

Feasibility Overview for a Proposed Upper Economy Hotel/Motel Development in Tishomingo County, Mississippi

Prepared for the Tishomingo County Tourism Council

By

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Executive Summary

This study examines the factors necessary for the development of an upper economy lodging facility in the luka, Mississippi area. After consideration of the various supply and demand criteria that must be met for a profitable operation, it is determined that this area would be suitable for this type of development.

luka is located on the major thoroughfare between Memphis, TN and Huntsville AL and is approximately equidistance between the two cities. While this is an area with substantial visitor activity from both the commercial/corporate sector and the leisure/group meeting sector, there is not a quality full-service lodging facility between Corinth, MS and Tuscumbia, AL, a distance of over 50 miles (luka is located approximately equidistance between these cities as well).

While the population of luka is fairly small (3,001 persons in 2015), a substantial population lives within ten and twenty mile radii of the town (12,794 persons and 48,367 persons, respectively). Therefore, employing qualified persons to operate the development should not be difficult. Furthermore, the town's fairly close proximity to major population centers indicate that any service or product necessary for the establishment should be fairly easy to procure.

The study shows that there is a substantial demand for this type of facility from both the commercial/corporate sector as well as the leisure/group meeting sector. Visitor expenditures in Tishomingo County for 2016 totaled almost \$16 million, even without a quality hotel/motel establishment. County economic development leadership has implemented as aggressive a marketing plan as possible for the county given a fairly low budget resulting from a lodging tax, but it is presumed that this budget and the marketing effort will increase many fold with the anticipated passage of a restaurant tax.

The commercial/corporate demand sector would stem from the 900 businesses located in the Prentiss County and Tishomingo County region. The forty-nine largest businesses and governmental organizations in this area employ over 4,600 workers and host several hundred visitors per year. There is also a tremendous potential for future increased demand. The three primary industrial development sites in Tishomingo County has over 6,000 acres of land yet to be developed Tishomingo County is one of the top three counties in Mississippi for the number of industrial projects completed over the last ten years (1,800 new jobs and \$340 million in private investment). It is critical to note that this growth was not due to a one-time economic development success; Tishomingo County has averaged two industry recruitments and five industry expansions annually in recent years.

There is also a large demand for the leisure/group meeting visitation sector as well. Tishomingo County's two state parks average over 100,000 annual visitors while Pickwick Lake, Bay Springs Lake and the Tennessee River have a combined annual visitation of 900,000. Outdoor recreation is a major contributor to this sector, with numerous recurring fishing tournaments causing all hotel rooms within a 50 mile radius of Pickwick and Bay Springs Lakes to be sold out. Cultural tourism activities bring in a large number of visitors as well and this should increase with the construction of a Civil War museum and visitors center focusing on the Battle of luka.

Summary pro forma financial analyses utilizing accepted industry metrics indicate this type of facility (financed entirely by debt capital) would breakeven at an annual occupancy rate of approximately 60 percent for a 40 room facility and about 50 percent for a 50 room facility. These analyses do not include the added cost nor benefit of a restaurant or convention center included in the development, although it is generally felt that these additions could add to the development's profitability.

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Introduction

Purpose of Study: this study will review the feasibility of a hotel development in Tishomingo County, MS, likely located within the county seat of Iuka. The study provides an overview of the geographic market area and the factors that would affect the development of a hotel facility in the community. The study provides statistical analysis to support conclusions regarding the market area and its ability to support the proposed development.

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General Market Overview

General Market Location

The general location for this development is luka, Mississippi. However, the travel market (that would include the tourism market) for the Tennessee River/Pickwick Lake area is much larger and includes the following municipalities and counties:

Table 1 - Cities and Towns in Close Proximity to luka

Location	Population	Location	Population
Mississippi		Alabama	
Alcorn County	37,304	Colbert County	54,295
Corinth	14,866	Cherokee	1,014
Farmington	2,194	Muscle Shoals	13,492
Glen	411	Sheffield	9,074
		Tuscumbia	8,537
Prentiss County	25,256	Lauderdale County	92,477
Tishomingo County	19,491	Florence	39,855
Belmont	2,039		
Burnsville	932	Tennessee	
Paden	115	Hardin County	25,718
Tishomingo	338	Savannah	7,032

Source: American Community Survey – 2015 5-Year Population Estimates

While the majority of these towns are smaller than luka, they would offer retail support, cultural attractions and a sense of community to support the type of development that luka is seeking to attract. In addition, luka is within relatively close proximity to several larger towns from which patronage of the establishment could be drawn. These include:

Table 2 - Distance from luka to Selected Cities and Towns

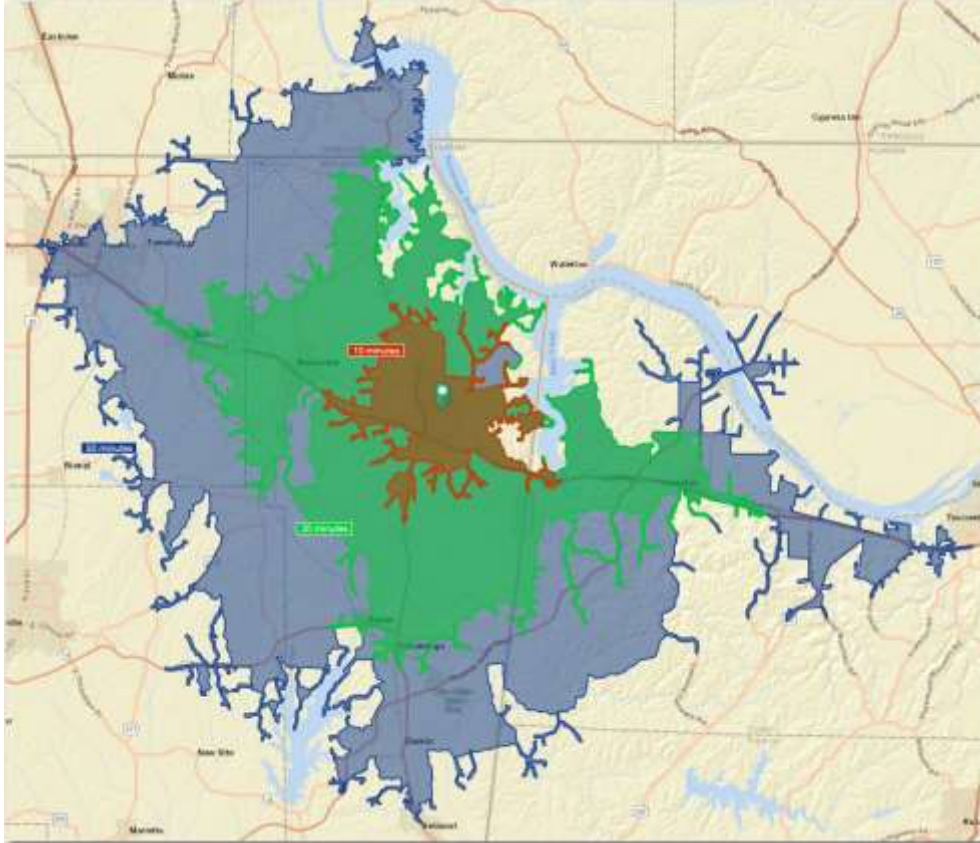
Location	Population	Distance from luka
Baldwyn, MS	3,339	44 miles (52 minutes)
Booneville, MS	8,816	32 miles (40 minutes)
Corinth, MS	14,866	22 miles (29 minutes)
Tupelo, MS	35,680	63 miles (69 minutes)
Florence, AL	40,026	39 miles (49 minutes)
Muscle Shoals, AL	13,492	34 miles (41 minutes)
Sheffield, AL	9,074	33 miles (38 minutes)
Tuscumbia, AL	8,537	31 miles (34 minutes)
Savannah, TN	7,027	32 miles (43 minutes)
Selmer, TN	4,488	40 miles (53 minutes)

Source of distance time and mileage: mapquest.com/directions

The map shown in Figure 1 demonstrates the areas that are in various proximities to the city of luka. The brown area is within 10 minutes driving distance, the green area is within 20 minutes distance and the blue area is within 30 minutes driving distance. As is evident from this

depiction, the primary competitive market area for the proposed development is on the western side of the Tennessee River in Tishomingo, Prentiss and Alcorn Counties in Mississippi, Hardin County in Tennessee and Colbert County in Alabama.

Figure 1 - Driving Distance from Iuka



Source: ESRI Business Analyst Online

Site Analysis

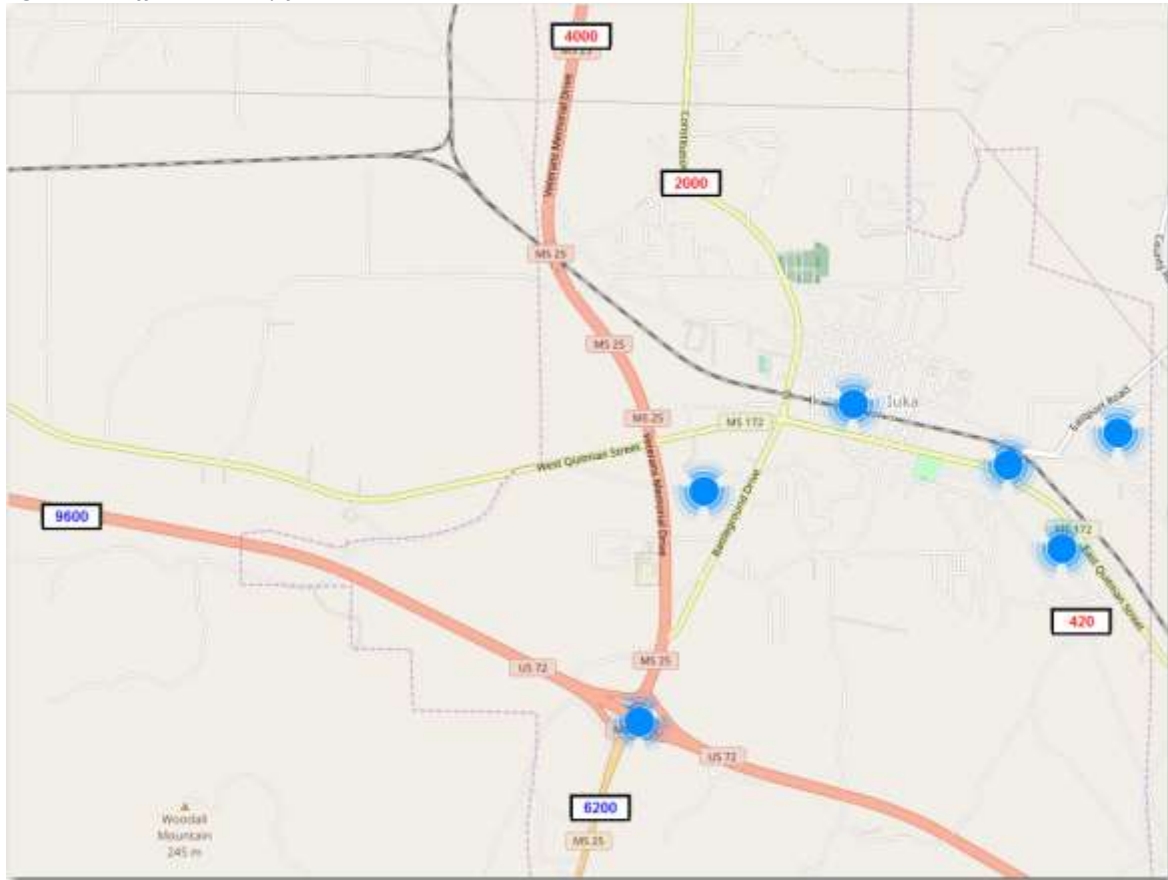
The proposed site for the hotel development is not known, so no analysis can be made of its suitability for the project. It should be pointed out, however, that a hotel development site should address several issues including:

- Visibility (including traffic count)
- Accessibility
- Amount of site preparation needed
- Environmental issues
- Service by utilities including electricity, water, sewage, natural gas and telephone
- Zoning
- Architectural controls
- Area support services
- Competitive position
- Overall result

It is likely that the visibility issue will play the largest role in the success of this type of venture. Figure 1 provides a map of the traffic counts of the roads and highways in and around Iuka.

Given traffic patterns shown in the map, it is likely that the optimal site for the development would be in close proximity to the MS 25 and Hwy 72 interchange south of downtown Iuka.

Figure 2 – Traffic Count Map for the Iuka Area



Source: Mississippi Department of Transportation (mdot.ms.gov/applications/trafficcounters)

Socio-Economic Overview of the Iuka Population

Population

Iuka is the county seat of Tishomingo County, Mississippi and had an estimated population of 3,001 in 2015 according to the American Community Survey (ACS). While this population is fairly small, 2010 Census estimates provided by ESRI indicates that the population residing in a ten mile radius around Iuka is 12,794; the population within a twenty mile radius is 48,367; and the population within a thirty mile radius is 183,706. Even though Tishomingo County is not in the Corinth, MS Micropolitan Statistical Area, it is immediately adjacent to that area. The following description of the socio-economic characteristics of the town is not meant to depict the market for the development, but rather the characteristics of the area in which the development is to be located.

Table 3 – Selected Gender/Racial Characteristics for the Area (2015)

	Pct Females	Males/Female Rate	Pct White Alone Race	Pct Black Alone Race
Alcorn County, MS	51.1%	95.7	84.6%	11.5%
Corinth	50.8%	96.8	69.5%	24.3%
Farmington	47.7%	109.8	98.7%	0.0%
Glen	49.7%	101.3	98.0%	0.0%
Prentiss County, MS	51.1%	95.7	84.0%	14.2%
Tishomingo County, MS	51.8%	93.1	94.5%	2.6%
Belmont	53.3%	87.5	95.6%	0.0%
Burnsville	51.9%	92.7	98.9%	0.5%
Iuka	53.7%	86.3	92.0%	4.9%
Paden	43.0%	132.5	96.8%	0.0%
Tishomingo	58.5%	78.5	88.3%	10.4%
Colbert County, AL	51.7%	93.5	79.6%	15.6%
Cherokee	50.6%	97.7	87.5%	11.6%
Muscle Shoals	51.3%	95.1	78.1%	19.9%
Sheffield	53.7%	86.4	72.6%	21.8%
Tuscumbia	51.9%	92.8	77.5%	15.1%
Lauderdale County, AL	52.1%	91.9	86.9%	10.0%
Florence	54.0%	85.0	77.1%	19.1%
Hardin County, TN	51.3%	95.0	94.1%	3.2%
Savannah	54.1%	84.8	89.8%	9.0%

Source: American Community Survey 2015 5-Year Estimates

While the town will likely not comprise the primary market for the development, its economic and demographic characteristics are important factors for the development's success. Table 3 provides the ACS 2015 estimates for the area's municipalities and counties for gender and racial diversity while Table 4 shows the age-related characteristics for the region.

Table 4 – Age-Related Characteristics for the Area (2015)

Percent of Population According to Age Level	20-64 Years	Under 20 Years	20-44 Years	45-64 Years	65 Years and Over
Alcorn County, MS	57.3%	26.1%	31.3%	26.0%	16.6%
Corinth	56.1%	25.4%	31.5%	24.6%	18.4%
Farmington	54.1%	31.6%	32.1%	22.0%	14.3%
Glen	50.4%	35.2%	26.4%	24.0%	14.3%
Prentiss County, MS	55.8%	27.6%	30.4%	25.4%	16.5%
Tishomingo County, MS	56.4%	24.4%	28.3%	28.1%	19.1%
Belmont	51.7%	36.0%	32.2%	19.5%	12.4%
Burnsville	59.0%	30.9%	32.1%	26.9%	10.2%
Iuka	48.9%	25.3%	23.9%	25.0%	26.0%
Paden	65.7%	19.4%	35.5%	30.2%	15.1%
Tishomingo	55.8%	27.5%	29.1%	26.7%	16.8%
Colbert County, AL	57.7%	24.2%	29.8%	27.9%	18.1%
Cherokee	45.4%	29.6%	21.9%	23.5%	25.1%
Muscle Shoals	57.4%	26.1%	29.5%	27.9%	16.4%
Sheffield	60.3%	21.4%	33.0%	27.3%	18.4%
Tuscumbia	55.4%	25.5%	28.9%	26.5%	18.9%
Lauderdale County, AL	58.5%	23.7%	31.4%	27.1%	17.7%
Florence	58.6%	23.5%	34.7%	23.9%	18.0%
Hardin County, TN	56.4%	22.8%	27.4%	29.0%	20.7%
Savannah	56.0%	22.9%	28.2%	27.8%	21.0%

Source: American Community Survey 2015 5-Year Estimates

The 2015 ACS reports that there were 3,001 persons living in the city with a relatively even split between genders (46 percent male and 54 percent female); this translated to 86 male residents for every 100 female residents. Approximately half of Iuka's residents are between the ages of 20 years and 65 years (48.9 percent); this statistic increases to 56.4 percent for Tishomingo County. The population of Iuka is fairly evenly dispersed across age divisions with 25.3 percent being below the age of 20, 23.9 percent being between the ages of 20 and 44, 25.0 percent being between the ages of 45 and 64, and 26.0 percent being age 65 or over. The

median age (the age at which half the population are younger than that age and half are older) of the entire population is estimated to be 47.0 years.

The 2015 ACS estimates that there are 1,179 households in the city with almost half of these (44.4 percent) being married family households (see Table 5). Fifty percent of housing structures are owner-occupied and the number of families in the city is reported as 795. Almost 70 percent of Iuka residents over the age of 25 years have a high school diploma or equivalent and almost 15 percent have a bachelor's degree or above. Approximately 60 percent of the population aged 25 years and above is white with the remainder being African American (no persons of any other race is reported).

Table 5 – Household, Housing and Education Characteristics for the Area (2015)

	Number of Households	Married Family Households	Owner Occ Housing Units	High School Degree	Bachelor Degree or Above
Alcorn County, MS	14,806	48.5%	68.7%	80.9%	16.2%
Corinth	6,159	39.2%	56.5%	80.3%	21.9%
Farmington	845	59.4%	68.6%	85.1%	10.9%
Glen	158	60.1%	76.6%	86.0%	9.5%
Prentiss County, MS	9,728	51.2%	73.0%	76.1%	12.0%
Tishomingo County, MS	7,652	54.9%	76.6%	77.1%	11.3%
Belmont	759	43.0%	59.9%	83.9%	8.7%
Burnsville	399	43.6%	61.9%	73.3%	6.2%
Iuka	1,179	44.4%	54.5%	68.8%	14.5%
Paden	40	50.0%	90.0%	82.4%	10.3%
Tishomingo	214	29.9%	81.3%	79.3%	6.6%
Colbert County, AL	22,204	48.2%	71.3%	83.9%	18.6%
Cherokee	381	48.0%	69.8%	80.9%	17.2%
Muscle Shoals	5,490	49.6%	75.8%	88.7%	27.8%
Sheffield	3,961	37.2%	57.3%	79.5%	18.5%
Tuscumbia	3,626	100.0%	62.4%	86.2%	21.1%
Lauderdale County, AL	38,612	50.1%	69.3%	84.3%	21.8%
Florence	17,568	37.4%	56.5%	84.5%	27.1%
Hardin County, TN	9,871	52.9%	77.7%	78.8%	12.7%
Savannah	2,801	40.7%	59.5%	78.1%	11.8%

Source: American Community Survey 2015 5-Year Estimates

Income and Employment

The 2015 median household income for Iuka is reported to be \$31,684 and the 2015 median income for a family is reported to be \$38,653. Each of these measures is significantly below the same measure for the state and the nation. The per capita income for the county is reported as \$20,065.

Table 6 – Selected Income and Labor Force Participation Rate Characteristics for the Area (2015)

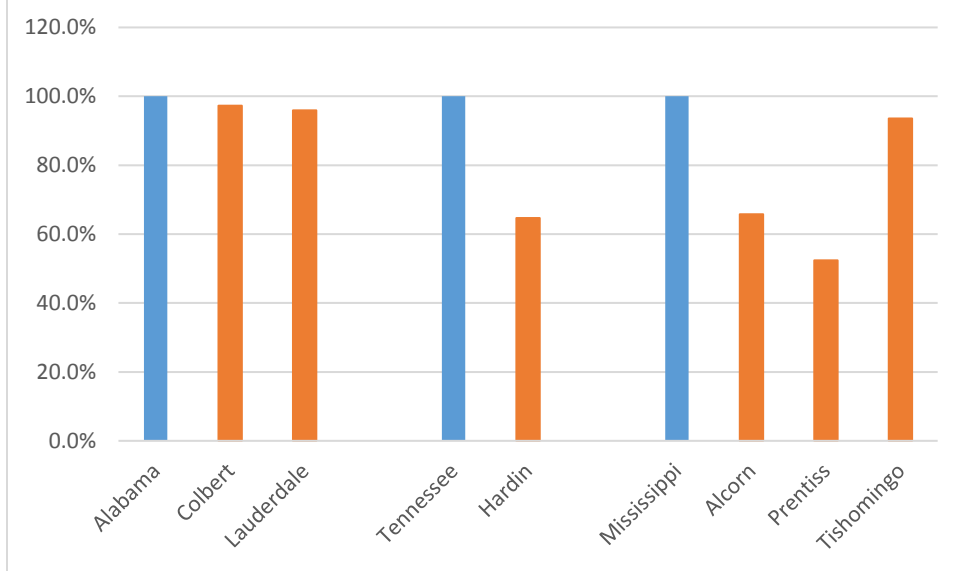
	Per Capita Income	Median Household Income	Mean Household Income	Labor Force Participation Rate
Alcorn County, MS	19467	36163	47831	55.7
Corinth	19682	31800	46497	53.9
Farmington	17882	42366	50369	59.2
Glen	16777	35417	47563	56.7
Prentiss County, MS	17644	32945	44840	53.0
Tishomingo County, MS	18881	35143	46506	56.2
Belmont	17103	32418	45568	63.0
Burnsville	14276	24522	37437	56.7
Iuka	20065	31684	45285	45.9
Paden	16654	31250	35500	52.6
Tishomingo	15328	28750	33066	50.7
Colbert County, AL	22546	40576	53233	53.0
Cherokee	18109	28359	39404	41.9
Muscle Shoals	25935	48896	61997	57.4
Sheffield	21266	34205	46108	52.7
Tuscumbia	22706	41176	51407	52.4
Lauderdale County, AL	24215	43125	56821	56.4
Florence	22582	35731	49523	54.3
Hardin County, TN	20740	35290	51524	51.8
Savannah	16035	26502	37003	45.8

Source: American Community Survey 2015 5-Year Estimates

The following chart shows that the per capita wages, salaries and proprietor earnings for accommodation sector in the area counties is consistently below the averages for the respective states for 2016, indicating that a relatively high-paying establishment would be able to attract the workforce necessary for its operation. While the Alabama counties on the eastern side of the river are very close to the state average, the Tennessee and Mississippi counties on the western side are substantially below the state average with the exception of

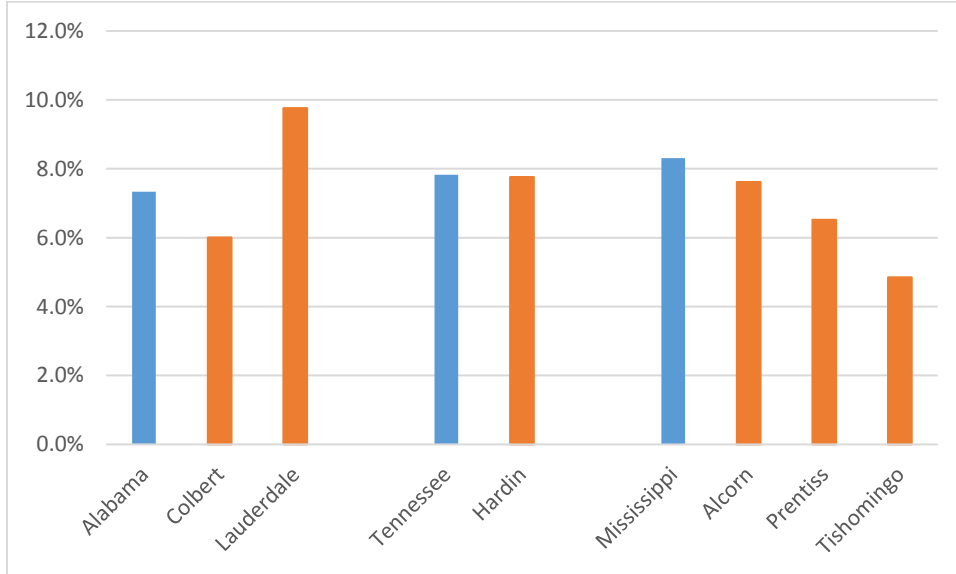
Tishomingo County (it is suspected that this anomaly derives from the local ownership of the majority of the accommodation establishments in that county and the reduce number of workers employed at these establishments).

Figure 3 - Wages, Salaries and Proprietor Earnings as Pct of State Wages, Salaries Earnings (2016)



Source: Economic Modeling Systems Incorporated (EMSI)

Figure 4 - Accommodation & Food Service Employment as Percentage of Total Employment (2016)



Source: Economic Modeling Systems Incorporated (EMSI)

Table 7 reveals that approximately 13.8 percent of the families and 20.9 percent of the people in luka live below the poverty line, these poverty measures are below the poverty levels for the state. These numbers include the 28.0 percent of persons under the age of 18 years and the 10.9 percent of persons over the age of 65 who live in poverty.

Table 7 – Selected Poverty Characteristics for the Area (2015)

	Poverty Rate (People)	Poverty Rate (Families)	Poverty Rate (Under 18 Years)	Poverty Rate (65 Years and Over)
Alcorn County, MS	21.2%	15.5%	30.6%	10.5%
Corinth	26.3%	18.6%	40.3%	7.8%
Farmington	13.4%	11.0%	18.8%	0.2%
Glen	25.4%	21.1%	34.5%	10.6%
Prentiss County, MS	21.1%	16.5%	27.4%	11.2%
Tishomingo County, MS	16.4%	11.3%	27.0%	6.9%
Belmont	23.7%	18.3%	38.8%	8.5%
Burnsville	34.3%	28.8%	53.9%	10.9%
Iuka	20.9%	13.8%	28.0%	10.9%
Paden	20.4%	20.0%	23.5%	35.7%
Tishomingo	33.7%	31.7%	58.6%	35.4%
Colbert County, AL	17.4%	13.9%	26.1%	9.8%
Cherokee	19.9%	13.0%	23.8%	15.4%
Muscle Shoals	10.7%	7.6%	10.4%	7.6%
Sheffield	25.0%	20.4%	40.8%	11.7%
Tuscumbia	15.3%	13.3%	24.6%	6.5%
Lauderdale County, AL	17.9%	13.0%	25.7%	7.9%
Florence	24.6%	18.6%	34.9%	7.6%
Hardin County, TN	23.3%	15.4%	31.7%	16.1%
Savannah	30.7%	20.8%	37.3%	27.5%

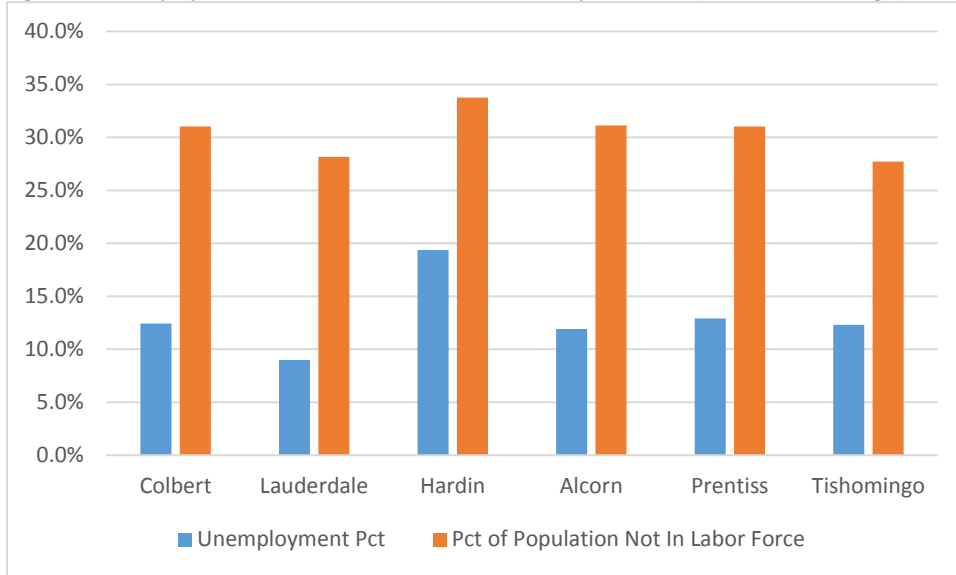
Source: American Community Survey 2015 5-Year Estimates

In addition, accommodation and food services sector workers as a percentage of the total county workforce for each county is below the state average as well. The combination of these statistics could have two diverse interpretations. First, relatively low wages combined with relatively low employment in these sectors could imply that an adequate workforce for the development would not be easily found. However, a new development that would pay a relatively high wage could attract desirable workers either from other sectors or the ranks of the unemployed or persons not currently participating in the labor force. This is reinforced by the levels of unemployment and labor force participation in the counties.

The following figure shows the percentage of the 20 to 64 year old labor force (persons either working or looking for a job) who are unemployed as well as the percentage of 20 to 64 year olds who are not participating in the labor force. It must be realized that non-participation

could be from a variety of issues including discouraged workers, health conditions, etc. While there is not a way to determine the skill levels of these persons, it would seem reasonable to believe that a complement of qualified workers could be obtained from this pool.

Figure 5 - Unemployment Rate and Labor Force Non-Participation Rate (2011-2015 Average)



Source: American Community Survey (U.S. Census Bureau) – 2011-2015 5-year Estimates

These statistics demonstrate that the socio-economic characteristics of Tishomingo County are very similar to other counties in the Pickwick Lake region and, in many respects, similar to the majority of areas in the rural south. They also demonstrate that a quality workforce can be accessed for this type of development and that the socio-economic environment of the area is conducive to an upper economy lodging facility.

Economic Environment for Lodging Facilities

Table 8 shows the number of establishments, employment and average earnings per worker in the accommodation and food service and drinking places sectors in 2016 for Tishomingo County and five contiguous counties that are directly impacted by the Pickwick Lake.

Table 8 – Lodging and Food Establishment Employment Statistics (2016)

	Lodging Establish	Employ	Avg Earnings	Food Establish	Employ	Avg Earnings
Colbert, AL	13	73	\$18,607	92	1,695	\$14,619
Lauderdale, AL	14	456	\$22,842	158	3,768	\$15,725
Hardin, TN	6	45	\$17,903	43	764	\$14,140
Alcorn, MS	7	81	\$19,893	71	1,271	\$15,739
Prentiss, MS	2	10	\$14,127	33	605	\$13,418
Tishomingo, MS	2	5	\$15,135	29	343	\$14,091

Source: Economic Modeling Systems Incorporated (EMSI)

Tables 9 and 10 reveals the individual accommodation establishments in each county as listed in the ESRI Business Analyst Online database. Table 4 lists 59 hotel/motel establishments in the six county area, but approximately half of these are on the eastern side of the river in Alabama and would not be considered in the primary market for the development under consideration. Also, while certainly in close enough proximity to be considered as a secondary market, Hardin County would also take a considerable amount of travel time to access the amenities located in the portion of the river that flows through eastern Tishomingo County.

Of the thirteen hotel/motel establishments located in Alcorn, Prentiss and Tishomingo counties that would be considered as primary competition for the proposed development, a cursory inspection reveals that only five of these are part of a national chain and only three (Hampton Inn, Holiday Inn Express and Quality Inn) would be considered in the upper economy range.

Table 9 - Hotel/Lodging Establishment Listings

Business Name	City	Business Name	City
Colbert County, AL		Hardin County, TN	
Americas Best Value Inn	Muscle Shoals	Hampton Inn–Pickwick Dam	Counce
Days Inn – Muscle Shoals	Muscle Shoals	Stone Brook Inn	Counce
Hillcrest Motel	Sheffield	River Heights Motel	Crump
Jameson Inn Hotel & Conference	Sheffield	Pickwick Inn	Pickwick Dam
Regal Inn Express	Sheffield	Pickwick Landing State Park	Pickwick Dam
Shady Court Motel	Sheffield	Pickwick Landing State Park	Pickwick Dam
Cold Water Inn	Tuscumbia	Days Inn–Savannah	Savannah
Comfort Inn & Suites–Tuscumbia	Tuscumbia	Historic Motel	Savannah
Four Way Motel	Tuscumbia	Quality Inn	Savannah
Key West Inn	Tuscumbia	Savannah Lodge	Savannah
Microtel Inn & Suites – Wyndham	Tuscumbia	Savannah Motel	Savannah
Seven Springs Lodge	Tuscumbia	Shaws Komfort Motel	Savannah

Business Name	City	Business Name	City
Lauderdale County, AL		Alcorn County, MS	
Baymont Inn & Suites	Florence	Corinth Suites	Corinth
Budget Inn	Florence	Downtown Motel	Corinth
Comfort Suites	Florence	Econo Lodge	Corinth
Days Inn–Downtown	Florence	Hampton Inn–Corinth	Corinth
Hampton Inn–Midtown	Florence	Holiday Inn Express	Corinth
Hampton Inn–Suites Florence	Florence	Quality Inn	Corinth
Holiday Inn Express	Florence	Southern Motel	Corinth
Knights Inn–Florence	Florence		
Marriott–Shoals Hotel	Florence	Prentiss County, MS	
PCH Hotels & Resorts	Florence	Northeast College Inn	Booneville
Quality Inn	Florence	Regency Inn	Booneville
Residence Inn	Florence	Super 8–Booneville	Booneville
Super 8	Killen		
Super 8–Florence	Killen	Tishomingo County, MS	
Economy Inn	Rogersville	Belmont Hotel	Belmont
Joe Wheeler State Park	Rogersville	Victorian Inn (deteriorating)	Iuka

Source: Source: ESRI Business Analyst Online and the Tishomingo Economic Development Foundation

There are a number of other types of lodging establishments in the six county market area. These would not typically be considered to compete with the proposed development; they are campgrounds, educational complexes and bed-and-breakfasts that provide a different type of experience than the one that would be offered by the type of establishment discussed in this study. These types of establishments that are contained in the ESRI Business Analyst Online database are provided below for informational purposes.

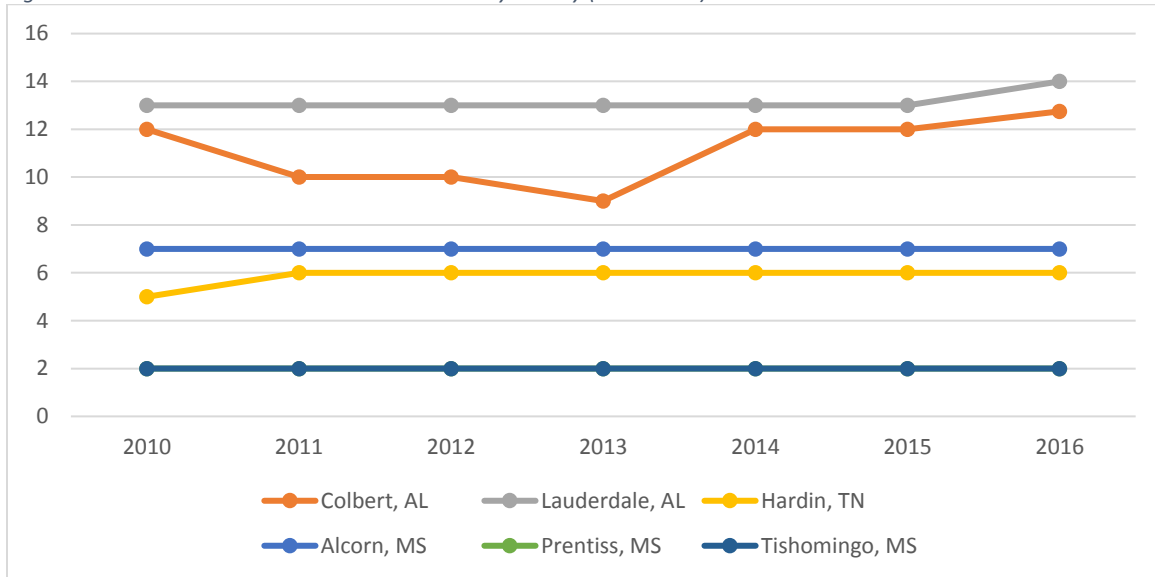
Table 10 - Other Types of Lodging Establishments

Business Name	City	Business Name	City
Colbert County, AL		Hardin County, TN	
Camp Connection	Tuscumbia	Green Acres RV Resort	Counce
Connection for the Lord Mnstrs	Tuscumbia	Greenacres Campground	Counce
Colbert County Rose Trail Park	Cherokee	Battlefield Campground	Crump
Heritage Acres RV Park	Tuscumbia	Pickwick Dam–TN River	Pickwick Dam
Lauderdale County, AL		Prentiss County, MS	
DHS Hospitality II LLC	Florence	BV Enterprises	Booneville
Cedar Nest Tourist Apartment	Florence	Piney Grove Campground	New Site
Joe Wheeler Resort	Rogersville		
Alcorn County, MS		Tishomingo County, MS	
Generals' Quarters B & B Inn	Corinth	Pickwick Pines Resort	Iuka
		Goat Island RV Park & Camp	Iuka
		Mississippi Dept of Edu	Iuka
		J.P. Coleman State Park	Iuka
		Tishomingo State Park	Tishomingo

Source: ESRI Business Analyst Online and the Tishomingo Economic Development Foundation

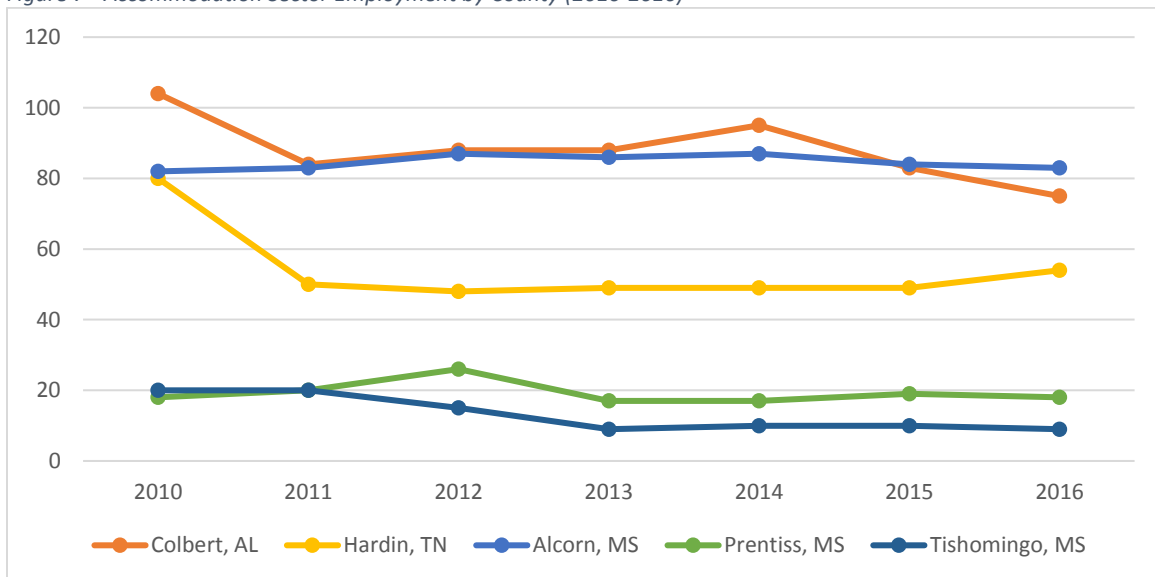
Figures 6 and 7 show the accommodations establishments and employment by county over time. While the number of establishments for most counties have remained fairly constant over time, both Prentiss County and Tishomingo County had two accommodation establishments over the entire time period.

Figure 6 - Accommodation Sector Establishments by County (2010-2016)



Source: Economic Modeling Systems Incorporated (EMSI)

Figure 7 - Accommodation Sector Employment by County (2010-2016)



Source: Economic Modeling Systems Incorporated (EMSI)

However, it is revealing to note that the number of employees reported by the Tishomingo County establishments fell from 20 in 2010 to nine in 2016. While there may be several other

explanations for this, one might conclude that the decreased sales and profitability for these establishments have resulted in their reduced employment.¹

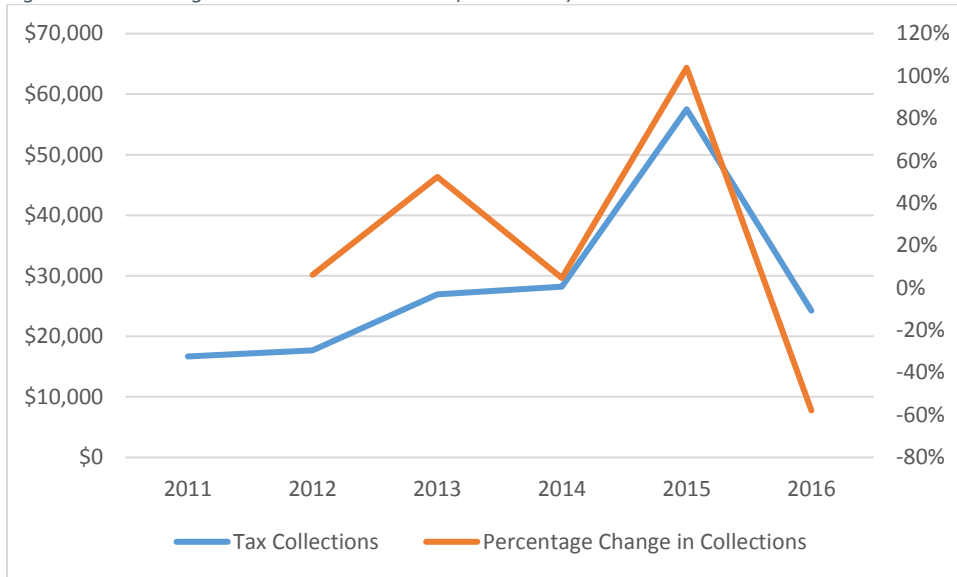
However, this conclusion must be examined in the context of overall expenditures in the area. Annual reports from the Mississippi Department of Revenue reported that from 2014 to 2016, the estimated sales in the accommodation and food services sector in Tishomingo County increased by 15 percent (from \$13,928,277 in 2014 to \$16,015,927 in 2016). This is compared to a 12.8 percent increase for Alcorn County (from \$57,760,561 in 2014 to \$65,167,509 in 2016) and a 16.4 percent increase for Prentiss County (from \$20,828,305 in 2014 to \$24,249,349 in 2016).

While they are revealing in that the level of a significant portion of travel dollars are increasing at a fairly rapid pace in the county, these sales figures lump restaurant and other eating establishment sales into the total sales figures along with accommodation establishment sales. Greater insight can be obtained when examining the level of lodging taxes collected in the counties. Lodging tax collections for Colbert County, AL increased by 3.2 percent from \$263,638 in 2014 to \$271,945 in 2016. In Mississippi, the town of Baldwyn (Prentiss County) has a Tourism Tax which is imposed on the sales of hotels/motels and restaurants; the collections from this tax increased by 11.8 percent (from \$127,149 in 2014 to \$142,190 in 2016). The Corinth Area Tourism Promotions Tax (Alcorn County) is assessed on the occupancy of lodging establishments and sales of prepared foods and beverages; the collections of this tax increased by 19.1 percent (from \$1,119,684 in 2014 to \$1,333,194 in 2016).

The Tishomingo County Tourist Tax is imposed on the taxable rentals of hotel and motel rooms and provides a clear indication of the level of economic activity from these entities. The following chart shows that the county experienced a relatively stable increase in collections (this can also be viewed as the same type of trend that the sales of this sector would experience) from 2011 to 2014, a 103 percent increase in collections from 2014 to 2015 and then a drop in collections from 2015 to 2016 that fell below 2013 levels.

¹ It should be noted that Lauderdale County, AL is omitted from the Accommodation Employment by County chart. The number of employees in the accommodation sector for this county is very large (ranging from 364 in 2010 to 618 in 2016) and this would have collapsed the scale of the chart to such a point that the changes in employment in the other counties would not be ascertainable.

Figure 8 - Tishomingo Tourism Tax Collections (2011-2016)



Source: Mississippi Department of Revenue Annual Reports and Monthly Statistics (various years)

Market Overview

The existing market for this type of development is quite good. Iuka is on a major thoroughfare (Highway 72) between Memphis, TN and Huntsville, AL and is approximately equi-distance between these cities. Furthermore, there is not a full-service lodging establishment between Corinth, MS and Tuscumbia, AL (a distance of over 50 miles).

Market Demand Segmentation

The hotel motel research industry has long focused on three major market demand segments (Bisema, 2009). These include commercial demand, meeting/event demand and leisure demand. These segments are defined as follows:

Commercial Demand

The commercial demand segment consists of individuals who travel to an area to conduct business. The activity from this segment is heavy on Monday through Thursday and tends to fall sharply over the weekend. These guests typically stay for one to three days and the level of double occupancy is low (these guests typically do not share a room). Commercial demand tends to be relatively constant throughout the year, but does tend to decline in late December and other holiday periods.

These travelers tend to be brand loyal and are heavily influenced by frequent travel reward programs. The level of demand in this segment is generated by the presence of local area businesses, particularly branch plants or facilities. Visitors may often consist of training groups and could possibly require meeting room space at the establishment.

Meetings/Group Events

Apart from the commercial group meetings discussed earlier, there are a large number of other groups which contribute to making up the bulk of the demand for meeting space and group reservations. These would include corporate groups and the so-called SMERFE groups (social, military, ethnic, religious, fraternal and educational) group demand. This demand would also include seminar-type meetings, conventions, trade shows and similar gatherings that typically consist of ten or more persons.

These groups tend to exhibit limited price sensitivity in times of economic prosperity and tend to book in relatively large blocks. They also tend to sponsor banquets and other events that generate revenue for the property. These events are typically booked months or years in advance, so there could be some

mitigation of macroeconomic downturns which would have a more immediate effect on the commercial demand market.

While corporate groups tend to follow their commercial counterparts in terms of utilizing Monday through Thursday as their typical booking days, the SMERFE groups (including family events such as weddings and reunions) are much more cost conscious and tend to utilize Friday and Saturday nights for their bookings.

Leisure Demand

The leisure demand segment tends to fill rooms on Friday and Saturday nights, but also books during holiday seasons when commercial and corporate demand is low. Leisure demand is primarily generated by attractions in the area and the level of double occupancy booking is very high due to the preponderance of families. Leisure travel depends heavily on disposable income and vacations can readily be cancelled in depressed economic times. Leisure travelers typically stay one to four nights.

Commercial/Corporate Demand Overview

Commercial demand is generated by the types and numbers of businesses (particularly larger employers in the area). Given the number and types of hotel/motel establishments in the majority of the counties contiguous to Iuka (Tishomingo County), it is logical to focus the commercial market analysis to Tishomingo and Prentiss Counties. The following table provides a list of the largest businesses (40 or more employees) located in these counties.

These entities range in size from 40 to almost 900 employees with local governments and educational facilities having the largest employee numbers. However, there are several businesses in this list that have 100 or more employees; it would be advisable to ascertain the number of overnight stay business trips per year that each of these would require and identify the determinants of choosing a particular lodging facility by visitors. For the type of upper-end economy lodging facility discussed for this proposed development, the commercial market segment is likely to be the largest demand source.

The businesses listed in Table 11 employ over 4,600 persons with over 2,100 of these working in Tishomingo County (ESRI Business Analyst online reveals that there are almost 900 total businesses, organizations and/or branches/departments in the Prentiss County and Tishomingo County region. Three industrial development locations within Tishomingo County alone (Yellow Creek Port, Tri-State Commerce Park in Iuka and Northeast Mississippi Waterfront Industrial Park in Burnsville) have over 6,000 acres available for industrial development and the existing industries are host to hundreds of visitors per year.

Table 11 - Tishomingo and Prentiss County Large Employers (over 40 employees)

Business Name	City	Business Name	City
Tishomingo County		Prentiss County	
American Transport	Burnsville	FXI	Baldwyn
BMSI, Inc.	Burnsville	Innocor, Inc.	Baldwyn
Mississippi Silicon, LLC	Burnsville	Southern Diversified Industry	Baldwyn
Toltec Co	Burnsville	Comfort Revolution	Belmont
Vanleigh RV	Burnsville	M & W Sales	Belmont
R & D Maintenance Svc Inc	Dennis	MTS Safety Products	Belmont
Baymont, Inc.	Golden	Sun-Air Products, Inc.	Belmont
Golden Manufacturing Co	Golden	Tiffin Motorhomes	Belmont
MTS Safety Products/ MS Tool Supply	Golden	Pro South Inc	Booneville
Contract Fabricators	Iuka	Bapt Memorial Hospital – Bville	Booneville
FerrouSouth	Iuka	Kimes & Stone Construction Co	Booneville
G&G Steel	Iuka	Landmark Nursing & Rehab Ctr	Booneville
HAGO Automotive	Iuka	Longwood Community Living Ctr	Booneville
International Converter Inc	Iuka	Morgan Moving & Storage	Booneville
KX Technologies	Iuka	North American Pipe Corp	Booneville
Max Home LLC	Iuka	Northeast Mississippi Comm Coll	Booneville
Monotech of MS/PSP Industries	Iuka	Plumrose USA	Booneville
North Mississippi Medical Ctr	Iuka	Rural/Metro Corp	Booneville
Orbital ATK – Iuka Operations	Iuka	UPS Customer Ctr	Booneville
Roll Form Gropu (US), Inc.	Iuka	Prentiss County Local Government	
Skyline Steel Pipe	Iuka	Prentiss County Educational Facilities	
Tishomingo Community Living	Iuka		
Tishomingo Co Electric Power	Iuka		
Vanleigh RV – Cabinet Division	Iuka		
Water-Way Inc	Iuka		
Truck Bodies & Equip Intl	Tishomingo		
Tishomingo County Local Government			
Tishomingo County Educational Facilities			

Source: ESRI Business Analyst Online and Tishomingo County Development Foundation

While this current situation reveals a substantial potential market for an upper economy lodging establishment, recent history reveals that this market is experiencing growth. In recent years, Tishomingo County has, on average, recruited two industries and experienced five industry expansions per year; the county is one of the top three counties in Mississippi in the number of industrial projects over the past ten years (1,800 new jobs and \$340 million in private investment). Coupled with the presence of almost 1,900 governmental and school system employees (sectors which typically have many out-of-town “visitors” such as consultants, other professional service providers, etc.), a significant commercial and corporate meeting market exists in the area. This is a significant accomplishment for a county that ranks

48th in the state in terms of population and demonstrates the effectiveness of the county’s economic development leadership in attracting and retaining firms representing all economic sectors.

Leisure and Group Event Demand Overview

While in the vast majority of locations, commercial and corporate demand is the driving force behind lodging establishment occupancy rates, this may not be the case for Tishomingo County. The demand potential for this lodging sector is large given not only the presence in the county of two popular state parks (J.P. Coleman State Park and Tishomingo State Park) that enjoy a combined total of over 100,000 visitors a year, but also the fact that Tishomingo County also borders Pickwick Lake and the Tennessee River, an extremely popular tourist destination with an estimated visitation of over 900,000 visitors annually to Pickwick Lake, Bay Springs Lake and other Corps of Engineers parks along the Tennessee-Tombigbee Waterway. Furthermore, Pickwick Landing State Park (five miles north of Tishomingo County in Hardin County, Tennessee) has roughly 1.2 million visitors each year.

A concerted marketing effort is paramount to entice these visitors to stay in the area and the Tishomingo County Development Foundation, Development Authority and Tourism Council organizations are making plans to develop a complete marketing campaign. While the travel and tourism sectors have not been historically viewed as viable economic development strategies by most rural communities, the leadership in Tishomingo County has begun an effort to more intensively market the area and facilitate an atmosphere that travelers have indicated is necessary for their enjoyment.

Admittedly, these efforts are dampened by the inadequate information contained on Mississippi’s premier tourism website (visitmississippi.org). While this website lists 25 separate attractions located in the county’s three incorporated communities of Belmont, Iuka and Tishomingo (shown in Table 12), these entries are somewhat out of date with regard to the attraction being in operation. Scant information is provided regarding attraction descriptions and little, if any, information is provided regarding special events and festivals in the region. While local representatives from Tishomingo County (and likely from across the state) have attempted to convince Mississippi Tourism officials to expand the website’s scope, these efforts have been unsuccessful to date.

Table 12 - Tishomingo County Visitor Attractions

Category	Business Name
<i>Outdoor Recreation</i>	<i>Shopping</i>
Tishomingo County Color Driving Tour	Covenant Creek Farm
J.P. Coleman State Park	Pray Pottery
Tishomingo State Park	Shelley Roze Art
Bear Creek Float Trip	Cappleman’s Antiques
Cave Spring	<i>Bargain Capital of the South Stores</i>

Category	Business Name
Crow's Neck Environmental Education Ctr	Baymont Show Room
Aqua Yacht Harbor	Harris Sales
East Port Marine	M&W Sales
Mill Creek Marina	Southeast Surplus
	Silver Dollar Sales
Cultural Heritage	Tool Mart
Church of Our Savior	Wood Sales
Woodall Mountan	
Shady Grove Cemetery	Other Types of Lodging
Tishomingo Co Archives/History Museum	Belmont Inn
Iuka Covered Bridge	J.P. Coleman State Park
Mac McAnally Country Music Trail Marker	Tishomingo State Park
The Apron Museum at Pine Slab Shop, LLC	

Source: visitmississippi.org and Tishomingo County Development Foundation

The Tishomingo Development Foundation, Development Authority and Tourism Council organizations have undertaken significant efforts in the past to bolster the area's marketing efforts in the travel and tourism sectors. The Visit Tishomingo County, Mississippi website (tishomingofunhere.org) provides a much more complete review of area attractions in the Tishomingo County 2017 Calendar of Events (<http://tishomingofunhere.org/pdfs/2017%20Events%20Short.pdf>) and the The Tishomingo County Tourism Council's Visitor's Guide (<http://tishomingofunhere.org/pdfs/2016%20Visitors%20Guide.pdf>) provides a listing of several interesting festivals, fishing tournaments, etc., along with a relatively large amount of information regarding physical attractions within the county. In addition to the many cultural and historical attractions that can be found within the region, the Battle of Iuka Commission has budgeted funds for a Civil War museum and visitors center to be located near the intersection of Highways 72 and 25; this will be a key stop for the many visitors interested in the Civil War history of the region.

There are over 14,000 boats stored in seven Tishomingo County marinas and other boat storage facilities. Most of these vessels are stored here because of the central location of this part of the Tennessee-Tombigbee Waterway and Tennessee River in the Great Transit route from the Great Lakes to the Gulf of Mexico and then back to the St. Lawrence Seaway. Fishing tournaments on Pickwick Lake and Bay Springs Lake continue to increase in number and currently fill every hotel room within a fifty mile radius of the two lakes. While fishing and boating are seasonable activities, the season is long due to the mild climate. Hunting activities serve to fill many hotel rooms in the colder November through early March months.

The online presence of the county's travel/tourism marketing efforts consist of the tishomingofunhere.org website and a Facebook page that is updated weekly. The county also belongs to regional and state marketing efforts and organizations such as the Natchez Trace Compact, the North Mississippi Heritage Area and the Mississippi Tourism Association.

The county currently has a two percent lodging tax that nets around \$16,000 annually in marketing funds. An effort is currently underway to have a special election in the fall of 2017 to pass a restaurant tax that is predicted to yield about \$350,000 annually that would be used primarily for travel/tourism marketing functions. These additional dollars would enable the county to significantly expand and upgrade marketing efforts to target both the leisure and group meeting sectors.

Even with the marketing limitations imposed by low funding resources, the outlook for growth in the leisure and group marketing sectors is bright. Visitor numbers to outdoor recreation attractions have already been mentioned. Tishomingo County legalized alcohol by the drink sales three years ago and reaffirmed that vote in 2016.

Anecdotal evidence suggests as well that the leisure sector has a significant presence in the county. The Bargain Capital of the South Stores management have shared that their customers come from a variety of distances and currently significantly increase the demand for hotel/motel lodging in Fulton (a distance of 46 miles and one hour driving time). A bed and breakfast establishment has opened in Belmont and the owners have told Tishomingo County Development Authority officials that customers to the Bargain Center of the South Stores and other wholesalers have completely booked their facility through October.

Comparison of Economic Contributions

Tables 8-10 provide an overview of key economic contribution metrics for the three state and six county contiguous region in 2015. The levels of visitor expenditures, tourism-related employment, state/local taxes and fees and tourism capital improvement (Mississippi is the only state that reports this metric) and the rank of each county within its respective state.

There are issues that must be identified when examining these metrics. First, since the three state travel contribution studies are performed by three different authors and likely use three different, albeit similar, methodologies and definitions. Therefore, the composition of the metrics are certain to be different. Second, when looking at the rankings of each county within its respective state, it must be remembered each state has a different number of counties (Alabama has 67 counties, Mississippi has 82 counties and Tennessee has 95 counties). Finally, the composition of the state/local taxes and fees category is different between the states. While Mississippi reports this metric as state and local taxes and fees, Tennessee reports state and local taxes and, Alabama reports a state lodging tax with no local or fee component.

There are some comparisons that can be made, particularly when one considers the primary market area of Tishomingo and Prentiss counties. These counties rank low in all metrics in comparison with the other counties (Tishomingo County has a higher ranking in visitor expenditures than Colbert County or Hardin County, but these counties have much higher absolute levels of expenditures).

Second, Tishomingo and Prentiss counties have not invested in tourism infrastructure (capital) at the same rate as other Mississippi counties. Tishomingo County had just 0.3 percent of Mississippi’s investment in tourism capital and Prentiss County had just 0.002 percent of Mississippi’s investment. While this development would contribute to Tishomingo County’s level of investment, the leadership and business communities of these counties need to demonstrate an acceptance of tourism and travel as a viable economic development strategy. The same can be said for the state of Mississippi as well. While the level of tourism investment is not reported for Alabama and Tennessee, anecdotal evidence suggests that Mississippi does not consider travel and tourism to be as viable an economic development strategy as does Alabama and Tennessee. Tables 13 through 15 provide evidence that Tishomingo County must adopt a focused strategy of tourism as a tried and true economic development strategy.

Table 8 - Economic Contribution of Travel for Mississippi and Counties (2015)

	Mississippi	Tishomingo	Prentiss	Alcorn
Visitor Expenditures	\$6,166,450,123	\$15,825,458	\$7,952,658	\$56,391,847
Rank		36 th	51 st	20 th
Tourism Related Emp	85,135	210	105	770
Rank		37 th	51 st	21 st
State/Local Taxes & Fees	\$626,085,882	\$1,292,095	\$602,548	\$4,605,026
Rank		35 th	52 nd	20 th
Tourism Capital Improvement	\$299,279,174	\$814,328	\$45,236	\$1,463,166
Rank		32 nd	67 th	23 rd

Source: Mississippi Travel and Tourism Economic Contribution Report – 2015

Table 9 – Economic Contribution of Travel for Alabama and Counties (2015)

	Alabama	Colbert	Lauderdale
Visitor Expenditures	\$12,696,882,066	\$52,133,550	\$227,867,009
Rank		37 th	10 th
Tourism Related Emp	175,652	528	1857
Rank		25 th	10 th
State/Local Taxes & Fees	\$62,434,234	\$256,824	\$1,095,827
Rank		26 th	10 th

Source: Alabama Travel Economic Impact – 2015

Table 10 – Economic Contribution of Tennessee and Hardin County (2015)

	Tennessee	Hardin
Visitor Expenditures	\$17,822,010,000	\$39,280,000
Rank		37 th
Tourism Related Emp	151780	210
Rank		42 nd
State/Local Taxes & Fees	\$1,487,200,000	\$5,750,000
Rank		28 th

The Economic Impact of Travel on Tennessee Counties – 2015

Financial Feasibility

Assumptions

The Financial feasibility with this type of study is dependent on a number of factors and a change in any one of these factors could have a substantial impact on the bottom line of the enterprise. This section begins with a set of foundational assumptions.

Payroll

The size of the proposed development is assumed to require 14 employees. Eight of these employees are assumed to be full-time and earn an average wage of \$30,000 per year with a 20 percent fringe benefit rate. These employees would include administration, maintenance and operations supervision, guest relations, etc. The other six employees (room service, custodial, etc.) would likely be hired on a part-time basis and would not earn fringe benefits on their \$20,000 average annual wages.

Debt

Debt is assumed to be borrowed at an interest rate of seven percent for a period of 20 years. Debt service will be paid on a monthly basis.

Cash Outlays Other Than Payroll

Cash outlays other than payroll before taxes and debt service are assumed to be based on a percentage of total revenue. These include:

Marketing.....	3 percent
Franchise Fee	8 percent
Operations and Maintenance	8 percent
Credit Card Fees	1.5 percent
Utilities	7 percent

It should be noted that this summary is based on cash flow, not profitability, and that it does not include any taxes other than payroll taxes.

The primary driving force behind hotel feasibility is the occupancy rate. An annual average occupancy rate is used in the analysis. It should be noted that several references examined by the author indicate that a 67-70 percent occupancy rate is currently experienced by the industry as a whole (on a national basis). Revenue coming from sources other than room rental was estimated at two percent of room rentals.

Scenario 1 – 40 Room Facility

A 40 room development costing \$2.5 million (the total development cost is debt financed) would break even on a cash flow basis (assuming an average \$100 per night room rental charge) at an occupancy rate between 59 and 60 percent (between 8,414 and 8,760 room rentals per year). A 70 percent occupancy rate

(10,220 room rentals) would generate a positive annual cash flow of just over \$115,000.

Scenario 2 – 50 Room Facility

A 50 room development costing \$3.0 million (the total development cost is debt financed) would break even on a cash flow basis (assuming an average \$100 per night room rental charge) at an occupancy rate at 51 percent (approximately 9,308 room rentals per year). A 70 percent average occupancy rate (12,775 room rentals) would generate a positive annual cash flow of just over \$257,000.

Percentage rates found in other studies were used for calculating these financial overviews. However, one factor that could significantly boost revenues (and therefore profit) is increased demand for services of the hotel other than room rentals. This revenue would likely be primary derived from the corporate and group meeting sectors. As previously mentioned, the rate used in this study for these services is 2 percent of room rental revenue; it is likely that this could be significantly enhanced (even if a restaurant is not included in the development) by an aggressive marketing campaign. This is in line from anecdotal evidence provided by economic development professionals that a conference center and restaurant located in or adjacent to the development would serve to substantially increase the development's revenue.

Analyses of other scenarios and/or detailed profit/loss analyses can be performed upon request.

Conclusions

This study provides an overview of the factors affecting the feasibility of a proposed upper economy hotel/motel development in Tishomingo County, Mississippi. Several key metrics were examined to ascertain both the supply of and demand for the proposed development to determine its likelihood of success.

It is felt that all components are in place to allow the development to successfully operate. There seems to be an adequate workforce and appropriate construction sites available for the project. No issues with regard to utilities or other types of necessary services can be identified.

It is felt that the key factor determining the feasibility of the establishment will arise from stimulating the demand for overnight lodging in the area. Given the proposal of a lodging complex with no attached restaurant, room rentals are likely to come from two sources. The first, and likely the largest, source is commercial and corporate demand. Forty-five businesses and four governmental entities with over 40 employees were identified in Tishomingo and Prentiss counties. A complete evaluation of the potential demand from this sector cannot be developed until these organizations are surveyed to determine their potential use of the development.

The second source of demand will stem from the leisure and group meeting market. Studies indicate that there is likely an adequate supply of visitors to the area that would insure the development's success (J.P. Coleman State Park and Tishomingo State Park had a combined visitation of over 100,000 in 2015 according to the 2015 Visit Mississippi Travel and Tourism Economic Contribution Report and solid evidence exists that Pickwick Lake and the Tennessee River enjoy around 900,000 visitors per year and Pickwick Landing State Park in Tennessee has over 1.2 million visitors per year), but the key factor will involve convincing these visitors to stay overnight in the county and experience a number of the other attractions that are available in the area. While an aggressive marketing plan for the development will be essential to its success, it is felt that there is sufficient demand for this enterprise to be both liquid and profitable.

Leadership of the local area has undertaken a set of strategies that should significantly help the chances for success of this endeavor. While the content of the state's foremost tourism website (visitmississippi.org) provides a very brief overview of a fraction of the area's attractions and resources, there are other thrusts that should encourage visitors to not only visit the area, but to engage in the overnight stays that will be necessary for the development's success. These include:

- The Tishomingo County Tourism Council spends a significant portion of its budget for membership in several marketing and tourism/travel related organizations such as the Natchez Trace Compact, the North Mississippi Heritage Area and the Mississippi Tourism

Association. These investments are valuable in marketing the region and its attractions that attract potential clientele to the development.

- The tishomingofunhere.org website has been formatted for viewing on mobile devices; this is a significant effort for a small travel/tourism association. Furthermore, the Tishomingo County Tourism Council has entered into the social media marketing realm by developing a Facebook page that is updated on a weekly basis. While there are several additional strategies that could be implemented to further the local travel/tourism marketing effort, the resources are not currently available to make these types of efforts possible. However, the county is currently seeking to supplement its two percent lodging tax with a restaurant tax that is expected to yield approximately \$350,000 per year in revenues that would be primarily used to market the region. If passed, this tax could conceivably increase the Tourism Council's resources by twenty-fold.

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