anticipated to coincide with the next Tall Ships event with its expected 100,000 in additional visitors. A capture rate of 50% or 50,000 Tall Ships visitors are included in the 255,000 visitors in year 3. The visitors to the Center in its third year will generate an infusion of nearly $26.7 million (in 2007 dollars) to the Michigan economy (Table A-1). The initial round of expenditures, i.e. the direct expenditures, will account for over three-fifths of this spending ($16.3 million). The multiplier effect on the economy of these initial purchases will generate the indirect spending, $10.4 million.

While many areas of Michigan will benefit economically from the creation of the Maritime Heritage Center, the major beneficiary will be Bay County, with over $16.3 million in new direct spending. This high level of demand for goods and services created by the large number of Center visitors will impact the entire community. Given the close proximity of the proposed complex to existing businesses in and around Bay City, they can expect to be frequently patronized by Center visitors. Also, the magnitude of the demand for goods and services is such that a number of new businesses will be created to meet visitors' needs beyond what existing businesses can handle.

Key elements of the tourism industry infrastructure will benefit most directly from this spending. These include the Center itself, lodging facilities, restaurants, shopping centers and other retail outlets, and automobile service stations. The distribution of the direct expenditures in Bay County among these businesses is reflected in Chart 1. Attractions, including but not limited to the Maritime Heritage Center, will receive nearly two-fifths of these expenditures. Food vendors will take in nearly one-fourth of the $16.3 million in direct expenditures. Lodging establishments will also receive over one-fifth of these dollars. Retail shopping outlets and automobile service stations will also benefit substantially from this spending. However, many other businesses throughout the local, regional and state economies will also experience increased revenues as a result of the Center, particularly through the multiplier effect of the initial round of spending.

Maritime Heritage Center visitor spending stimulates non-tourist businesses, such as agriculture, fishing, meatpacking, food processing, brewing and distilling, bottling, floriculture, construction and appliance, furniture and linen manufacture. For example, demand for hotel rooms can create demand for the service of contractors, which generates secondary demand for steel, bricks, lumber, tile, marble, glass, plumbing and air conditioning systems, elevator cars, carpets, and a variety of other goods. Similarly, tourist demand for restaurant meals creates business not only for restaurants, but for producers and packagers of fresh and frozen foods, butchers, dairies, and ultimately, for manufacturers of farm implements and fertilizers. This business activity also creates demand for professional services such as insurance, legal, and accounting.

INSERT CHART 1 HERE

The nature of tourism expenditures is such that they are not confined to a limited geographic area. Tourists make purchases as they travel to and from their destination. While at a destination, such as the Maritime Heritage Center, they visit other attractions, events, and points of interest in the surrounding area where they make additional purchases. It is this tourist behavior, which will result in substantial additional spending outside of Bay County in other counties of the state. A total of $5.2 million in direct expenditures is projected to occur in Michigan counties. Counties contiguous to Bay County in the mid-Michigan region will receive $4.6 million of this spending. This means current regional attractions will have additional traffic as a result of the Center's development. As was the case for Bay County, these purchases will be made at many different businesses throughout those counties.

Employment

Travel expenditures translate into jobs. The nearly $26.7 million in spending will create 373 jobs. A total of 261 of these jobs will result from the direct purchases of visitors to the Center. In many cases these will be totally new jobs for the economy. In areas of the economy where serious underemployment exists, the spending will result in giving people the opportunity to work full-time. A number of seasonal jobs will also be created. The 112 jobs generated by the indirect spending are estimated at one-third in Bay County, one-third in mid-Michigan counties, and one-third in the rest of the state.

The 373 jobs will generate over $6.2 million in wages. Direct expenditures will account for $4.3 million of the wages.

Tax Revenues

Tourism and travel activity generates state and local taxes. A total of $2.6 million in Michigan state taxes and $1.4 million in local taxes will be collected as a result of the spending by the visitors to the Maritime Heritage Center during its third year. A major portion of the state tax revenues will be obtained through sales and excise taxes, and taxes on individual and corporate income. Business taxes and property taxes from businesses and/or individuals throughout the county will contribute to these local tax revenues.

State and Regional Impact

While difficult to quantify, it is important to recognize that the Maritime Heritage Center will be a major asset to the Bay City region's and the state's tourism product offering. Tourism market research has revealed that Michigan's cultural tourism product offering holds a relatively weak image among the traveling public, which is unfortunate given that the cultural tourism market segment is one of the overall industry's most rapidly growing. Thus, the Maritime Heritage Center project both addresses an area of weakness in what Michigan has to offer tourists as well as a market segment projected to experience above average growth.

The recently completed Michigan Tourism Strategic Plan 2007-2011 calls for investment in new product development, which is seen as critical to expanding the state's ability to attract tourists from outside the state's traditional market region. The latter is a region where economies are weak and population growth is slow relative to much of the rest of the nation. The Maritime Heritage Center would boost the region's and the state's ability to attract tourists from greater distances than is now the case, and it would encourage them to extend their length of stay.

In conclusion, the Maritime Heritage Center certainly has the potential to produce positive economic impacts beyond those projected in this report.

METHODS

Projection of Maritime Heritage Center Visitation

The determination of projected visitation for each of the first three years of operation was based on the following:

- An analysis of visitation levels at a number of tourism facilities throughout Michigan and the United States. A total of 18 such facilities were included in this study. Visitation data for recent years was examined. In some cases time series data were available. The model for this type of development is Mystic Seaport in Connecticut, which has been in operation since 1929.

- Prior knowledge of the operating procedures, particularly the marketing effort, of a number of tourism attractions.

- Assumption that a strong commitment to adequate marketing of the Maritime Heritage Center will exist. This translates into the allocation of 10 to 15% of the revenues during the first year's operation for marketing based on a professionally developed marketing plan. A minimum of 3 to 5% of the Center's revenues in subsequent years would be devoted to marketing.

- A capture rate of one out of every thousand vehicles (0.001%) based on Transportation studies, which pass Bay City on Interstate 75. The projected number of vehicles per day is 41,550 (Source: Michigan Department of Transportation). A capture rate of 0.001% by the Center would result in over 15,100 vehicles stopping per year. With an average of three travelers per vehicle, a total of over 45,400 visitors would be generated by the third year of operation.

Expenditures

The initial round of spending i.e. the direct expenditures was determined from analyses that use the projected visitation and per person per day expenditures of visitors to comparable tourism destinations drawn from the previous research of Certec Inc. These data also provide a breakout of expenditures by type of purchase (lodging, food, gas & oil, etc.).

The multiplier effect i.e. the indirect expenditures resulting from the initial infusion of money into Michigan's economy was derived from an input-output study of Michigan, which has the tourism industry identified separate from other industries. This I-O Model was developed at Michigan State University. The output multiplier for Michigan tourism obtained from this I-O Model was 1.635.

Employment

Estimates of the employment generated by the spending of visitors to the Maritime Heritage Center were calculated based on the relationship between tourism expenditures and jobs previously determined from input-output modeling. The estimated expenditures in Table A-1 were translated into number of jobs using these relationships.

Tax Revenues

Estimates of tax revenues generated from these tourism expenditures were computed in a similar fashion. The previously determined relationship between expenditures and tax revenues, both state and local, was assessed. The state and local tax revenues generated by the expenditures in Table A-1 were calculated.

DEFINITION OF TERMS

Direct Expenditure: The exchange of money or the promise of money for goods or services while traveling in Michigan, including any advance purchase of public transportation, tickets, lodging or other items normally considered an incident of travel, but which may be purchased in advance of the trip

Indirect Expenditure: The second and subsequent rounds of spending of travel dollars (direct expenditures) in Michigan for Michigan-produced goods and services; i.e. the multiplier effect

Visitor: An individual spending one day or part of a day at a tourism or travel facility -- for example, one person spending part of three separate days at the same facility is counted as three visitors

DATA SOURCES

- Dr. Daniel Stynes, Michigan Input-Output Model, Michigan State University, 1999.

- Certec Inc. -- *Projected Business Activity Generated by America's Coca-Cola Museum*, March 1995.

- Certec Inc. -- proprietary database files

- Numerous tourism attractions -- 2003, 2004, 2005 and 2006 visitation data

Discussions were held with management personnel at key facilities such as Mystic Seaport, Michigan Maritime Museum, Crossroads Village & Huckleberry Railroad, and Great Lakes Maritime Heritage Center.

MARITIME HERITAGE CENTER

FORECASTED FINANCIAL STATEMENTS

FOR THE PERIOD YEAR 1 THROUGH YEAR 3

INTRODUCTION

We have compiled the accompanying forecasted balance sheet, statement of support and revenues, expenses, capital additions and changes in fund balances, and cash flows and accompanying information of the MARITIME HERITAGE CENTER for the period beginning year 1 and ending year 3.

A compilation is limited to presenting in the form of a forecast, information that is the representation of management and does not include evaluation of the support of the assumptions underlying the forecast. We have prepared this pro-forma forecast based on our analysis of potential visitation levels at the Center and estimates of potential revenues, expenses, and capital additions. However, there will usually be differences between the forecast and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

It is important to note that these projections are for the period immediately following the construction of the Maritime Heritage Center.

BALANCE SHEET

The balance sheet reflects total assets and liabilities for each year of the three-year period. They will vary from $9,326,945 in the first year to $12,044,959 in the third year (Table B-1).

REVENUES, EXPENSES, CAPITAL ADDITIONS AND CHANGES IN FUND BALANCE

Revenues are projected to change from $11.4 million in year 1 to $5.5 million in year 3 (Table B-2). The larger total for year 1 is due to the expected $9.5 million in gifts and grants compared to $50,000 in years 2 and 3. Admissions revenue is anticipated to increase from $580,000 to $1.95 million over the three years. This increase is a function of the growth in attendance from 85,000 to 255,000. Growth in attendance will also drive increases in gift shop revenues.

Expenses are anticipated to rise from $2.4 million in the first year in $3.5 million in the third year. Much of this increase is due to the cost of purchasing items for sale in the gift shop. Expenses for operations and administration are expected to rise at the rate of inflation. Interest expense will actually decline slightly over the period. Please note that expenses will be reduced by the use of a number of volunteers conducting tours and providing relief for other employees, wherever possible. The number of these volunteers is yet to be determined by management.

The projected net effect of these transactions is to change the fund balance from a positive position in the first year to a much more positive position in the third year. The fund balance at the end of the first year is expected to be $9.0 million. At the end of the third year the fund balance is projected to reach a positive $11.6 million.

CASH FLOWS

The cash provided by operating activities is projected to change from $9.1 million in the first year to $1.9 million in the third year (Table B-3). The net effect of the cash flows once investing and financing activities are taken in account is to change cash at the end of the period from a negative $674,000 in year 1 to a positive $1.9 million in year 3. A large improvement should occur from year 2 to year 3.

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Lexington, KY

TABLE B-1
MARITIME HERITAGE CENTER
FORECASTED BALANCE SHEET

	Year 1	Year 2	Year 3
CURRENT ASSETS			
Cash and cash equivalents	($674,155)	$18,228	$1,922,159
Inventory	$467,500	$833,750	$1,530,000
	($206,655)	$851,978	$3,452,159
PROPERTY AND EQUIPMENT			
Land and land Improvements	$1,000,000	$1,000,000	$1,000,000
Buildings and Architect-Engineering Fees	$7,500,000	$7,500,000	$7,500,000
Restaurant	$940,000	$940,000	$940,000
Office Furniture and Fixtures	$60,000	$60,000	$60,000
Equipment	$500,000	$500,000	$500,000
less Accumulated Depreciation	($470,000)	($940,000)	($1,410,000)
	$9,530,000	$9,060,000	$8,590,000
OTHER ASSETS			
Collections	$0	$0	$0
Financing Costs	$4,000	$4,000	$4,000
Pledges Receivable	$0	$0	$0
less Amortization	($400)	($800)	($1,200)
	$3,600	$3,200	$2,800
TOTAL ASSETS	$9,326,945	$9,915,178	$12,044,959
LIABILITIES AND FUND BALANCES			
CURRENT LIABILITIES			
Accounts Payable	$93,500	$166,750	$306,000
Accrued Expenses	$0	$0	$0
	$93,500	$166,750	$306,000
LONG-TERM DEBT	$200,000	$184,466	$168,079
FUND BALANCES			
Plant and Operating Funds	$9,033,445	$9,563,962	$11,570,880
TOTAL	$9,326,945	$9,915,178	$12,044,959

TABLE B-2
MARITIME HERITAGE CENTER
FORECASTED REVENUES, EXPENSES, CAPITAL ADDITIONS AND CHANGES IN FUND BALANCES

	Year 1	Year 2	Year 3
REVENUES			
Membership & Program Service Fees (Net)	$150,000	$150,000	$150,000
Restaurant Lease	$250,000	$250,000	$250,000
Admissions	$580,550	$1,051,250	$1,955,850
Gift Shop	$935,000	$1,667,500	$3,060,000
Gifts, Grants and Pledges (1)	$9,500,000	$50,000	$50,000
Total	**$11,415,550**	**$3,168,750**	**$5,465,850**
EXPENSES			
Operations			
Payroll and payroll taxes	$748,800	$770,141	$792,090
Utilities	$60,000	$61,710	$63,469
Repairs and maintenance	$36,000	$37,026	$38,081
Supplies	$15,000	$15,428	$15,868
Depreciation	$464,000	$464,000	$464,000
Amortization	$400	$400	$400
General and Administrative			
Payroll and payroll taxes	$194,750	$200,300	$206,009
Travel	$4,500	$4,628	$4,760
Advertising-Market Research(2)	$191,555	$124,750	$216,634
Depreciation-Office Equipment	$6,000	$6,000	$6,000
Legal and accounting	$20,000	$20,570	$21,156
Supplies	$15,000	$15,428	$15,868
Telephone	$10,000	$10,285	$10,578
Insurance	$22,600	$23,244	$23,906
Miscellaneous and other	$15,000	$15,428	$15,868
Restaurant	$0	$0	$0
Cost of sales-gift shop(3)	$467,500	$833,750	$1,530,000
Interest Expense(4)	$11,000	$10,146	$9,244
Fund Raising	$100,000	$25,000	$25,000
Total	**$2,382,105**	**$2,638,234**	**$3,458,931**
NET INCOME BEFORE CAPITAL ADDITIONS	$9,033,445	$530,516	$2,006,919
CAPITAL ADDITIONS	$0	$0	$0
NET INCOME AFTER CAPITAL ADDITIONS	$9,033,445	$530,516	$2,006,919
FUND BALANCE, BEGINNING OF PERIOD	$0	$9,033,445	$9,563,961
FUND BALANCE END OF PERIOD	**$9,033,445**	**$9,563,961**	**$11,570,880**

(1) Based on expected pledges to be collected during years 1 through 3.

(2) 10% of gross revenue (exc. gifts and grants) year 1; 4% subsequent years

(3) 50% margin

(4) 5.5% annual over 10 years.

TABLE B-3
MARITIME HERITAGE CENTER
FORECASTED STATEMENT OF CASH FLOWS

	Year 1	Year 2	Year 3
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income Before Capital Additions	$9,033,445	$530,516	$2,006,919
Capital Additions	$0	$0	$0
Net Income After Capital Additions	$9,033,445	$530,516	$2,006,919
Depreciation and Amortization	$470,400	$470,400	$470,400
Deferred Capital Support	$0	$0	$0
Changes In:			
Pledges Receivable	$0	$0	$0
Inventory	($467,500)	($366,250)	($696,250)
Accounts Payable and Accrued Expenses	$93,500	$73,250	$139,250
Cash Provided by Operating Activities	$9,129,845	$707,916	$1,920,319
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase Of Property Plant And Equipment	($10,000,000)		
Cash Used In Investing Activities	($10,000,000)	$0	$0
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Note Payable and Long term Debt	$200,000	$0	$0
Payment of Short-Term Debt	$0	$0	$0
Payment of Long-Term Debt (Principal)	$0	($15,534)	($16,388)
Payment of Financing Costs	($4,000)	$0	$0
Cash Provided By Financing Activities	$196,000	($15,534)	($16,388)
INCREASE IN CASH AND CASH EQUIVALENTS	($674,155)	$692,382	$1,903,931
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	$0	($674,155)	$18,227
CASH AND CASH EQUIVALENTS AT END OF PERIOD	($674,155)	$18,227	$1,922,158

ASSUMPTIONS AND NOTES TO FORECASTED FINANCIAL STATEMENTS FOR THE PERIOD YEAR 1 THROUGH YEAR 3

The period covered is the post-construction phase of the project.

MEMBERSHIP AND PROGRAM SERVICE FEES

Membership and program service fees are established at a net $150,000 for each of the first three years. This is subject to change. At this point program service fees cannot be determined since program offerings are still undetermined.

RESTAURANT LEASE

It is anticipated that the minimum lease/net revenue for the Center will be $250,000 each year.

ADMISSIONS

Commencing with the opening of the Center, admission fees will be charged. Admission fees, as estimated by Certec Inc., will be $8.50 for each adult and $3.50 for each child in year 1, increasing to $9.00 and $3.75 in year 2, and increasing to $9.50 and $4.00 in year 3. Admission fees are recorded in the operating fund. Please note that discounted admission fees will be available for students and other large groups.

Based on the economic impact study conducted as part of this project, the estimated attendance for the first three full years of operation is:

Year 1 – 85,000
Year 2 – 145,000
Year 3 - 255,000 [includes 50,000 visitors for Tall Ships event]

GIFTS AND GRANTS

Gifts and grants are expected to approach $10 million. A total of $9.5 million is anticipated to be available at the time of construction. Gifts and grants are expected to total $50,000 during years 2 and 3.

GIFT SHOP REVENUES

Gift shop revenues consist of revenues generated by both the gift shop and the catalog division. Upscale gift lines will be included in the merchandise selection. Also, the gift shop will be accessible to both Center visitors and non-visitors. Gift shop gross profit margins are expected to be 50%. Annual sales are anticipated by management as follows:

Year 1 - $ 935,000 ($11/person)
Year 2 - $1,667,000 ($11.50/person)
Year 3 - $3,060,000 ($12/person)

Failure to realize these revenue levels or maintain the assumed level of gross profits would have a significant effect on the forecasted financial statements.

EXPENSE ASSUMPTIONS

Management anticipates expenses for the operation of the new facility, commencing in year 1 to be as described below. An inflation rate of 2.85% annually was used by management for the projected statements. Significant changes in these expense assumptions would have a material effect on the forecast.

PAYROLL AND PAYROLL TAXES

Management anticipates employing 37 people in year 1. Salary and wages levels have been established by management; management anticipates a 25% payroll burden and 2.85% annual inflation. Salaries and wage are as follows:

Number:	**First Year**	**First Year $**	**Taxes and Fringes(1)**
General and Administrative:			
President/CEO @ $60,000	1	$ 60,000	$ 15,000
VP—Maritime Operations @ $45,000	1	$ 45,000	$ 11,250
Store Manager @ $30,000	1	$ 30,000	$ 7,500
Secretary @ $10.00/hour	1	$ 20,800	$ 5,200
Total General and Administrative	4	$155,800	$ 38,950
Operations:			
Supervisor @ $12/hour	2	$ 49,920	$ 12,480
Maintenance @ $12/hour	2	$ 49,920	$ 12,480
Ticketing and Admissions @ $8/hour	4	$ 66,560	$ 16,640
Tours and Relief @ $8/hour	3	$ 49,920	$ 12,480
Security Guards @ $9/hour	8	$149,760	$ 37,440
Custodial @ $8/hour	4	$ 66,560	$ 16,640
Gift Shop @ $8/hour	10	$166,400	$ 41,600
Total Operations	33	$599,040	$149,760
Total	**37**	**$754,840**	**$188,710**

(1) assume 25%

UTILITIES AND MAINTENANCE

Management estimates of utilities and repairs and maintenance expenses have been established at $60,000 for utilities and $36,000 for maintenance for year 1. An inflation rate of 2.85% was used for years 2 and 3.

INSURANCE

With the opening of the new facility, management anticipates insurance costs for fire, casualty and liability to be $22,600 for year 1.

ADVERTISING

Marketing efforts aimed towards the opening of the new Maritime Heritage Center and attracting sufficient attendance are expected by management to be significant. Based on the recommendation of Certec Inc., management anticipates spending $191,555 in marketing and marketing research efforts during the first year of operation (between 10 and 15% of gross revenues). A comparable level of effort, adjusted for inflation, will be maintained for the next two years. Its proportion of gross revenues will drop to between three and five percent of revenues.

OTHER EXPENSES

Other expenses are estimated by management at their expected results or, for discretionary spending, at budgeted amounts.

BALANCE SHEET ASSUMPTIONS

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are the residual result of the source and application of cash flows and transfers. The negative cash flow in year one can alternatively be considered as accounts payable.

PLEDGES RECEIVABLE AND DEFERRED CAPITAL SUPPORT - PLANT FUND

Pledges receivable and deferred capital support relate to the ongoing fund raising program conducted by the Center. For the purposes of this analysis, we have treated pledges on a cash basis.

INVENTORY - OPERATING FUND

Management expects to maintain inventories of gift shop and catalog items at the greater of $100,000 or the next quarter's cost of sales.

PROPERTY AND EQUIPMENT

Forecasted additions to property and equipment, including buildings and design fees of $9,000,000 and land and land improvements at $1,000,000 totaling $10,000,000, comprise principally the basis for periodic payments for construction based on management's estimates. The total construction period is estimated not to exceed twelve months. Depreciation and amortization is forecasted using the straight-line method based on the following useful lives:

Parking lots and landscaping	10 years
Building	30 years
Architectural and engineering fees	30 years
Exhibits	10 years
Furniture and fixtures	10 years
Capitalized construction interest	20 years.

CENTER COLLECTION

Based on the practice followed by maritime attractions, the memorabilia/vessels purchased and donated is not included in the balance sheets. Management believes the Center has the resources and technology to appropriately maintain these artifacts.

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EXECUTIVE SUMMARY

A detailed examination of the expenditures, jobs, and tax revenues that will accrue to the Bay City area from travelers to the proposed Maritime Heritage Center, has been conducted for the Bay City Convention & Visitors Bureau. The major findings of the study follow:

- The Maritime Heritage Center will be a substantive addition to the tourism attractions in the Bay City region and in the state, which will enhance their ability to both attract tourists and extend their length of stay.
- The Maritime Heritage Center is projected to draw 85,000 visitors the first year, 145,000 the second year, and 255,000 the third full-year of operation.
- The visitors to the Center will generate $16.3 million in direct expenditures during the third year of operation. Total impact on the Michigan economy will approach $26.7 million.
- The visitors to the Center will generate over $2.5 million in tax revenues to the state, and $1.4 million in local taxes in the third year.
- These direct expenditures will create 261 jobs. An additional 112 jobs will result from the indirect spending.
- The Balance Sheet from the Forecasted Financial Statements shows total assets and liabilities to vary from $9.3 million in the first year to $12.0 million in the third year.
- Admissions revenue will increase from $580,000 in year 1 to $1.95 million in year 3.
- Total revenue will change from $11.4 million in year 1 (including $9.5 million in gifts and grants) to $5.5 million in year 3.
- Expenses will rise from $2.4 million in the first year to $3.5 million in the third year.
- The fund balance will grow from $9.0 million to $11.6 million.
- Cash at the end of the period should improve from a negative $674,000 in year 1 to a positive $1.9 million in year 3.

ECONOMIC IMPACT ANALYSIS OF THE PROPOSED MARITIME HERITAGE CENTER

Bay City Convention & Visitors Bureau
August 2007

Certec Inc.
Lexington, Kentucky

METHODS

- Projected Visitation from Analysis of U.S. and Michigan Tourism Facilities
- Mystic Seaport in CN is Model
- Prior Knowledge of Operating Procedures of Tourism Attractions
- Assumption of Strong Commitment to Marketing of MHC
- Capture Rate of 1 out of 1,000 Vehicles
- Visitor Spending/Person/Day from Certec Inc. Research
- Use of MSU Input-Output Model

PROJECTED NUMBER OF VISITORS

- Year 1 85,000
- Year 2 145,000
- Year 3 255,000

FORECASTED
REVENUES AND EXPENSES
YEAR 3

- $5.5 MILLION Revenues
- $3.5 MILLION Expenses
- $2.0 MILLION Net

GIFT SHOP
YEAR 3

- $3.0 MILLION Revenues
- $1.5 MILLION Expenses
- $1.5 MILLION Net

MARITIME HERITAGE CENTER
EMPLOYEES
YEAR 1

• Administrative	4
• Operations	33
• Total	37

ECONOMIC IMPACT OF MARITIME HERITAGE CENTER YEAR 3

• Direct Expenditures	$16.3 MILLION
• Indirect Expenditures	$10.4 MILLION
• Total Expenditures	$26.7 MILLION

ECONOMIC IMPACT OF MARITIME HERITAGE CENTER YEAR 3

Total Jobs	373
Direct Jobs	261
Indirect Jobs	112
Wages	$6.2 MILLION

ECONOMIC IMPACT OF MARITIME HERITAGE CENTER YEAR 3

- Total State & Local Taxes — $3.9 MILLION
- State Taxes — $2.5 MILLION
- Local Taxes — $1.4 MILLION

DISTRIBUTION OF DIRECT EXPENDITURES IN BAY COUNTY YEAR 3

- Attractions 37%
- Food & Beverage 24%
- Lodging 20%
- Shopping 14%
- Gas & Oil 5%

STATE AND REGIONAL IMPACT

- Adds to Cultural Tourism Product
- Boost to MI's Ability to Attract Tourists from Greater Distances
- Generate over $4.6 million in Direct Spending in mid-MI Counties
- Generate over 112 jobs in mid-MI Counties

IN CONCLUSION

MARITIME HERITAGE CENTER HAS POTENTIAL TO PRODUCE POSITIVE ECONOMIC IMPACTS BEYOND THOSE PROJECTED IN THIS REPORT