

Missoula Greater Downtown Master Plan

Tourism Analysis and Recommendations

December 10, 2008

Prepared by

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Contents

1. Key Findings and Recommended Actions	2
1.1 Overview	2
1.2 Missoula's Tourism Assets and Trends	2
1.3 Visitors to Missoula	3
1.4 Meetings and Conventions	3
1.5 Events and Performances.....	5
1.6 Opportunities and Constraints	6
1.7 Marketing Efforts and Funding.....	6
1.8 Key Questions for Missoula Leaders, Businesses, and Citizens.....	7
1.9 Recommended Actions	8
2. Missoula Tourism Assets.....	12
2.1 Location and Transportation: Highway, Air, Rail	12
2.2 Lodging, Meeting, and Event Capacity	12
2.3 Missoula Attractions	16
2.4 Missoula Events	19
3. Tourism Trends and Markets.....	21
3.1 Overview	21
3.2 Lodging Sales Trends	22
3.3 Air Service and Highway Traffic Trends	24
3.4 Nonresident Visitors to Missoula	26
3.5 Meeting, Convention, and Event Trends	27
3.6 University-Related Events.....	31
3.7 Sporting Events and Competitions	31
3.8 Arts and Cultural Events	31
3.9 Resident Visitors to Missoula.....	32
4. Opportunities and Constraints for Tourism Growth	33
4.1 Tourism-Related Business Development	33
4.2 Tourism-Related Employment	33
4.3 Transportation	33
4.4 Meeting and Event Capacity	34
4.5 Workforce Availability and Housing	34
4.6 Marketing and Partnership Capacity.....	34
5. Tourism Marketing Efforts and Funding	35
5.1 CVB Marketing Strategy and Budget.....	35
5.2 MDA Tourism Marketing	35
5.3 Partners Marketing Efforts	35
6. Appendix: Sustainability Strategies in Tourism	36
6.1 USTA TravelGreen Initiative	36
6.2 American Express GrassRoots Sustainability Program	37
6.3 Wyndham Green by Wyndham Worldwide.....	39
6.4 Sabre Holdings Sustainability Strategy.....	41



1. Key Findings and Recommended Actions

1.1 Overview

Missoula has tremendous opportunities for enhanced tourism development to support downtown vitality and employment, including group meetings and conferences, and events related to the arts, sciences, environment, business, recreation, and sports.

This report provides an assessment of tourism assets and trends in Missoula, including opportunities and constraints for growth, and recommended actions to increase the economic impact of tourism on downtown Missoula business revenues and employment. Every effort has been made to verify the accuracy of the data contained herein; however, in some instances, available details were limited due to reporting mechanisms and sources. National economic challenges occurring in 2008 have significantly impacted tourism trends in the third and fourth quarters, and are projected to be even more severe in 2009, with recovery to 2007 levels not expected until 2010. Therefore, projections of near-term future revenues based on the recent trends cited in this document would be highly imprecise.

However, the generally gloomy outlook for tourism in late 2008 and 2009 contains a silver lining. It offers an opportunity for key Missoula stakeholders to come together and spend time in thoughtful discussion about Missoula's true locational strengths and weaknesses as a visitor destination, how they can position Missoula to be more competitive, and the actions they must take to be successful. This report is intended to provide a factual foundation and strategic recommendations for those discussions.

1.2 Missoula's Tourism Assets and Trends

Two of Missoula's greatest assets related to tourism are its location and its setting. Missoula is located at the crossroads of I-90, U.S. 93, and U.S. 12, roughly halfway between Glacier and Yellowstone National Parks. This location is convenient for visitors traveling to or through Montana, and for those desiring to access the region's abundant year-round outdoor recreation activities. Missoula also has many local attractions and amenities, including its historic downtown, arts and culture, the University of Montana, parks, shopping, museums, events, sports, etc. In addition to higher education, a regional medical center, financial services, and several corporate headquarters draw visitors to Missoula. The Missoula airport had more than 283,000 passenger boardings in 2007, with 20 departures daily averaging 1,200 total seats available. Five airlines offered non-stop service to seven cities in the west and Midwest.

There are more than 3,000 hotel rooms in Missoula, about one-quarter of them located downtown, with 24,000+ square feet of meeting space in downtown hotels. Lodging sales in Missoula increased 33% from 2002 to 2007, slightly below the state and regional rates of growth. Sales were up 6% in the first two quarters of 2008, similar to the state and regional rates, but growth is expected to slow in late 2008 and 2009. Visitation in Missoula, like most of Montana, is extremely seasonal, with hotel occupancy rates ranging from an average of only 40% in winter to 90+% in August (the 2007 year-round rate was 64%, with an average room rate of \$85). In 2007, there was more than \$22 million worth of *vacant* hotel room nights in Missoula. Since visitors spend \$8.47 for every \$1.00 spent on lodging, the total economic value of the vacancies (i.e., lost revenue) was \$188 million.

1.3 Visitors to Missoula

Nearly two out of every five nonresident travelers in the State of Montana visits Missoula, totaling more than 3.8 million annually. These visitors spend more than \$300 million in Missoula County, and about one-third of them spend at least one night. More than one quarter of them visit Glacier and/or Yellowstone National Parks. Vacation is the primary reason for the trip for about one-third of them (35%), one-quarter are primarily visiting family or friends (24%), twenty percent, or 243,000 travelers, are staying in Missoula for business or attending a conference, 18% are just passing through, and 4% are staying for other reasons (i.e., medical, shopping, etc.). The key states of origin for Missoula's overnight visitors are Washington (20%, or 243,000 people), Idaho, California, Utah, Colorado, Minnesota, Oregon, North Dakota, and Texas.

Montanans from other parts of the state visit Missoula for business (including conferences and meetings), university-related events such as Grizzly football games, visiting friends/family, shopping, attending a major event such as a concert, and passing through on their way to somewhere else. Reports are not available that specifically detail the number of Montanans traveling to Missoula, or the reasons for their trips.

1.4 Meetings and Conventions

Missoula's many assets make it an appealing destination for meetings and conventions, particularly its vibrant downtown. City amenities and services, its location on Interstate 90, and its proximity to national parks and abundant outdoor recreation are key reasons to "meet in Missoula." Missoula currently hosts business, corporate, government, and university-related meetings and conferences, as well as various "SMERFE" gatherings (Social, Military, Educational, Religious, Fraternal, and Ethnic). These groups are hosted at one or more of 120 meeting rooms totaling 165,000+ square feet in Missoula's conference hotels, on campus, and/or at facilities such as the Federal Building and St. Patrick's Regional Medical Center.

The possibility of building a large municipally-owned convention, conference, and/or event center in Missoula has been a key topic of conversation throughout the Downtown Master Plan process.

The U.S. meeting, convention, and exhibition market has never been more competitive, and is predicted to become more so as the growth in supply of convention and exhibition space continues to outpace demand (an average of 74 new or expanded convention and exhibition facilities were developed *each year* in the U.S. from 1999 to 2008, adding an average of 3 million square feet of space to the market annually. Another

What's the Difference?: Meeting & Event Facility Types

A "convention center" facility typically includes distinct space for exhibits, meals, and meetings, with at least 25,000 square feet of exhibition space plus at least one ballroom, one block of breakout meeting rooms, high tech amenities, and services for training and educational initiatives.

Facilities with meeting and banquet space only (no exhibition space) are referred to as "conference centers", and are generally operated in conjunction with a hotel or university.

Facilities with exhibition space only are "expo centers" (such as those often located at fairgrounds).

An "event center" is a more versatile, multi-purpose facility that can host a wide range of events, including small to mid-size conventions, trade shows, sporting events, concerts, banquets, etc. An event center is a less expensive alternative to a large convention center.

2 million square feet per year is planned to open in 2009 and 2010.) Technology is replacing some face-to-face meetings, and corporations and organizations are tightening their belts in tough economic times. Most major convention centers are municipally owned and subsidized with public funds, though more private sector venues have been developed. In a buyers' market, many facilities now offer incentive funds to attract conferences and events. On a national scale, Missoula is a third-tier destination for conventions, if that.

Convention centers with 40,000 to 75,000 total square feet of exhibition, banquet, and meeting space typically host 2,000-3,000 events annually (average of 5-8 *per day*), serving 500,000 to 700,000 people, depending on access, trade area population, competitor facilities, and marketing budgets. These facilities draw significant business from their local trade area, and rely on clusters of local corporate headquarters to help attract business meetings and conferences. Cities with public convention centers of this size tend to have market area populations within a 30-minute drive time of 500,000 to 4+ million, air service capacity of 500,000 to 30 million, lodging tax rates (state/local) of 10% to 15%, and CVB marketing budgets of \$1.0 to \$2.0+ million.

However, more than 70% of all meetings internationally are attended by less than 500 people, and 86% are attended by fewer than 1,000.¹ Facilities designed to host 100-500 people are more typical for cities with market areas similar to Missoula, particularly given Missoula's location and access. Missoula can compete well for small-to-mid-size meetings and events, particularly those related to the university, medical community, the arts, natural resources, environmental remediation, etc. But in order to evaluate whether sufficient demand exists to support a large municipally-owned convention or event facility, a thorough feasibility study and business plan, using current market data, is needed. Additionally, in smaller cities like Missoula, universities have successfully partnered with hotel developers to build convention, meeting, event, lodging and dining facilities on campus. Some of these campus-based properties are owned or managed wholly by private sector partners or contractors, while others are linked to university programs in hotel, restaurant, gaming, and event management, and even culinary arts, organic agriculture, and enology.

The feasibility study will answer questions about the meeting and event markets in which Missoula can be most competitive, quantify the market demand, measure the impact on Missoula's existing facilities, recommend optimal facility type, location, and configuration (size, space allocation, management structure, etc.), predict operating revenues and costs, and determine amount of subsidy required for construction and ongoing operations. Sources of information will include market research, CVB and hotel data (booked vs. lost business, group types, attendance, etc.), event planner surveys, management and user interviews, analysis of competitor facilities, and other industry data.

¹ Union of International Associations (UIA)

1.5 Events and Performances

Missoula's quality of life and economy are greatly enhanced by the number of events held annually, including arts events, sports competitions, and holiday and family-oriented festivals. Major destination events that draw overnight visitors are primarily arts or sports-related: University of Montana games, Adams Center concerts, the Big Sky and International Wildlife Film Festivals, International Choral Festival, Festival of the Book, Missoula Marathon, ski and snowboard competitions, etc. Other visitor draws include the International Heart Symposium, UM graduation, Western Montana Fair and other specialty events held at the fairgrounds. In addition, a diverse palette of local events, many of them held in downtown Missoula, benefits residents and visitors alike.

Development of a performing arts center (PAC) facility and/or a sports arena also have been key topics in the Downtown Master Plan process. Existing performance venues in Missoula include the University Center Theater (capacity 1,100), the Adams Event Center (capacity 7,300), Caras Park (outdoor, capacity 3,000), The Wilma Theater (capacity 1,000), the Montana Theater (capacity 500), and the Missoula Children's Theatre (capacity 350). Indoor and outdoor sports facilities range from the UM West Auxiliary Gym (capacity 1,000) to Ogren Park Baseball Stadium (capacity 3,000) and Washington-Grizzly Stadium (capacity 25,000). These facilities currently are underutilized much of the year.

In communities similar in size to Missoula, performing arts centers often are co-located with conference centers and hotels to leverage attendance, as is proposed for Missoula. The majority of events held in a performing arts center (PAC) draw from the local trade area, depending on the performing arts offerings already available in neighboring markets. A typical PAC in a city of 75,000-100,000 has a configuration, uses, and operating budget similar to that outlined in the sidebar at right.

Performing Arts Center (PAC) Example

(typical for cities of 75,000-100,000 population)

Size:	40,000-50,000 square feet: 20,000-25,000 s.f. public/performance space (including 500-800 seat theater), 20,000-25,000 s.f. support/admin space.
Use:	30-40 major productions annually (average of 2.5 to 3.3 per month). Total attendance 70,000-80,000 people (avg of 60%-70% of all seats sold per event). 170-180 performance days annually, 70-80 rehearsal days (average of 250 use days).
Revenue:	\$500,000-\$600,000 per year from space rental, ticket fees, box office fees, food and beverage, labor fees, donations/memberships, and advertising/sponsorship/naming rights.
Expenses:	\$650,000-\$850,000 per year for salaries, benefits, administration, labor, supplies/equipment, maintenance, insurance, advertising, utilities, other operating, and reserve for upgrades/replacement.
Fees:	Resident tenant groups: \$600 rent for show days, \$300 for rehearsal days (avg. 0.3 per performance day). Non-tenant groups: \$1,200 rent for show days, \$600 for rehearsal days. Labor rental at 10% of facility rental fee (for show productions). \$1 ticket fee and \$0.25 box office fee per ticket sold. Average of \$1 per ticket on net food and beverage sales. \$25,000-\$35,000 lobby rental fees annually for receptions.
Risk:	PAC does not take financial risk in productions (i.e., fees are fixed, vs. percent of revenue).
Staff:	7-8 FTE (Center Director, Box Office/Space Rental, Admin, Security, Maintenance, Technical), total cost of \$250,000-\$300,000 annually plus benefits (35%).
Subsidy:	Average of \$250,000 per year required from public or endowment funds based on revenues, fee structure, and expenses outlined above.

Development of a performing arts center in Missoula is part of a long-term strategy for community and economic development. The role of the PAC is central to an overall Cultural Plan for Missoula. Before moving forward with the PAC facility, a Cultural Plan should be developed that outlines steps for incremental growth toward new/expanded facilities.



Stephens Performing Arts Center,
Idaho State University, Pocatello

Development of sports and recreation events and facilities also is part of a long-term strategy for community and economic development. Key partners need to develop a Sports & Competitions Plan for Missoula to identify existing events, facility uses, needs, and opportunities to expand events and visitation. This process should include the City, County, CVB, University of Montana, School District, Ogren Stadium, Snowbowl, various sports organizations and clubs, and other stakeholders.

1.6 Opportunities and Constraints

Potential opportunities for tourism-related business development in Missoula include the following: specialty lodging (i.e., development or redevelopment of a mid-scale and/or upscale boutique hotel); public-private joint ventures with the University of Montana; guided recreation and interpretive services; recreation equipment products and services; an artisan and craftsman studio business center; linkages between local agricultural businesses, restaurants, and retailers; edu-tourism and volun-tourism opportunities; off-season groups, conferences, and events; and development of custom itineraries and packages for niche traveler segments.

Constraints to tourism development include Missoula's distance from major population centers; air service cost and capacity; funding for infrastructure to address traffic, parking, and transit issues; workforce housing availability; meeting and event venue capacity; and potential lack of coordination among key groups. *To be successful in tourism development will require increased cooperation and communication among Missoula's private, public, and nonprofit organizations in hospitality, arts, culture, sports, education, and recreation.* This process begins with a coalition of all tourism stakeholders meeting to reach agreement on a tourism development vision, values, goals, specific (measurable) objectives, prioritized strategies and actions, roles/responsibilities, and funding sources. When all stakeholder groups are working in concert, Missoula will reap extraordinary dividends.

1.7 Marketing Efforts and Funding

The lead agency for tourism marketing in Missoula is the Convention & Visitor Bureau (CVB), which partners with the hotels, UM, MDA, Missoula Cultural Council, sports clubs, and other organizations to promote the community. The CVB currently is funded by state lodging tax receipts, but has a small budget and staff compared to CVBs in competitor states. The CVB is working with local hotels to form a Tourism Business Improvement District (TBID) to increase funding levels and local control of marketing policy decisions. The CVB also is working to enhance its efforts through participation in national CVB professional organizations, through subscription to hotel occupancy and revenue research reports, and

through closer collaboration and reporting from local hotels. These efforts will improve the CVB's ability to target specific groups and events based on hotel occupancy projections and revenue goals. Increased CVB staffing will allow enhanced promotion and coordination with the MDA, UM, and local arts and sports groups to attract visitors to Missoula, benefiting the community as a whole and downtown Missoula. However, even with increased funding, sales and marketing efforts need to be prioritized, based on events and markets most likely to generate high value visitors.

1.8 Key Questions for Missoula Leaders, Businesses, and Citizens

Clearly, Missoula could generate significant additional sales, event, and tax revenues through strategic tourism development and promotion, and partners need to focus particularly on off-season visitation (fall, winter, spring). Several large event facilities have been discussed or are proposed in Missoula that would enhance off-season tourism development, including a convention/conference/event center, a performing arts center (PAC), an expo (exposition) center, and a sports arena. All of these facilities will need public funding for construction, and are likely to need public or endowment funding to subsidize operating revenues.

Missoulians need to decide how many facilities they are able and willing to pay for, at what funding levels and locations, and in what order of priority. Anticipated revenues from local resident versus visitor use/attendance are one potential factor in the decision criteria. Based on communities with trade areas of similar size to that of Missoula, the following are general trends: convention/conference and multi-purpose event centers can draw a majority of their business from outside the local trade area, generating a proportionally higher level of visitor days and spending than performing arts and sports or exhibition facilities. The average duration of meetings and conferences is 2.2 to 4.4 days, generating two to six room nights per participant. The average duration of a single concert, theater production, and sports event is a few hours, generating 0-2 overnight stays, unless it is a multi-day event such as music or film festival, or sports tournament.

Consumer exhibitions and arts and sports events (unless they are national/international competitions or headliner performers), tend to draw primarily from the local or multi-county trade area, in this case western Montana. For example, arts patrons in north Idaho and eastern Washington who are season ticket holders at the Spokane Opera House, the Schuler Performing Arts Center in Coeur d'Alene, The Washington-Idaho Symphony in Pullman/Moscow, or the Idaho Repertory Theater in Moscow, are unlikely to travel to Missoula for similar events. Sports events and competitions, unless they are national in scope (i.e., U.S. Figure Skating Championships), also will draw primarily local residents, event competitors, and their families and friends.

However, a certain percentage of travelers, conference participants, and second homeowners who are visiting Missoula would find arts or sports events appealing, *particularly when event tickets are packaged with dining experiences*. It is important to note, however, that in order to market Missoula arts and sports events to visiting conference or group participants, dates and prices of the events must be confirmed 18-24 months in advance so the information can be included with travel and registration materials. Also, second homeowners are likely to be arts or sports season ticket holders in their home

cities (San Francisco, Seattle, Houston). They purchased a home in Montana for a different type of experience (fishing, hiking, skiing), so their inclination toward arts or sports at home does not always translate to event attendance in Montana.

The market demand analysis and feasibility study recommended for a convention/conference/event center also could address potential demand for a dedicated sports arena facility versus a multi-use event center.

In summary, thoughtful planning, analysis, and prioritization is required to determine the facilities that Missoula needs, the prioritization of expenditures, and the amount of public subsidies that the citizenry will support. The location and size/configuration of facilities needs to be driven largely by the market demand, including the anticipated requirements of commercial event planners and promoters.

1.9 Recommended Actions

Below are recommended goals and actions for tourism development, based on the information and analyses included in the sections that follow.

1. Build off-peak season group and event business with enhanced, targeted marketing efforts.
 - a. Pass a Tourism Business Improvement District (TBID) to provide sufficient funds for sales and marketing efforts.
 - b. Expand CVB sales efforts to implement focused strategies for attracting group meetings and conferences: business, medical, university-related, government, arts, nonprofit, environmental, sports/recreation, etc. Link to existing local events and organizations to maximize synergy and leverage resources.
 - c. Work with UM to sponsor regional/national/international symposia, conferences, and seminars for faculty and private/nonprofit sector representatives, to showcase UM faculty and research expertise and draw visitors to Missoula.
 - d. Continue to work with motorcoach tour operators, Rocky Mountain International, RV/auto/motorcycle clubs, and other groups to incorporate Missoula in group and FIT fly/drive itineraries.
 - e. Target cities served by direct flights to Missoula for weekend getaway package promotions. Consider working with airlines to develop packages that include airfare, lodging, events, etc.
 - f. Host annual Continuing Medical Education (CME) courses for medical professionals in conjunction with St. Patrick's, UM, Bitterroot Resort, golf resorts, etc.
 - g. Develop a Sports and Competitions Plan for Missoula, outlining opportunities to attract more youth and adult sports events, including an assessment of existing facilities, facilities needed to fill gaps, and examine the feasibility of an event/sports arena facility.
 - h. Track attendance and origin/spending of visitors to Missoula events, festivals, and attractions, to obtain data for strategic and targeted marketing efforts, and measurement of return on investment (ROI) and economic impact.
 - i. Benchmark current group and event booking levels and economic impact through confidential reporting by hotels to CVB (group types, number of participants, room nights, rates, etc.).
Purchase Smith Travel Reports to track Missoula monthly lodging sales, demand, occupancy

- rates, etc. Contract a data matching service such as RUF Travelytics (www.ruf.com) to obtain demographic and psychographic information about visitors who inquire to the CVB.
- j. Track lost business and group business not pursued due to capacity issues, including group types, sizes, room nights, reasons, and economic impact, through CVB contacts and hotel reporting.
2. Develop a brand package for Missoula marketing.
 - a. Link to the new State of Montana tourism brand platform (themes):
 - ◆ *More spectacular unspoiled nature than anywhere else in the lower 48*
 - ◆ *Charming small towns that serve as gateways to natural wonders*
 - ◆ *Breathtaking experiences by day and relaxing hospitality at night*
 - b. Participate in State brand training workshops.
 - c. Refine a Missoula version of the brand platform to incorporate arts, culture, education, active lifestyle, and nightlife.
 - d. Develop creative materials with applications for tourism, downtown, arts, and economic development marketing, to maximize effectiveness of messaging and Missoula image.
 3. Capture more business from existing travelers to/through Missoula, and extend their stays.
 - a. Continue to coordinate efforts of the CVB, MDA, Missoula Cultural Council, University of Montana, and other groups to build a cohesive and seamless visitor information system at key gateways and touch points in the community.
 - b. Implement enhanced electronic marketing strategies for visitors (TIS system, podcasts, blogs, etc.).
 - c. Link marketing efforts to Glacier and Yellowstone National Park visitors, and travelers entering Montana on I-90 and I-15 from Washington/Idaho.
 - d. Enhance gateways and signage to “Downtown Historic & Cultural District” at freeway exits, and on U.S. 93/Brooks Street corridor.
 - e. Implement a comprehensive downtown circulation and wayfinding system, linked to Missoula’s brand. Incorporate the River Walk as part of the circulation/wayfinding system for visitors and conference participants.
 - f. Enhance parking opportunities, including a parking management system for downtown business owners and employees, and clearly marked, convenient public parking for shoppers and event participants.
 - g. Link visitors to Missoula’s history and culture (current events information in hotel rooms and at key touch points, historic district walking tour maps, downtown kiosk, etc.).
 - h. Expand and promote wireless hot spots for visitor use, promote Missoula events and attractions to users of free wireless.

4. Continue to support and enhance strong arts and cultural programs in Missoula.
 - a. Formalize the Missoula Cultural Council as an umbrella organization for all arts and cultural groups, including a membership fee structure for member organizations.
 - b. Develop a Cultural Plan that includes an overall assessment and strategy for arts and cultural assets and facilities (including PAC), unmet needs and gaps, opportunities to capitalize on tourist markets, advocacy for the arts and artists, enhanced coordination among arts and cultural groups, historic preservation, opportunities for arts-related gatherings and conferences, and coordinated funding strategies to reduce fragmentation, duplication, and competition for resources.
 - c. Assess opportunities to site the Montana Museum of Art & Culture in Downtown Missoula.
 - d. Develop an arts incubator/studio business center in downtown Missoula, including studio and retail space, upper story residential opportunities for artists.
 - e. Link historic preservation and historic district enhancement efforts to cultural tourism strategies.
 - f. Continue to promote national/international events like the Big Sky and Wildlife Film Festivals, Festival of the Book, and other artist and writer gatherings.
5. Enhance transportation opportunities to and around Missoula.
 - a. Following economic recovery anticipated in 2009/2010, recruit additional airline service to Missoula, using collaborative efforts of the MAEDC, CVB, UM, and medical/corporate partners. Offer revenue guarantees if necessary to attract additional service.
 - b. Encourage visitors to use local transit service. Explore opportunities to enhance transit and/or commuter rail service by developing synergies with tourism promotion efforts, similar to efforts in Bozeman/Big Sky, Butte/Anaconda, and Whitefish/Flathead County/Glacier National Park, and the Yellowstone Basin (MT/WY/ID). (See attached maps of public transportation systems in Montana.)
 - c. Work with MDT and Travel Montana to recruit Amtrak Southern Route service from Spokane to Billings, via Missoula.
6. Determine feasibility of a convention/event center facility.
 - a. Analyze state/national trends, recent Missoula group booking trends and lost business, use levels at competitor facilities, air service projections, meeting planner surveys, and evaluation of new group business and event opportunities to quantify potential demand.
 - b. Determine facility specifications, based on projected demand (short-term, long-term), best location to site facility, cost, and strategy to fund construction and operations. Ideal location would be adjacent to a host hotel, and close to the Downtown retail hot spot, University of Montana, and other hotels for overflow rooms and rate variety, with easy access to/from Interstate 90.
 - c. Develop a facility business plan (using conservative projections for demand).
 - d. Differentiate facility with focus on environmental sustainability (LEED certification, etc.), and innovative design for next generation participants.

7. Support tourism business development efforts consistent with the Downtown Master Plan:
- ◆ Boutique hotel located in Downtown.
 - ◆ Guided interpretive and outdoor adventure packages in conjunction with outfitters, lodging facilities, and USFS/BLM/NPS initiatives targeting families (Wired to Nature, Kids in the Woods, etc.).
 - ◆ Montana Snowbowl and Bitterroot Ski Resort efforts to attract destination winter tourism to Missoula, with shuttle service from downtown hotels to ski slopes.
 - ◆ Local technology and media businesses linking to applications for tourism development, using Missoula/Montana as a test market for national/international product development.
 - ◆ Clustering of Missoula area art galleries into Downtown district.
 - ◆ Enhancement of redundant broadband in Downtown Missoula.
 - ◆ Recreation equipment products and services.
 - ◆ Linkages between local agricultural businesses, restaurants, and retailers.
 - ◆ Edu-tourism and volun-tourism opportunities.
 - ◆ Green travel and sustainability strategies in the recreation and tourism industry (see appendix for more information about sustainability strategies in tourism).



Missoula Tourism Assets

2.1 Location and Transportation: Highway, Air, Rail

Crossroads Location

Missoula's location at the crossroads of Interstate 90, US 93, and US 12, halfway between Glacier and Yellowstone National Parks, is a significant asset for tourism and business development. Moreover, traffic on US 12 and 93 must travel through Missoula via Brooks/Broadway or Brooks/Reserve Streets, offering opportunities for Downtown to entice travelers to stop. Missoula is the first major urban center in Montana for eastbound travelers on Interstate 90 since leaving the Spokane-Coeur d'Alene area, so it is a logical stopping place for freeway travelers after crossing into the state at Lookout Pass.

Air Service

Missoula International Airport (MSO) is located four miles northwest of Missoula, and has two runways serving five airlines with non-stop daily flights to seven cities in the western United States, averaging a total of 20 flights per day:

<u>Airline</u>	<u>Non-stop Cities</u>
Alaska/Horizon	Seattle
Allegiant	Las Vegas, Phoenix
Northwest	Minneapolis
Delta Connection	Salt Lake City
United Express	Chicago O'Hare, Denver

In addition, there are three air cargo carriers serving Missoula: FedEx, DHL, and UPS.

The airlines serving Missoula expand or reduce their service based on demand (i.e., there are more flights in summer than in winter). Load factors vary depending on the airline and season, but there is sufficient capacity to increase tourism, and airlines are replacing fleets with larger, more profitable aircraft, which will increase capacity once the economy recovers from its 2008-09 downturn.

Rail Service

Missoula is the headquarters for Montana Rail Link, which provides freight service connections to Union Pacific on the Transcontinental Line. MRL lines also could be used for passenger/tour rail service. The Copper King Express tour train between Butte and Anaconda carried 15,000 passengers in 2007.

Currently the nearest passenger rail service is the Amtrak Empire Builder, which travels between Seattle and Chicago, stopping in Whitefish and West Glacier, approximately 150 miles north of Missoula. The State of Montana is working with Amtrak to consider reinstating the southern line service from Spokane to Billings.

2.2 Lodging, Meeting and Event Capacity

Lodging and Meeting Space

Missoula has 50 lodging properties with 3,288 guest rooms (as of January 2009), and five RV parks offering 381 spaces. Approximately 120 meeting rooms are available (including rooms at St. Patrick's and the Federal Building), offering 165,000+ total square feet of space, the largest seating up to 1,600 people

(see tables, next two pages). There are no AAA 4- or 5-Diamond properties in Missoula. The Hilton Garden Inn on North Reserve Street (US 93) is the largest conference hotel in Missoula, offering 22,000 square feet of meeting space in eleven conference rooms, seating 800-1,600 people. There are two full-service hotels in Downtown Missoula (the Holiday Inn and the Doubletree) containing 23,152 s.f. of meeting space.

The University Center on the UM campus has 37,000+ square feet of meeting and exhibition space for groups of up to 1,500, including a 10,437 s.f. ballroom with hardwood floors, floor-to-ceiling windows, and a 16' ceiling. The University Center facilities are equipped with audio/visual equipment and Internet access. The building also contains indoor gardens, atrium, post office, bank, food court, and many other amenities. Estimated 2007 meeting/event attendance was 15,000. The University Center Conference and Event Planning Office (CEPO) provides staff support for meeting planning, technical services, catering, and housing in residence halls during the summer months. The CEPO staff works closely with the Missoula CVB to develop proposals for large groups (5,000+).

Missoula Hotel and Meeting Room Capacity	Properties	Guest Rooms	Meeting or Conference Rooms	Meeting space square footage	Seating Capacity	Business Center	Catering
Downtown Hotels	12	786	22	24,652	1,262	2	2
% of total	22%	24%	19%	15%	9%	100%	100%
Other Hotels	39	2,502	72	60,009	3,289	-	-
% of total	72%	76%	62%	36%	24%		
Other Meeting Facilities	3	-	23	79,846	9,334	-	-
% of total	6%		20%	49%	67%		
Total Missoula	54	3,288	117	164,507	13,885	2	2
RV Parks	5	381	2	2,500	120	1	-

Missoula Area Hotel Properties and Meeting Facilities

	Guest Rooms	Meeting Space (s.f.)	Seating Capacity
Downtown Hotels			
Holiday Inn - Downtown At The Park	200	15,000	600
Doubletree Hotel	171	8,152	600
Red Lion Inn	76	600	25
Mountain Valley Inn	59	500	12
Campus Inn	70	400	25
Bel Air Motel	55		
City Center Motel	16		
Creskide Inn	30		
Days Inn – University	51		
Downtown Motel	11		
Goldsmith's Bed and Breakfast Inn	7		
Ponderosa Lodge	40		
Subtotal	786	24,652	1,262
Other Meeting Facilities			
UM - Adams Event Center	0	42,846	7,290
UM - University Center	0	37,000	1,000
UM - Performing Arts Montana Theater	0	n/a	500
Wilma Theater	0	n/a	1,044
Subtotal	0	79,846	9,834
Other Hotels			
Hilton Garden Inn	146	22,000	1600
Ruby's Inn & Conference Center	126	6,500	300
Best Inn	84	4,660	150
Quality Inn & Conference Center	81	4,660	200
Broadway Inn Conference Center	79	4,000	200
Wingate Inn	100	3,800	120
Best Western Grant Creek Inn	126	3,200	114
Double Arrow Resort	32	3,000	65
Hawthorn Suites Missoula (Jan '09)	101	1,690	120
Courtyard By Marriott	92	1,500	120
Val-U-Inn	83	1,400	0
Holiday Inn Express Riverside	95	1,000	80
Staybridge Suites	101	1,000	80
Microtel Inn & Suites	81	640	45
Gibson Mansion B & B	4	500	15
Southgate Inn	81	459	25
Redwood Lodge	41	n/a	30
Thunderbird Motel	31	n/a	25
Aspen Motel	16	0	0
Blossom's Bed & Breakfast	4	0	0
Brooks Street Motor Inn	64	0	0
Brownies Plus Motel	25	0	0
C'Mon Inn	119	0	0
Citi Lodge	43	0	0
Comfort Inn	52	0	0
Cougar Ranch Bed & Breakfast	6	0	0
Days Inn - Airport	70	0	0
Econo Inn (Was America's Best Inn	67	0	0
Family Inn	30	0	0
Foxglove Cottage Bed & Breakfast	3	0	0
Gelandesprung Lodge, Snowbowl	25	0	0
Hampton Inn	61	0	0
La Quinta	80	0	0
Motel 6	66	0	0
Sleep Inn	59	0	0
Sleepy Inn Motel	33	0	0
Super 8 Motel - Brooks	108	0	0
Super 8 Motel - Reserve	58	0	0
Travelers Inn	29	0	0
Subtotal	2,502	60,009	3,289
Total	3,288	164,507	14,385

Event Venues

Missoula is a city rich with art, culture, and sporting events enjoyed by residents and visitors alike. There are 17 venues that host sporting and cultural events, seating from 500 to 25,000 people (see table below). There are key attractions both within and outside the downtown area. Data about the number of residents or tourists who visit Downtown Missoula *specifically* to visit an event or attraction are not available. However, the 3.8 million nonresident visitors traveling to or through Missoula represent a significant opportunity.

Missoula Event Venue (listed by seating capacity)	Venue Type	Seating Capacity
Washington-Grizzly Stadium, UM campus	Sports	25,000
Adams Event Center, UM campus	Arts/Other	7,300
Western Montana Fairgrounds – outdoor field	Arts/Other	5,000
Dahlberg Arena, UM campus	Sports	4,500
Caras Park, Downtown Missoula	Arts/Other	3,000
Western Montana Fairgrounds – grandstand	Sports/Other	3,000
Ogren Park Baseball Stadium	Sports	3,000
Glacier Ice Rink, fairgrounds	Sports	2,200
University Center, UM campus	Arts/Other	1,500
University Center Theater, UM campus	Arts	1,100
South Campus Stadium, UM campus (soccer)	Sports	1,000
Dornblaser Field, UM campus (track and field)	Sports	1,000
West Auxiliary Gym, UM campus (volleyball)	Sports	1,000
The Wilma Theater, Downtown Missoula	Arts	1,000
Montana Theater, UM campus	Arts	500
Missoula Children's Theatre	Arts	350
Heritage Hall, Fort Missoula	Arts/Other	200

- ◆ Washington-Grizzly Stadium, on the UM campus, hosts Grizzly football games, and will seat 25,000 fans in the 2008 season.
- ◆ Adams Event Center, on the UM campus, is used for exhibits, concerts, and special events, seating 7,300. Events draw visitors from the region, as well as from Spokane, Billings, Kalispell and Canada. Estimated 2007 total attendance for all events, cultural and sporting: 217,000.
- ◆ Western Montana Fairgrounds– outdoor field, located south of Downtown Missoula on Brooks Street/U.S. 93, hosts live concerts during the fair, and other special events throughout the year. A multi-purpose event center has been proposed at the current fairgrounds site.
- ◆ Dahlberg Arena, part of the Adams Event Center, is the venue for Grizzly Basketball.
- ◆ Caras Park, overlooking the river Downtown, hosts outdoor festivals, events, receptions, weddings, reunions, and concerts (69 events in 2007).
- ◆ Western Montana Fairgrounds– grandstand, south of Downtown on Brooks Street/U.S. 93, hosts the annual rodeo, and other special events throughout the year.
- ◆ Ogren Park stadium, in the heart of downtown, is home of the Missoula Osprey baseball team.

- ◆ Glacier Ice Rink, at the fairgrounds, is open all year and offers public skating, hockey, and private ice rentals, and is the venue for Missoula Maulers Junior Ice Hockey games.
- ◆ University Center, on the UM campus, is a multi-purpose venue (see previous section).
- ◆ University Center Theater, in the University Center, seats 1,100, and hosts road shows, lectures, symphonies, musicals, fundraisers, etc., with an estimated 2007 attendance of 40,000.
- ◆ South Campus Stadium, at South and Higgins near the UM campus, hosts Grizzly soccer games.
- ◆ Dornblaser Field, adjacent to the South Campus Stadium, hosts Grizzly track and field.
- ◆ West Auxiliary Gym, on the UM campus near the Adams Event Center, hosts Grizzly volleyball.
- ◆ The Wilma Theater, a historic theater on Higgins Street in Downtown Missoula, seats 1,000 people.
- ◆ Performing Art Montana Theater, located on the UM campus, hosts various musical events throughout the year, with a 2007 estimated attendance of 16,500.
- ◆ Missoula Children's Theatre, located on N. Adams Street in Downtown, seats 350 in the main theater, but has a total of 22,000+ s.f. of meeting space including upstairs meeting rooms.
- ◆ Heritage Hall, Northern Rockies Historical Center, Fort Missoula, hosts receptions and events.

Other venues for events and competitions in/near Missoula include seven golf courses, Montana Snowbowl Ski & Summer Resort, Bitterroot Resort, City ball fields, soccer fields at Ft. Missoula and Playfair Park, the river greenbelt, Brennan's Wave on the Clark Fork River (kayaking), and mountain biking trails.

2.3 Missoula Attractions

Downtown Missoula attractions see their highest concentration of visitation during the peak summer travel months of June, July, and August. Most organizations who operate the attractions do not track the origins of their visitors (resident/nonresident), but organization representatives reported that the majority of attendees are local residents. Due to the high percentage of nonresident visitors who travel to Missoula to visit friends/family, there are perhaps more nonresidents visiting attractions than is evident.



Downtown Attractions

Key attractions in Downtown Missoula include the following:

- ◆ The Carousel for Missoula in Caras Park sells 180,000 rides annually, mainly in summer. A large playground named Dragon Hollow Playarea was built adjacent to the carousel in 2001. The park hosts numerous events.
- ◆ Farmers Markets (Missoula Saturday Market, Missoula Farmers Market, and Clark River Market) take place on Saturdays from May through mid-October in Downtown. Visitation at each ranges from 500 to 3,000 visitors per day, depending on weather and UM home football games. It is common for shoppers to visit all three markets on the same day.
- ◆ Missoula City Parks and Recreation operates 11 parks in Downtown Missoula, offering jogging trails, picnic tables, swimming, water spray and wading pools. Facilities include MOBASH Skate Park in

McCormick Park, and the Riverfront Trail, a pedestrian and bicycle gravel base trail along the Clark Fork River covering at least 3 miles in the downtown area and connecting to other managed trails. In 2007, an estimated 1,500 people used the trail daily during the spring and summer.

- ◆ Missoula Art Museum had an estimated 35,000 visits in 2007, including attendance at First Friday Artwalk and Artini special events, auctions, and classes.
- ◆ Children's Museum of Missoula reported an estimated 26,000 visits in 2007.
- ◆ Montana Natural History Center, a natural history educational resource for schools and the public, had an estimated 1000 visits in 2007.
- ◆ Montana Museum of Art & Culture, located on the UM campus, has two galleries, the Paxson and Meloy, is free to the public, and had an estimated 7,000 visits in 2007.
- ◆ The Wilma Theater, an historic theater on Higgins, a favorite for alternative rock band concerts.
- ◆ Ogren Park, home of the Missoula Osprey, a professional baseball Pioneer League affiliate with the Arizona Diamondbacks. In 2007 there were 38 home games attracting about 2,300 fans per game.

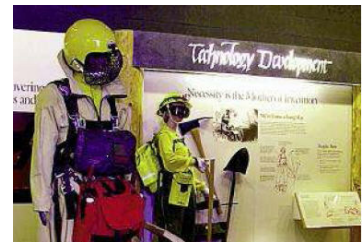
Other Area Attractions

Other key attractions in the greater Missoula area (outside of Downtown) include the following:

- ◆ Missoula Parks and Recreation operates a total of 45 parks throughout Missoula, two of which are aquatic facilities with an estimated 301,400 visits since July 2006:
 - Splash Montana Water Park, open Memorial Day through Labor Day, with estimated visits in 2007 of 80,000-90,000 (30% from outside Missoula)
 - Currents Aquatic Center, a year-round indoor water park and pool, with estimated 2007 visits of 50,000–70,000 (20% from outside Missoula)
- ◆ Southgate Mall, adjacent to Brooks Street (US Hwy 93/12) southwest of Downtown Missoula, attracts over 7 million customer visits annually and is home to four major department stores.
- ◆ Fort Missoula, just off Reserve Street (US 93) southwest of Downtown, includes several facilities with an estimated 2007 attendance of 50,000 visits:
 - Historical Museum at Fort Missoula is open 7 days a week from June 1 to Labor Day, and 5 days a week the remainder of the year, estimated 40,000 visits in 2007
 - Northern Rockies Historical Center – Heritage Hall, hosts indoor and outdoor public and private events, with an estimated 7,400 visits in 2007
 - Rocky Mountain Museum of Military History is open 7 days a week (June 1 to Labor Day) and had an estimated 2,500 visitors in 2007.
- ◆ Rocky Mountain Elk Foundation international headquarters, which includes a museum and visitor center, is located about 3 miles north of downtown Missoula. Increased outreach, advertising and two new events (Budweiser Clydesdales and the 1st Annual Outdoor Recreationist Conference) boosted attendance by 13% in 2007 to an estimated 50,300 visits.



- ◆ Montana Snowbowl Ski & Summer Resort, located 20 minutes northwest of Downtown Missoula, offers 950 acres of terrain with two double lifts and a 2,600 foot vertical drop. Snowbowl had an estimated 86,800 skier visits in the 2006-2007 season.
- ◆ Golf Courses: There are five 18-hole golf courses in the Missoula area (Larchmont. Missoula Country Club, Canyon River Golf Club, The Ranch Club, and The King Ranch Golf Course), and three 9-hole courses (UM Golf Course, Linda Vista Golf Course, and Montana Pro Golf).
- ◆ Glacier Ice Rink, at the Fairgrounds, open all year for public skating, pick-up hockey, stick puck, and private ice rentals. The Missoula Maulers Ice Hockey team plays 24 games from October to March, with typical attendance of 1,200 per game, drawing fans from a 60 mile radius.
- ◆ Cultural Corridors, a set of self-guided driving tours with historic/cultural themes that serve as interesting day trip opportunities for visitors based in Missoula.
- ◆ Missoula International Airport Museums, located approximately 5 miles from downtown, is home to two museums:
 - Museum of Mountain Flying, open April through October, estimated 3,000 visits in 2007
 - Smokejumper Visitor Center, estimated 3,000 visits in 2007.



Bitterroot Resort

The Bitterroot Resort is a proposed destination ski resort located in Lolo, Montana, 20 miles south of Missoula at the junction of U.S. 93 and U.S. 12. The lower slopes of the site, including the base village, are on 2,890 acres of private land and already being developed as a smaller-scale ski resort. The larger proposal involves the addition of ski lifts to the top of Lolo Peak, which is on land managed by the U.S. Forest Service (Bitterroot National Forest). The completed ski slopes would have the largest vertical drop in the U.S., and planned base village amenities include housing, lodging, commercial development, convention center, and two golf courses. The resort permitting process by the Bitterroot National Forest is under consideration.

The Missoula Area Economic Development Council (MAEDC) and the Missoula Area Chamber of Commerce (MACC) commissioned an economic impact study of the destination resort from ECONorthwest of Portland, Oregon. The study indicated that direct and indirect expenditures by resort visitors would total \$138.8 million in year 10 (using 2007 dollars), and \$227.7 million in year 20. The resort is expected to contribute an additional \$244.0 million (year 10) and \$229.5 million (year 20) in total economic output to the Missoula and Ravalli County economies. The year-10 output is roughly 3.2% of the total 2007 output in the two-county economy.²



² Bitterroot Resort Economic Impact Analysis, ECONorthwest, November 2007

2.4 Missoula Events

As a university town, Missoula has hundreds of events annually, from live music in small downtown venues to lectures on campus and fine arts performances, to major concerts and sports competitions. Many of those events are “destination events”, drawing overnight visitors from outside the Missoula area or state of Montana. Other events are “local events”, which are attended primarily by local residents. Downtown Missoula hosts nearly 100 events annually, collectively drawing more than 130,000 attendees to the downtown area.

Destination Events

Major annual destination events that draw nonresident attendance include the following:

- ◆ University of Montana home football games and Commencement, which fill most hotels and RV parks in Missoula for about seven weekends in the fall and one weekend in the spring.
- ◆ UM Adams Center Concerts, with artists like The Rolling Stones, draw attendance from throughout western Montana and north Idaho, filling hotel rooms for 1 or 2 nights about 6-8 times per year.
- ◆ Big Sky Documentary Film Festival, held at the Wilma Theater (Montana’s largest screen) annually in February, includes entry of 100+ films from more than 40 countries.
- ◆ International Wildlife Film Festival, held in May at the Wilma Theater, UM campus, and other venues, is sponsored by the International Wildlife Media Center in Missoula and is an international conservation symposium for filmmakers, broadcasters, scientists, conservation leaders, educators, students and others.
- ◆ International Choral Festival, an event held every 3 years in July (next in 2009), attracts 18-20 choral groups from around the world, who are selected from more than 120 applicants to attend.
- ◆ Missoula Marathon, a new event in 2007 with 1,162 runners, the 2008 event in mid-July finished in the heart of Downtown Missoula with 1,306 runners. In 2007, 552 runners were from Missoula County, 217 from another Montana county, and 393 from out-of-state or overseas. Direct expenditures by participants from other parts of Montana was \$47,457, and expenditures by out-of-state participants was \$211,021.³
- ◆ Festival of the Book, a 2-3 day western writers conference sponsored annually in September by *Humanities Montana*, and includes 60+ sessions of readings, panels, exhibits, performances, etc.
- ◆ International Heart Symposium, which draws heart surgeons from 30 countries annually in July. Sessions are held at St. Patrick’s Hospital and at the UM campus.
- ◆ Western Montana Fair, south of Downtown on Brooks Street/U.S. 93, runs for six days in August with two live concerts and a rodeo among the attractions. Annual attendance: 80,000+.
- ◆ Specialty Events at the fairgrounds: concerts, monster trucks, Crazy Perry’s Regional Swap Meet (first weekends in March and April), Tack and Saddle Auction (early April), Missoula Woodcarvers Show (early April), Sports Connection Gun Show (mid April), May Fair Fling (5 day event with carnival, craft show, and other events), and Five Valley Kennel Club Dog Show (late June), etc.

³ Missoula Marathon: Participant Study, UM Institute for Tourism & Recreation Research, August 2007

Local Events Held in Downtown Missoula

Events that draw primarily residents from Missoula and the surrounding area to downtown (day trip visitors) include the following:

- ◆ Out To Lunch Summer Concerts, a free 3-hour midday event held at Caras Park on Wednesdays June-August. Estimated 2007 attendance: 38,000.
- ◆ Downtown Tonight, a free 3-hour event with food and beer garden at Caras Park, every Thursday evening June-August. Est. 2007 attendance: 29,000.
- ◆ River City Roots Festival, a Saturday/Sunday free street festival at Caras Park, 3rd weekend in September. Estim. 2007 attendance: 8,000.
- ◆ Garden City Brewfest, held the Saturday before UM finals in May. Estim. 2007 attendance: 4,500.
- ◆ Garden City River Rod Run, a free 3-day car show in June at Caras Park, with 180 vehicles and Saturday parade. Estimated 2007 attendance: 3,000.
- ◆ Missoula Children's Theatre, a teaching and performance theater for children, including traveling production teams and three summer performance arts camps attracting 600+ children from throughout the country. Estimated 2007 attendance: 27,000.
- ◆ First Night, held in downtown Missoula, at Southgate Mall, and on UM campus, is a family-oriented alcohol-free New Year's Eve celebration, with approximate attendance of about 9,000.
- ◆ Missoula Community Chorus, produces annual concerts. Estimated 2007 attendance: 1,000.
- ◆ Germanfest, sponsored by the Missoula Cultural Council, occurs in September at Caras Park. Estimated 2007 attendance: 1,000.
- ◆ Kidsfest, a 1-day free event held in August at Caras Park.
- ◆ Fall Family Fest, a 1-day free event held in October at McCormick Park.
- ◆ Fun Runs (7), of which two occur on the Riverfront Trail System (Run for the Trees, and Frost Fever), and 5 in the Valley Fun Run/Walk Series (throughout the City, including downtown trail system).



The University of Montana is near downtown, and offers a variety of cultural and athletic events well attended by residents and tourists. Art, music, and other cultural events bring an estimated 125,000 annually to the campus, while Grizzly games attract 325,000 per year.

Other Local Events

Key events within the greater Missoula area (outside of Downtown) include the following:

- ◆ Osprey Baseball games, 38 home games in 2007, attracting approximately 2,300 fans per game.
- ◆ Missoula Symphony concerts are held about 12 times annually. Estimated attendance is 1,000+ per concert, generally selling out the Wilma Theater for events hosted there.
- ◆ The Missoula Maulers Ice Hockey team plays 24 games from October to March in the Glacier Ice Rink at the fairgrounds, with an average game attendance of 1,200, drawing from a 60-mile radius.
- ◆ Adams Center special events such as circuses, motorcycle and equestrian exhibitions, etc.
- ◆ Ski and snowboard competitions at Montana Snowbowl, including the Snowbowl Cup Gelande Championship (ski jumping), Annual Snowboard Jam. Slope Style Jam, and Monster Air contest, Hot Laps Mountain Bike Jam, and Black Diamond Disc Golf Challenge.

3. Tourism Trends and Markets

3.1 Overview

Missoula hosts more than 3.8 million of Montana's 10+ million out-of-state visitors annually, or 38% (more than any Montana community except Billings).⁴ These nonresident visitors spend \$300+ million in Missoula County, and about one-third of them, or 1.2 million travelers, stay at least one night. One-in-five of the overnight travelers is from the State of Washington. During their trip, more than one-quarter of the overnight visitors (28%) also visit Glacier National Park, and 24% of them visit Yellowstone National Park, demonstrating the importance of Missoula's location on Interstate 90 halfway between the two national parks.

More than one-third of the overnight visitors to Missoula (35%) are traveling primarily for vacation, another 24% are visiting family/friends, 20% are business/convention travelers, and 18% are just passing through. The majority of the travelers (60%) are singles or couples, have someone in their party over age 55, and their primary activities are driving for pleasure, wildlife watching, day hiking, recreational shopping, and visiting historical/cultural attractions. Forty-one percent have household incomes of \$80,000+ (another 39% earn \$60,000-\$79,999), and they spend a total of nearly five nights in Montana.

Missoula has more than 3,000 guest rooms in 49 lodging properties, and 380 RV spaces in five RV parks, plus approximately 165,000 square feet of meeting space with seating capacity for up to 1,600 people in the largest facilities. One-quarter of the hotel rooms, (25%, or 786), and one-fifth of the meeting space (21%, or 24,650 sf) are in Downtown Missoula. The two major hotels Downtown are the Holiday Inn and the Doubletree, with 200 and 171 guest rooms respectively. Between them, there is 23,000+ sf of meeting space, with the largest rooms seating up to 600 people.

Lodging sales in Missoula increased 33% from 2002 to 2007, from \$28 million in 2002 to \$37 million in 2007. The increase is less than either the Glacier Country region at 47% or the state at 42%. The annual hotel occupancy rate has hovered around 62.5%-63.5% over the time period, ranging from 40% in December-January to 90+% in August. Overall occupancy rates increased only 1% from 2002 to 2007 due to new hotels opening in 2003 (Wingate, 100 rms), 2005 (Courtyard, 92 rms), and 2006 (Hilton Garden, 146 rms). However, the Average Daily Room Rate (ADR) increased 34% from 2002 to 2007, from \$63 per night in 2002 to \$85 per night in 2007 (ranging from \$70 off-peak to \$98 peak season). A new Staybridge Hotel (100 rms) opened in 2008, and a new Hawthorne Suites (101 rms) is scheduled to open in January 2009.

During that time period, the Missoula International Airport (MSO) reported an 18% increase in passenger enplanements, to 283,488 in 2007. Annual enplanements at MSO are forecast to increase 66.4% to 457,730 by 2026, based on the airport's 9-county service area population, which is projected to grow from 220,000 in 2006 to 292,000 by 2026 (primarily in Missoula, Ravalli, and Lake Counties).⁵

⁴ University of Montana Institute for Tourism & Recreation Research Nonresident Traveler Study, 2005

⁵ Missoula International Airport, Aviation Forecast, January 2008, FAA, CH2MHill

Two key strategies to increase tourism-related employment and spending in Downtown Missoula are to capture more of the existing nonresident travelers, and to increase off-peak season group bookings for meetings, events, and competitions.

3.2 Lodging Sales Trends

Missoula has seen steady growth in lodging sales over the past six years, as indicated by lodging tax collections (see table and chart below). However, the growth rate was lower than the overall rates for the Glacier Country region and State of Montana. Over that 6 year period, Missoula lodging tax collections in the first quarter (January-March) saw the highest rate of growth at 39%, followed by third quarter (July-September), which represents 38% of total year-round lodging sales.

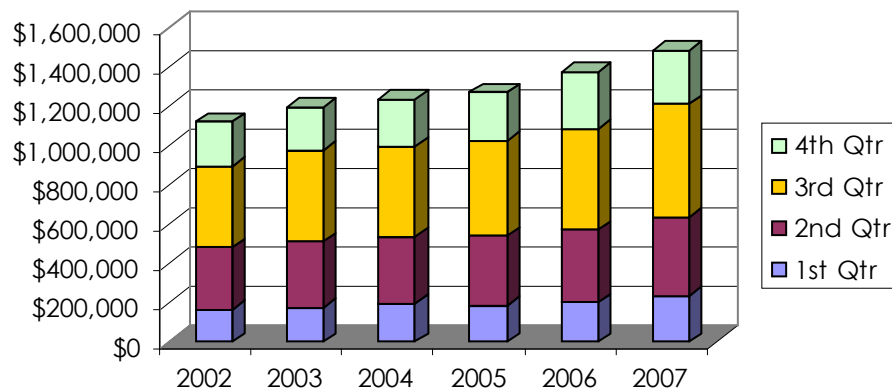
Missoula Lodging Facility Use Tax Collections 2002-2007							
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>% Incr.</u>
1st Qtr	\$168,733	\$174,280	\$192,636	\$186,744	\$200,576	\$235,313	39%
2nd Qtr	\$311,165	\$334,701	\$340,973	\$353,354	\$370,868	\$401,927	29%
3rd Qtr	\$415,208	\$464,988	\$461,615	\$483,908	\$515,256	\$571,469	38%
4th Qtr	<u>\$223,267</u>	<u>\$219,069</u>	<u>\$239,415</u>	<u>\$244,194</u>	<u>\$284,648</u>	<u>\$278,202</u>	25%
Total	\$1,118,373	\$1,193,038	\$1,234,639	\$1,268,200	\$1,371,348	\$1,486,911	33%
% Incr.		7%	3%	3%	8%	8%	

Source: MT Dept. of Revenue

In 2007, Missoula hotels reporting to Smith Travel Research represented 1,966 rooms, or 64% of all rooms in the Missoula area. Based on their overall 2007 occupancy rate and ADR, there was \$22.2 million worth of *vacant* room nights. For every \$1 spent on lodging, nonresident visitors to Missoula spend \$8.47 on other services (see page 26), so empty hotel rooms are costly to many other businesses.

Missoula Lodging Tax Collections 2002-2007

Source: MT Dept. of Revenue (4% Lodging Facility Use Tax)

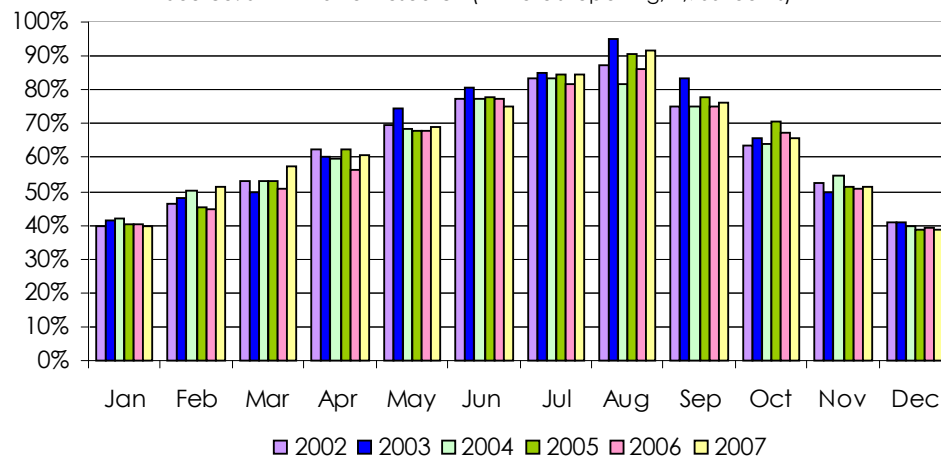


The hotel occupancy rate in Missoula ranges from about 40% in December-January to 90+% in August, for an overall year-round average of about 64%. The first chart below shows occupancy rates by month for 2002 to 2007. The year with highest occupancy rate overall was 2003. New hotels that opened in 2005 and 2006 affected occupancy rates, although the new hotels also raised the overall average daily room rate (ADR, chart below). On a year-round basis, Friday and Saturday nights have the highest occupancy rates, due primarily to university-related events and tourist season weekend travel. However, in December, January, February, and June, mid-week days tend to have higher occupancy rates (most likely due to business/conference travel, and perhaps UM basketball games in winter). Sunday nights have the lowest occupancy rate (27%-32% in winter).

The year-round average ADR grew from \$63 in 2002 to \$85 in 2007, with the highest rates in July and August. The nights with the highest ADR overall are Friday and Saturday, generally following the demand trend indicated by occupancy rates; however, in December through April, mid-week rates are slightly higher than weekend rates. Sunday night has the lowest ADR. In 2007, the ADR ranged from \$68 on Sunday nights in December to \$103 on Saturday nights in July and August.

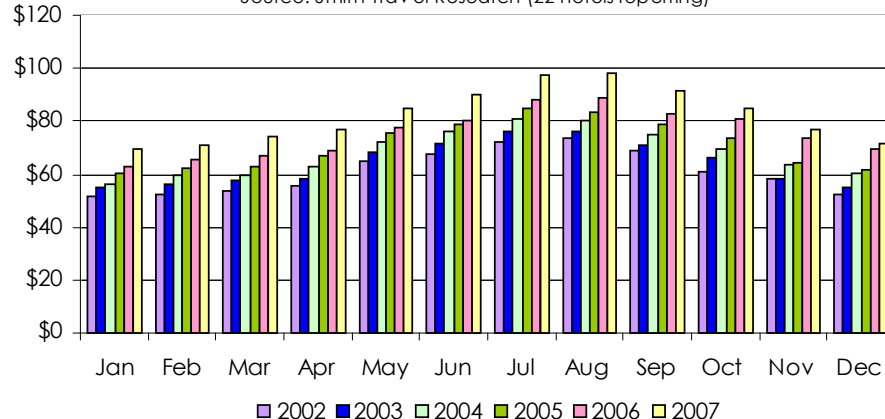
Hotel Occupancy Rate Missoula 2002-2007

Source: Smith Travel Research (22 hotels reporting, 1,966 rooms)



Average Daily Rate (ADR) Missoula Hotels, 2002-2007

Source: Smith Travel Research (22 hotels reporting)



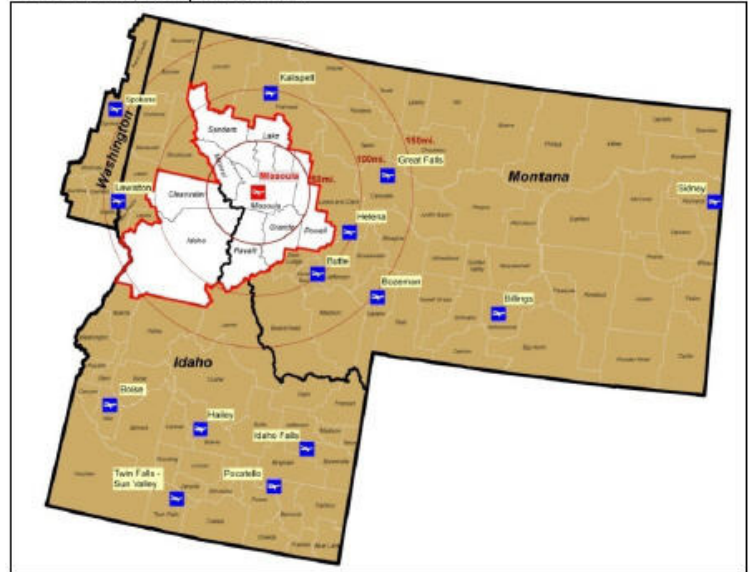
3.3 Air Service and Highway Traffic Trends

The number of passenger boardings at the Missoula International Airport (MSO) grew from 191,990 in 1997 to an all-time high of 283,488 in 2007 – a 48% increase despite a 10-day runway closure for repaving in August-September 2007. About 20 daily departures averaging 1,200 total seats available are provided by five airlines: Alaska/Horizon, Allegiant, Northwest, Delta Connection, and United Express. United Express is upgrading its aircraft into MSO.

The Missoula airport serves a 9-county area in western Montana and north central Idaho (see map). The population of the service area in 2006 was 220,000 (46% in Missoula County alone), and is projected to grow 33% to 292,000 by 2026, primarily in Missoula, Ravalli, and Lake Counties (representing 75+% of the service area population). MSO serves primarily origin and destination (O&D) passengers – passengers that either originate their trip from or end their trip at the airport. The table at right shows MSO's top 20 domestic O&D passenger markets in 2006. The top twenty cities accounted for a combined share of nearly 65% of the airport's total passengers. Las Vegas tops the list with 8.7% of domestic O&D passengers, followed by Denver with 6.7% and Los Angeles with 5.9%.⁶

The airport currently is embarking on a five year Capital Expansion Master Plan to meet future projected demand. Using a multivariate regression analysis, annual enplanements at MSO are forecast to increase 66.4% from 275,125 in 2006 to 457,730 in 2026 (see chart, next page).

Missoula International Airport Service Area



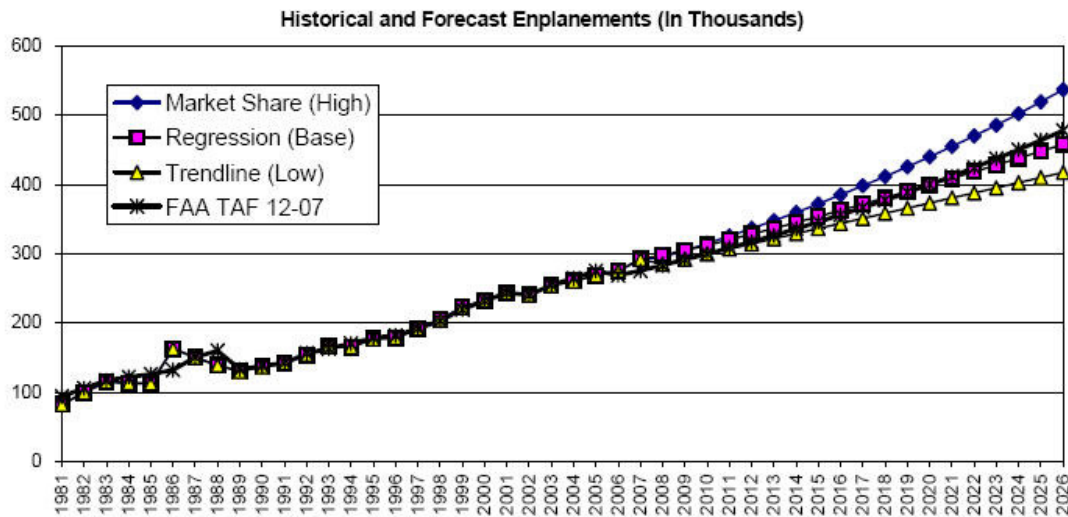
Source: ESRI
Prepared by: UCG Associates, Inc.

Missoula Internat'l Airport Top 20 Domestic O&D Passenger Markets, 2006

Rank	City	Domestic O&D Passenger Share *
1	Las Vegas	8.7%
2	Denver	6.7%
3	Los Angeles	5.9%
4	Seattle	5.8%
5	San Francisco	4.1%
6	Washington D.C.	3.8%
7	Salt Lake City	3.4%
8	Minneapolis/St. Paul	3.3%
9	Phoenix	2.9%
10	Chicago	2.8%
11	New York	2.7%
12	San Diego	2.1%
13	Atlanta	2.1%
14	Dallas	2.0%
15	Portland	1.6%
16	Sacramento	1.6%
17	Boston	1.3%
18	Philadelphia	1.3%
19	Orlando	1.3%
20	Houston	1.2%
Subtotal - Top 20 Domestic O&D Markets		64.6%
Other Domestic O&D Markets		35.4%
Total - All Domestic O&D Markets		100.0%

* Based on U.S. Department of Transportation 10% ticket survey

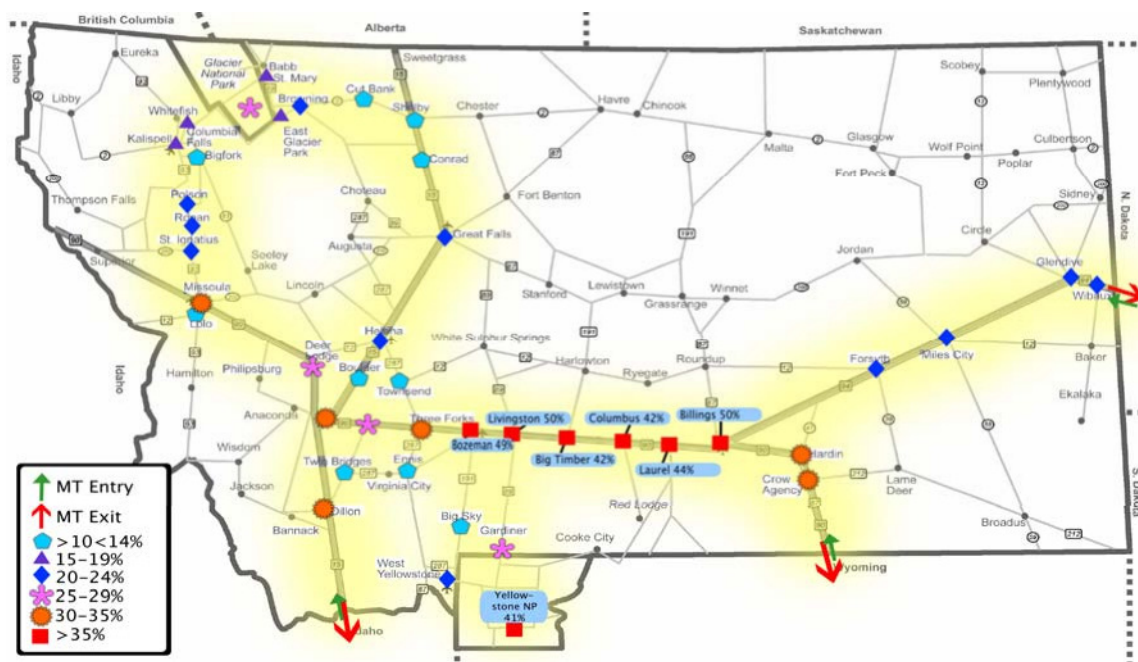
⁶ MSO Aviation Forecast Report, Jan. 2008



Ironically, daily motor vehicle average annual daily traffic (AADT) in Missoula has not increased significantly in the last five years (1%-2% since 2002), based on traffic counters positioned on urban collector routes and Interstate 90 by the Montana Dept. of Transportation.

Missoula is located on the major east-west and north-south travel corridors used by nonresident visitors to Montana (Interstate 90/U.S. 12 and U.S. 93, see map below). More of this traffic can be encouraged to stop and linger in downtown Missoula, increasing visitor spending, business and event profits.

Major Travel Corridors of Montana Nonresident Travelers 2005 (Source: ITRR)



3.4 Nonresident Visitors to Missoula

In 2005, nonresident traveler spending in Missoula County was as follows:

Gas	\$ 84.6 million
Retail shopping	59.3 million
Restaurants	58.6 million
Hotels	31.2 million
Auto rental/repair	22.9 million
Groceries	18.8 million
Outfitters/guides	8.6 million
Transportation	6.4 million
Camping	4.8 million
Gambling	2.3 million
Services	1.3 million
Fees/licenses	<u>1.0million</u>
Total	\$299.7 million

Linking Missoula tourism marketing efforts to Montana's other major tourism destinations is important: 17% of all nonresident travelers entering and exiting Yellowstone National Park traveled through Missoula. Downtown Missoula dining and shopping opportunities should be highlighted on web sites like YellowstonePark.com and in Park visitor guides.

If Missoula tourism partners can increase travelers' length of stay by a few hours or an overnight, the amount of spending would increase significantly.

Washington is a key target market for Missoula: one-in-five overnight visitors to Missoula is from that state (20%, or 243,000). Other key states of origin are Idaho, California, Utah, Colorado, Minnesota, Oregon, North Dakota, and Texas. So it is not surprising that one in four overnight visitors (26%) enters the state via I-90 at the Idaho border. However, 16% of Missoula's overnight visitors fly in via the Missoula airport. Eight out of ten are repeat visitors: 19% have lived in Montana before, and 8% either own or plan to purchase property in Montana. Missoula is the 2nd most utilized airport by all nonresident travelers who own property in Montana (21%). These individuals predominantly travel from California, Florida, Georgia, and Texas.

During their trip to Montana, half of the travelers who stay overnight use hotel/motel/B&B lodging. Another 23% stay with friends or relatives, 10% stay in private RV parks/campgrounds, 8% stay in public campgrounds, and 9% use other lodging (second homes, etc.). They spend an average of 4-5 nights in Montana with nearly three-quarters of the nights (73%) in Glacier Country (western Montana), emphasizing the importance of linking Missoula to surrounding regional events and destinations.

The favorite activities of overnight visitors while in Montana include driving for pleasure (52%), wildlife watching (35%), day hiking (28%), recreational shopping (27%, a key benefit for Downtown Missoula), visiting historical/Lewis & Clark sites (25%), picnicking (22%), and visiting museums (17%). The Southgate Mall has more than 7 million shoppers annually, drawing from a 250-mile trade area. The mall regularly partners with the Missoula CVB and Chamber in co-op advertising to attract area visitors.

Nearly one-third of the travel parties are singles (30%), nearly half are two people (49%, the average party size is 2.13). Another 16% are parties of 3-4 people (families, friends, or couples), while less than 6% of the parties have more than 4 people. Boomers and mature travelers are a



majority of the visitors: more than half of the parties (58%) include someone over age 55, and 55% include someone age 35-54. About one-in-five travel parties (21%) include kids under age 18 (primarily in summer months), and 24% include young adults (age 18-34).

At the time of this writing, the hotels in Missoula do not report to the CVB information about conventions booked (for tracking of marketing and economic impact), or lost business. Group tour business is not reported, either, or bookings generated by special events (arts, sports, etc.). In order for the Missoula CVB to be more strategic and targeted in its marketing efforts, it needs this information from the hotels. The recent re-creation of a lodging association in Missoula may lead to better sharing of information by the hotels to the CVB, in order to aid strategic marketing and tracking of ROI.

3.5 Meeting, Convention, and Event Trends

National Convention and Event Trends

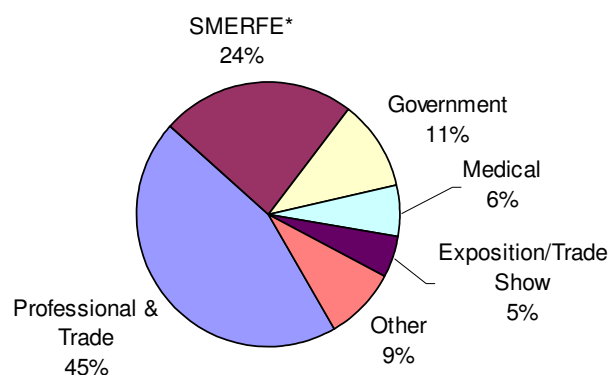
The convention, meeting, and event market in the U.S. has matured, become more competitive, and is predicted to become more so. The market places a high value on a convention center's competitive advantages.⁷ National convention destinations are characterized by frequent and convenient air service from major cities across the U.S.; by visible and convenient highway access and parking; by significant lodging, dining, and entertainment amenities; by significant population within a 30-90-minute drive, and by convention center facilities that have, at a minimum, 25,000 square feet of exhibition space plus banquet and meeting space. Convention center facilities with 40,000 to 75,000 square feet of total exhibition, banquet, and meeting space typically host 2,000-3,000 events annually, serving 500,000-700,000 participants. These facilities also typically draw a significant portion of their business from local and regional markets.

The growth in the supply of new facilities has outpaced demand since 2000: from 2000 to 2006, the supply of exhibit space in the U.S. grew by 30%, adding 19.6 million square feet. Meanwhile, the number of trade and consumer shows grew by only 8%, and the total amount of square feet used grew by only 4%, according to *Tradeshow Week*.

National directories such as *Tradeshow Week's Directory of Major Exhibit Halls* list only facilities with 25,000 s.f. or more of exhibition space, plus banquet and meeting rooms.

Moreover, times are changing, and convention and event facility design is changing as well. Meeting facilities are using green design, and facilities of the future also need to offer something not available in "big box" facilities or on the web: more intimate spaces to foster personal interaction, comfortable sitting

Convention Events by Type of Sponsoring Organization



* Social, Military, Religious, Fraternal, Ethnic

Source: DMAI

⁷ Convention Centers: Is the Industry Overbuilt? 2008 Update, Hans Detlefsen, Sr Mgr HVS International, and Nina Vetter

areas, a different floor and exhibit experience, and area and technology for information and data collection, including self-service locations. Events and facilities will need to be tied more closely to the Internet and digital networks.⁸

The meeting and convention business also has been impacted by technology, with 81% of business travel buyers indicating that teleconferencing, video conferencing, and even telepresence is replacing business trips, although an additional 20% say that technology complements trips rather than replaces them.⁹ This is a critical issue, since nearly half of all convention events (45%) are professional and trade events (see chart on previous page). Moreover, recent research on the Millennial generation (age 18-28) indicates a cultural propensity divergent from traditional meetings, conventions, and trade shows.

Nationally, 81% of all business meetings include less than 200 attendees, and nearly half of all events in 2007 (45%) utilized from 5,000 to 69,000 square feet of exhibit space. Other events that occur in convention and event centers include religious assemblies, graduation ceremonies, job fairs, social gatherings, banquets, sporting events, and musical and entertainment shows. Most successful convention centers experience overall utilization rates in excess of 40% of capacity, with a target of 70% capacity.¹⁰

2007 Events	
Square Feet	% of Total
5,000-29,999	16%
30,000-69,999	29%
70,000-199,999	31%
200,000 +	23%

Four out of ten business person-trips are for conventions, seminars, training, or other group meetings.¹¹ Group business travel is more common in the west, and is more prevalent in the spring and summer than is general business travel. In fact, 75% of all meetings internationally are held in September through November (38%) and March through June (37%)¹² – off-season times of year when Missoula needs more business to support lodging, dining, retail, and events. Group business travelers spend an average per trip of \$359 versus \$238 for general business travel. Group business trips are more likely to involve activities, with dining being the most important, followed by shopping, entertainment, night-life, and sight-seeing.¹³

More than 11,000 exhibitions are held in the U.S. annually, attracting 70 million visitors. Of those, 82% are Business-to-Business events, and 18% are Business-to-Consumers or public shows. Half are held in exhibition (expo) or convention centers. The Center for Exhibition Industry Research predicts that future growth in exhibitions will be in the areas of professional business services, sports/travel/entertainment, industrial/equipment products, health care, and raw materials; while consumer goods, food, building/construction, communications/IT, and transportation will be challenged. Wild card sectors are government and nonprofits.¹⁴

The economic slowdown in 2008 has reduced the number of meetings and conventions through 2009, although economic



⁸ Michael Hughes, *Tradeshow Week*, Sept. 2008

⁹ National Business Travel Association Impact of Economic Downturn Survey, 2008.

¹⁰ Center for Exhibition Research, TIA Outlook Forum, October 2008

¹¹ Domestic Business & Convention Travel Report, 2006, TIA

¹² Union of International Associations (UIA)

¹³ Domestic Business & Convention Travel Report, 2006, TIA

¹⁴ Center for Exhibition Research, TIA Outlook Forum, October 2008

recovery is projected in 2010. Prior to the slowdown, the business travel market already had been impacted by fuel prices, which affected airline and rental car cost and capacity. More than half of corporate travel planners seek to reduce business travel costs in 2009, and nearly 40% will reduce the number of meetings and company events. Half will send fewer employees to conferences, and 49% will look to travel alternatives such as web-based meetings to cut costs.¹⁵ Airlines are projected to implement 10% year-over-year capacity reductions through 2011, including a 7% drop in the number of flights worldwide in Q4 2008 vs. 2007.

A convention or event center's location is a key competitive determinate for meeting planners' decision-making. Location encompasses factors such as safe proximity to lodging, dining, shopping, entertainment, and nightlife, as well as visual amenities like rivers and walking trails. Destinations offering 'green' travel options are increasingly appealing. The Convention Industry Council's 2004 Green Meetings Report outlines best practices for event organizers and suppliers to use as guidelines for implementing policies of sustainability. Missoula's residents, culture, civic organizations, and associations embrace environmental sustainability.

Missoula Conventions and Meetings

Most of the lodging and meeting facilities/venues in Missoula are significantly under-utilized, and affordable, particularly in the months of November-March. Moreover, additional convention/meeting facilities are planned as part of the Bitterroot Resort development at Lolo. Highly targeted sales and marketing efforts are needed to attract specific groups and market segments at desirable times of the year. Resources such as the Destination Marketing Association International (DMAI) provide databases of meeting planners and groups. Additionally, there is opportunity to work with local businesses, nonprofit organizations, and university representatives to invite regional/national conferences of organizations to which they belong. The presence of local experts in environmental/rural studies, arts, medicine, wildlife, media production, energy development, etc., provides a variety of resources for unique speakers, performances, and entertainment for conferences and events.

The CVB and local conference hotels report that Missoula is limited in its ability to pursue large meetings and events (5,000-10,000) due to a lack of venues. Air service and airfares also create some challenges for meeting participant access. A convention/event center feasibility study with a comprehensive market and competitor analysis, including business turned away or not pursued due to capacity issues and air service, would help determine the true demand and realistic projections of use. The table on the next page summarizes Missoula's key competitor convention, conference, and event facilities in the Pacific and Inland Northwest.

Intense national and regional competition will continue between convention and exhibition facilities to attract high-value group business. Success of a Missoula convention/event center will depend on its competitive advantages, relative to its peers. Location, destination appeal, and pricing are key success factors that already are components of the Missoula community, while existing tourism infrastructure,

¹⁵ National Business Travel Assn., Impact of Economic Downturn Survey, 2008

technology and unified amenities are components worthy of improvement to maximize potential from a new facility. To fill a new convention/event center in Missoula 300+ days per year, and attract high-value group business, will require promotion and utilization of all area amenities. A convention/event center facility, if determined to be feasible, would support the hotels, attractions, medical community, cultural and entertainment centers, museums, theatres, and special events in Missoula.

PACIFIC & INLAND NORTHWEST CONVENTION & EVENT FACILITIES			Meeting/ Exhibit SF	Seating Capacity
MT	Missoula MSA: 101,417	UM - Adams Event Center UM - University Center Hilton Garden Inn Holiday Inn Downtown at the Park (downtown) Doubletree Riverside (downtown)	42,846 37,000 22,000 15,400 8,152	7,290 1,000 1,600 600 600
	Billings MSA: 148,116	Metra Park Arena and Expo Center Holiday Inn Grand Montana Billings Hotel & Convention Center Crowne Plaza Hotel	156,200 50,000 23,000 16,000	10,000 1,400
	Big Sky Population: 2,421	Big Sky Resort	55,000	
	Bozeman MSA: 80,921	Best Western GranTree Inn	12,000	485
	Great Falls MSA: 79,385	Mansfield Events Center Best Western Heritage Inn	24,370 17,900	
	Kalispell MSA: 85,314	Best Western White Oak Grand Hotel Red Lion Hotel Kalispell	9,500 10,000	
	Helena MSA: 70,558	Red Lion Colonial Hotel	15,500	
CO	Denver MSA: 2,998,8978	Colorado Convention Center	100,000 / 584,000	
	Grand Junction MSA: 139,082	Two Rivers Convention Center	22,920	
ID	Boise MSA: 567,640	Boise Convention Center Boise State University Conference Center Taco Bell Arena and Event Center	82,687 46,280 10,000 / 17,472	
	Coeur d'Alene MSA: 131,507	Coeur d'Alene Resort Best Western Coeur d'Alene Inn North Idaho College: The Schuler Performing Arts Center	23,000 7,695	2,200 625 1,174
	Idaho Falls MSA: 116,980	Shilo Inn Suites Hotel - Idaho Falls Red Lion Hotel on the Falls	10,900 7,200	
	Pocatello MSA: 86,357	ISU Performing Arts Center Red Lion Pocatello Holiday Inn	110,000 13,000 9,000	1,200 1,000
	Twin Falls MSA: 91,705	Red Lion Canyon Springs Hotel & Conference Center	5,085	200
UT	Salt Lake City MSA: 1,632,814	Salt Palace	679,000 / 515,000	
	Logan MSA: 111,156	Eccles Conference Center, Utah State University Taagart Student Center, Utah State University Sherwood Hills Resort & Conference Center	39,586 13,896 5,000	1,000 400 500
WA	Seattle MSA: 3,991,911	Washington State Convention & Trade Center	310,700	
	Spokane MSA: 446,706	Spokane Convention Center Spokane Veterans Memorial Arena	320,000 30,000	12,500
	Tri Cities MSA: 226,033 (Kennewick/Pasco/Richland)	TRAC (Trade, Rec, & Agricultural Center) Three Rvrs Convention Center Toyota Center	120,000 75,000 23,000	2,100 6,000
	Wenatchee MSA: 106,806	Wenatchee Center	10,080	1,200
	Ellensburg MSA: 37,189	Central Washington University - Mary Grupe Center	8,200	
OR	Portland MSA: 3,851,000	Oregon Convention Center	255,000	

3.6 University-Related Events

There are potential opportunities to leverage public and private resources to increase visibility of existing university events, and to create new events such as symposia, seminars, summer continuing education workshops, liberal arts competitions (music, language, public policy, etc.), and sporting tournaments/events. The CVB and UM could initiate an effort to survey university faculty and staff about organizations to which they belong, and their ideas for university-related events that could be hosted in Missoula.



3.7 Sporting Events and Competitions

Missoula currently hosts several sporting events annually. There are potential opportunities to increase the number of sporting events, such as kayaking, basketball/softball/soccer tournaments, and national ski competitions, particularly with enhanced facilities like ballfields and Bitterroot Resort. As described earlier, a collaborative effort to develop an overall Sports Events & Competitions Plan for Missoula would help guide efforts to grow this sector.



3.8 Arts and Cultural Events

Missoula has many opportunities to build on its rich depth and diversity of arts and culture, which create a tapestry of experiences for residents and visitors. For the third consecutive year (2008), the City of Missoula has been named one of the *100 Best Communities for Young People* by America's Promise Alliance, in part because of its collaboration between city government, school districts, area businesses, community groups and engaged volunteers. Missoula can capitalize on awards and recognition, and develop tourism products that highlight those assets. Examples are vacation packages built around events, kids activities, or cultural corridors, targeting specific dates to build off-peak season visitation, or hosting of conferences and workshops for arts and cultural management organizations, children's advocates, etc.

A feasibility study conducted in 2003 (updated in 2007) for a Missoula performing arts center (PAC) concluded that a facility is warranted to address the diverse needs of arts groups in Missoula, from public schools to the Missoula Children's Theatre, Missoula Symphony, and Rocky Mountain Ballet Theater, as well as visiting musical and theater productions. The 60,000 square foot facility is proposed to have a 1,600-seat theater, dining facilities, a recital hall, art displays, meeting rooms, lounges, and administration offices, at a total cost of \$60 million, including a \$10 million endowment for annual operations. A \$20 million public facilities bond would help construct the facility, proposed to be located along the Clark Fork River. An overall Cultural Plan, including possible development of a performing arts center in the context of all Missoula arts and cultural programs, will help guide growth of the cultural sector strategically and sustainably.

3.9 Resident Visitors to Missoula

Montanans from other parts of the state visit Missoula for business (including conferences and meetings), university-related events such as Grizzly football games, visiting friends/family, shopping, attending a major event such as a concert, and passing through on their way to somewhere else. Reports are not available that specifically detail the number of Montanans traveling to Missoula, or the reasons for their trips. However, ITRR reports that in 2005, Montanans took 10.5 million pleasure trips, defined as traveling 50+ miles from home for leisure purposes.¹⁶ The primary purposes of Montanans' pleasure trips are visiting friends/family (39%), outdoor recreation (19%), mixed business and pleasure trip (14%), entertainment (8%), personal reasons (8%), sightseeing (3%), shopping (3%), sports event participation (2%), escaping winter (2%), visiting a 2nd home/condo (1%), and cultural/heritage events (1%). About 30% of all trip activity by Montanans is business travel, and another 26% is for other purposes (medical, etc.).

On average, every month more than half of Montana households take a pleasure trip (57%, or 879,092 trips per month). Of those, three-quarters are taken in Montana (76%, or 7.9 million trips), and of the trips in Montana, nearly two-thirds are overnight trips (62%, or 4.9 million trips, averaging 1.8 nights per trip). Total spending for overnight pleasure trips in 2005 was \$735 million (median of \$150 per trip). The remaining 3 million trips are day trips, generating \$97.6 million in spending in 2005 (median of \$33/trip).

More than one-in-four Montanans who travel (27%) use the Internet to help plan their trip, so web sites are important tools for marketing to Montanans. The activities during their trip include shopping (35% of travelers), watching wildlife (28%), day hiking (24%), special events (18%), rural sightseeing (17%), fishing (17%), city sightseeing (16%), nature photography (14%), visiting historic sites/museums (18%), boating/water sports (12%), sporting events (11%), cultural events/ festivals (10%), art galleries/museums (10%), beach activities (9%), hunting (8%), backpacking (7%), golfing (7%), performing arts events (7%), 4-wheeling (6%), theme/amusement parks (6%), and zoo/ aquarium/science museum (6%).

The Bitterroot Ski Resort as originally proposed would have the largest vertical drop in North America. If the upper slopes of the resort are developed, the Resort would be a major draw for skiers from throughout the state of Montana, as well as nonresident skiers.

¹⁶ UM Institute for Tourism and Recreation Research, 2005 Resident Travel Study

4. Opportunities and Constraints for Tourism Growth

Missoula's proximity to an incredible variety of outdoor recreation, along with its tapestry of cultural offerings, and interesting mix of dining and retail experiences, makes it extremely attractive for tourism growth.

4.1 Tourism-Related Business Development

About one-quarter of the hotels in Missoula are rated as AAA 3-Diamond properties (24%). Another 31% are 2-Diamond, 6% are 1-Diamond, and 39% are not rated (typically either because they do not meet rating standards, or because they are unable to achieve their desired rating and opt out). Several hotel developers have considered building an upscale hotel in Missoula to provide accommodations for customers seeking a 4-Diamond experience (upscale/luxury lodging has been one of the fastest growing segments of the development market internationally). An upscale hotel was proposed as part of the performing arts center complex on the Triangle property.

Additionally, there are potential business opportunities to serve the needs of heritage/cultural travelers, sportsmen, and geotourists through guided interpretive and recreation tours, custom itineraries and packages, an artisan/craftsman studio business center or incubator, recreation equipment products, and linkages between local agricultural businesses and restaurants and retailers.

4.2 Tourism-Related Employment

The seasonality of Missoula's tourism creates instability from the standpoint of developing a skilled year-round workforce and higher-paying jobs with benefits. Continued efforts to build off-peak season visitation through groups and events, and increased capture of drive-by travelers, will help stabilize the workforce, and allow increased wages and benefits. Linkages to Missoula's cultural nonprofit sector also is a possibility, since the employment analysis indicates that while Missoula has an abundance of nonprofit organizations, employment and career advancement opportunities are limited. Overall increases in tourism spending will result in additional business opportunities in the arts, retail, dining, guided experiences, and other opportunities. UM programs in business and recreation management can be tapped for interns and research projects.

4.3 Transportation

Possible constraints to tourism growth in Missoula include traffic (including parking issues) resulting in negative experiences for visitors, federal and state funding challenges for transportation infrastructure (construction, maintenance, operations), and lack of cooperation to maintain and expand an area transit service, including linkages to rail and air service.

Airlines seek to maximize load factors and revenues, and to reduce costs with more fuel-efficient aircraft, which means that many flights have few empty seats for additional travelers or meeting participants. Many Missoula area residents fly from Spokane because of lower fares. It is difficult to attract

new carriers or flights to markets of Missoula's size without revenue guarantees, particularly in today's economic environment.

4.4 Meeting and Event Capacity

Missoula appears to have sufficient meeting and event space to handle most of its demand for small conventions and meetings; however, Missoula cannot pursue larger events without development of a convention or event center facility. Such facilities are subsidized with public funds, often heavily so in small markets like Missoula. Because many of Missoula's events and conferences are linked to the University of Montana, an option to consider may be a public-private partnership to develop or expand meeting and event facilities on campus, perhaps with a lodging and dining component. The feasibility study discussed earlier will help determine the optimal type, size, location, and amenities of a facility.

4.5 Workforce Availability and Housing

Population growth and increased housing costs have created shortages of affordable housing in Missoula, which affect workforce availability. Businesses in other Montana communities have hired foreign workers for many jobs because they cannot find resident workers. Recent low unemployment rates also constrained job growth in some sectors. However, the presence of the university creates a labor pool for a large variety of jobs, and a workforce who may be willing to stay with a local company after graduation. Housing development, and increased opportunities for year-round employment, is needed to stabilize the tourism workforce in Missoula.

4.6 Marketing and Partnership Capacity

Missoula does not have a consistent brand, and both residents and visitors lack awareness about many of Missoula's services and amenities. The CVB needs strong support from the hotels, attractions, and events to assist with targeting strategies and measuring/reporting results in order to make strategic decisions and course corrections. A number of local arts and cultural organizations do not view themselves as part of the tourism industry. They perceive their customer base to be primarily local, and so they do not actively address tourism-related partnerships and opportunities. There are many arts/cultural/historical organizations in Missoula; better coordination (or event consolidation) may be needed to strengthen partnerships and the capacity to implement effective promotions.

5. Current Tourism Marketing Efforts

5.1 CVB Marketing Strategy and Budget

The Missoula Convention and Visitor Bureau (CVB) is the lead tourism marketing organization in the community. Their main source of funding for tourism marketing is state lodging tax funds, totaling about \$315,000 for the 2008-09 fiscal year. The CVB Marketing Plan lists five goals:

1. Attract independent travelers (FITs) via the CVB web site, relationship database marketing (mailings, e-letters), direct mailings, and online promotions.
2. Recruit meetings and conventions through direct contacts with meeting planners and tour operators, a meetings web site (Missoulameetings.com), and meeting planner tools.
3. Create an image for Missoula through a brand development process, packages, a photo library, and promotional tools like post cards for the weddings niche market.
4. Enhance the quality of service in Missoula through visitor center staffing, quality visitor materials, satisfaction surveys, training, and equipment for staff to provide services.
5. Develop/strengthen partnerships with state and regional tourism organizations, other Montana CVBs, partner organizations, and businesses.

The CVB's primary geographic target markets include Washington, California, Illinois, Texas, and New York, based on inquiries and flight service. Secondary markets are Ohio, Florida, Oregon, Minnesota, and Wisconsin, along with Montana's surrounding states and provinces and the European market. Demographic target markets include weddings, reunions, small market meetings, events, arts/culture, and families.

The markets identified are broad, especially with a small CVB budget and staff. Additional analysis of visitor data provided by ITRR, hotels, and attractions could assist in narrowing the selection of targets to a more surgical strategy.

5.2 MDA Tourism Marketing

The MDA provides a web site with tremendous content about Downtown attractions, businesses, events, etc. They partner with the CVB and other organizations on a variety of promotions highlighting Downtown events and amenities, including visitor guides, brochures, advertising, etc.

5.3 Partners Marketing Efforts

Other organizations involved in marketing Missoula include the economic development council, the University of Montana, the city, county, hospitals, Rocky Mountain Elk Foundation, and other organizations. Development of a clear image or brand for Missoula, and incorporation of the theme or message into other partners' marketing efforts, would help build a more consistent image for the entire community. Missoula particularly needs to find effective ways to encourage more of the 3.8 million visitors to stop and spend extra time in the community. By working together to develop creative solutions, all organizations involved in tourism will benefit.

6. Appendix: Sustainability Strategies in Tourism

6.1 U.S. Travel Association (USTA) TravelGreen Initiative (www.travelgreen.org)

The U.S. Travel Association (USTA, formerly the Travel Industry Association, TIA) has teamed up with American Express to develop a comprehensive resource web site for the travel industry on sustainability practices. The site is scheduled to launch in January 2009.

The web site contains information in the following categories, tailored to the industry sectors listed:

Categories

- f Background
- f Climate Change and Travel
- f Sustainable Travel Organizations/Programs
- f Frameworks and Certification Programs
- f Travel Industry Case Studies
- f Consumer Research and Marketing
- f Government
- f Policy/Legislation
- f Information for Consumers

Industry Sectors

- f Accommodations/Lodging
- f Attractions
- f Corporate Travel/Meetings/Conventions
- f Cruise Lines
- f Destinations
- f Restaurants
- f Ski Resorts
- f Transportation
- f Travel Agents/Tour Operators

More information about the U.S. Travel Association is available at www.tia.org.

Other travel industry and related resource web sites about sustainability include the following:

- f Global Sustainable Tourism Criteria – World Heritage Alliance: www.worldheritagealliance.org
- f American Bus Association (ABA) green certification program: www.buses.org
- f National Geographic Center for Sustainable Destinations: www.nationalgeographic.com/travel/sustainable
- f Good Magazine: www.good.is
- f Travel for Good (Travelocity): http://dest.travelocity.com/Promotions/0,,TRAVEL-OCITY%7C3702%7Cvacations_main,00.html
- f U.S. Environmental Protection Agency carbon footprint and emissions calculators: <http://www.epa.gov/cleanenergy/energy-resources/calculator.html>, http://www.epa.gov/climatechange/emissions/ind_calculator.html
- f LOHAS (Lifestyles of Health and Sustainability): www.lohas.com

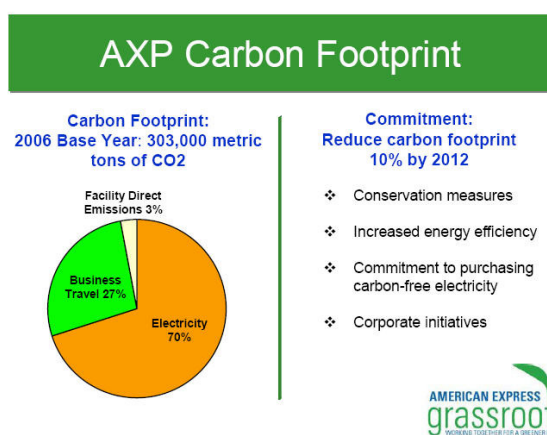


6.2 American Express GrassRoots Sustainability Program

American Express has developed an initiative to reduce its carbon footprint and create a sustainability framework for the future. The mission of the program is as follows:

*To ensure that American Express conducts its business
as a responsible steward of the environment,
reflecting the interests of our employees,
customers, shareholders and stakeholders.*

The initiative began with a comprehensive assessment of the American Express carbon footprint, using 2006 as its base year. The result was 303,000 metric tons of carbon annually from the following sources: electricity use 70%, business travel 27%, and facility direct emissions 3% (this assessment does not include use of paper). American Express committed to reduce its carbon footprint by 10% by the year 2012, through conservation measures, increased energy efficiency, commitment to purchasing carbon-free electricity, and corporate initiatives:



The initiative addresses four focus areas: corporate policies and strategy, workplace facilities and infrastructure, procurement and business operations, and customer products and services. Examples include operational investments versus paybacks, low-energy lighting, on-demand escalator usage, survey of AMEX suppliers to identify opportunities for supply chain energy reduction, corporate customer impacts, consumer energy use, the AMEX small business group, and AMEX cardholder eco-friendly rewards.



An example of a specific program is the GrassRoots Merchant Challenge, which provided funding for tree planting in six targeted U.S. cities, based on points awarded to participating merchants and customers who used the AMEX card. The cities with the most accumulated points received a share of \$1 million in cash awards for tree planting programs.

Connecting with Customers

ECO-FRIENDLY REWARDS
Explore a new category of environmentally friendly products from the Membership Rewards® program.



WHAT ARE WE THROWING AWAY WITH OUR PAPER STATEMENTS?
Recycle your old statements. Make a difference. Join the American Express grassroots movement.

AMERICAN EXPRESS
grassroots
WORKING TOGETHER FOR A GREENER FUTURE

THE AMERICAN EXPRESS NETWORK



Internally, American Express implemented a series of initiatives to engage its 65,000 employees, including “Environmental Champions” recognition, communications through newsletters and other promotions, tips and how-to guides, awareness and educational events, and volunteer time.

Engaging the Organization



- » Environmental Champions
- » Communications
- » Tips and How-To
- » Awareness Events
- » Volunteering



Make Every Day Earth Day



AMERICAN EXPRESS
grassroots
WORKING TOGETHER FOR A GREENER FUTURE

American Express continues to monitor its carbon footprint, and document reductions by its corporate operations, facilities, supply chain, corporate customers, employees, and cardholders.

Source: Judy Tenzer, American Express

6.3 Wyndham Green by Wyndham Worldwide

Wyndham Worldwide is the world's largest hotel franchise company, including 7,000 hotel properties in 35 countries. Wyndham brands include Wyndham Hotels & Resorts, Ramada Worldwide, Days Inn, Super 8, Travelodge, Microtel, Hawthorn Suites, Howard Johnson, Wingate, Knights Inn, Amerihost Inn, and Baymont Inns & Suites. Additionally, Wyndham is the world's largest vacation ownership business and leading provider of points-based timeshare, including WorldMark, Wyndham Vacation Resorts, and Wyndham Asia Pacific; and the world's largest vacation exchange network and leading European rental group, with RCI, The Registry Collection, Novasol, Landal, Cuendet, and Endless Vacation Rentals.

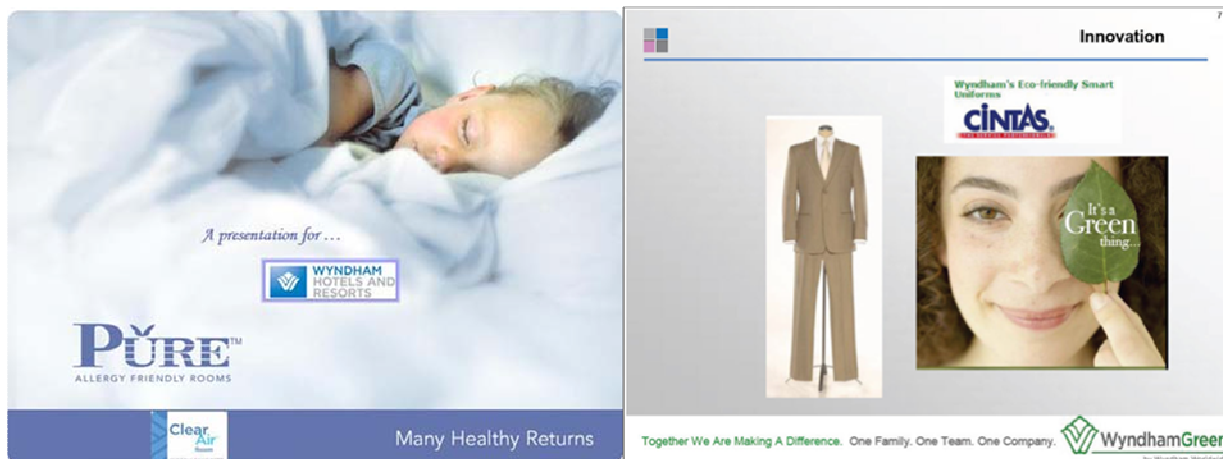
In March 2008, Wyndham was cited by Fortune Magazine as #2 on the list of America's Most Admired Companies, based in part on their innovation, social responsibility, quality of management, people management, financial soundness, use of corporate assets, long-term investment, and quality of products/services.

Wyndham's Sustainability Policy emphasizes the "Triple Bottom Line", measuring performance based not only on economic metrics, but also environmental and social metrics.



Wyndham is working with the World Travel & Tourism Organization to measure its carbon footprint and develop metrics to measure progress. They have established an online self-training program called "Count on Me to be Green", which measures performance on a three-point scale: Basic Æ Good Æ Best. "Best" equates to innovation in sustainability. One of the Wyndham properties in Denmark has been practicing green initiatives for twelve years.

One corporate initiative is the Pure Allergy Friendly Rooms, which are certified Clear Air rooms. These rooms are chemical free, using natural materials, supplies, and cleaning products. They are also good for business: Wyndham has found that consumers are willing to pay 7-10% more for them. They also have attributed \$2 million in additional meeting business because of their Clear Air meeting rooms.



Another sustainability project is a joint initiative with Cintas, the supplier of uniforms to Wyndham. Cintas is developing a green uniform program using 100% recycled materials from plastic bottles.

Responding to the \$200 billion market of “LOHAS” consumers (Lifestyles of Health and Sustainability, www.lohas.com), Wyndham developed a green spa and fitness program, using LEED certified construction and green vendors.



The Wyndham Green web site provides additional information about the program: www.wyndhamworldwide.com/wyndham-green.

Source: Faith Taylor, Wyndham Green

LOHAS: Lifestyles of Health and Sustainability

LOHAS companies practice "responsible capitalism" by providing goods and services using economic and environmentally sustainable business practices. LOHAS business owners and industry leaders from around the world meet each year at the LOHAS Conference to discuss industry trends, share ideas and learn how to run a successful LOHAS business.

LOHAS consumers, sometimes referred to as Lohasians, are interested in products covering a range of market sectors and sub-sectors, including: Green building supplies, socially responsible investing and "green stocks", alternative healthcare, organic clothing and food, personal development media, yoga and other fitness products, eco-tourism and more.

Source: www.lohas.com

6.4 Sabre Holdings Sustainability Strategy

Sabre Holdings owns Sabre Travel Network, a travel reservations system used by travel agents, Travelocity, an online travel agency (OTA), and Sabre Airline Solutions, an airline reservations system.



Sabre's Sustainability Strategy has three main components: measure and reduce the company's own environmental footprint, promote environmentally responsible and sustainable business practices in travel and tourism, and offer customers products and services that will help them promote sustainable travel and tourism. Sabre built a carbon calculator to assist the travel industry in obtaining consistent, accurate data.

Initiatives to reduce the company's own environmental footprint include a LEED-certified corporate campus, including energy and water conservation measures that saved 30% annually; an expanded recycling program with employee-led programs around the world; a ride share program linked to employee wellness; data center efficiencies including a three-year server replacement plan with 30-35% efficiency gains; and IT best practices with efficiency guidelines for all offices.

One challenge to offering sustainable consumer travel products and services is the issue of "Eco-confusion, Green fatigue, Green washing, or Eco-anxiety": consumers are besieged with messages about energy, water, air pollution, waste management, chemicals, toxics, biodiversity, land use, ozone layer depletion, global warming, oceans and fisheries, species extinction, deforestation, etc. etc. According to Sabre research, what the travel customer actually cares about is safety, health, efficiency, time, comfort, The Travel Experience, and price.



Sabre offers the link between customer needs (demand) and the products and services that promote sustainability (supply). Examples include the following:

- f Airlines: fuel efficiency solutions, weight and route optimization, efficiency solutions to reduce waste, and paperless mobile technology
- f Corporations/Corporate Travelers: CO2 emission reports, tools to integrate their individual policies, efficiency solutions to reduce waste, and paperless mobile technology
- f Agencies: access to differentiated product offering, efficiency solutions to reduce waste, and paperless mobile technology
- f Consumers: Carbon Offset Program, Volun-tourism, and access to differentiated product offering

Sabre notes that a sustainability strategy begins with Vision First: Your Vision, Your Purpose, Your Objectives. Authenticity matters. The checklist of action items comes second. Sabre's Vision is the following:

Connecting People with the World's Greatest Travel Possibilities and Assuring Responsible Travel Options for Generations to Come.

Sabre believes that travel is an agent of positive change, and supports three programs toward that end: Change Ambassador Grants (part of Travel for Good), Annual Giving Campaign (employee engagement with community and environment), and Children and Nature (part of Travel for Good).



Source: Leilani C. Latimer, Sabre Holdings