Considering a Convention Center

Ten Questions Communities Will Confront

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CONSIDERING A CONVENTION CENTER
TEN QUESTIONS COMMUNITIES WILL CONFRONT

ABSTRACT. An increasing number of communities are actively considering the construction of a convention center. Rather than being a one step, build or not build process, the convention center decision process is multi-stepped. Many of the decisions that must be made in the process are complicated and have huge potential implications for existing lodging facilities and other industry and non-industry players. Further, because the process includes numerous steps, the entire process is often very time consuming. The author used a variety of sources to suggest the elements that should be considered when thinking about the construction of a modern convention center for a community.
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Introduction

More and more cities find themselves in the position of studying the feasibility of building a convention center as part of their tourism infrastructure. The study process from beginning to end can take ten years (Mann, 2000) or more and is often an emotional roller-coaster for many of the stakeholders involved. About the time one major question is answered, another two or three seem to pop up.

Convention centers are built for a variety of reasons. Further, convention centers are built with a variety of attributes depending upon what a community foresees as the building's mission or missions.

At first, communities each seemed to feel their way through the process, confronting each major question or problem as it came along. We now, though, have 30 or more years of experience from which to draw. Some patterns have emerged and there is now some predictability to the study process.

According to Rutherford (1990):

"Because of the economic impact of conventions on host communities in the last 15 - 20 years, there has been a veritable explosion in the building of special-purpose facilities designed to make the planning and execution of conventions and tradeshows convenient and attractive to their managers and attendees."

In the beginning, these special-purpose facilities were built primarily in larger cities. However, as the economic impacts became better understood, cities of varying size have entered or are considering entering the market. PriceWaterhouseCoopers, in their Convention Center Annual Report(s) (1999, 2000, 2001), now classifies a city's market by number of hotel rooms. This has yielded three types of cities (in this case, all in North America):
• Gateway Cities - Metro areas with more than 25,000 total hotel rooms (PWC, 1999)
• National Cities - Metro areas with 15,000 to 25,000 hotel rooms (PWC, 2000)
• Regional Cities - Metro areas with fewer than 15,000 hotel rooms (PWC, 2001)

Why Cities Consider Building a Convention Center

Why do cities consider building convention centers in the first place? The biggest reason is usually economic impact. According to the Convention Income Survey (2000) conducted by the International Association of Convention and Visitor Bureaus (IACVB), conventioneers, tradeshow delegates and association officials spend a considerable amount of money when in a community for a convention. This ranges from $579 to $739 per delegate, per event or $222 to $277 per delegate, per day depending upon the role the participant is playing. Multiply this by average length of stays of 2.54 nights to 3.55 nights and the figures truly start to add up. It should be noted that these figures vary greatly from city to city.

Further, according to the same study, the money is really spread around in host communities. Dollars are not simply spent in hotels and restaurants, but at museums, theatres, sporting events, retail stores and other local businesses.

Shows can be of considerable size. A study by the International Association of Exhibition Management (IAEM) (Vasos, 2000) looked at how big average attendance was at shows held by their members. An average consumer show had 55,000 attendees. Other shows listed with attendees included food shows - 15,500, Education shows - 9,000, Computer shows - 14,000, Manufacturing shows - 10,000. Couple these attendance figures with spending per delegate, and a huge economic impact picture begins to emerge.
As we will see, there are other reasons for building convention centers. The number one reason, however, for building such a building, is to positively impact the community from an economic perspective.

There is no question that hotels and motels are perceived as the big winners in the process. It is perceived that building a convention center will improve business for local lodging establishments. There is no doubt that the total number of room nights in the city will improve with the building of a center. Reyn Bowman, the head of the Convention and Visitors Bureau in Durham, North Carolina was quick to point out, however, that this is true “Only if marketing and promotions are increased and if they have a very well established and competitive CVB. The building (of a convention center) in and of itself will not make the community competitive (in the meetings market).”

Over time, building new centers makes a community more attractive to firms considering building a hotel there. Often a new center means new hotels so that, in the long run, city-wide occupancy really isn't improved all that much, though, again, total lodging revenues do increase as do occupancy tax collections.

Ten Convention Center Questions

This paradigm is based upon dozens of interviews with city officials, convention center managers, Convention Bureau officials, and a review of what has been written on the subject in a very wide variety of publications. The author has worked through a number of studies while employed in a number of hospitality positions and has consulted on the topic for many years. Finally, a rough draft of the study was mailed to over a dozen hospitality representatives who have knowledge of the topic. Their comments were reviewed and incorporated into the paper.
1. (If we build a convention center) How will we define success?

It is always interesting to listen to local officials describing a convention center as being a "success." Success may be rightfully claimed in a number of ways. Yet, depending upon one's point of view, another person might well look at the same building and describe it as a failure. It is important from the beginning that various stakeholders understand that success may be defined in a variety of ways including:

a) The Building is Profitable - Convention centers are almost never profitable. They are viewed in most cities as a loss leader to get conventioneers into a town to spend money. If centers made money, private companies, rather than governments, would build them.
b) **The Center Covers Its Operating Expenses** - Even this is hard to do given the competitive nature of the business, the size of the buildings, and the number of people it takes to operate one. Cities have become so aggressive in booking business it is very hard for center to charge rates that even cover operating expenses.

c) **The Center Serves as an Economic Catalyst** - As can be derived from the figures already presented, most centers can be described as a success from this perspective. Once an accurate multiplier is added, a real case for success can be made here. It is important that the community and its leaders understand this concept from the beginning. It is also important for the hospitality industry to tell this story over and over again to the citizenry.

d) **The Center Serves as a Community Center** - Centers often serve as a place for a community to gather for special events. These events may include graduations, balls, galas, weddings and others. It may be wise for a community to consider calling one of these buildings a "civic center" as the building is almost always successful in this function. The center serves as a community's "living room."

e) **PriceWaterhouseCoopers 2000 Convention & Congress Center Annual Report** - In a survey they report a center's success is measured by (in North America):

- (Lodging) Room Nights Generated - 85%
- Economic Impact - 81%
- Number of Events - 62%
- Building Occupancy - 58%
- Attendance - 50%
- Taxes Generated - 50%
- Availability for Local Events - 42%
- Other - 12%
While this report is very useful, it must be remembered that the figures represent a survey of center officials in cities where centers already exist.

2. **Should we build a convention center?**

There are such a variety of detailed questions that have to be answered that this question simply goes beyond what can be covered here. However, some of the basics include:

   a) Is there a community development plan and where does a center fit into this plan?

   b) Is a center the best way to positively impact the community if it is being used for economic development?

   c) Is there a need locally, regionally, etc.?

   d) Are there identifiable markets for the building?

   e) Who will the local enemies be and why will they oppose the building? Reasons may include traffic congestion, higher taxes, priorities, etc.

   f) Can the building generate enough revenue so as not to be too big a drain on government coffers?

3. **How will a new center be financed?**

It seems that most convention centers use some unique collection of funding sources to make a building work financially. The Oregon Convention Center (Blosser, 1996) is a typical example. They used "layered" taxes including property taxes, state lottery taxes and a one time, city LID tax to finance their center.

   a) The International Association of Assembly Managers provided an article (Blosser, 1996) listing a wide variety of possible funding sources including:

   - Hotel/Motel (Lodging) Taxes
   - Food and Beverage Taxes
   - Rental Car Taxes
• Revenue Bonds
• General Obligation Bonds
• Tax Increment Financing
• Sales Tax
• Lottery Funds
• Entertainment (Or Admission) Tax
• Special District Tax
• General Funds

b) Some specific funding examples include (Dobrian, 2000):

• Pittsburgh - A local referendum failed. They were able to get $150 million from state government plus a 1% hotel and general sales tax increase.
• Portland Oregon - Voters wanted to expand the center but not to be taxed. They increased hotel and rental car taxes by 2.5% each.
• Syracuse, NY - They got a $40 million grant from the state and bonded $30 million from the county.
• Charleston S.C. - Expanded their Civic Center with $9 million funded with two revenue bonds.
• Madison WI - Funded by revenue bonds, the state built and operates the parking lot, and $9 million was provided with private donations.
• According to Chuck Jones, Director of the Athens (Georgia) Convention and Visitors Bureau, Athens has and is using SPLOST (Special Purpose Local Option Sales Tax) in a variety of ways. This 1%, local option tax has been used to build the Classic Center in Athens and is now being used to build an adjoining parking deck.

Suffice to say that each community must come up with a funding plan that will successfully function in the situation a community is working with.

4. How will we get permission from the local citizens to build a center?

a) In most communities, some sort of public funding will be needed. That implies that some sort of voter approval will be necessary before building can begin. It is one thing to find a funding source, quite another to get voters to approve using those funds to build a convention center. By and large, the average voter
understands arenas, performing arts centers, stadiums, schools, courthouses and the like. Convention centers, however, are not widely understood by the average citizen. Steve Camp, who heads both the Convention and Visitors Bureau and the Convention Center in Columbia, South Carolina has said, “(A Convention Center) is the hardest thing to sell to a community.” Those trying to get a center built will usually have to answer the following questions at this point:

- Who will get the community behind this effort?
- How should the PR campaign be handled?
- Who will get the necessary politicians on board?
- What will the message be?

b) An article from IAAM suggests the following points when putting together a successful campaign:

- Form a Blue Ribbon Committee
- Raise campaign funds if necessary
- Hire a PR/Strategy firm to direct and staff the committee efforts
- Get hospitality board and government leaders on the area speakers bureaus to meet the public to explain the project and why it is important
- Structure all pertinent information in laymen's terms so it is easily understood and not confusing to voters
- Stop around the community to all the civic groups possible
- Bring the campaign to the voting public
- Perform polling surveys throughout

c) Other Possibilities - Occasionally a community can find a way not to take the question directly to voters. In Charlotte, N.C. the industry was able to simply get a positive vote from City Council to get permission to build a center.

5. Where will the new center be located?
This is one of the most controversial questions to be answered in the whole process. A number of stakeholders will make powerful cases for locating a center in one place or another for a variety of reasons. Too often, local lodging facilities, who pay occupancy taxes, that in essence pay for the center, work for years to get approval to build a center only to lose the battle over where the center is located. (As pointed out by William Overfelt, General Manager of the Knoxville Convention Center, hotels simply collect the occupancy tax but don’t pay it. While this is true, many hotels psychologically feel they are paying the occupancy tax.) A center not located close to existing lodging facilities results in these very facilities financing the catalyst building that is the powerful base for new competition…new hotels built close to the new center. If existing lodging facilities can't win this battle, there is little reason for them to support the building of a new center. It is possible to build a new convention center and have city-wide occupancy figures actually go down. A variety of building sites have been considered by cities including:

a) Close to the Current Hotel/Restaurant Infrastructure - Meeting and show planners prefer convention centers located close to hotels and restaurants. "close" is usually defined as being within two or three blocks. Building a center too far away from necessary infrastructure will make selling the new center very difficult. Existing lodging facilities need to play a big role when site location is being determined. A wise thought at this point is to bring in meeting and show planners and to ask them where they'd like a center located. Most often, they will suggest it be built close to current lodging inventory.

b) Downtown - Many cities over the past several decades have seen their city centers go into a state of decline. City planners look for synergy centers to help revitalize
a city core. One way to get large numbers of people back downtown is to build a center there. Helping to rebuild a city core has influenced a number of center location decisions.

c) In An Area To Be Revitalized - A number of cities, New York and Washington for example, have located new centers in areas they hope to revitalize. Locating a new center in a "run-down" part of town often is an excellent way to re energize an area. Once a center is built, it does often serve as the major attraction for the building of new hotels, restaurants, rental car agencies, etc. in the area.

d) To Save An Old Building or to Take Advantage of One - Athens, Georgia built a new center around an historic fire station. The original building has been converted to very unique meeting space. Madison, Wisconsin incorporated an existing Frank Lloyd Wright design when building a center there.

e) Free land - Free is hard to beat! In a number of cases, cities have built a center where land was provided. Hotel developers have been known to provide free land to insure a center was built close to one of their properties.

f) Mike Carrier, President and CEO of the Knoxville Convention Visitors Bureau, suggests hiring a professional organization like the Urban Land Institute to assist in choosing a convention center site.

6. **Who will market the building?**

Whoever markets the building needs to get started early. It is important to remember that most larger groups book years in advance. A full marketing team needs to be on board
long before a building opens. Hiring a marketing team about the time a building opens will almost ensure terrible business for the first years a building is operational.

There is quite often a turf battle over who will market a center. A Convention and Visitors Bureau is usually already in existence and they will feel that they should market the center along with the rest of the city. Further, since a bureau pulls together bids for major conventions/tradeshows, they will feel it necessary for them to market the building to ensure community success.

Center managers, on the other hand, often feel that marketing the building should be under their control. Often, building managers are held accountable for the success or failure of a building. If they are held accountable, they feel it only fair that they control the marketing process.

In North America, PriceWaterHouseCoopers (2001) reports the following breakdown of how centers are marketed:

- (Centers) Responsible for all Marketing - 30%
- (Centers) Responsible for marketing for short-term events - 52%
- (Centers) Responsible for marketing to specific event types - 19%

Largely, Convention and Visitors Bureaus control the rest of the marketing process. There are three scenarios implied here:

- Convention Centers Control Marketing
- Convention and Visitors Bureaus Control Marketing
- Some combined effort

An example of a combined effort is one where CVBs controls booking conventions and the center controls booking tradeshows and local events.
7. Who will manage the building?

This is really a two-part question. The first part is who will actually manage the building. The second part is who will the building management report to. Before we delve into these questions, it is important to note that the overall concerns at this point are "Revenue Concerns." Success for management, be it public or private, will hinge on factors that are controlled by management. Some of these factors include (Ritzer, 1999):

- Rental policies and rate schedules
- Event scheduling, date protection, and booking policies
  (See Question 8)
- Concession and event/building service contracts
- On-Site parking supply and fees
- Tenant lease terms
- Staffing and training issues
- Maintenance standards and expenditures
- Energy use and conservation measures

a) Who Will Actually Manage the Building?

The question at this point is whether to hire a private firm to manage the building (private management) or for government to hire their own management (public management). There are advantages to each style.

Public management allows buildings to take more of an economic impact perspective. There are some events that are more profitable to the building than to the community. Public management, not as driven by profit as private management, is thought to be in a better position to make the better community decision as opposed to simply a building decision (Ritzer, 1999). Public management is thought to be able
to have a longer term view as their goal is often economic impact rather than yearly or quarterly center profitability.

Private management offers some advantages also (Ritzer, 1999). It should be noted that private management firms like SMG have made big inroads into center management. They have managed many centers like the Miami Beach Convention Center, the Moscone Center in San Francisco and the Hawaii Convention Center.

Private management allows cities access to professional management. Management firms are in a position to know who good managers are, to hire them and to train them. Further, private management gives control of hiring to organizations interested in profit and not political patronage. In essence, private management takes the politics out of hiring and booking policies.

b) Who does building management, public or private, report to?

There are a variety of models here:

- In some cities building management reports to some office in City/County Government
- A number of cities have formed authorities for building management to report to (Smith, 1998)
- Some cities have the building management reporting to the Convention and Visitors Bureau
- A number of cities are merging their CVBs and their Convention Centers (San Diego (Wallace, 1997), Toledo, Ohio and St. Louis(Garrett, 1994).
- A few cities have actually formed corporations who operate the center
- In Durham, North Carolina, the county and city built the Durham Civic Center but, according to a local official, “…sold the air rights atop the building to a hotel developer on condition that the hotel operate the public portion.”
8. **What will be the center's booking policies?**

There is often a conflict here between the lodging community and center management. The lodging community wants events booked that need large numbers of hotel rooms. They will argue, in most cases correctly, that these events have the largest economic impact on a community.

Building management, on the other hand, wants to book events that are the most profitable for the building. Some of these events simply do not require many hotels rooms or have that large an economic impact on the local community. A consumer show that attracts 50 or 60 thousand local people might yield great results for the building, that is, getting a percentage of the gate, parking concessions, food and beverage concessions and the like. However, this show might yield little in the way of impact for the whole community.

Most communities go for the economic impact model. They prefer their centers to book events that will have the biggest economic impact. This is often reflected in a center's booking policies. Most centers will only book local and consumer shows six to twelve months in advance so as to hold open their space in the hopes of booking a convention or tradeshow with large sleeping room requirements. It takes a community with some sophisticated economic understanding as this often means the center will not be as profitable as it could be.

Further, there is the question of date protection. As an example, a coin show may choose to book a center. They will want some protection from another coin show booking in two weeks before their show and stealing all of their business. Many buildings will only allow one type of show or event per year or within so many months of a similar show.
We have only touched on booking policies here. Suffice to say there are a number of factors that must be taken into account (Attrition, Payment, etc.).

9. **Who will provide services in the building?**

A number of services will need to be provided in the center. Convention centers are often built with multiple accesses to water, gas, electricity, phone/computer lines, etc. because exhibitors often need these elements in their booths. Food will have to be provided somehow as will security, cleaning, audio-visual services and others. It is interesting to note that even in publicly managed buildings, many of these services are provided by third party firms. In the case of the Georgia World Congress Center, 25 to 40 percent of such services are provided in such a way (Ritzer, 1999).

Food provides some insight into this service question. Centers, over the years, have provided food in a variety of ways:

a) Hire a chef and food staff and make food a profit center. This provides consistent food quality and a profit source for the building. Often, the biggest ballroom in town is at the center and a good F&B team can make the overall product stronger. There are some questions that may emerge if a center decides to head in this direction:

- Is food and beverage a business for government to be in?
- Doesn't this create publicly funded competition for private firms?

b) Designated Caterer - If the food in a center is bad, it doesn't take long for word to get around and hurt bookings. A frustration here is for centers that don't provide their own F&B. One way to tighten up this area is for a center to hire one
designated caterer for the building. It will require an open and fair decision process or problems can emerge.

c) Designated List of Caterers - Here, the center allows a group of caterers who have agreed to a list of center requirements to serve food in the building. This is much more popular with local F&B providers as it gives them the chance to earn money by providing access to business in the center. Some planners prefer this also as it gives them a wider range of services to choose from and at a wider range of prices. For the center, food consistency may become a problem as does monitoring clean-up of center facilities. It should be noted that in both the case of B and C, many centers require a 10% rebate from the caterers. This tends to drive up the cost of F&B for planners.

For an idea about other services, an article in Convene Magazine (Ducate, 1999) provided these figures from a survey of centers on the use of "Exclusive In-House Services" over a two-year period:

<table>
<thead>
<tr>
<th>Services</th>
<th>1999</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food Service</td>
<td>86%</td>
<td>85%</td>
</tr>
<tr>
<td>Electrical</td>
<td>75%</td>
<td>73%</td>
</tr>
<tr>
<td>Plumbing</td>
<td>53%</td>
<td>52%</td>
</tr>
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<td>Telephone</td>
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<td>47%</td>
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<td>Security</td>
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</tr>
<tr>
<td>Cleaning</td>
<td>43%</td>
<td>35%</td>
</tr>
<tr>
<td>Audio-Visual</td>
<td>17%</td>
<td>16%</td>
</tr>
<tr>
<td>General Services Contractor</td>
<td>6%</td>
<td>7%</td>
</tr>
</tbody>
</table>
10. What design elements should be included in a center?

The easy answer to the question is….it depends. It depends upon the mission or missions of the building. According to a study by the Center for Exhibition Industry Research (CEIR) (Sowder & Mann, 1995), a convention center must serve the needs of three groups of people:

- The visitor/attendee
- Event managers and exhibitors or performers
- Facilities operations management

A number of trends seem to be emerging in this area like high technology (Enoch & Koss, 2001), higher quality design elements as a competitive edge (Kirkwood, 2001) and buildings designed for multi-purposes (Greusel, 2001; Skolnik, 1995). Multi-purpose building design is especially important in second tier or regional cities as this design increases the number of potential uses for a center.

Some primary use categories for a center (Sowder & Mann, 1995), include:

- Conventions and Congresses (with or without tradeshows)
- Tradeshows (Public and Private)
- Seminars, Technical and Religious Conferences
- Banquets and receptions
- Consumer shows
- Major Community Events

The ratio of meeting space to exhibit space has been evolving (ANON, 2000). Over the past ten years the ratio of meeting space to exhibit space has gone from 4 to 1, to 3 to 1.
This all implies considering including in the design of a center:

- Tradeshow halls
- Ballrooms
- Break-out rooms
- Theatres
- Pre-function space
- Registration areas
- Daycare centers
- Parking
- Computer rooms
- Kitchens
- Truck bays
- Truck staging areas
- Areas for sporting events
- Others

**Other Possible Questions**

A number of professionals have reviewed this 10-point paradigm and have suggested a number of other possible points. These include, with comments, the following:

- Who will do the feasibility study? This is a good point, but usually a community is well down the decision path before a firm is hired to do such a study. Often, at this point, a community is much more interested in how big to build a center and what design elements to include in the building rather than whether or not to build a center (Blosser, 1996). An excellent example of a request for proposal (RFPs) for a convention center feasibility study has been put together by David Heinl who heads the Greater Raleigh Convention and Visitors Bureau.

Richard Chambless, owner and President of Host South in Savannah, and others have expressed the opinion that a community has largely made up its mind to build a Center by the time they consider financing a feasibility study. The expense of feasibility studies are often so large that a community has to be rather sure of the outcome to initiate one in the first place. David Heinl, on the other hand, has indicated that such studies go a long way toward “lending credibility” to the idea of building a center for a broader community audience.
• Who will design and build the center? (Blosser, 1996) The American Institute of Architects have a web site that lists people and firms who have a background in designing centers. Once designed, any number of firms are capable of simply building the structure.

• A number of people who reviewed this paper (Reyn Bowman and others) felt that a community really needed to begin a convention center feasibility process with a complete inventory of the community’s visitor product. This could then be followed by an analysis of whether or not a given community could be competitive in the meetings market.

Closing Thoughts

There is no way to include every possible point a community must consider when exploring the possibility of building a convention center. The intent of this paper was to outline major points communities have had to consider in the past to provide insight for communities in future planning situations.

It should be noted that the building of convention centers is probably in the mature stage of the life cycle. Any number of articles have been written that point out the large number of centers either being built or expanded. (Merrill Lynch, 2001; Collins, 2001; Flynn & Flynn, 1998).

This does not mean that cities without centers shouldn't build them. The market for center space has increased also. It does mean that future centers will have to be very specific in their mission(s). Further, future centers will need to be designed with great flexibility (Brubaker, 1998) (and high tech) in mind (Enoch & Koss, 2001; ANON, 1999). We live in a world of high tech…..but we still want high touch.
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