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Late Backup

# Briefing on Economic Impact of a Second Convention Center Hotel

November 4, 2010

# Items Covered in Today's Briefing

- The economic impact analysis of a new Convention Center hotel, as directed by City Council
  - Council Resolution: *"Conduct an analysis of the potential economic impact of a new Convention Center hotel in Downtown Austin and present Council with possible strategies for facilitating development of such a project"*
  - To be presented by Jon Hockenyos, Texas Perspectives
- Information on convention requirements, existing hotel room inventory, and convention center space
  - To be presented by Bob Lander of the Austin Convention & Visitors Bureau and Mark Tester, Director of the Austin Convention Center

# The Potential Economic Impact of a Second Convention Center Hotel

City of Austin

Presented by TXP | Fall 2010

# Background

- Review of Recent Industry Trends.
  - All peers have experienced impact of downturn, but Austin relatively in better shape
  - Convention center hotel accounting for increasing share
- Summary of Arguments For and Against
  - FOR: 1) Net tourism market share maintenance or gains; 2) New economic activity and job creation; 3) Additional tax-base and tax revenue.
  - AGAINST: 1) Demand-related; 2) Impact on existing hotels; 3) Role of public sector
- Review of CC Hotel Capacity of Austin and Peer Cities
  - San Antonio, Indianapolis, Nashville
  - San Antonio and Indianapolis have much more developed convention infrastructure, including convention center hotel room capacity; Nashville comparable

# Trends in the Visitor Industry

## Year-to-Date Hotel Occupancy in Various Cities

| | 1-9/2007 | 1-9/2008 | 1-9/2009 | 1-9/2010 | '07-'10 Change |
|---|---|---|---|---|---|
| Austin | 71.8 | 69.6 | 62.3 | 64.7 | -7.1% pts. |
| Dallas | 61.4 | 61.0 | 52.1 | 55.1 | -6.3% pts. |
| Fort Worth | 69.4 | 67.4 | 55.0 | 56.7 | -12.7% pts. |
| Houston | 67.2 | 66.4 | 56.8 | 55.8 | -11.4% pts. |
| Indianapolis | 61.7 | 59.8 | 53.6 | 58.4 | -3.3% pts. |
| Nashville | 66.7 | 62.4 | 54.9 | 59.5 | -7.2% pts. |
| San Antonio | 68.3 | 68.0 | 58.4 | 60.2 | -10.1% pts. |

Source: STR Hotel Reports, TXP

# Trends in the Visitor Industry

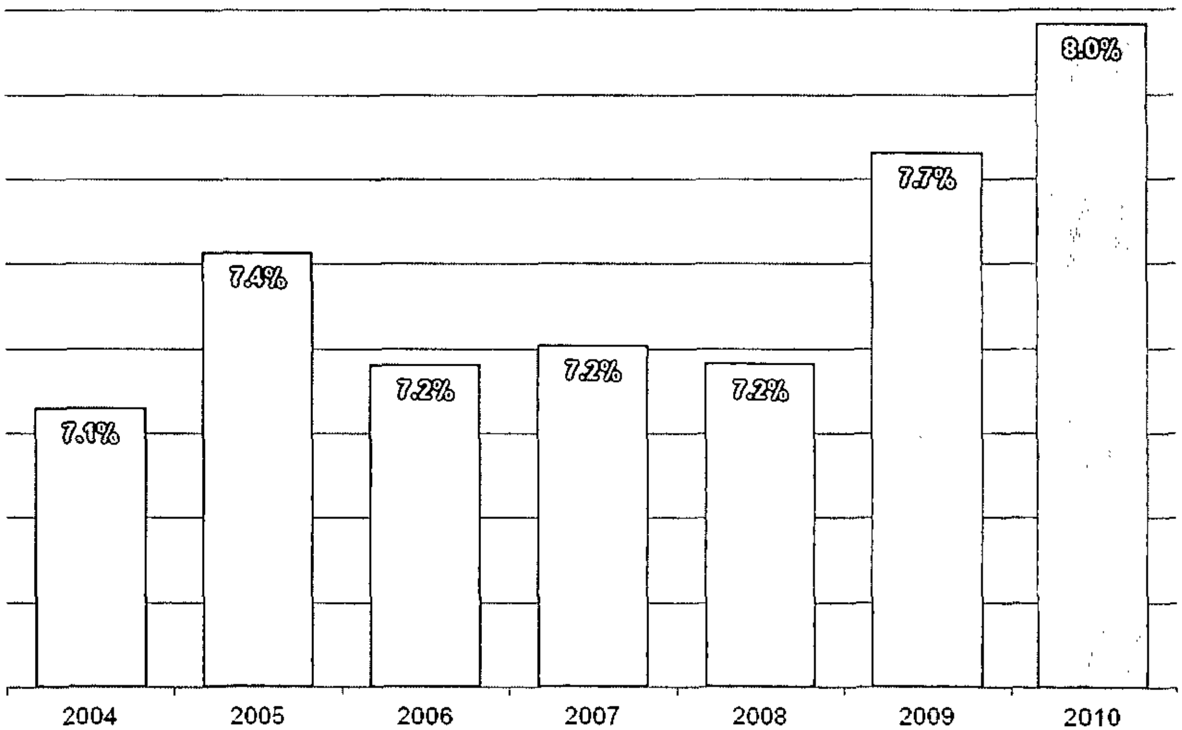
## City of Austin Taxable Hotel Receipts (Millions)

| | 1st Q | 2nd Q | 3rd Q | 4th Q | Annual |
|---|---|---|---|---|---|
| 2002 | $71.39 | $82.40 | $66.40 | $68.39 | $288.58 |
| 2003 | $77.22 | $77.63 | $71.70 | $63.96 | $290.51 |
| 2004 | $74.44 | $85.82 | $85.33 | $79.13 | $324.73 |
| 2005 | $92.86 | $102.57 | $96.20 | $91.19 | $382.83 |
| 2006 | $112.80 | $120.53 | $116.95 | $106.17 | $456.45 |
| 2007 | $131.49 | $134.42 | $127.04 | $116.15 | $509.10 |
| 2008 | $134.22 | $143.15 | $127.22 | $114.20 | $518.79 |
| 2009 | $120.08 | $114.03 | $102.92 | $104.01 | $441.04 |
| 2010 | $119.81 | | | | |

Source: : Texas Comptroller, TXP

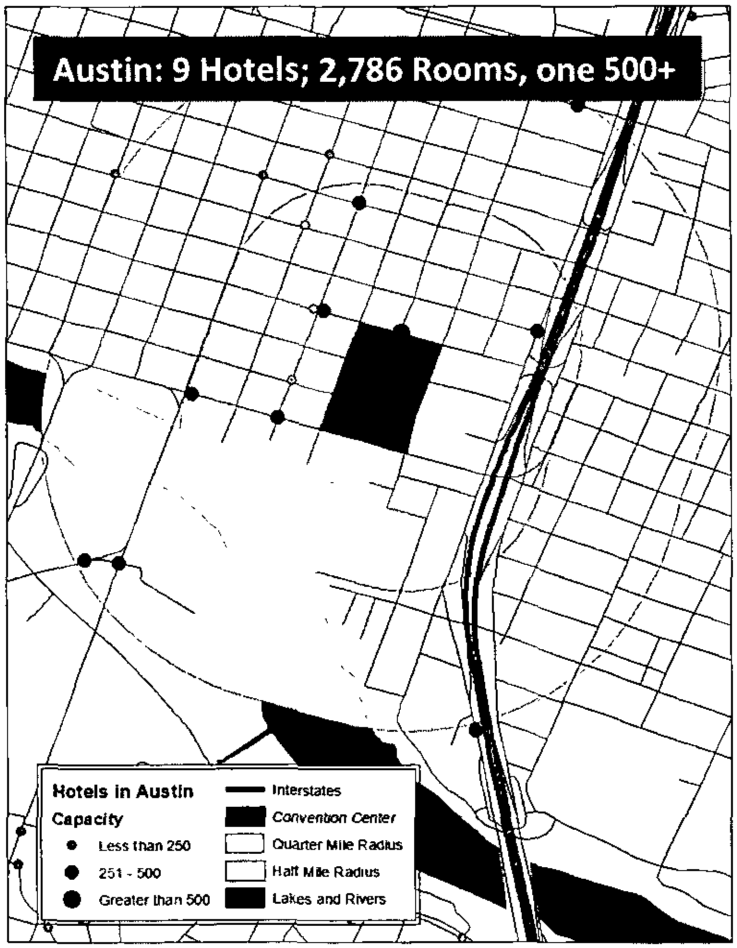
# Trends in the Visitor Industry

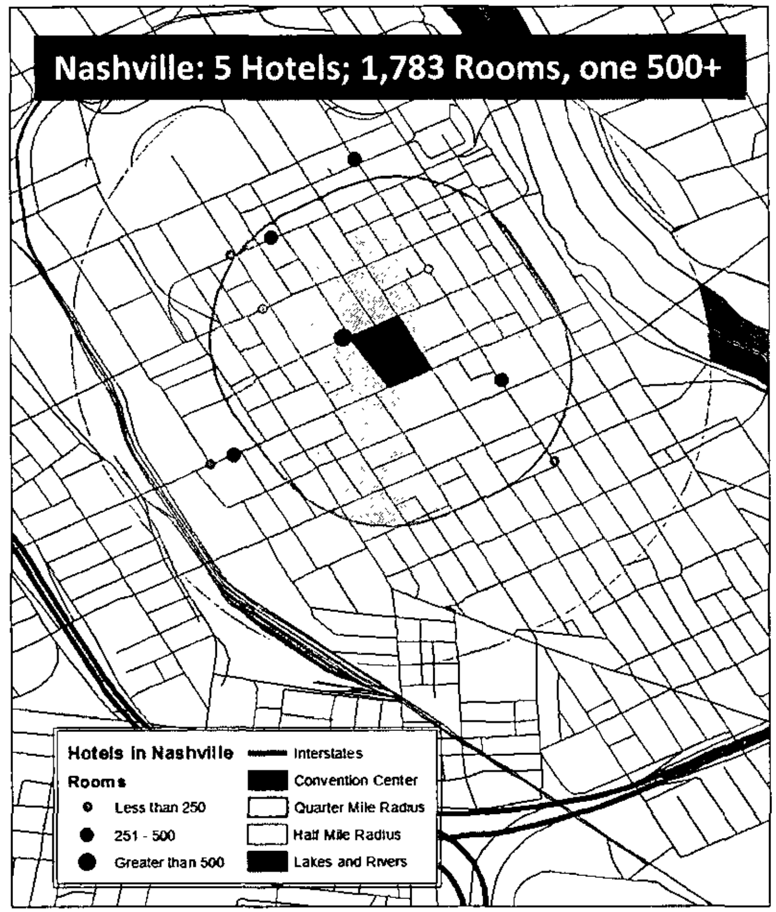
## Convention Center Hotel as a % of Total Receipts – 1Q



# Trends in the Visitor Industry

## Hotel Infrastructure Near CC (With 0.25 Mile Data)



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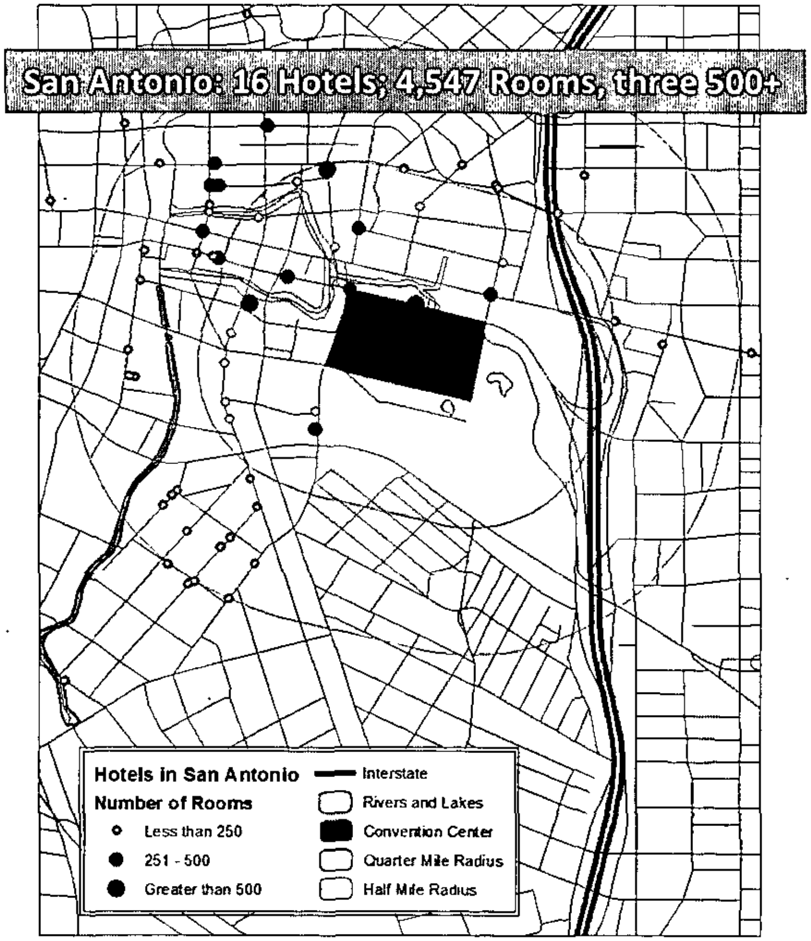


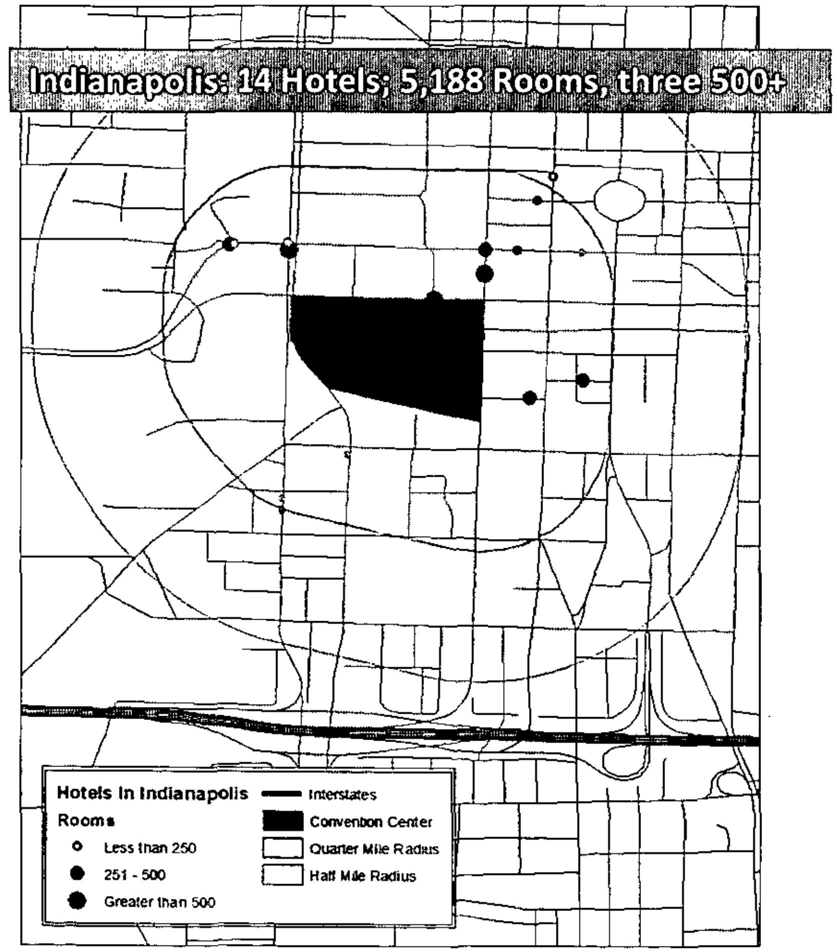

# Economic & Tax Revenue Impact

## Overview

- Impact is a function of net new activity brought to the community.
  - Not the same as activity at the hotel; some cannibalization, but also some spillover due to new capacity to attract meetings (independent of ripple effects)
- TXP engages Trends Analysis Projections LLC (TAP), industry experts, to provide insight on expected level of net new activity.
  - TAP provides data on convention bookings to 50 CVBs across the country
  - Asked to estimate local demand for 800 room hotel
- TAP baseline projection (no new capacity)
  - 44 events at an average of 9,600 room-nights per event; 422,400 room-nights
  - Reflects Austin's current conversion rate of 19%; Texas cities currently converting at 23% and peer communities converting at 33%

# Economic & Tax Revenue Impact

## Scenarios from Adding 800-Room Hotel

- Scenario A: Hilton Only
  - 40,050 additional net new room-nights annually
  - Based on average performance of Hilton from 2004-09
  - Equals 0.9% of total Austin room-nights in 2009
- Scenario B: Hilton + Other CVB-related
  - 78,492 additional net new room-nights annually
  - Based on average performance of Hilton from 2004-09 plus related activity identified by CVB
  - Equals 1.7% of total Austin room-nights in 2009
- Scenario C: TAP
  - 135,000 additional net new room-nights annually
  - Increases both events and room-nights per event by 20% and brings conversion in-line with peer communities
  - Equals 2.9% of total Austin room-nights in 2009

# Economic & Tax Revenue Impact

## Further Inputs

- Spending by visitors is based on EXPACT data set
  - $340/day; $1,240 per trip
- Each spending category is feed into local input-output model
- Tax revenue modeled as function of economic activity
  - Property taxes assumed to match market value of existing Hilton

| Spending by Category | Per Trip | Per Day |
|---|---|---|
| Lodging & Incidentals | $543.33 | $147.64 |
| Food & Beverage | $373.22 | $101.42 |
| Entertainment/Recreation | $43.28 | $11.76 |
| Retail | $122.05 | $33.17 |
| Local Transportation | $158.43 | $43.05 |
| TOTALS | $1,240.31 | $340.72 |

# Economic & Tax Revenue Impact

## Summary Results

| | Scenario A | Scenario B | Scenario C |
|---|---|---|---|
| Net New Room Nights | 40,450 | 78,492 | 135,000 |
| Direct Net New Spending | $13,782,178 | $26,743,900 | $45,997,381 |
| Total Economic Activity | $25,063,548 | $48,635,057 | $83,648,431 |
| Total Value-Added | $15,014,526 | $29,135,233 | $50,110,285 |
| Total Earnings | $8,073,975 | $15,667,303 | $26,946,516 |
| Total Jobs | 351 | 682 | 1,172 |
| Direct Tax Revenue | $1,073,102 | $1,640,403 | $2,483,077 |
| Lodging Taxes | $543,367 | $1,054,387 | $1,813,462 |
| Sales Taxes | $59,843 | $116,124 | $199,724 |
| Property Taxes | $469,892 | $469,892 | $469,892 |
| Indirect Taxes | $121,264 | $235,309 | $404,713 |
| Total Taxes | $1,194,366 | $1,875,712 | $2,887,791 |

# Conclusions

## Impact of Adding 800-Room Hotel

- Austin currently is not getting its "fair share" of group meeting activity requiring a large number of single-location rooms
  - Both Texas and out-of-state competitors are converting at a higher rate
- The economic and tax revenue impact with increased activity could be significant
  - Scenario B findings: direct annual spend of approx. $27 million yields total annual economic activity of $48.6 million and almost 680 permanent jobs
  - Tax revenue from above to City would be approx. $1.9 million annually, with most coming from impact of direct spending
- Potential to bring other resources to bear on project
  - Existing covenants related to Hilton and City economic development policy should influence direction


# AUSTIN CVB

# BY THE NUMBERS: ECONOMIC IMPACT

- Total Annual Visitors (Austin MSA): 20 million.
- Annual Visitor Spending: $4 billion.
- Tourism Supported Jobs: 80,000 +.
- Taxes Generated by Tourism: $300 million in state and local taxes.
- For every $1 the City of Austin invests in Tourism Promotion, $550 comes back to the local economy.

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# A 2000 PEAK ROOM CONVENTION: AUSTIN

- The 1500-2000 peak room convention, is a large and consistently performing market
- Currently we need upwards of 9-12 hotels or more to meet group requirements
- Equates to 9-12 contracts, related negotiations and block management
- Few "Full Service National Brands" and many "Limited Service" options

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# CURRENT CONVENTION HOTEL INVENTORY

## Easy Walking Distance

| Name of Hotel | Total Rooms | Miles to CC |
|---|---|---|
| Hilton Austin | 800 | 0.0 |
| Four Seasons | 291 | 0.1 |
| Hampton Inn Downtown | 209 | 0.1 |
| Radisson Hotel Town Lake | 413 | 0.1 |
| Courtyard/Residence Inn | 449 | 0.2 |
| Omni Downtown | 375 | 0.4 |
| Hilton Garden Inn | 254 | 0.5 |
| Driskill Hotel | 189 | 0.5 |
| Inter-Continental SFA | 189 | 0.6 |
| 12 Hotels | 3169 | total rooms |

## Shuttle Required

| Name of Hotel | Total Rooms | Miles to CC |
|---|---|---|
| Embassy Suites Town Lake | 262 | 0.5 |
| Austin Sheraton | 362 | 0.5 |
| Hyatt Regency | 448 | 0.6 |
| 3 Hotels | 1072 | total rooms |

# AVERAGE COMMITTABLE ROOMS

## Easy Walking Distance

| Name of Hotel | Total Rooms | Committable |
|---|---|---|
| Hilton Austin | 800 | 650 |
| Four Seasons | 291 | 50 |
| Hampton Inn Downtown | 209 | 125 |
| Radisson Hotel Town Lake | 413 | 250 |
| Courtyard/Residence Inn | 449 | 150 |
| Omni Downtown | 375 | 175 |
| Hilton Garden Inn | 254 | 150 |
| Driskill Hotel | 189 | 25 |
| Inter-Continental SFA | 189 | 50 |
| 12 Hotels | 3169 | 1625 |

## Shuttle Required

| Name of Hotel | Total Rooms | Committable |
|---|---|---|
| Embassy Suites Town Lake | 262 | 150 |
| Austin Sheraton | 362 | 150 |
| Hyatt Regency | 448 | 150 |
| 3 Hotels | 1072 | 450 |

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# 2000 PEAK ROOM GROUP COMPETITIVE SNAPSHOT

- Denver: 2-3 Hotels, Hyatt, Sheraton, Marriott options
- Seattle: 2-3 Hotels, Westin, Sheraton, Hilton, Marriott, and other national brands
- San Diego: 2 Hotels, Hyatt & Marriott
- Indianapolis: 2 Hotels, JW Marriott, Westin, Hyatt, Marriott
- San Antonio: 2-3 Hotels, Hyatt, Marriott

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# LOST BUSINESS FOR AUSTIN

- Austin has lost over 1.6 million RN since the Hilton opened (2004)
- Cited reasons of either a better hotel package and lack of hotel availability
- After the 2006 announcement of the White Lodging project, demand doubled from 860,000 RN to 1.6 million RN
- Demand held at 1.4 million RN in FY 08
- In 2009, the proposed hotel project was put on hold; demand declined in FY 09 to 1.1 million RN

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# CONVENTION CENTER

- Average convention utilizes 42% of ACC Exhibit Space.
- Infrastructure improvement of ACC: possible by-product.
- Improve markets served - expand into more lucrative, medical, corporate, national association markets.
- Maximize convention occupancy through layering of business opportunities.

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# Summary

- Austin's conversion rate is low in comparison to peer cities
- Austin would gain jobs and capital investment from a new convention center hotel, leading to increased tax revenue
- Austin could expand into other convention markets with the addition of a new convention center hotel
- The existing bond covenants related to the Hilton Hotel will influence direction

# Questions