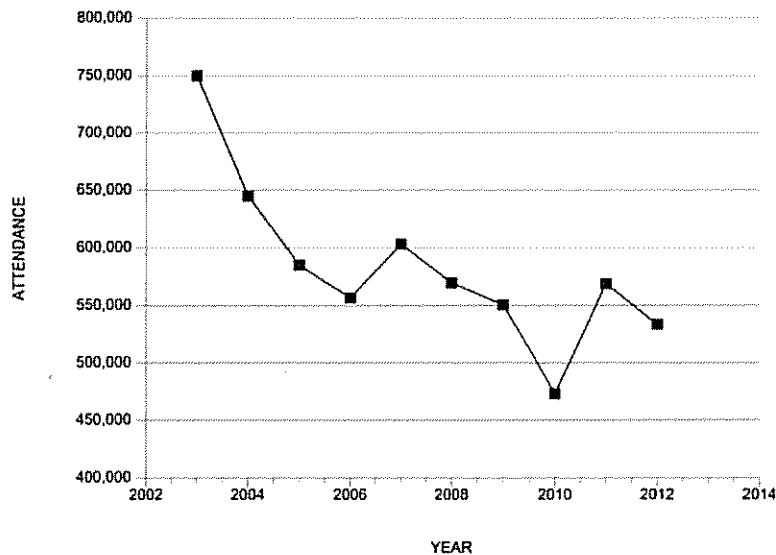


All major convention center expansions in the past twenty years failed to meet projections

- (1) Chicago: in 1965 its McCormick Place had 3,444,859 attendees. 30-years later in 1995 it had 3,217,434. In 2011 it had 2,050,000, despite an exhibit hall nine time larger than its 1960 opening.
- (2) Las Vegas: convention center attendance was 1.31 million in 1999 then after a massive expansion in 2011, attendance declined to 1,279,383 then down to 1,212,038 in 2012
- (3) Seattle: In 1997, before its major expansion, its Washington State Convention & Trade Center hosted 183,875 out-of-state attendees. In 2007, after expansion, its attendance was 182,406. In 2011, just 147,345.
- (4) Philadelphia: The Pennsylvania Convention Center expansion in the 1990s was forecasted to generate 664,800 room night bookings by 2001. But 2002 had only 336,000 bookings. In 2011, after another expansion, it had just 311,810.
- (5) St. Louis: It's "America's Center" was predicted by consultants to triple its convention delegates after the mid-1990s expansion. It didn't even double. 201,100 attendees in 2000 and 208,400 in 2001, only slightly better than 15-years earlier.
- (6) San Francisco: Its 2003 Moscone expansion produced disturbing attendance results. In the late 1990s, attendance averaged 694,000. After the expansion: just 540,660 in 2004 and 482,035 in 2005. There was a modest jump to 588,735 in FY 2008, but still far below the 1 million attendance forecast from consultants.
- (7) Orlando: Its 2007 attendance figure was only an 18% increase from the 2000 attendance, far below the 1.7 million expected based on an Ernst & Young's forecast.
- (8) Washington D.C.: its new 2003 Center produced no increase in convention business than its smaller predecessor, and the number of convention center-related room nights dropped 27 percent from 2008 to 2010.
- (9) Boston: Its Boston Convention & Exhibition Center "...was born on a sea of consultant studies. The Consultant forecasts were commonly twice the actual results a few years later."
source for all above: Eye on Sacramento: Convention Center Report 2016
- (10) Whether serious analysis of these issues comes from the political right (Manhattan Institute), or the political left (Brookings Institution), they are unanimous in concluding that investments in additional convention/conference/hotel capacity hardly ever break even, much less generate a respectable, positive rate of return on the funds the public invests.
Joe Lawlor, "City Officials suffer from conference center Fever," Daily Press (April 11, 2013)
- (11) The overall convention marketplace is declining in a manner that suggests that a recovery or turnaround is unlikely to yield much increased business for any given community, contrary to industry projections.
"Space Available: The Realities of Convention Centers as Economic Development Strategy," Brookings Institution (January 2005)
- (12) Many of these expansions appear to have been based on feasibility studies that failed to present rigorous reviews and examinations regarding alleged claims of positive impacts and over-optimistic operational pro-forma statements.
Gerald Kock, "Proposing an Alternative Framework for Feasibility Studies for Large Public Tourism Investments: A Quantitative Analysis of the Orange County Convention Center," Rosen College of Hospitality Management, University of Central Florida, 2007.
- (13) Look around the country, says former Massachusetts Inspector General Gregory Sullivan, and you can see "a trail of wreckage" behind similar expansion deals. In city after city, "the downside risk is dumped on the taxpayers."
Jeff Jacoby, "A Classic Sweetheart Deal" The Boston Globe (June 04, 2014)
- (14) "The hotels, real estate interests, downtown business groups and public officials who gain directly from convention business portray them as painless investments ... but I don't think that any rational benefit-cost analysis can justify it in most places."
Josh Stephens, "Unconventional Thinking," Next American City (July 22, 2009)
- (15) One problem is that optimistic projections about new facilities fail to account for how other cities are expanding, too. Why did Minneapolis struggle to hit projected targets after it enlarged its convention center? "Other cities expanded right along with us," Minneapolis's convention center director, Jeff Johnson, said this year.
Steven Malanga, "Have We Got a Convention Center to Sell You!," Manhattan Institute (Dec. 31, 2011)
- (16) The Reason Foundation's Samuel Staley, says, "Baltimore should cut its losses. The most rational policy position is to let private hotels handle the convention market. Cities should back out of publicly funded convention centers."
Marta H. Mossberg, "Convention Center Expansion: Build It and They Won't Come," Baltimore Sun (June 7, 2011)

The convention/tradeshows/exhibition industry is in long term decline

PriceWaterhouseCoopers: Large Convention Center Attendance Average By Year



2017 Forecast

- The 2016 Center for Exhibition Industry Research total Index was up only 1.6 percent year-over-year. Lowest growth in 2 years and 50% slower than GDP growth.
- American Express 2017 Global Meetings Forecast expects an increase of 0.8 percent in meeting spend in North America, below the inflation rate.
- Hotel supply growth should outpace demand for the first time since 2009: RevPAR (revenue available per room) will decelerate in 2017.

source: Meetings & Conventions December 1, 2016

What data shows that Austin can buck this trend?

Dallas Convention Center increased losses by \$5.8 million after doubling DCVB Budget

Net Loss (from page 24 of the CAFR) (amounts in \$000's)	FY2103	FY2014	CHANGE
Operating revenues:			
Customer charges	\$27,936	\$24,207	
other	<u>104</u>	<u>89</u>	
Operating revenues	28,040	24,296	(3,474)
Operating expenses:			
Personnel services	6,492	6,393	
Supplies and materials	3,862	4,290	
Contractual and other services	42,496	43,923	
Depreciation	<u>17,165</u>	<u>17,485</u>	
Operating Expenses	70,015	72,091	
Net operating loss	(\$41,975)	(\$47,955)	(\$5820)
Hotel occupancy tax subsidies	45,182	50,374	(5,192)

source: City Of Dallas 2014 Comprehensive Annual Financial Report

Larger convention centers have larger fixed costs. If Austin's HOT revenue plateaus or declines, where will the funds come from to cover increased losses?