



**Market, Feasibility & Impact Analysis
for the Proposed San Diego Convention
Center Expansion**

Prepared for the
San Diego Convention Center Corporation
San Diego, California

Submitted by

**Economics Research Associates, an AECOM
Company (ERA)**

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General & Limiting Conditions

Every reasonable effort has been made to ensure that the data contained in this report are accurate as of the date of this study; however, factors exist that are outside the control of Economics Research Associates, an AECOM company (ERA) and that may affect the estimates and/or projections noted herein. This study is based on estimates, assumptions and other information developed by Economics Research Associates from its independent research effort, general knowledge of the industry, and information provided by and consultations with the client and the client's representatives. No responsibility is assumed for inaccuracies in reporting by the client, the client's agent and representatives, or any other data source used in preparing or presenting this study.

This report is based on information that was current as of May, 2009 and Economics Research Associates has not undertaken any update of its research effort since such date.

Because future events and circumstances, many of which are not known as of the date of this study, may affect the estimates contained therein, no warranty or representation is made by Economics Research Associates that any of the projected values or results contained in this study will actually be achieved.

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This study is qualified in its entirety by, and should be considered in light of, these limitations, conditions and considerations.

I. Introduction and Executive Summary

Introduction

The San Diego Convention Center Corporation (SDCC Corporation) has retained Economics Research Associates, and AECOM Company (ERA) to conduct a market and financial feasibility study for the proposed expansion of the San Diego Convention Center (SDCC). Beginning 2005, the SDCC Corporation engaged the consulting firm Pricewaterhouse Coopers (PwC) to complete a series of studies investigating a possible expansion of the SDCC. The most recent report, a market and feasibility study that indicated sufficient demand to warrant an expansion, was completed in December 2007.

Since that time, the economy has taken a dramatic downturn. The Mayor of San Diego has appointed a Citizen Task Force to review and confirm the wisdom of continuing with an expansion project under these conditions. The Task Force has asked for an updated market and financial feasibility analysis that takes current trends into account, and has asked for a “second opinion,” from a firm other than PWC. This report serves as that second opinion.

ERA reviewed and updated the methodology and data points found within the PwC report. New interviews were conducted with user groups to better understand how the current recession is affecting the industries they represent and their future need for meetings and events. ERA reviewed and considered trends and academic theories regarding the long-term future of conventions as mechanisms for strengthening interpersonal relationships, exchanging ideas, building businesses, and generating economic activity. In addition, since 2007, many of the specifics regarding the physical plan for a proposed expansion have evolved. The proposed expansion would be adjacent to the existing site, between the current center and the San Diego Bay. The expansion would contain approximately 225,000 square feet of prime exhibit space, which would bring the center’s total exhibit space up to approximately 750,000 square feet. Based on this extensive array of updated historical information and several methodological changes, ERA has made its own set of projections and estimates of economic impact, which are summarized in the pages that follow.

Executive Summary

Due Diligence

One of ERA's key due diligence tasks was to extend the previous analysis of historical data conducted by PwC to account for the recent years and months which capture up-to-the-minute effects of the current recession. ERA's findings in this regard are that:

- In spite of the general economic downturn, the number of booked events in the SDCC has continued to hold up.
- Total attendance in the most important "National/State Convention and Trade Show" category in FY 2009 appears it will be down 10 to 11 percent from the previous year or so, but is still well within the range of normal year-to-year fluctuation depending on the mix of specific groups who use the SDCC.
- Average attendance at conventions and tradeshow has fallen in FY 2009 by 10 to 15 percent from the previous two years, but is still higher by a similar percentage deviation than what was seen as recently as FY 2006.
- In the bottom line impact category of room nights generated by the SDCC, FY 2009 appears to be lower than the last two years, but only by 1 or 2 percent, and will still be higher than any of the years 2003 through 2006.

Lost Business Analysis

The SDCC turns away a significant number of potential customers each year due to a lack of availability within the center.

- As was the case at the end of 2007 when the PwC report was done, 40 percent of the "lost business" through 2009 year-to-date continues to report that the reason they cannot come to San Diego is lack of available dates with space of the size they need.
- Of lost business groups, 89 percent would be able to fit within just the 225,000 square feet of proposed exhibit expansion space.

The Attraction Power of the San Diego Destination

Downtown San Diego and its waterfront constitute a distinctly attractive destination within the North American market for meetings and conventions. The size and configuration of a meeting facility is only the first set of criteria a meeting planner examines when picking a destination for a future event; it is a "necessary but not sufficient" condition. Once met, the meeting planner is concerned about

such other issues as cost, hotel room availability, airlift / access, and the attraction power of the destination for visitors in general. Trends in the immediate downtown San Diego market area include:

- Air service is somewhat less than some competitive destinations, and like virtually all destinations in North America has declined due to the recession. On the other hand, the close proximity of the airport to the SDCC continues to be cited as a major advantage by meeting planners.
- Since the PwC analysis in 2007, three new hotels have opened up close by:
 1. Hilton San Diego Bayfront (1,190 rooms),
 2. Hard Rock Hotel (420 rooms), and the
 3. Se Hotel (re-opened with 120 rooms).
- As with most destinations, hotel occupancies and Average Daily Rates (ADR) have both suffered declines recently due to the recession.
- The commercial vibrancy in the adjacent Gaslamp Quarter with restaurants, bars, shops and new residents continues to grow. Coupled with the Petco Park MLB ballpark this area serves as an attractive, safe, and clean district for conventioners to enjoy during their meetings.

Competitive Market Context

Within the context of the larger North American market, construction of additional convention and tradeshow space has continued to occur in recent years, and additional expansion projects are still in the pipeline. In the west, the Phoenix and Vancouver convention center expansions have opened since the PwC report was completed in 2007. Furthermore, the Las Vegas Convention Center and the Washington State Convention and Trade Center in Seattle are both proposing significant expansions, although the time tables for both projects have recently been delayed due to recession induced budget concerns.

Customer Interviews

A key element in ERA's methodology for this study was a series of individual interviews with meeting executives who were selected for their familiarity with San Diego. A major topic in these discussions was how the current recession is affecting the industries they represent and how recession effects are likely to change their needs for meetings and meeting space in the future. Key findings from this research include:

- The recession is having a negative impact on attendance at conventions, tradeshow, and all other kinds of meetings. The number of exhibitors participating in shows has also declined somewhat. Attendance and exhibitor participation are expected to continue to remain depressed for at least another year and stay “below normal” until the economy improves.
- At all levels (sponsoring associations, attendees, and exhibitors) customers are more cost conscious and are spending less on meetings and offsite hospitality events.
- On the other hand, none of the executives interviewed believed that the recession will ultimately change the basic need for the meetings and events they plan. With returning economic health, most of the respondents expect conditions to return to business as usual.
- Meeting planners understand that at any given time, some groups are expanding and attracting more attention, while others are dwindling for a large variety of reasons. This churning within individual industries may be exacerbated by the current recession, but has been observed in booming economic times as well.
- Interviews unequivocally reflected a perception that San Diego is one of the most desirable destinations in the country for meetings business.

Sensitivity Analysis

One topic of discussion with meeting executives was the appropriateness of this size of expansion project, and how it compared with their ideal facility. The market tends to respond to certain thresholds when describing exhibit facilities. Several of the larger events’ planners frequently respond in terms of, “we need a million square feet.” Although size needs vary, the next size down that resonates with the market is “three quarters of a million square feet.”

A more quantitative method of investigating the sensitivity of market response to different sized expansion programs was gained by analyzing the lost business records of the SDCCC. This analysis focused on just those groups who could have fit within the existing facility if only dates were available to them, and did not include groups that are in the process of outgrowing the existing facility. For the total of 381 groups that contacted the center from January 2006 up through February of 2009 with their needs for specific sizes of exhibit space in certain ranges of dates, only 11 percent were large enough to be close to needing the full building, and 89 percent could have been accommodated entirely within an expansion program that provided a 225,000 square foot exhibit hall. From that point, the sensitivity analysis investigated the effects of 50,000 square foot reductions from this amount. At 175,000 square feet, 82 percent of the business could still be accommodated. Reducing

expansion size further showed clearly diminishing returns. ERA used the 225,000 square foot program as an optimal size for making future utilization and economic impact projections.

Projections

Based upon all of the foregoing research and analysis, ERA projected future utilization for the SDCC based on two scenarios: a “No Build” scenario, and an “Expansion Scenario.” Most of the economic impacts of the program were then based on the difference between these two alternative futures. ERA estimates that the expansion program as currently proposed would capture an additional 20 National / State Conventions & Tradeshows, and 5 more Corporate Conventions beginning in a first stabilized operating year (expected to occur around 2016).

Economic Impacts

The economic impacts of this expansion program would create:

- \$155 million in additional hotel room sales per year,
- Hotel tax revenue of \$16.3 million per year, and
- Additional sales tax revenue of \$0.8 million per year, for a total of
- \$17.1 million per year in additional direct revenue to the City of San Diego,
- Direct net new spending of approximately \$372 million per year, most of which would be captured within San Diego’s downtown,
- Total economic impact throughout San Diego County of \$698 million per year, including direct, indirect and induced (multiplier) impacts, and
- Creation of the full-time-equivalent of 6,885 new permanent jobs.

II. San Diego Convention Center Performance

Facility Description

The SDCC is located in Downtown San Diego along the waterfront of the San Diego Bay. It is approximately two miles from the San Diego International Airport and is within walking distance of downtown's popular Gaslamp District. After its original construction in 1989, the facility was under sufficient demand to warrant an expansion in September 2001, which more than doubled the facility's original size. Currently, the SDCC contains 525,700 square feet of prime exhibit hall space in eight contiguous halls, as well as 90,000 square feet within the Sails Pavilion, which is not considered "prime" because it has lower floor weight maximums. There are also two ballrooms totaling 81,700 square feet, and 63 meeting rooms. The SDCC also contains outdoor terraces with ocean views that are used for receptions and as comfortable relaxation space for event attendees.

Figure 1: Overview of the SDCC Facility



Table 1: San Diego Convention Center Facility Characteristics

Description	Number	Unit
Number of Exhibit Halls ¹	8	Halls
Prime Exhibit Space	525,700	Square Feet
<u>Salis Pavillion</u>	<u>90,000</u>	<u>Square Feet</u>
Total Exhibit Space	615,700	Square Feet
Number of Ballrooms	2	Halls
<u>Largest Ballroom</u>	<u>41,000</u>	<u>Square Feet</u>
Total Ballroom Space	81,700	Square Feet
Number of Meeting Rooms	63	Rooms
Total Meeting Room Space	118,700	Square Feet
Total Indoor Rentable Space	816,100	Square Feet

Notes: ¹ Excluding Sails Pavillion
 Source: San Diego Convention Center Floor Plan

Figure 2: SDCC Overview



Operations Overview

To understand statistics on the facility's performance, it is first necessary to be acquainted with the terminology and categorizations used by the SDCC Corporation. The SDCC operates on fiscal years that run from July 1st to June 30th. In addition, the year that is used to label each fiscal year corresponds with the calendar year of the ending date. For example, Fiscal Year 2003 contains the period from July 1st 2002 through June 30th 2003. At the time of this report, the end of Fiscal Year 2009 is still a few months into the future. Within the 2009 data, unless otherwise indicated, ERA has included past performance numbers through February 28th and estimates for March 1st to June 30th.

The current recession was not announced officially until December of 2008, but at that time it was determined that the US economy had already been in a recession for approximately one year, or since December 2007. In the analysis that follows, historical years reflecting "healthy economic conditions" are those with Fiscal Years (FY) ending 2003 through 2007. FY 2008 and 2009 may now be seen as years of historical data that have been "affected by the recession."

The facility provides space for a wide array of event types, which have different needs and impacts. Some of these impacts will be discussed in more detail within subsequent pages of this section. To provide a preliminary overview, the major categories of events are as follows:

- *National / State Conventions and Tradeshows* – These events book many years in advance, are often very space-intensive, and draw significant numbers of attendees from other metro areas who patronize area hotels, restaurants, retail stores, and visitor attractions. Since these events draw visitors from beyond San Diego County, they bring new spending power into the San Diego region, positively impacting tax revenues. Such events are considered one of the two primary event types at the SDCC.
- *Corporate Conventions* – The second of two primary event types, these gatherings also can book several years in advance, but they require less space and generally have fewer attendees than conventions and tradeshows. These events also bring attendees from other market areas that stay overnight, shop, and dine within San Diego, most often in the area proximate to the SDCC, which in turn benefits the City through tax revenues.
- *Local Trade Shows* – These are considered secondary business activities at the SDCC. They often require significant exhibit space, but they draw attendees mostly from the local market and bring substantially fewer out-of-town visitors. Consequently, much of the revenue generated around the convention center is in the form of meals and retail shopping that is not "net new" to the San Diego regional economy because the visitors are merely redirecting their spending from the surrounding communities.

- *Consumer Shows* – These events, which are also considered secondary business, are space-intensive and pull primarily from the regional market. Most attendees do not stay overnight in San Diego, instead impacting the downtown economy minimally by shopping and dining. While these dollars can enhance supportable retail and restaurant square footage within downtown, they cannot be considered “net new” to the region.
- *Meetings, Community Events, and Food & Beverage Events* – Another group of secondary business at the SDCC, these functions are typically booked closer to the events’ dates and are less space intensive because there is no exhibit component. They do not regularly draw substantial numbers of outside visitors or significant new spending power into San Diego.

Facility Past Performance

By Fiscal Year 2003, the SDCC had stabilized after its 2001 expansion. This exceeded expectations because many centers need three to five operating years after an expansion to see optimal utilization rates. In the last seven fiscal years, the center has performed strongly. Presented below are data sets on the facility’s event counts and attendance records from Fiscal Year 2003 through Fiscal Year 2009. Additionally, room nights generated by events held at the SDCC are presented. Total occupancy at the center is also measured and discussed. All of these data points should be considered concurrently to obtain a complete picture of the facility’s past performance.

These tables are patterned after those presented in the 2007 PwC report to facilitate comparison and to serve as an update which reflects the onset of the current recession on key statistical operating trends. Note, however, that the most important categories of business are “National / State Conventions and Tradeshows” and “Corporate Conventions.” Because these bring money into San Diego from outside the region, they create the majority of beneficial economic impacts and are thus considered primary business. The remaining event types in each table are secondary business.

Number of Events

Since Fiscal Year 2003, the SDCC has held more than 200 events annually. In 2008, the last year for which full historical data are available, 60 Conventions and Tradeshows were held at the center, along with seven Corporate Conventions. Preliminary data for 2009 indicate an increase in bookings of these key event types. The remaining events, which drew primarily from the local market, accounted for 167 events in 2008. Approximately 60 percent of the total events held at the center are Meetings, Community Events, and Food & Beverage Events, which have minimal impact on the local economy. However, it is important to note that this particular set of data points do not reflect numbers of attendees, square footages utilized by each event, or room nights generated.

Table 2: Number of Events at SDCC by Type, FY 2003 – FY 2009

Fiscal Year	2003	2004	2005	2006	2007	2008	2009
National / State Conventions and Tradeshows	46	52	42	60	56	60	62
Corporate Conventions	12	15	13	11	11	7	10
<u>Local Trade Shows</u>	<u>12</u>	<u>8</u>	<u>11</u>	<u>12</u>	<u>9</u>	<u>10</u>	<u>9</u>
Total Conventions and Trade Shows	70	75	66	83	76	77	81
Consumer Shows	5	11	9	15	13	17	16
Meetings, Community Events, Food & Bev.	156	147	149	183	131	140	152
Total Events	231	233	224	281	220	234	249

Source: San Diego Convention Center Corporation

Note: FY 2009 Data includes Actual data through 02.28.09 and expected data for 03.01.09 through 06.30.09

Attendance

In recent fiscal years, the SDCC has drawn nearly one million attendees annually to events of all types. Even in Fiscal Year 2009, which has captured the entirety of the economic downturn to date, the center's attendance was over 929,000. Although this represents a decline from previous years, it is still a very strong attendance count. When all of the fiscal years shown below are averaged, approximately 59 percent of attendees are coming for Corporate Conventions or National / State Conventions and Tradeshows. Again, these categories generally have substantially higher levels of economic benefits per attendee. Consumer Shows draw the largest number of attendees per event, followed by National / State Conventions and Tradeshows. As one might expect as a result of the economic downturn, the number of attendees per event at National / State Conventions and Tradeshows has decreased in Fiscal Year 2009.

Table 3: Attendance at SDCC Event by Type, FY 2003 – FY 2009

Fiscal Year	2003	2004	2005	2006	2007	2008	2009
National / State Conventions and Tradeshows	360,395	445,704	441,151	462,762	568,829	628,788	543,691
Corporate Conventions	44,218	49,691	52,999	49,119	48,260	19,371	34,305
<u>Local Trade Shows</u>	<u>22,184</u>	<u>17,120</u>	<u>21,861</u>	<u>31,379</u>	<u>24,166</u>	<u>27,576</u>	<u>20,733</u>
Total Conventions and Trade Shows	426,797	512,515	516,011	543,260	641,255	675,735	598,729
Consumer Shows	154,765	203,057	171,155	184,108	207,980	187,347	165,566
Meetings, Community Events, Food & Bev.	229,222	179,786	172,892	223,392	134,471	133,145	165,172
Total Events	810,784	895,358	860,058	950,760	983,706	996,227	929,467

Source: San Diego Convention Center Corporation

Note: FY 2009 Data includes Actual data through 02.28.09 and expected data for 03.01.09 through 06.30.09

Figure 3: Attendance at SDCC Event by Type, FY 2003-2009

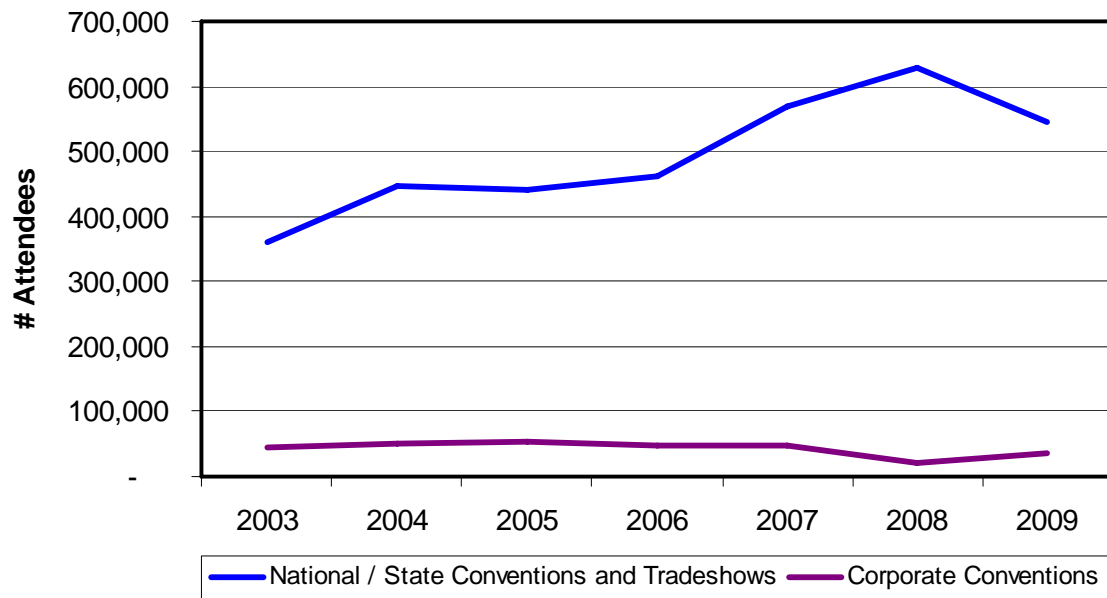


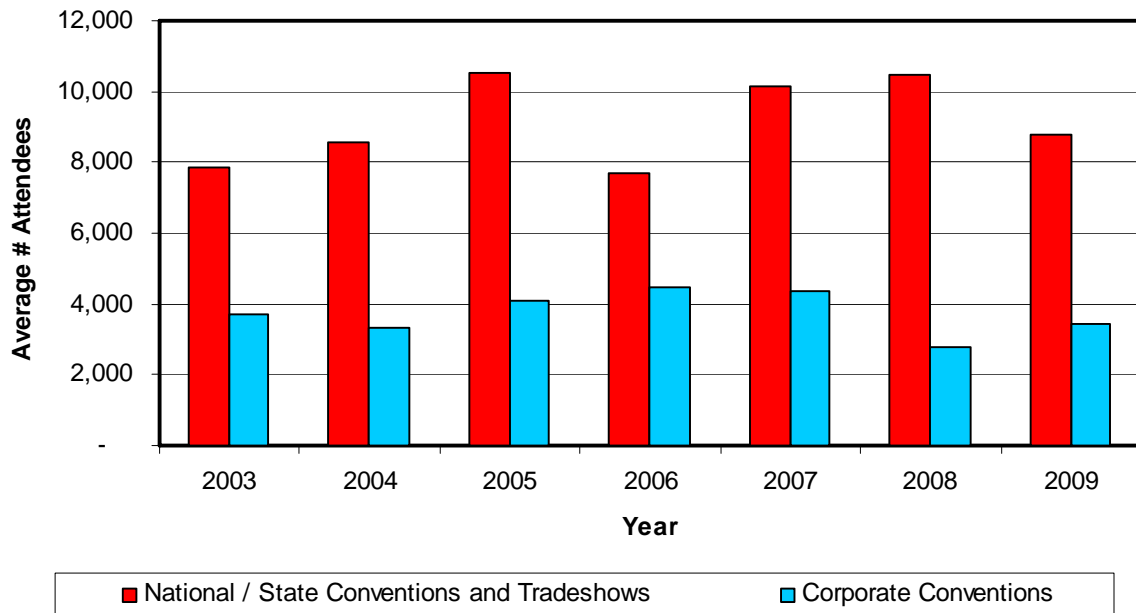
Table 4: Average Attendance at SDCC Event by Type, FY 2003 – FY 2009

Fiscal Year	2003	2004	2005	2006	2007	2008	2009
National / State Conventions and Tradeshow	7,835	8,571	10,504	7,713	10,158	10,480	8,769
Corporate Conventions	3,685	3,313	4,077	4,465	4,387	2,767	3,431
Local Trade Shows	1,849	2,140	1,987	2,615	2,685	2,758	2,304
Total Conventions and Trade Shows	6,097	6,834	7,818	6,545	8,438	8,776	7,392
Consumer Shows	30,953	18,460	19,017	12,274	15,998	11,020	10,348
Meetings, Community Events, Food & Bev.	1,469	1,223	1,160	1,221	1,026	951	1,087
Total Events	3,510	3,843	3,840	3,383	4,471	4,257	3,733

Source: San Diego Convention Center Corporation

Note: FY 2009 Data includes Actual data through 02.28.09 and expected data for 03.01.09 through 06.30.09

Figure 4: Average Convention and Tradeshow Attendance, FY 2003-2009



Room Nights

Data on room nights generated by events held at the SDCC are presented below. It should be noted that these numbers include *only* room nights booked within the block of rooms set aside for each event. The true numbers of room nights supported by events at the center will be larger, as attendees often stay at alternate hotels outside of the block due to cost, availability, or personal preference. Previous studies commissioned by the Convention Center Corporation have found that the “out of block” booking of hotel rooms generates approximately another 30 percent in room nights.

In Fiscal Year 2009, room nights decreased only slightly from 2008. In addition, it is worth noting that 98.6 percent of all room nights are generated by Corporate Conventions and National / State Conventions and Tradeshows. Corporate Conventions generate the greatest number of room nights per attendee, followed by the National / State Conventions and Tradeshows events.

Table 5: Room Nights from SDCC Events by Type, FY 2003 – FY 2009

Fiscal Year	2003	2004	2005	2006	2007	2008	2009
National / State Conventions and Tradeshows	600,176	586,451	538,982	541,277	630,003	681,672	659,808
Corporate Conventions	99,667	122,716	114,616	93,612	98,900	41,027	56,346
<u>Local Trade Shows</u>	<u>3,603</u>	<u>1,650</u>	<u>7,060</u>	<u>2,210</u>	<u>355</u>	<u>355</u>	<u>375</u>
Total Conventions and Trade Shows	703,446	710,817	660,658	637,099	729,258	723,054	716,529
Consumer Shows	1,055	460	585	1,225	2,245	940	936
Meetings, Community Events, Food & Bev.	1,818	3,242	14,065	7,860	7,255	4,108	7,915
Total Events	706,319	714,519	675,308	646,184	738,758	728,102	725,380

Source: San Diego Convention Center Corporation

Note: FY 2009 Data includes observable data through 02.28.09 and expected data for 03.01.09 through 06.30.09.

Previous studies have shown that the actual room night generation is approximately 30% greater than what is observable due to individual bookings outside of the reserved room block.

Figure 5: Total Number of Room Nights Attributable to Events at the SDCC, FY 2003-2009

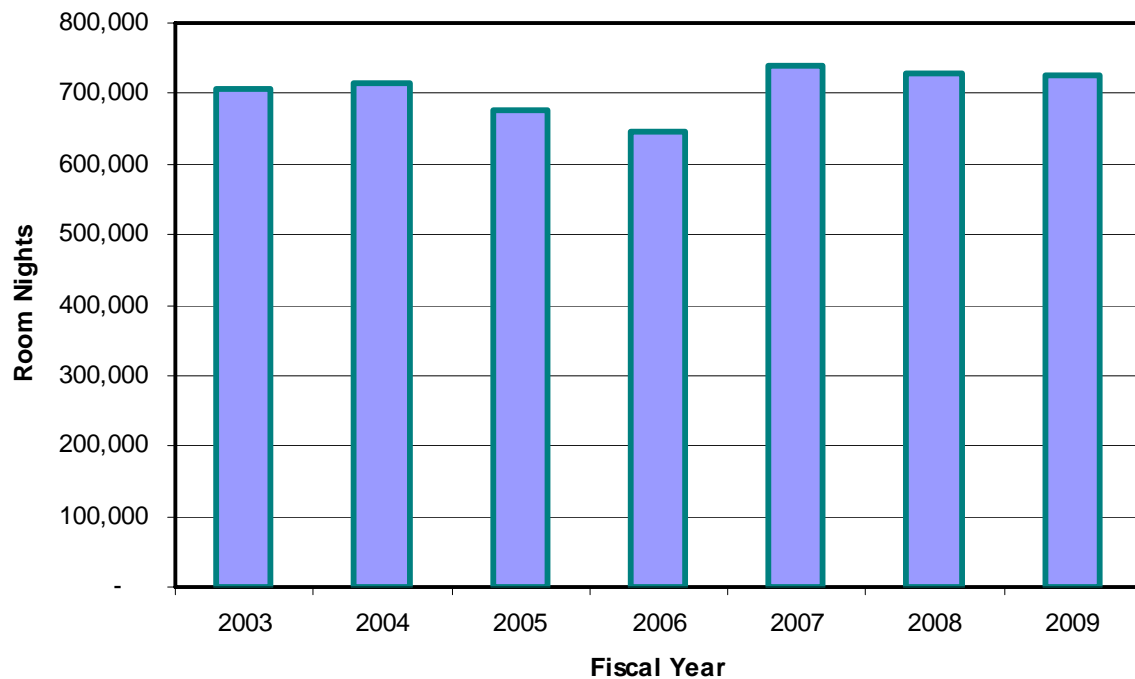


Table 6: Room Nights per Attendee for SDCC Events by Type, FY 2003 – FY 2009

Fiscal Year	2003	2004	2005	2006	2007	2008	2009
National / State Conventions and Tradeshow	1.67	1.32	1.22	1.17	1.11	1.08	1.21
Corporate Conventions	2.25	2.47	2.16	1.91	2.05	2.12	1.64
Local Trade Shows	0.16	0.10	0.32	0.07	0.01	0.01	0.02
Total Conventions and Trade Shows	1.65	1.39	1.28	1.17	1.14	1.07	1.20
Consumer Shows	0.01	0.00	0.00	0.01	0.01	0.01	0.01
Meetings, Community Events, Food & Bev.	0.01	0.02	0.08	0.04	0.05	0.03	0.05
Total Events	0.87	0.80	0.79	0.68	0.75	0.73	0.78

Source: San Diego Convention Center Corporation

Note: FY 2009 Data includes observable data through 02.28.09 and expected data for 03.01.09 through 06.30.09.

Previous studies have shown that the actual room night generation is approximately 30% greater than what is observable due to individual bookings outside of the reserved room block.

Occupancy Rates

To determine an occupancy rate for the center, ERA began with the number of days annually that each exhibit hall was occupied. The annual occupancy for each hall was multiplied by the number of square feet within that hall. The results for the center’s eight halls were aggregated to reach a center-wide measurement of occupied square foot days. This total was divided by the product of the total exhibit hall square feet at SDCC times 365 days per year. The data presented below were generated through this methodology.

Since Fiscal Year 2003, the center’s occupancy rate has been more than 65 percent. The highest occupancy in this time period was 79.5 percent in 2007. Although the economic downturn has negatively impacted the center’s occupancy in Fiscal Year 2009, the occupancy rate remains at 70 percent. For those familiar with occupancy rates of other types of real estate, this may appear a low occupancy rate. However, convention centers routinely post lower occupancy rates than other land use types because of unusable days between major events and maintenance. For a convention center, 70 percent is considered a very high occupancy rate, and may indicate that the center is turning away business because of lack of availability. Data provided by the SDCC Corporation indicates that this is, in fact, exactly what is happening at the center.

The event type with the highest occupancy rates at the center is National / State Conventions and Tradeshow. This category saw a decrease in occupancy when compared with 2008, but the occupancy rates are still above those posted in 2003 – 2006, which were considered successful fiscal years. This group, along with corporate conventions, should comprise the bulk of the events on a per square foot basis at the center to maximize the regional economic benefits of the SDCC.

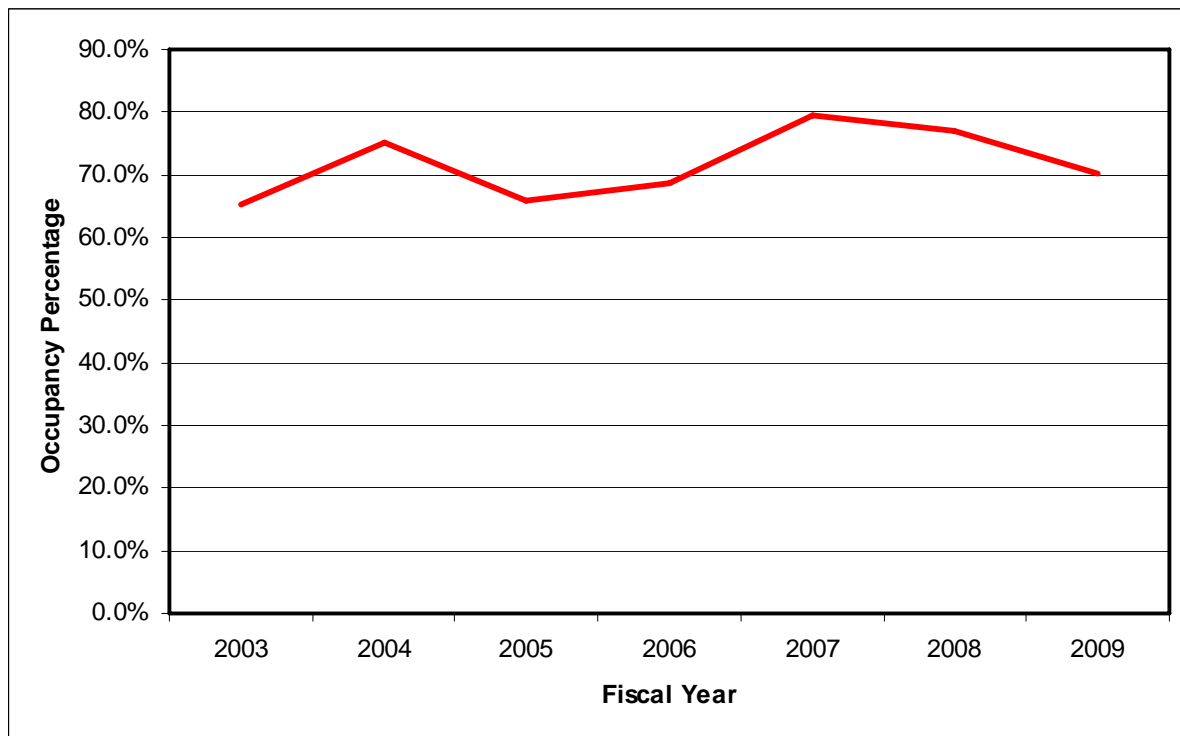
Table 7: Occupancy Rates at SDCC by Event Type, FY 2003 – FY 2009

Fiscal Year	2003	2004	2005	2006	2007	2008	2009
National / State Conventions and Tradeshow	44.0%	48.9%	41.1%	46.1%	57.3%	61.2%	53.8%
Corporate Conventions	9.5%	12.1%	10.9%	9.5%	9.5%	2.8%	3.9%
<u>Local Trade Shows</u>	<u>1.0%</u>	<u>0.4%</u>	<u>1.5%</u>	<u>0.7%</u>	<u>0.7%</u>	<u>0.7%</u>	<u>0.4%</u>
Total Conventions and Trade Shows	54.5%	61.4%	53.4%	56.2%	67.5%	64.7%	58.0%
Consumer Shows	4.9%	7.0%	7.0%	7.7%	8.1%	8.0%	7.7%
Meetings, Community Events, Food & Bev.	5.7%	6.7%	5.5%	4.8%	3.9%	4.2%	4.4%
Total Events	65.1%	75.2%	66.0%	68.8%	79.5%	77.0%	70.1%

Source: San Diego Convention Center Corporation

Note: FY 2009 Data includes Actual data through 02.28.09 and expected data for 03.01.09 through 06.30.09

Figure 6: Occupancy Rates at SDCC, FY 2003-2009



Largest User Groups

Presented in the table below are the ten largest room generating events from Fiscal Years 2007 - 2009. Many of the largest user groups are medical associations, which bring high numbers of attendees from other metropolitan areas, generate many room nights, and tend to have high

expenditures locally per attendee. In addition, medical groups are less susceptible to economic downturns. One of the ten largest room generators in Fiscal Year 2007 and 2008 is the San Diego Comic Con. This event is included in the Fiscal Year 2009 chart because it generates very large numbers of rooms beyond the reserved room block. With more than 120,000 attendees annually, most San Diego hotels have little or no occupancy, regardless of price point or proximity to the convention center. All of these events can be considered high in economic impact.

Table 8: Largest Room Night Generating Events, FY 2007 – FY 2009

Rank	Event / Organization	Room Nights	Attendance
<i>FY 2007</i>			
1	American Academy of Orthopaedic Surgeons	74,700	31,695
2	American Psychiatric Association	47,589	17,200
3	ASIS International Annual Seminar & Exhibits	35,080	25,000
4	American Society of Nephrology	32,316	12,000
5	National Safety Council	24,725	15,000
6	Environmental Systems Research Institute	21,100	14,500
7	American College of Obstetricians & Gynecologists	21,015	7,000
8	San Diego Comic Con	20,320	123,000
9	Environmental Systems Research Institute	20,301	14,499
10	National Educational Computing Conference	19,805	12,000
<i>FY 2008</i>			
1	Society for Neuroscience	52,900	32,011
2	Digestive Disease Week	48,060	23,359
3	Bio 2008	36,970	20,408
4	Water Environment Federation	29,817	19,929
5	American Association for Cancer Research	29,420	17,220
6	Siggraph International Conference & Exhibits	26,850	24,043
7	Risk and Insurance Management Society	26,235	10,255
8	American Association for Clinical Chemistry	25,960	19,500
9	Fed. Of American Societies for Experimental Biology	23,157	15,864
10	San Diego Comic Con	20,310	125,000
<i>FY 2009</i>			
1	National Education Association	48,610	16,500
2	National School Boards Association	37,400	9,446
3	American Thoracic Society International Conference	35,875	16,000
4	American Educational Research Association	32,520	16,000
5	International Association of Chiefs of Police	32,460	16,290
6	American Public Transportation Association	25,650	13,156
7	American Water Works Association Annual Conference	23,746	13,000
8	American Academy of Family Physicians	22,095	12,310
9	Environmental Systems Research Institute	21,199	14,400
10	ASAE & Center for Association Leadership	20,700	6,100
11	San Diego Comic Con	20,310	126,000

Source: San Diego Convention Center Corporation

Scheduled Future Events

As of April 23rd, the SDCC Corporation had the following events marked as “Confirmed” or “Definite” within their booking records. Approximately 81 events are scheduled for 2010, of which 60 are Conventions and Tradeshow or Corporate Conventions. Additional events are likely to come up in Corporate Conventions, Consumer Shows, Meetings, Community Events, and Food & Beverage

Events. Though not reflected within this table, there are many other events for each year that will almost certainly take place. They are not technically marked “Confirmed” or “Definite” within the data ERA has received, but the events recur on an annual basis and have dates selected for future years.

Bookings should be expected to diminish dramatically the further into the future one looks. This is because an analysis of the type shown in Table 9 shows only the highest priority business targets in the distant future, and then only those that have made significant commitments to come to San Diego. As time rolls forward, marketing will continue and additional priority events will be contracted. Furthermore, there should be no bookings for secondary types of business in future years, as those are not allowed to book until a short time frame. In essence, the purpose of secondary business is to fill in the dates that are not contracted by the most important, primary, groups.

Table 9: Future Events at SDCC by Type, FY 2009 – FY 2019

Fiscal Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
National / State Conventions and Tradeshows	62	56	50	38	34	28	21	17	16	7	9
Corporate Conventions	10	4	4	4	0	0	0	0	0	0	0
Local Trade Shows	9	2	0	0	0	0	0	0	0	0	0
Total Conventions and Trade Shows	81	62	54	42	34	28	21	17	16	7	9
Consumer Shows	16	5	2	1	0	0	0	0	0	0	0
Meetings, Community Events, Food & Bev.	152	14	0	0	0	0	0	0	0	0	0
Total Events	249	81	56	43	34	28	21	17	16	7	9

Source: San Diego Convention Center Corporation

Note: future bookings in an analysis of this type should be expected to decline dramatically the further into the future one looks for the reasons described in the text.

This chart includes FY 2010 - FY 2019 events that are categorized by the SDCC Corporation as Contracted and Definite as of 04.23.09.

In addition, eight events between 2016 and 2019 will book space at the SDCC if given the opportunity by an expansion. They cannot currently book at the center because of space and date considerations. The SDCC Corporation considers these events to be contingent on the expansion. Note that groups of these types represent not only a single booking for the dates shown, but if there is sufficient space to accommodate them, they may join a rotation that brings them back to San Diego repeatedly in 3 to 5 year increments into the future.

The fact that there are events on a waiting list for space at the center is a considered positive indicator, as it confirms San Diego’s ongoing desirability as a convention destination. Additionally, if planning for an expansion program proceeds, ERA anticipates that this list will grow longer. It should be noted, however, that as the dates of these events approach, groups likely will find alternate locations unless it is clear that the center will be expanded by their dates.

Table 10: Future Events Scheduled Contingent on Expansion

Event / Organization	Type of Event	FY ¹	Total Room Nights	Attendance
American Pet Products Manuf. Assoc.	Convention & Tradeshow	2016	10,000	12,000
American Academy of Orthopaedic Surgeons	Convention & Tradeshow	2017	71,305	30,000
American Pet Products Manuf. Assoc.	Convention & Tradeshow	2017	14,000	14,000
American College of Chest Physicians	Convention & Tradeshow	2018	15,000	7,500
Healthcare Information & Management Sys.	Convention & Tradeshow	2018	34,385	22,500
Pittsburgh Conference	Convention & Tradeshow	2018	50,000	22,000
American Pet Products Manuf. Assoc.	Convention & Tradeshow	2018	10,989	9,500
Pittsburgh Conference	Convention & Tradeshow	2019	50,000	22,000

¹ And potentially additional dates into the future following a 3 to 5 year rotation pattern back to San Diego.
Source: San Diego Convention Center Corporation

Lost Business Data

The SDCC Corporation maintains detailed records on each inquiry received about the center. If a business opportunity is lost, the data about the group’s needs are recorded. From January 2002 through February of 2009, the following lost business data points have been reported by the SDCC Corporation. This data is shown by year of inquiry about the center, not by year in which the actual event would be held. Approximately 2,740 business opportunities were lost during those 98 months.

Although the PwC report did not parse this data out, ERA decided to analyze the data from the most recent calendar years to answer three key questions. First, which event types are being turned away from the center due to lack of availability? If Community Events, Consumer Shows, or other secondary user groups are being turned away, an expansion might not be reasonable because these groups do little to stimulate the regional economy with net new visitor spending. ERA found that 42 percent of the lost events were Conventions / Tradeshows and another 25 percent were Corporate Conventions. Taken together, 67 percent of the business opportunities lost were event types that are considered “primary” to the SDCC Corporation. These groups, if accommodated through an expansion, would bring regional economic benefits in the form of net new visitor spending for hotels, meals, retail shopping, excursions, and other events. This spending, in turn, would generate tax revenues for the City of San Diego.

The second question ERA sought to answer is: how many room nights are being lost because of center unavailability? It is important to understand the magnitude of the lost opportunities that have accrued to date. For the time period of January 2006 through February 2009, approximately 1,266,000 room nights were lost from events that would have taken place between Fiscal Years 2007 and 2016. This amounts to 126,600 room nights annually. Again, this data only represents business

lost during three years and two months. As the SDCC Corporation continues to gather data, this number will be constantly changing. Regardless of the precision of this data, it is clear that significant room night opportunities are being missed as a result of the center's very high occupancy rates.

Third, ERA asked what number of square feet do these groups require and would the proposed expansion of 225,000 prime exhibit square feet be sufficient to meet their needs? This question is important because the constraints of the site currently being considered may not allow more than 225,000 square feet of prime exhibit space to be constructed. A different non-adjacent site with greater size potential has been taken off the table, so the expansion could be capped at 225,000 square feet. If this expansion were to occur, the center would have just over 750,000 square feet, which still might not accommodate some larger groups. ERA found that approximately 89 percent of the lost events require 225,000 square feet or less. This means that 80 percent of all lost user groups could be accommodated entirely within the expansion space. Another ten percent of events would require between 225,100 square feet and 525,700 square feet, meaning that even with the expansion, these events would have to utilize some of the center's existing space. Approximately 9 percent of the user groups did not report this information. None of the lost businesses required more than 750,000 square feet, which is consistent with the fact that most meeting planners have access to guide books, which provide basic data points about each facility's spaces. If these guide books were updated to reflect an expanded center, planners coordinating larger events could also begin seeking to use the SDCC.

Table 11: Lost Business by Year of Inquiry, Calendar Years 2002 – 2009

Reason for Lost Business	2002	2003	2004	2005	2006	2007	2008	2009 YTD	Percent of Lost Business
Center Unavailable	186	146	162	170	135	173	118	4	40.0%
Prefer Single Property / Downsized	34	27	35	40	20	19	24	9	7.6%
Geographical / Rotation	23	24	28	23	13	11	31	8	5.9%
Meeting / Event Cancelled or Postponed	34	21	33	14	6	5	4	1	4.3%
Center Rates too Expensive	32	20	18	29	7	11	18	3	5.0%
No Response from Client	31	20	14	22	5	9	14	1	4.2%
Hotel Rates too Expensive	17	16	11	18	19	11	14	1	3.9%
No Headquarter Hotel	12	4	6	17	39	7	1	-	3.1%
Preferred Hotel Package Unavailable	11	8	9	8	6	8	4	2	2.0%
Option Forcecd	4	9	13	8	1	-	3	-	1.4%
Economic Downturn	24	10	-	-	-	1	4	2	1.5%
Competitive Show / Similar Dates	4	4	3	-	2	2	1	-	0.6%
Do Not Use Centers	-	1	1	4	-	5	5	-	0.6%
Headquarter Hotel Declined Group	-	1	-	-	-	-	-	-	0.0%
Other	42	136	105	107	44	35	68	4	19.8%
Total	454	447	438	460	297	297	309	35	

Source: San Diego Convention Center Corporation
 Note: 2009 Data includes lost business reported in January and February only

Table 12: Detail on Lost Business Due to Center Unavailability

Reason for Lost Business	2007	2008	2009	2010	2011	2012	2013	2014	2016	No Year	TOTAL
Total Lost Events	65	92	114	78	32	12	7	5	3	17	425
Percent Convention / Trade Show	48%	32%	37%	45%	66%	58%	57%	40%	67%	35%	42%
Percent Corporate	14%	28%	31%	31%	19%	8%	0%	0%	0%	24%	25%
Total Room Nights Lost	301,597	152,723	199,515	241,277	147,515	17,946	37,190	20,908	62,500	84,989	1,266,160
Average Room Nights Lost	6,283	4,628	3,563	5,745	6,414	2,991	9,298	5,227	n/a	9,443	5,578
Average SF Needed per Event	128,996	83,765	112,088	96,892	152,842	118,850	196,667	141,667	190,000	238,636	114,135

Source: San Diego Convention Center Corporation

Note: Includes Lost Business Data Gathered during the calendar years of 2006 - Feb 2009. There are no recorded lost events for 2015.

Average Room Nights Lost are not reported in 2016 because the numbers appear very skewed relative to other years' averages

Table 13: Space Requirements of Business Lost Due to Unavailability

Square Feet Needed	Number of Events	Percent
Zero - 225,000 Square Feet	339	79.8%
225,100 - 525,700 Square Feet	42	9.9%
525,800 - 750,000 Square Feet	5	1.2%
750,100+ Square Feet	0	0.0%
No Square Footage Reported	39	9.2%
Total	425	

Source: San Diego Convention Center Corporation

Note: 2009 Data includes lost business reported in January and February only

III. Local Market Area Conditions

To consistently serve as a desirable location for conventions, tradeshow and meetings, San Diego's local market area must possess certain conditions, which appeal to convention attendees and organizers. The neighborhood conditions immediately surrounding center are important and the region needs a vibrant, active, and well-diversified economic base. Visitors require ample and convenient air access from a diversity of cities. In addition, the hotel market needs to be sufficient to accommodate convention attendees, both in terms of availability and price point.

Local Demographics

San Diego County contains more than 3 million residents. In total, there are approximately 2 million estimated employees as of 2009. As of 2009, the county's mean household income is estimated at \$105,000 (in 2004 dollars). This data set, however, does not reflect any potentially negative effects on employment or population of the recent economic downturn. Some of the area's largest employers include the State of California, the Federal Government, and UC San Diego. Other major industries represented by the largest employers include telecommunications, medicine, and major contractors working on behalf of various arms of the United States military. The economy is fairly well diversified, and many of the area's large employers are institutions that are less vulnerable to economic decline than the average business.

In addition, the area immediately surrounding the SDCC is a vibrant, clean, pedestrian-friendly area. When coupled with San Diego's excellent weather and nearby waterfront, the environment around the SDCC is optimal for convention-goers. The Gaslamp Quarter has more than 80 registered retail stores and approximately 125 restaurants of varying price points. There are also more than 50 bars and nightlife establishments. Across the street from the SDCC is PETCO Park, the home field of the San Diego Padres. There are approximately 80 home games each season between April and October, which draw tourists and residents alike. The San Diego Trolley passes right in front of the SDCC and provides access to Little Italy and Mission Valley, which have additional shopping and dining options. For those who choose to rent cars, Hillcrest is located just three miles due north of the SDCC, the family-oriented community of Coronado is a four-mile drive away, and upscale La Jolla is less than 15 miles away. All of these areas have walkable retail areas that contain attractive concentrations of shops and restaurants. San Diego's downtown is highly attractive as a convention destination, due to its surrounding neighborhood. The area is also excellent for air access and hotel services, which are discussed in the following sections.

Table 14: Demographic Characteristics of San Diego County, 2000 - 2009

Year	Population	Total Employment	Median Age	Mean Household Income
2000	2,824,930	1,733,520	33.2	\$97,881
2001	2,864,590	1,750,740	33.3	\$98,756
2002	2,901,720	1,776,720	33.5	\$99,152
2003	2,921,810	1,813,360	33.6	\$100,015
2004	2,933,930	1,846,530	33.8	\$104,584
2005	2,936,610	1,882,580	33.8	\$106,587
2006	2,941,450	1,924,800	34.0	\$102,233
2007	2,991,290	1,967,040	34.1	\$102,968
2008	3,033,680	2,009,300	34.2	\$104,012
2009	3,075,680	2,051,580	34.3	\$105,109

Source: Woods and Poole

Note: Mean Household Income is presented in 2004 Dollars.

Table 15: Largest 25 Employers, 2008

Rank	Employer	Number of Employees
1	State of California	41,400
2	Federal Government	40,800
3	UC San Diego	30,078
4	County of San Diego	16,303
5	San Diego Unified School District	15,800
6	Sharp HealthCare	14,390
7	Scripps Health	11,690
8	City of San Diego	11,054
9	Qualcomm Inc.	9,444
10	Kaiser Permanente	7,608
11	San Diego State University-EMC	6,939
12	U.S. Postal Service, San Diego District	6,854
13	Sempra Energy	5,092
14	San Diego Community College District	4,950
15	General Dynamics Nassco	4,700
16	AT&T	4,400
17	Northrop Grumman Corp.	4,190
18	SAIC	4,158
19	General Atomics	3,716
20	Rady Children's Hospital - San Diego	3,516
21	University of San Diego	3,230
22	Palomar Community College	3,199
23	Elite Show Services Inc.	3,123
24	Barona Valley Ranch Resort & Casino	3,100
25	Palomar Pomerado Health	3,016

Source: San Diego Business Journal

Air Accessibility

One important indicator of an area's long-term viability as a convention center destination is air access. This is especially true for the SDCC because approximately 70 percent of event attendees arrive via air travel.¹ The SDCC is located just two miles from the San Diego International Airport. This means that event attendees have a very short cab ride to the convention center or a nearby hotel. The airport is situated on approximately 600 acres and is one of the busiest single-runway airports in the U.S. In 2008, the last year for which full data is available, approximately 18 million passengers were served at the airport, although the number of passengers declined from 2007.

When monthly data points from 2009 are evaluated, the number of airlines servicing the airport and the number direct cities served both contracted slightly from the same months in 2008, which is to be expected considering the change in economic conditions. In addition, passenger volume has declined considerably in January, February and March relative to 2008 data from the same months. These contractions are indicators of decreased demand. When the economy eventually rebounds, ERA expects that San Diego's airport service will improve again.

Table 16: San Diego International Airport Accessibility Data, 1999 – 2009

	Enplaned Passengers	Deplaned Passengers	Total Passengers Served	Direct US Cities Served	Total Airlines
1999	7,655,808	7,646,108	15,301,916	64	15
2000	7,915,899	7,904,443	15,820,342	63	15
2001	7,613,593	7,570,739	15,184,332	68	16
2002	7,471,644	7,460,210	14,931,854	66	14
2003	7,637,193	7,623,598	15,260,791	63	16
2004	8,200,687	8,176,617	16,377,304	61	15
2005	8,692,694	8,679,827	17,372,521	66	15
2006	8,759,669	8,722,273	17,481,942	69	17
2007	9,172,939	9,152,795	18,326,734	70	17
2008	9,061,155	9,064,478	18,125,633	79	19
2009	n/a	n/a	n/a	71	16

Source: San Diego International Airport

¹ SDCC Visitor Profile Report, CIC Research, June 2008

Table 17: San Diego International Airport Monthly Passenger Data

			Change From	Percent Change
			Previous Year	
	<u>2007</u>	<u>2008</u>		
June	1,623,696	1,689,219	65,523	4.0%
July	1,762,691	1,737,139	-25,552	-1.4%
August	1,791,517	1,726,591	-64,926	-3.6%
September	1,476,889	1,340,757	-136,132	-9.2%
October	1,535,425	1,443,479	-91,946	-6.0%
November	1,534,262	1,317,894	-216,368	-14.1%
December	1,447,131	1,336,138	-110,993	-7.7%
	<u>2008</u>	<u>2009</u>		
January	1,379,184	1,226,945	-152,239	-11.0%
February	1,384,483	1,191,493	-192,990	-13.9%
March	1,620,629	1,382,583	-238,046	-14.7%

Source: San Diego International Airport

Hotel Market and Performance

Most event attendees seeking overnight accommodations stay in downtown San Diego due to its proximity to the center. Consequently, ERA analyzed two different hotel geographies: the San Diego Downtown Submarket as defined by Smith Travel Research and the San Diego Core as defined in PwC's 2007 report, which includes a limited number of convention-class hotels that cater to event attendees. ERA added three significant hotel properties to the San Diego Core that have been opened since the PwC report was completed. The hotel market and performance findings for these two geographies are presented below.

San Diego Downtown Submarket

Annual room supply in the Downtown Submarket has increased in recent years, with nearly 500,000 new room nights coming available between 2003 and 2008. Demand has also increased in those years. Since 2001, the Downtown Submarket has performed very well, even in the year immediately following 9/11 when travel dropped precipitously in other major markets. Annual average hotel occupancy has exceeded 70 percent every year through 2008, the last year for which full data are available. The slight occupancy decline in 2008 is partially due to new hotel rooms coming online. The submarket's Average Daily Rate (ADR) has increased every year since 2002 and was \$185 in 2008. Revenue per Available Room (RevPAR) also has increased markedly since 2002. In 2008, however, RevPAR was \$136, a decrease from 2007, reflecting lower occupancy rates at area hotels.

Despite these strong annual performance numbers, 2008 yearly data points do not adequately reflect the impact of the economic recession on the hotel market. To address this issue, ERA has analyzed occupancy, ADR, and RevPAR data on a monthly basis from April 2007 to the present. The data are shown in the tables and figures that follow. The figures are best understood when the two data points for any particular month are compared to each other. Due to seasonal effects, the performance of each line is less relevant. For example, hotel performance routinely dips in the months of November and December due to the holidays. However, hotel performance in November and December of 2008 was not as strong as the same months in 2007, which reflects the downturn.

Occupancy rates were considerably lower from November 2008 through March 2009 than the rates for the same months in the previous year. ADR has been slightly lower in recent months, but stayed quite high relative to the previous year until March 2009, when ADR was \$164, 12 percent below that of March 2008. RevPAR, a measurement that combines both occupancy and room night rates, has been substantially smaller. This is because it has been measuring a decline in both occupancy rates and room pricing.

Table 18: San Diego Downtown Submarket Room Supply and Demand, 2003 - 2008

	Room Supply	Percent Change	Room Demand	Percent Change	Occupied Percent
2003	4,931,083	-	3,646,911	-	74%
2004	5,107,347	3.6%	3,743,792	2.7%	73%
2005	5,180,221	1.4%	3,964,972	5.9%	77%
2006	5,121,822	-1.1%	3,949,143	-0.4%	77%
2007	5,341,621	4.3%	4,074,932	3.2%	76%
2008	5,569,463	4.3%	4,091,752	0.4%	73%

Source: Smith Travel Research, 2009

Table 19: San Diego Downtown Submarket Hotel Performance Data, 2001 - 2008

Year	Percent Occupancy	Percent Change	Average Daily Rate	Percent Change	Revenue Per Available Room	Percent Change
2001	70.9%	-	\$141	-	\$100	-
2002	74.4%	4.9%	\$139	-1.1%	\$104	3.7%
2003	74.0%	-0.5%	\$147	5.3%	\$109	4.8%
2004	73.3%	-0.9%	\$151	2.9%	\$111	1.9%
2005	76.5%	4.4%	\$161	6.3%	\$123	11.0%
2006	77.1%	0.8%	\$173	8.0%	\$134	8.8%
2007	76.3%	-1.0%	\$180	3.7%	\$137	2.6%
2008	73.5%	-3.7%	\$185	2.8%	\$136	-1.0%

Source: Smith Travel Research, 2009

Table 20: San Diego Downtown Submarket Monthly Hotel Occupancy Rates

	Year		Numeric Change From Previous Year	Percent Change
	2007	2008		
April	76.0%	81.7%	5.7%	7.5%
May	76.1%	77.5%	1.4%	1.8%
June	83.4%	81.6%	-1.8%	-2.2%
July	84.1%	79.3%	-4.8%	-5.7%
August	87.3%	85.8%	-1.5%	-1.7%
September	75.5%	66.5%	-9.0%	-11.9%
October	77.1%	75.5%	-1.6%	-2.1%
November	74.9%	63.3%	-11.6%	-15.5%
December	55.6%	49.3%	-6.3%	-11.3%
	2008	2009		
January	68.8%	58.3%	-10.5%	-15.3%
February	76.4%	66.9%	-9.5%	-12.4%
March	78.1%	61.4%	-16.7%	-21.4%

Source: Smith Travel Research, April 2009

Figure 7: San Diego Downtown Submarket Monthly Occupancy

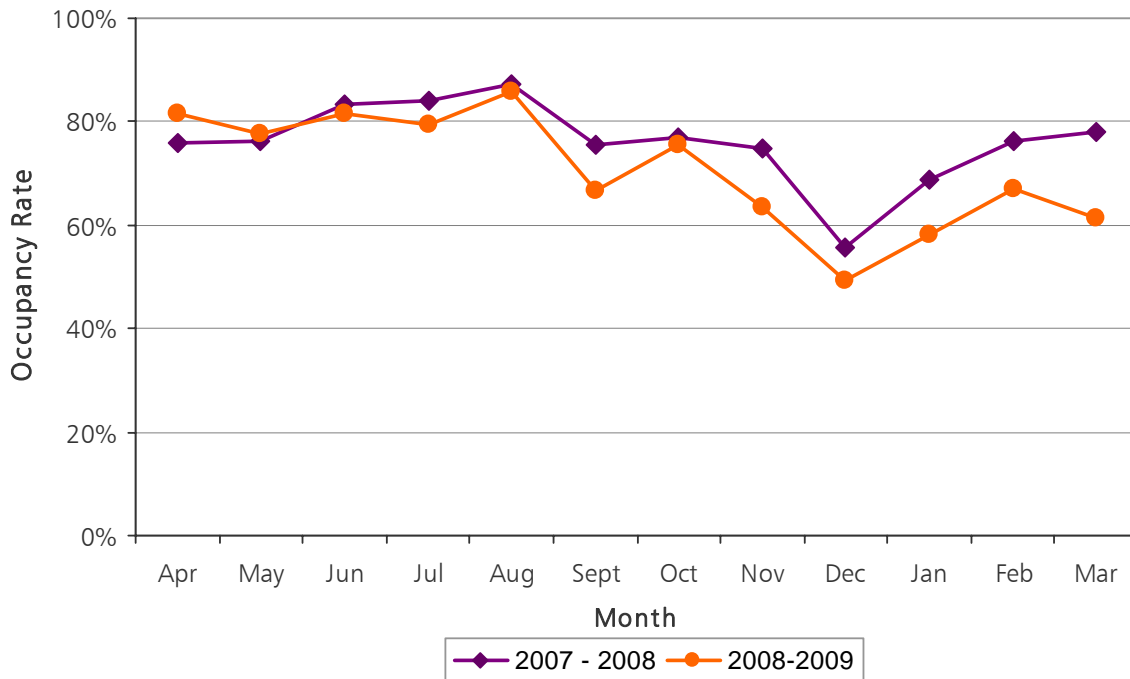


Table 21: San Diego Downtown Submarket Monthly ADR

	Year		Change From Previous Year	Percent Change
	2007	2008		
April	\$182.6	\$199.5	\$16.8	9%
May	\$182.0	\$196.4	\$14.3	8%
June	\$185.0	\$197.1	\$12.1	7%
July	\$190.1	\$191.7	\$1.6	1%
August	\$181.3	\$191.8	\$10.5	6%
September	\$177.1	\$179.1	\$1.9	1%
October	\$181.3	\$187.1	\$5.8	3%
November	\$175.7	\$168.8	-\$6.8	-4%
December	\$146.0	\$140.6	-\$5.4	-4%
	2008	2009		
January	\$174.9	\$161.0	-\$13.8	-8%
February	\$184.0	\$177.3	-\$6.7	-4%
March	\$186.5	\$164.3	-\$22.2	-12%

Source: Smith Travel Research, April 2009

Figure 8: San Diego Downtown Submarket Monthly ADR

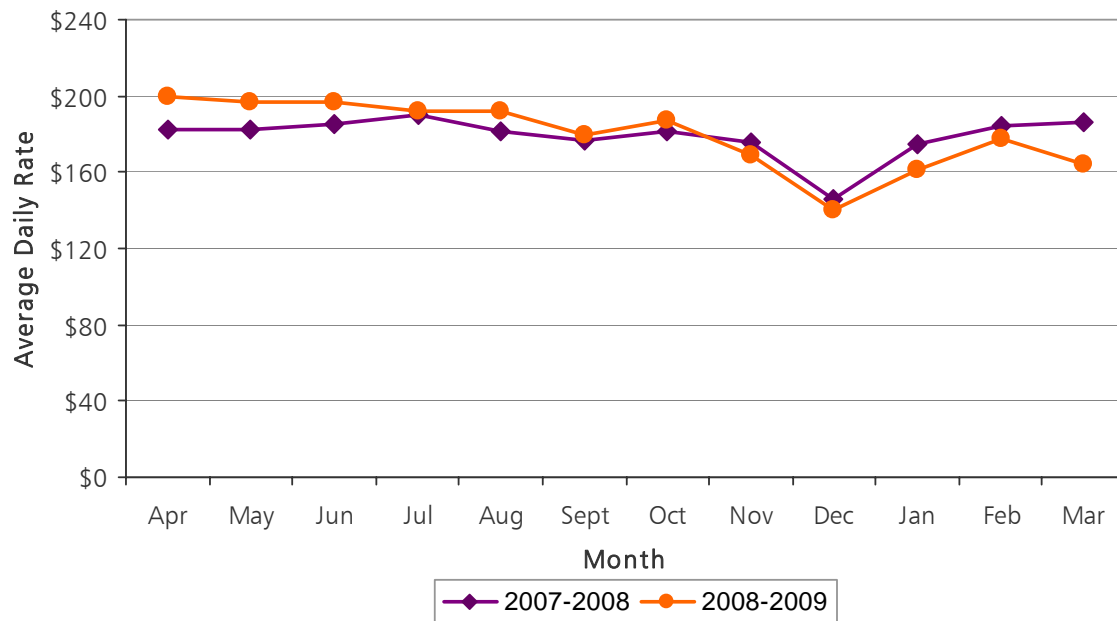
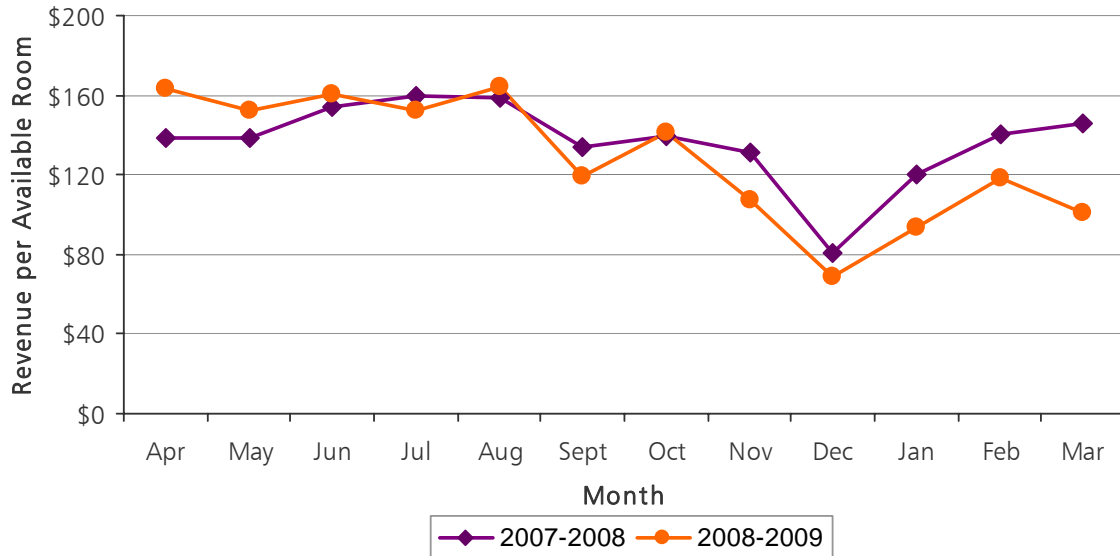


Table 22: San Diego Downtown Submarket Monthly RevPAR

	Year		Change From Previous Year	Percent Change
	2007	2008		
April	\$138.9	\$162.9	\$24.0	17%
May	\$138.5	\$152.2	\$13.8	10%
June	\$154.3	\$160.9	\$6.6	4%
July	\$159.9	\$152.0	-\$7.9	-5%
August	\$158.3	\$164.6	\$6.3	4%
September	\$133.8	\$119.4	-\$14.4	-11%
October	\$139.8	\$141.2	\$1.4	1%
November	\$131.5	\$107.0	-\$24.5	-19%
December	\$81.1	\$69.3	-\$11.9	-15%
	2008	2009		
January	\$120.3	\$93.9	-\$26.4	-22%
February	\$140.6	\$118.6	-\$22.1	-16%
March	\$145.7	\$100.9	-\$44.8	-31%

Source: Smith Travel Research, April 2009

Figure 9: San Diego Downtown Submarket Monthly RevPAR



San Diego Core Hotels

ERA defined the list of Core Hotels as shown in Table 23 below. Since PwC's 2007 study, ERA added three properties that have recently opened (or re-opened). The Hilton San Diego Bayfront and the Hard Rock Hotel have opened, bringing 1,190 and 420 new convention-class rooms into the market, respectively. The Se Hotel was also re-opened, with 120 rooms. Annual room supply among Core Hotels increased every year between 2003 and 2008, in which 283,000 room nights were available throughout the year.

Demand has also increased in those years, but has not kept pace with the added supply, resulting in somewhat lower occupancy rates. Yet occupancy is still very strong at approximately 75 percent. Simultaneously, ADR has increased significantly to \$208 in 2008, higher than the \$185 ADR reported for the larger San Diego Downtown Submarket. Revenue per Available Room (RevPAR) also has been strong, and was \$155 in 2008.

While annual performance numbers are impressive, 2008 data points do not sufficiently measure the impact of the recent economic downturn on the hotel market. ERA analyzed occupancy, ADR, and RevPAR data on a monthly basis from April 2007 to the present, the results of which are shown in the tables and figures that follow. Similar to the San Diego Downtown Submarket, the figures for the Core Hotels are best understood when the two data points for any particular month are compared to each other. Due to seasonal effects, the performance of each line is less relevant. For example, hotel performance routinely dips in the months of November and December due to the holidays. However, hotel performance in November and December of 2008 was not as strong as the same months in 2007, reflecting the downturn.

Occupancy rates were substantially lower from November 2008 through March 2009 than the rates for the same months in the previous year, with March being the hardest hit month to date. ADR has been lower in recent months, but stayed quite high relative to the previous year until March 2009, when ADR was \$183, 12 percent below that of March 2008. It should be noted that the ADR for the Core Hotels is higher than that of the Downtown Submarket, but the March declines were identical at 12 percent. RevPAR, a measurement that combines both occupancy and room night rates, has been substantially smaller. This is because it has been measuring a decline in both occupancy rates and room pricing. RevPAR was 34% lower in March of 2009 than 2008.

Table 23: Core Downtown Hotels

Hotel	Affiliation		Rooms
	Date	Open Date	
Grand Hyatt Manchester San Diego	Dec 1992	Dec 1992	1,625
Marriott San Diego Hotel & Marina	Jun 1984	Jun 1984	1,362
Hilton San Diego Bayfront	Dec 2008	Dec 2008	1,190 *
Holiday Inn San Diego On The Bay	Sep 1977	Jun 1968	600
Omni San Diego Hotel	Apr 2004	Apr 2004	511
Westin Gaslamp Quarter San Diego	Nov 1996	Sep 1987	450
Westin San Diego	Apr 2007	Mar 1991	436
Hard Rock Hotel San Diego	Nov 2007	Nov 2007	420 *
Embassy Suites San Diego Bay Downtown	Aug 1988	Aug 1988	337
Marriott San Diego Gaslamp Quarter	Dec 2004	Jun 1988	306
Hilton San Diego Gaslamp Quarter	May 2000	May 2000	283
Luxury Collection US Grant	Oct 2006	Jun 1910	270
Sheraton Hotel Stes San Diego @ Symphony Hall	Apr 2002	Jan 1990	264
W Hotel San Diego	Dec 2002	Dec 2002	258
Courtyard San Diego Downtown	Oct 1999	Oct 1999	245
Kimpton Hotel Solamar	Jan 2009	Apr 2005	235
Westgate Hotel	Jun 1996	Jun 1970	223
Se San Diego	Jan 2009	Jan 2009	120 *
TOTAL			9,135

Note: Hotels marked with an asterisk have been newly constructed since PwCs 2007 Report

Table 24: Core Downtown Hotel Supply and Demand

	Room Supply	Percent Change	Room Demand	Percent Change	Occupied Percent
2003	2,250,496	-	1,736,352	-	77%
2004	2,470,952	9.8%	1,856,334	6.9%	75%
2005	2,584,056	4.6%	2,017,937	8.7%	78%
2006	2,629,115	1.7%	2,044,589	1.3%	78%
2007	2,728,445	3.8%	2,097,422	2.6%	77%
2008	2,893,015	6.0%	2,156,748	2.8%	75%

Source: Smith Travel Research, 2009

Table 25: Hotel Performance of Core Downtown Hotels

	Percent Occupancy	Percent Change	Average Daily Rate	Percent Change	Revenue Per Available Room	Percent Change
2003	77.2	-	\$163.6	-	\$126.2	-
2004	75.1	-2.6%	\$168.2	2.8%	\$126.3	0.1%
2005	78.1	3.9%	\$181.7	8.0%	\$141.9	12.3%
2006	77.8	-0.4%	\$197.9	8.9%	\$153.9	8.5%
2007	76.9	-1.2%	\$206.2	4.2%	\$158.5	3.0%
2008	74.6	-3.0%	\$208.2	1.0%	\$155.2	-2.1%

Source: Smith Travel Research, 2009

Table 26: San Diego Core Hotel Monthly Occupancy Rates

	Year		Numeric Change from Previous Year Percent Change	
	2007	2008		
April	76.5%	83.7%	7.2%	9.4%
May	77.7%	79.3%	1.6%	2.1%
June	84.3%	81.8%	-2.5%	-3.0%
July	82.4%	77.7%	-4.6%	-5.6%
August	86.9%	86.1%	-0.8%	-0.9%
September	74.0%	67.0%	-7.0%	-9.5%
October	77.8%	79.9%	2.1%	2.7%
November	77.3%	66.0%	-11.3%	-14.6%
December	54.2%	49.6%	-4.6%	-8.5%
	2008	2009		
January	71.0%	59.4%	-11.6%	-16.3%
February	77.1%	69.0%	-8.1%	-10.5%
March	79.4%	59.4%	-20.0%	-25.2%

Source: Smith Travel Research, April 2009

Figure 10: San Diego Core Hotel Monthly Occupancy Rates

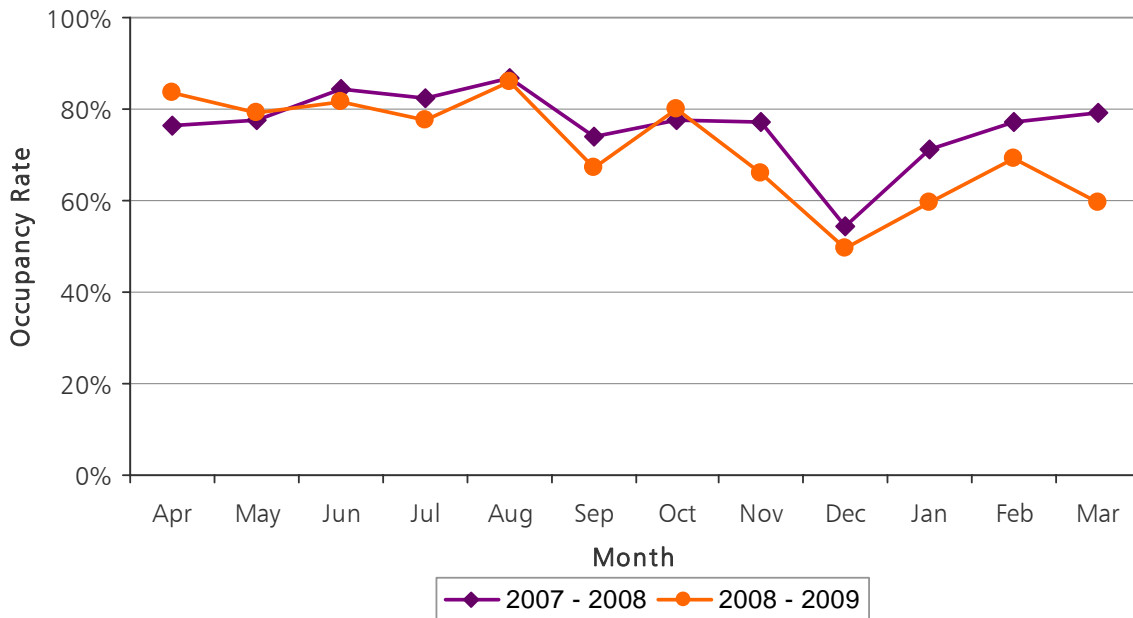


Table 27: San Diego Core Hotel Monthly ADR

	Year		Change From Previous Year Percent Change	
	2007	2008		
April	\$213.5	\$232.8	\$19.4	9%
May	\$214.6	\$226.5	\$12.0	6%
June	\$212.5	\$227.1	\$14.6	7%
July	\$201.3	\$199.6	-\$1.7	-1%
August	\$194.3	\$201.9	\$7.6	4%
September	\$205.6	\$205.7	\$0.1	0%
October	\$211.2	\$218.8	\$7.6	4%
November	\$202.3	\$193.9	-\$8.4	-4%
December	\$164.3	\$153.5	-\$10.7	-7%
	2008	2009		
January	\$200.6	\$180.2	-\$20.3	-10%
February	\$210.6	\$205.0	-\$5.6	-3%
March	\$208.4	\$183.2	-\$25.1	-12%

Source: Smith Travel Research, April 2009

Figure 11: San Diego Core Hotel Monthly ADR

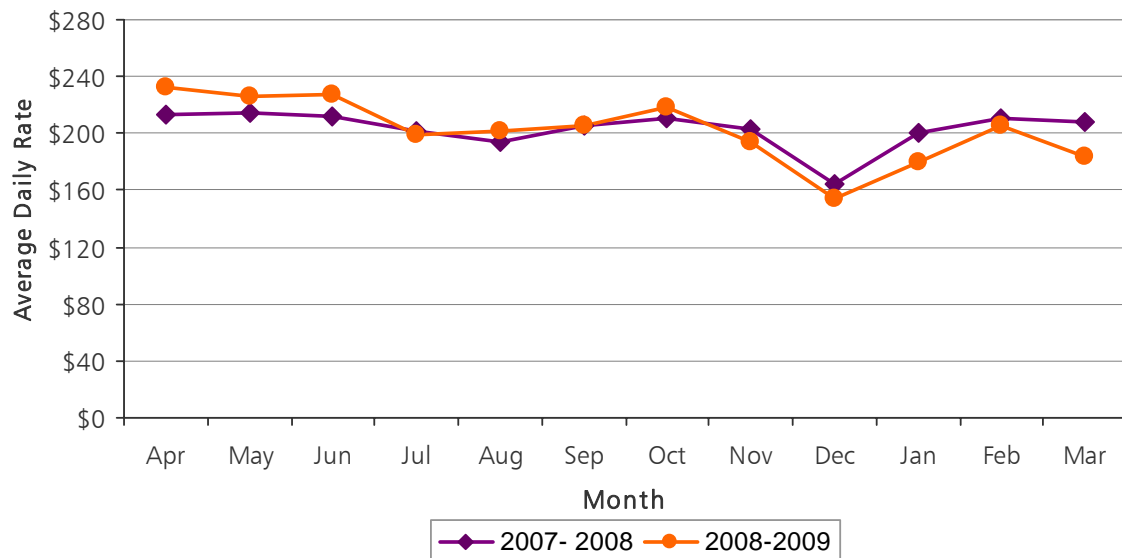
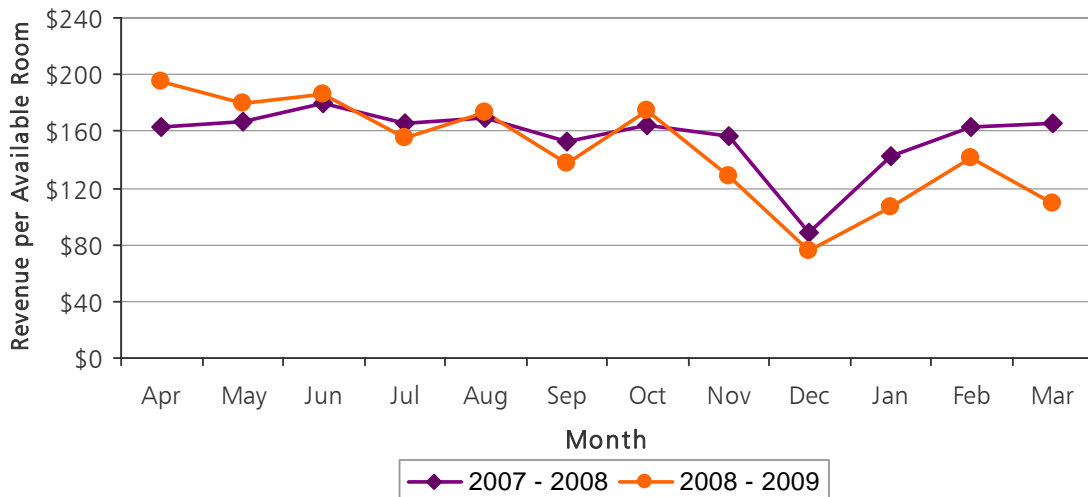


Table 28: San Diego Core Hotel Monthly RevPAR

	Year		Change From Previous Year	Percent Change
	2007	2008		
April	\$163.4	\$194.9	\$31.6	19%
May	\$166.7	\$179.6	\$13.0	8%
June	\$179.1	\$185.7	\$6.6	4%
July	\$165.8	\$155.1	-\$10.7	-6%
August	\$168.8	\$173.8	\$5.0	3%
September	\$152.2	\$137.9	-\$14.3	-9%
October	\$164.3	\$174.8	\$10.6	6%
November	\$156.3	\$127.9	-\$28.4	-18%
December	\$89.1	\$76.2	-\$12.9	-14%
	2008	2009		
January	\$142.4	\$107.2	-\$35.3	-25%
February	\$162.4	\$141.5	-\$20.8	-13%
March	\$165.4	\$108.9	-\$56.6	-34%

Source: Smith Travel Research, April 2009

Figure 12: San Diego Core Hotel Monthly RevPAR



SDCC Room Night Impacts

Since 2004, the number of downtown booked room nights has increased steadily. When compared with the number of room nights directly attributable to events held at the SDCC, it is clear that the center has a significant impact on room nights within downtown. It should be noted that the SDCC event room nights account only for rooms booked within the convention block. Event attendees who book outside the block due to pricing considerations, availability, personal preference, or other reasons will not be reflected in these numbers. Consequently, it is likely that the true impact of events held at the SDCC is higher. In 2008, the last full year for which data points are available, approximately 17% of all room nights booked in downtown were attributable to events at the center.

Table 29: SDCC Room Night Impacts

Fiscal Year	Downtown Room Nights	SDCC Event Room Nights ¹	SDCC as Percent of Downtown ¹
2004	3,741,627	714,519	19%
2005	3,854,779	675,308	18%
2006	3,957,284	646,184	16%
2007	3,982,562	738,758	19%
2008	4,171,526	728,102	17%
2009 YTD ²	2,897,206	463,015	16%

¹ Room nights are those in the room blocks. If the additional 30% that book outside the room block were included, the statistics would be 30% higher.

² FY 2009 Year-to-date includes data for July 1, 2008 through March 30, 2009
Source: Smith Travel Research, San Diego Convention Center Corporation, ERA

IV. Competitive Environment

Since the 1980's the number convention and conference facilities in the United States has continued to expand despite cyclical contractions and external shocks. According to Tradeshow week, over 170 new convention centers have been built since the mid 80's and there have been over 200 expansions of existing facilities. Many professionals, long close to the convention industry, had expected demand to plateau at some point and growth to cease. That has not occurred. Instead, growth has continued at a pace which doubles the total space available nearly every 10 years.

Competitive Market Facility Characteristics

ERA compared the space characteristics of the SDCC to the various facilities located in the predominant competitive markets. Facilities are listed in the order of their total exhibit space, not including their expanded or planned space.

Table 30: Facility Characteristics, Competitive Market

Center Name	Total Exhibit Space (sq. ft.)	Prime Exhibit. Space (sq. ft.)	Contiguous Exh.Space (sq. ft.)	Meeting Rm Space (sq. ft.)	Ballroom Space (sq. ft.)	Total Mtg & BR Space (sq. ft.)	Mtg/BR to Exh Space Ratio	Expanded or Planned Exh. Space (sq. ft.)
Orange County Convention Center	2,053,800	2,053,800	1,103,500	375,000	62,200	437,200	0.21	N/A
Las Vegas Convention Center	1,984,800	1,984,800	635,700	244,000	0	244,000	0.12	500,000
Georgia World Congress Center	1,366,000	1,366,000	607,500	251,100	58,700	309,800	0.23	N/A
Marial Convention Center	1,068,500	1,068,500	1,068,500	330,900	669,001	397,800	0.37	~600,000
Sands Expo & Convention Center	1,035,600	1,035,600	655,600	132,000	92,900	224,900	0.22	N/A
Dallas Convention Center	951,700	726,700	726,700	97,000	46,100	143,100	0.20	Land Purchased
Mandalay Bay Convention Center	934,700	934,700	576,600	100,900	190,700	291,700	0.31	N/A
George R. Brown Convention Center	862,000	862,000	639,000	92,300	31,600	123,900	0.14	N/A
Anaheim Convention Center	813,600	670,100	670,100	81,900	38,100	120,000	0.18	N/A
Los Angeles Convention Center	719,600	557,600	346,900	72,100	0	72,100	0.13	N/A
Washington Convention Center	703,000	703,000	473,000	118,200	52,000	170,200	0.24	~450,000
San Diego Convention Center	615,700	525,700	525,700	118,700	81,700	200,400	0.38	225,000
Colorado Convention Center	579,000	579,000	579,000	91,700	82,300	174,000	0.30	N/A
Moscone Center	538,700	442,000	260,600	55,500	124,000	179,500	0.41	~133,000
Salt Palace Convention Center	510,601	510,600	510,600	115,900	45,000	160,900	0.32	N/A
Miami Beach Convention Center	502,800	502,800	502,800	124,500	0	124,500	0.25	N/A
Henry B. Gonzalez Convention Center	421,700	421,700	421,700	98,500	90,100	188,600	0.45	N/A
Long Beach Conv. & Entertainment Center	224,000	224,000	224,000	87,300	21,000	108,300	0.48	N/A
Washington State Conv. & Trade Center	205,700	205,700	205,700	54,400	44,500	98,900	0.48	216,000
Hawaii Convention Center	204,200	204,200	204,200	99,400	35,300	134,700	0.66	N/A
Phoenix Convention Centers	144,000	144,000	82,000	81,400	73,200	154,600	1.07	646,500 (complete)
Vancouver Convention & Exhibition Center	91,200	91,200	91,200	24,900	16,600	41,500	0.45	341,000 (copmplete)
Average, excluding San Diego	757,900	728,000	504,100	129,900	55,800	185,700	0.34	

¹ Ratio of Meeting Room/Ballroom Space to Prime Exhibit Space.
Source: ERA Facility Floor Plans, 2009

New Facilities and Expansion Projects

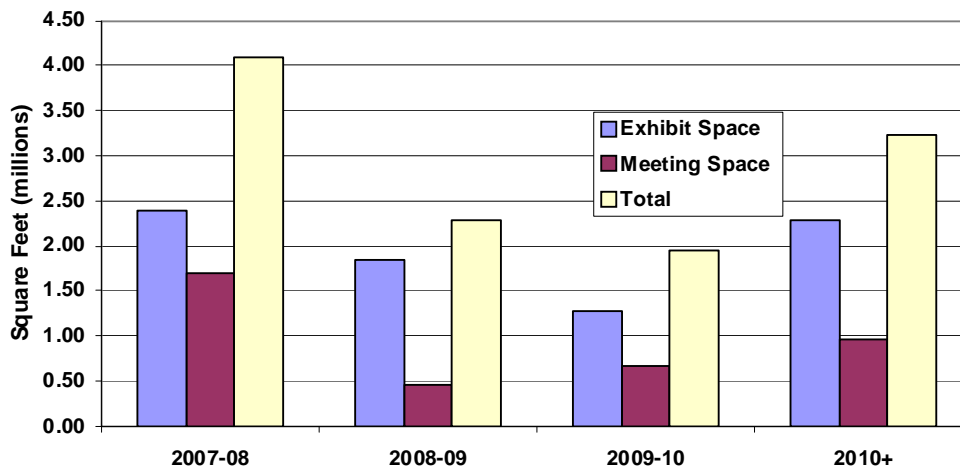
Convention centers continue to expand. From August 2007 through July 2008, total exhibit space supply increased by another 3 percent, according to the Tradeshow Week Major Exhibit Hall Directory. The directory also shows that there are only 38 facilities in the United States with 500,000 square feet or more of exhibit space.

From August 2007 to July 2008, six new venues opened in the U.S., totaling roughly 565,000 square feet of exhibit space alone. Half of all new facilities opened in the past year were hotel exhibit halls

and not stand alone facilities. There were also 8 facilities that completed expansion projects during this same period adding over 1.8 million square feet of exhibit space to the U.S. market. The largest two projects were McCormick Place in Chicago and the Toronto Congress Center which each added an additional 500,000 square feet of exhibit space. Tradeshow Week estimates that by 2014, there will be more than 5.8 million square feet of new exhibit space and 3.9 million square feet of new meeting space in the U.S. Of the planned new exhibit space, roughly 2.5 million square feet is going into new facilities and the remaining space is going into expansion projects.

The following chart summarizes the planned additions of exhibit and meeting space in the US and Canada for the upcoming years.

Figure 13: Projected Additions of Exhibit and Meeting Space



Source: Tradeshow Week

A total of approximately two to four million square feet is anticipated per year for the next few years, which can show the strength of the industry and the perceived demand for additional space, but will also continue to make the industry more and more competitive.

Some convention centers have expansion or additions planned for their existing facilities which will could increase their overall competitiveness within the marketplace. ERA found the following expansions or additions to be in progress:

- The Phoenix Convention Center just completed a \$600 million expansion project in the heart of Downtown Phoenix. The expansion tripled the size of the facility, making it one of the top 20 convention venues in North America. In total, the 900,000 square foot facility includes rentable meeting/exhibit space and other amenities such as kitchens, food courts, conference centers, lecture halls and underground loading

docks. With the October 2008 opening of the city-owned 1,000-room Sheraton hotel and the impending opening of the 175-room W hotel, the Convention Center now has over 2,500 hotel rooms within walking distance from the facility.

- Construction began in November 2004 on the Vancouver Convention Centre Expansion Project (VCCEP), a 340,849 square feet expansion. The new structure was built on the waterfront beside Canada Place, with 60 percent of the building on land and 40 percent over the water. The building, now known as the West Building, opened to the public on April 4, 2009. It effectively tripled the capacity of the convention centre, which now has 473,523 square feet of meeting space. Originally budgeted at \$495 million, the expansion project's final cost was \$883 million. A report by the project auditor said the VCCEP was over budget partly because of late design changes and accelerated construction to ensure the facility was ready for the 2010 Winter Olympics.
- The Las Vegas Convention Center is undergoing an \$890 million expansion, the 14th expansion in its history. The expansion is intended to increase the center's meeting space and improve the building's overall design. The 500,000 square feet expansion includes 145,000 square feet of dedicated meeting space, a 100,000 square foot ballroom, a grand concourse linking all three halls, an on-site police and fire department, and covered access to the Las Vegas Monorail system. The project began in November 2006 and was scheduled for completion by mid 2010. As of May 2009, all continued expansion plans have been put on hold. Work currently underway will be completed, and the rest of the program will be reviewed in the second quarter of 2010.
- Early last year, The Dallas City Council approved a purchase option agreement for an 8.4-acre site near the city's convention center to support an expansion project and possibly provide room for a convention center hotel. Plans are in progress to expand Dallas's capabilities in order to become more competitive as a top tier convention destination. Of the top 20 competitive convention markets nationwide, Dallas is the only city without a convention center hotel announced, under construction or completed. The Dallas CVB said more than 80 groups have decided not bring future meetings to Dallas due to the lack of a convention center hotel and adequate meeting space in the convention center.
- The Nashville Music City Center is scheduled to open in early 2013 with approximately 375,000 square feet of exhibit space, 150,000 square feet of meeting

rooms (80-90 rooms in total) and 2 ballrooms totaling 80,000 square feet combined. The project was budgeted at \$455 million in 2005 and has since increased to \$635 million with a 2009 kick off date.

- The Pennsylvania Convention Center in Philadelphia is scheduled to open its newly expanded facility in 2011. The \$790 million project will increase the amount of exhibit space from 440,000 to 700,000 square feet with a total of 96,000 square feet of ballroom space and 162,000 square feet of meeting space broken up into 87 rooms.
- A proposed expansion of the Gaylord Opryland Resort & Convention Center in Nashville will add 425,000 square feet of exhibit space (for a total of approximately 665,000 square feet in 2010).
- Daytona Beach, Fla., opened its Ocean Center in September 2008, after a \$76 million expansion took the center from 225,491 sq. ft. to 452,491 sq. ft.

Cancelled or Postponed Expansion Projects

Some of the convention centers in the competitive markets have expansion or additions planned for their existing facilities, but have had to put those projects temporarily or permanently on hold.

- On Aug. 22, 2008 the New Orleans Ernest N. Morial Convention Center board of directors voted to cancel the Phase IV expansion project, which had been on hold since fall 2005. The \$315 million project was expected to increase the amount of exhibit space by 525,000 square feet, increase the number of meeting rooms by 61 and add an additional 60,000 square foot ballroom to the facility. The money formerly earmarked for the expansion will, instead, be spent on renovations upgrading the center's furniture, lighting and technology. The land purchased for the expansion will be retained for a future expansion project.
- A proposed \$766 million expansion of the Washington State Convention & Trade Center (WSCTC) is on hold as of May 2009 after the Legislature failed to give the project a green light. Plans for the expansion were to take place on a full adjacent city block that is currently being used for transportation. A convention and exhibition facility roughly equal in size to the 450,000 square foot existing facility space would more than double the size of the space and dates available in downtown Seattle.

Local Demographics near Competitive Venues

San Diego's Metropolitan Statistical Area (MSA) is defined as San Diego County. Most other areas have divergent county and MSA boundary definitions. The population of San Diego County and the MSA is over 3 million people as of 2009. When compared to competitive markets, San Diego County ranks sixth largest in terms of population and the MSA ranks 12th. San Diego's Mean Household Income in 2009 is estimated at approximately \$120,900, 10th highest when compared with other counties and 7th highest when compared with other MSAs.

Table 31: Demographic Characteristics of Areas around Competitive Venues

Geographic Area	Population		Mean Household Income	
	County	MSA	County	MSA
Anaheim, CA	3,113,030	13,175,270	\$148,734	\$127,478
Atlanta, GA	952,590	5,384,500	\$126,664	\$104,944
Dallas, TX	2,393,050	6,298,940	\$116,872	\$107,770
Denver, CO	568,920	2,503,160	\$110,047	\$113,463
Honolulu, HI	941,120	941,120	\$132,624	\$132,624
Houston, TX	3,992,000	5,722,660	\$122,408	\$117,157
Las Vegas, NV	1,978,870	1,978,870	\$106,380	\$106,380
Long Beach, CA	10,062,250	13,175,270	\$120,984	\$127,478
Los Angeles, CA	10,062,250	13,175,270	\$120,984	\$127,478
Miami, FL	2,523,070	5,845,220	\$104,459	\$113,449
New Orleans LA	242,570	1,081,510	\$104,192	\$90,148
Orlando, FL	1,140,350	2,162,790	\$94,230	\$92,650
Phoenix, AZ	4,057,790	4,338,130	\$102,391	\$99,690
Salt Lake City, UT	1,028,870	1,127,270	\$109,870	\$110,300
San Antonio, TX	1,614,400	2,021,590	\$97,914	\$95,591
San Diego, CA	3,075,680	3,075,680	\$120,878	\$120,878
San Francisco, CA	736,140	4,278,470	\$154,612	\$149,890
Seattle, WA	1,881,270	3,391,640	\$126,634	\$114,101
Washington, DC	577,150	5,554,880	\$122,844	\$134,714
San Diego Rank	6th	12th	10th	7th

Source: Woods and Poole

Note: Mean Household Income is presented in Current Dollars.

Corporate Presence

San Diego does not compete with major business hub destinations like Houston where large volume companies (\$1 billion+ in sales) are headquartered. The city does, however, compete nationally with the total number of locally headquartered companies. As shown in the table below, San Diego ranks 10th in total number of locally headquartered businesses. Despite having a strong tourism draw, San Diego also has a significant amount of local businesses from which they can generate corporate conventions and events.

Table 32: Locally Headquartered Companies

City	Total # of Companies	# With \$1 Billion+ in Sales	# with Less than \$1 Billion in Sales
Anaheim, California	482	3	479
Atlanta, Georgia	2,227	49	2,178
Dallas/Ft. Worth, Texas	2,787	46	2,741
Denver, Colorado	1,704	22	1,682
Honolulu, Hawai'i	843	3	840
Houston, Texas	4,796	107	4,689
Las Vegas, Nevada	1,259	13	1,246
Long Beach, California	451	2	3,283
Los Angeles, CA	3,302	19	449
Miami, Florida	2,417	20	2,397
New Orleans, Louisiana	606	7	599
Orlando, Florida	1,031	5	1,026
Phoenix, Arizona	1,839	22	1,817
Salt Lake City, Utah	1,053	10	1,043
San Antonio, Texas	1,844	16	1,472
San Diego, California	1,826	14	1,812
San Francisco, California	1,943	28	1,915
Seattle/Tacoma, Washington	1,544	17	1,527
Washington, DC (Dulles)		14	3,550
Average Number of Companies	1,775		
San Diego Rank		10th	

Source: Dunn & Bradstreet, 2009

Air Accessibility

San Diego International Airport is geographically smaller and contains fewer runways than most competitive cities. However, the airport has one crucial advantage: it is located just two miles from the SDCC, which gives event attendees excellent access to the facility and area hotels once on the ground. The airport provided direct flights to 79 US Cities in March 2008, a peak for the airport. In March 2009, the number of direct cities served was reduced to 71. The airport is serviced by 16 airlines as of 2009, down from 19 airlines in 2008. Other competitive regions' airports have experienced contractions in routes and flights as well. San Diego's relative position in the market has not changed substantially and it ranks 15th in terms of both direct cities served and number of airlines. It should be noted that Vancouver services only 32 US Cities directly. In addition, 2009 direct cities served data for Las Vegas is skewed because Spirit Airlines stopped reporting its routes. As Las Vegas is the major hub for Spirit Airlines, the data point no longer reveals an accurate representation of air access in Las Vegas.

Table 33: Number of Direct US Cities Served, Month of March 1999 - 2009

City	Airport											
	Code	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Atlanta, Georgia	ATL	146	150	147	149	153	151	154	161	171	165	158
Dallas/Ft. Worth, Texas	DFW	141	144	148	142	142	139	135	143	144	143	135
Denver, Colorado	DEN	140	140	137	133	136	135	131	145	150	158	164
Honolulu, Hawai'i	HNL	27	29	33	31	36	36	34	32	34	35	33
Houston, Texas	IAH	108	120	120	111	120	133	131	132	130	124	123
Las Vegas, Nevada	LAS	80	77	82	83	85	100	101	117	128	136	84
Long Beach, California	LGB	8	9	9	10	16	15	18	13	21	21	24
Los Angeles, CA	LAX	91	99	96	92	95	97	97	97	99	104	101
Miami, Florida	MIA	63	64	63	53	52	60	59	58	57	60	59
New Orleans, Louisiana	MSY	69	72	76	71	73	72	68	47	63	80	74
Orlando, Florida	MCO	88	87	78	77	82	92	96	99	103	101	92
Phoenix, Arizona	PHX	103	104	105	105	105	100	105	109	112	108	107
Salt Lake City, Utah	SLC	85	82	85	79	87	86	99	102	112	108	105
San Antonio, Texas	SAT	60	60	61	63	62	64	70	67	71	76	73
San Diego, California	SAN	64	63	68	66	63	61	66	69	70	79	71
San Francisco, California	SFO	83	81	77	74	71	71	70	68	74	82	90
Santa Ana, California	SNA	43	47	40	44	48	47	52	43	56	58	50
Seattle/Tacoma, Washington	SEA	100	105	103	97	94	98	90	90	102	113	104
Vancouver, British Columbia	YVR	30	28	31	22	26	26	23	26	27	32	32
Washington, DC (Dulles)	IAD	94	98	97	89	81	79	93	89	95	103	104
San Diego Rank		14th	15th	14th	14th	14th	15th	15th	12th	14th	14th	15th

Source: OAG Flights

Table 34: Number of Airlines per Airport, Month of March 1999 - 2009

City	Airport											
	Code	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Atlanta, Georgia	ATL	31	30	27	22	20	19	21	21	18	19	19
Dallas/Ft. Worth, Texas	DFW	27	27	26	22	20	19	19	21	23	22	19
Denver, Colorado	DEN	20	18	19	19	21	21	20	21	21	19	21
Honolulu, Hawai'i	HNL	23	26	26	21	22	22	23	23	26	24	23
Houston, Texas	IAH	20	21	22	19	19	21	22	19	18	17	18
Las Vegas, Nevada	LAS	23	26	28	26	26	31	33	31	35	31	28
Long Beach, California	LGB	2	2	3	3	4	4	5	5	5	5	4
Los Angeles, CA	LAX	61	64	65	57	53	55	58	57	56	55	52
Miami, Florida	MIA	59	58	52	46	48	50	44	44	41	45	40
New Orleans, Louisiana	MSY	14	13	15	15	14	13	15	9	9	10	9
Orlando, Florida	MCO	37	40	36	28	28	30	33	33	28	28	28
Phoenix, Arizona	PHX	20	21	22	19	21	20	21	21	21	20	19
Salt Lake City, Utah	SLC	10	10	10	10	10	11	11	10	10	9	10
San Antonio, Texas	SAT	12	15	15	13	11	14	12	11	13	14	14
San Diego, California	SAN	15	15	16	14	16	15	15	17	17	19	16
San Francisco, California	SFO	37	39	39	32	30	31	34	34	33	37	37
Santa Ana, California	SNA	11	11	11	10	10	11	11	10	11	10	9
Seattle/Tacoma, Washington	SEA	22	21	22	21	21	21	22	20	21	25	26
Vancouver, British Columbia	YVR	28	30	31	28	35	35	36	33	34	36	32
Washington, DC (Dulles)	IAD	24	27	28	27	26	28	30	28	28	31	31
San Diego Rank		15th	16th	15th	16th	15th	15th	15th	15th	15th	14th	15th

Source: OAG Flights

Travel Costs

Another consideration for attendees and events planners is the cost of travel. In the 3rd Quarter of 2008, the average round-trip airfare to San Diego cost \$337, giving it a ranking of 10th most expensive. It is possible that this dollar amount has been driven down substantially since that time by lack of demand, as the data points predate the current economic recession. Once in the city, San Diego's average hotel rate is quite high and ranks 3rd highest out of all competitive cities behind only Washington, DC and San Francisco. Food in San Diego is moderately expensive, averaging to \$116 daily, which ranks 7th. Rental cars are inexpensive relative to other markets, which is perhaps less relevant for SDCC event attendees because downtown San Diego is a pedestrian-friendly environment that can be enjoyed without renting a car. In total, hotels, rental cars, and food in San Diego make it the 8th most expensive location when compared with competitive venues.

Table 35: Average Domestic Airfares, 3rd Quarter 2008

City	Airport Code	3Q 2008
Atlanta, Georgia	ATL	\$352
Dallas/Ft. Worth, Texas	DFW	\$426
Denver, Colorado	DEN	\$337
Honolulu, Hawai'i	HNL	n/a
Houston, Texas	IAH	\$445
Las Vegas, Nevada	LAS	\$274
Long Beach, California	LGB	\$271
Los Angeles, CA	LAX	\$419
Miami, Florida	MIA	\$345
New Orleans, Louisiana	MSY	\$310
Orlando, Florida	MCO	\$266
Phoenix, Arizona	PHX	\$317
Salt Lake City, Utah	SLC	\$337
San Antonio, Texas	SAT	\$331
San Diego, California	SAN	\$337
San Francisco, California	SFO	\$451
Santa Ana, California (John Wayne)	SNA	\$342
Seattle/Tacoma, Washington	SEA	\$377
Vancouver, British Columbia	YVR	n/a
Washington, DC (Dulles)	IAD	\$452
San Diego Rank		10th

Source: Bureau of Transportation Statistics

Table 36: Average Travel per Diems

City	Hotel	Car	Food	Total
Anaheim, California	\$142	\$103	\$112	\$357
Atlanta, Georgia	\$148	\$87	\$110	\$344
Dallas, Texas	\$147	\$115	\$109	\$371
Denver, Colorado	\$162	\$94	\$88	\$343
Honolulu, Hawai'i	\$181	\$102	\$120	\$402
Houston, Texas	\$149	\$115	\$111	\$375
Las Vegas, Nevada	\$142	\$90	\$113	\$345
Los Angeles, CA	\$153	\$116	\$123	\$392
Miami, Florida	\$157	\$80	\$119	\$356
New Orleans, Louisiana	\$142	\$106	\$96	\$344
Orlando, Florida	\$125	\$85	\$87	\$296
Phoenix, Arizona	\$127	\$89	\$111	\$327
Salt Lake City, Utah	\$124	\$69	\$82	\$275
San Antonio, Texas	\$131	\$94	\$85	\$310
San Diego, California	\$181	\$70	\$116	\$367
San Francisco, California	\$196	\$122	\$137	\$455
Seattle, Washington	\$160	\$104	\$121	\$385
Washington, DC	\$276	\$120	\$117	\$514
Average	\$157	\$99	\$108	\$364
San Diego Rank	3rd	17th	7th	8th

Source: Business Travel News, 2009 Corporate Index

Note: Averages exclude San Diego Data

V. Industry Trends

San Diego's potential to attract conventions and meetings is somewhat determined by historic and projected industry trends as well as preferences of user groups and event or meeting planners. This section discusses these prevailing trends and serves as a basis for some of the utilization and performance measures discussed in the financial model for the expansion project.

The US Meetings Market

Across the country, the meetings industry has experienced tremendous growth over the last two decades, as the number of facilities and events has increased significantly. Cities have been very aggressive in developing new convention centers, and expanding existing facilities, in order to remain a viable host and to capture the spending associated with non-local event attendees. However, this increased supply of facilities that aim to attract and host a finite number of convention center-based events has often led to the transfer of bookings from less competitive to more competitive venues. As the industry has matured, there have been many clear winners and losers, as those markets and facilities that offer the most attractive conditions (related to variables such as hotel inventory, local attractions/destination appeal, accessibility, flexibility, usage rates, and others) have continued to attract an increasing share of events.

Nevertheless, by many measures, the growth of the convention and meetings industry in the US has begun to slow. Because there is no single set of measures that is universally accepted as a barometer of the industry, and because direct comparisons of one facility's operations to another's is often difficult, not all opinions on the state of the industry are alike. There is no question that the millions of square feet of additional space that has been built in recent years have added to the competitiveness of the industry, and that many facilities and markets have been left behind. As of late 2008, trends in the convention industry have been made worse by (potentially) shorter-term problems in the broader economy, such as increased oil prices that affect travel prices. However, those that are in destinations that are attractive in their own right remain as viable as ever and in many cases, find themselves in need of additional event space.

Industry critics often focus on the combination of decreased attendance at major conventions and trade shows and the increased supply of event space at major convention facilities as a sign of the industry's weakness. However, these events (called the "Trade Show 200," or the largest 200 trade shows in the country) require an average of 350,000 square feet of exhibit space, according to Trade Show Week. The majority of these events are concentrated in the country's primary convention markets, such as Chicago, Orlando, Las Vegas, Atlanta, and New York. When considering the competitiveness of any one convention facility (and potentially its need to expand), it is more

important to consider other factors that influence its demand (many of which are unique to a local market) than those that primarily affect a small number of mega-facilities and are based on a small segment of the events market. For example, in San Diego, the city’s strong destination appeal, the waterfront location of the SDCC and other attractions, the area’s hotel inventory, the local corporate base and the events it generates, and other factors have all led to the continued strong performance of San Diego. These factors are all discussed in more detail later in this analysis, but the following table lists the site-selection criteria that are deemed to be important by various types of meeting planners.

Table 37: Decision Factors

Factor	Corporate Meetings	Corporate Incentives	Association Conventions	Association Meetings
Availability of hotels or other facilities suitable for meetings	78%	62%	84%	68%
Affordability of destination	77%	55%	79%	77%
Safety and security of destination	62%	77%	65%	62%
Ease of transporting attendees to/from location	61%	54%	50%	45%
Distance traveled by attendees	58%	36%	50%	53%
Transportation costs	48%	41%	36%	40%
Clean and unspoiled environment of destination	37%	59%	29%	26%
Climate	33%	73%	19%	17%
Mandated by policy	26%	22%	24%	22%
Availability of recreational facilities such as golf, swimming, tennis etc.	21%	70%	10%	10%
Sightseeing, cultural, other extracurricular attractions	15%	66%	16%	10%
<u>Glamorous or popular image of location</u>	12%	59%	10%	10%

Source: Meetings & Conventions

As previously mentioned, there is not necessarily one authoritative source that measures the strength of the meetings and convention industry. In addition, the complexity of identifying every event and facility further complicates the ability to fully account for the entire industry. However, the following data represents the leading and most comprehensive sources of industry research, from groups such as Trade Show Week and the Center for Exhibition Industry Research.

The following table summarizes annual changes in the supply of convention space in the US and Canada (by number of facilities and square feet of exhibit space) since 1990.

Table 38: Supply of Facilities and Exhibit Space

Year	# of Major Facilities	% Change	Square Feet (Millions)	% Change
1990	332	--	52.0	--
1991	338	1.8%	54.6	5.0%
1992	361	6.8%	55.9	2.4%
1993	368	1.9%	57.7	3.2%
1994	366	-0.5%	60.6	5.0%
1995	369	0.8%	63.4	4.6%
1996	363	-1.6%	63.2	-0.3%
1997	362	-0.3%	64.2	1.6%
1998	364	0.6%	64.2	0.0%
1999	366	0.5%	63.4	-1.2%
2000	379	3.6%	65.6	3.5%
2001	386	1.8%	67.6	3.0%
2002	402	4.1%	72.4	7.1%
2003	418	4.0%	77.2	6.6%
2004	431	3.1%	80.5	4.3%
2005	452	4.9%	82.3	2.2%
2006	470	4.0%	85.1	3.4%
2007	469	-0.2%	85.9	0.9%
By 2010	479	0.7%	92.1	2.4%

Source: Trade Show Week, ERA

As the table shows, both the number of facilities and square footage have increased significantly over the years. As of the end of 2007, approximately 470 facilities held nearly 86 million square feet of space. By 2010, the amount of space is expected to nearly double from the 52 million square feet available in 1990.

The following table summarizes industry data compiled by the Center for Exhibition Industry Research (CEIR). The data tracks annual changes in net square feet used for exhibitions, the total number of exhibitors and attendees, and industry revenues.

Table 39: CEIR Industry Measures

Year	NSF	Exhibitors	Attendees	Revenue	Industry
2001	-0.3%	-2.0%	-2.2%	0.1%	-1.1%
2002	-3.2%	-5.5%	0.0%	-2.8%	-2.9%
2003	6.5%	5.7%	-0.5%	-2.0%	2.4%
2004	6.9%	5.7%	6.7%	1.9%	5.3%
2005	8.5%	4.6%	1.1%	9.2%	5.8%
2006	3.8%	1.3%	4.6%	9.7%	4.8%
2007	0.3%	0.9%	4.9%	6.8%	3.2%
CAGR	3.1%	1.5%	2.0%	3.1%	2.5%

Source: CEIR

As the table shows, since 2001 and 2002 (when the meetings and broader travel industries were severely affected by September 11, 2001) the exhibition industry has generally experienced strong growth, although the growth began to slow in 2006 and 2007. However, in 2007, CEIR notes that the industry's growth rate of 3.2 percent exceeded the US's GDP growth rate of 2.2 percent. More recent CEIR data that would capture the effects of the current recession are not yet available.

CEIR also tracks the exhibition industry within 11 specific sectors, by event type. The following table (which only considers business-to-business exhibitions, and not consumer shows) summarizes the share of each sector and their recent historical growth.

Table 40: Industry Growth by Segment

	% of Exhibitions	2007 Growth Rate	CAGR, 2000 - 2007
Medical and Health Care	23.4%	0.2%	3.4%
Professional Business Services	14.4%	0.5%	2.9%
Communications and Information Technology	12.7%	6.9%	-1.6%
Government, Public and Nonprofit Services	11.9%	12.6%	2.2%
Sports, Travel, Entertainment, Art, and Consumer Services	9.2%	5.5%	5.3%
Raw Materials and Science	8.1%	6.6%	2.6%
Consumer Goods and Retail Trade	5.9%	1.6%	-0.4%
Industrial/Heavy Machinery and Finished Business Inputs	4.4%	1.9%	2.3%
Transportation	3.9%	6.2%	5.0%
Food	3.7%	0.2%	0.3%
Building, Construction, Home and Repair	2.4%	-2.2%	4.3%
Overall Industry	100.0%	3.2%	2.5%

Source: CEIR

The largest share of the business-to-business exhibition market consists of medical and health care events, which also experienced one of the largest overall growth rates in the industry from 2000 through 2007. The other largest segments of the industry (with greater than a ten-percent share) are professional business services, communications and information technology, and government, public and nonprofit services.

The following table summarizes the size of exhibitions identified by CEIR, as measured by gross exhibit space required.

Table 41: Size of Exhibitions (Gross Square Footage of Exhibit Space)

Square Feet	% of Total	Cumulative Total
6,000 - 14,999	19%	19%
15,000 -24,999	13%	32%
25,000 - 34,999	15%	47%
35,000 - 49,999	13%	60%
50,000 - 99,999	19%	79%
100,000 - 200,000	14%	93%
200,000+	7%	100%

Source: CEIR

As the table shows, 93 percent of exhibitions require 200,000 gross square feet of exhibit space or less, and only seven percent require more than 200,000 square feet. The existing San Diego Convention Center can clearly accommodate the vast majority of exhibition events. The proposed expansion space would be large enough to serve as a stand alone facility for approximately 93 percent of the groups in the market.

General Industry Trends

The one-two punch of, first, an economic downturn and, second, the ripple effects from a harsh public backlash against companies holding meetings in places perceived as inappropriate given the dire economic circumstances, has proven difficult for some conference destinations, particularly, Hawaii. Most of the losses, so far, seem to be in the meeting and incentive business, particularly related to the financial and banking industries as well as construction and automotive. Shows that were hit the earliest and the hardest by what now officially is being called a recession probably will have the most difficult road to recovery. Some shows, such as the National Association of Home Builders' "NextBuild", which took an 11-percent dip in attendance this February, will most likely bounce back when times get better. Other shows that were suffering before the downturn, such as the California Gift Show, which saw an 18-percent drop in numbers last July in Los Angeles, may never be able to achieve their prior numbers.

Industry reports seem to all allude to innovation and consolidation as the future for the industry. In 2008, consolidation was predominant. Shows like StonExpo joined forces with an international show to expand not only their brands, but also their audiences, by becoming StoneExpo/Marmomacc Americas. The trend continued with shows such as FOSE, the government IT tradeshow, collocating with the GovSec homeland security event and U.S. Law Conference & Exposition. Once consolidations have occurred, many conferences become so large that they create sub conferences within the master conference to cater to individual specializations. This allows for various participant

groups to fulfill their niche needs while benefiting from the networking tradeshow opportunities the larger convention has to offer.

According to HVS, longer-term trends in the industry have indicated substantial growth in demand for exhibit space. Over the past 32 years, for example, professional attendance at tradeshow events has grown at an average rate of 4.5 percent annually. The number of exhibiting companies at these events has increased at an average rate of 4.8 percent annually during this period. The amount of space rented for exhibition events has increased at an average rate of 5.8 percent annually since 1972. Long-term growth trends in this industry reflect not only expansion in the overall economy, but also trends in key demand factors. For example, as travel has become more convenient and less expensive in real terms, demand for many events has increased.

For organizers of conferences and conventions, the airline cutbacks are creating major headaches. Because booking large events often means signing contracts with hotels and convention centers several years in advance, event hosts are now finding themselves locked into cities that are suddenly much more difficult — and often much more expensive — to get to. According to the Bureau of Transportation Statistics, there were more than 12,000 fewer domestic departures in April 2008 than in April 2007. There are roughly 600 airports in the U.S. that have scheduled service, and 97 of those are going to be eliminated between 2008 and the end of 2009 according to the Air Transport Association, an airline industry trade group. Some meeting and event planners have stated that they have stopped considering some smaller cities entirely. Instead, they are booking cities like New York and Washington, which are served by multiple airports or destinations with both business and leisure appeal like Orlando, Florida and Las Vegas, betting that any future service cuts will not affect these destinations as heavily. Additionally, cities along the Boston-to-Washington corridor, which are served by regional as well as high-speed [Amtrak](#) rail service, are also remaining popular destinations.

Sources of Convention Center Business

With more square foot capacity and an increase in the number of available dates, the expanded SDCC facility could be expected to host a wide range of functions that are typically held at convention centers, such as conventions and trade shows, corporate and association meetings, perhaps a few consumer shows, and others. The following text describes these event types and their characteristics.

Conventions

These events are privately held meetings attended by professional and association groups, with the purpose of exchanging ideas, networking, and discussing industry issues. These meetings can be for as few as 25 people, or as many as 25,000 people or more. Depending on the size and scope of a convention group, an event may be held at a hotel with function space, a conference center, or a

larger free-standing convention center. Conventions typically require meeting/breakout rooms, as well as a larger general assembly or plenary space, and can have substantial food service requirements compared to other events. Increasingly, conventions also require exhibit space and an adjacent headquarters hotel. This has tended to blur the line between conventions and trade shows (and many conventions also have a trade show component).

According to a recent survey by Meetings and Conventions (M&C), characteristics of the convention industry include the following:

- 97 percent of the associations held a major convention. Nearly three-quarters (74%) hold a major convention annually. 94 percent of association meetings take place in the continental United States.
- While conventions are held throughout the year, the most popular months are October (18%), September (12%), and June (10%). The least popular months are winter months, especially from the end of November through the end of January.
- On average, a convention requires 56,000 square feet of exhibit space.

Trade Shows

These events are exhibit-oriented, and sponsored by industry groups and/or associations to bring buyers and sellers of products together in an efficient manner, to exchange ideas, view/compare products, and arrange purchases. Although many trade shows are not open to the public, some shows, called combination shows, allow public attendance for a portion of the event. Increasingly, trade shows require meeting/breakout rooms for concurrent training seminars and product demonstrations, which is why it can be hard to discern differences between a trade show and a convention. Typically, trade show events are sponsored in regions where there is a concentration of members or related activity.

Corporate Meetings

Corporate meetings are generally smaller events compared to convention or trade shows. These types of functions tend to focus on training seminars, management meetings, and professional/technical presentations for corporate groups who seek an off-site venue. More often than not, these meetings are held at a full-service downtown hotel, conference center, or resort, and require meeting rooms, rather than exhibit space, and tend to generate significant food and beverage service. Events of this nature typically last for a full day or more, and can attract out-of-town guests, who may fill up hotel rooms.

According to M&C's survey, characteristics of corporate meetings include the following:

- Average attendance of 78 people,
- Average length of 2.5 days,
- 74% of companies have used downtown hotels, 54% of companies have used resort hotels, 45% have used suburban hotels, and 36% have used convention centers for corporate meetings,
- The most common types of corporate meetings are training/educational seminars (41%), sales/marketing meetings (22%), and management meetings (14%).

Association Meetings

Like corporate meetings, association meetings are also generally smaller events than conventions and trade shows. Associations will hold a varying number of meetings per year, but many hold one to four annually. An association meeting might involve a seminar for educational purposes or a briefing for a professional group. Similar to corporate meetings, association events are typically held in larger hotels or conference/convention centers over a day or two, and many attendees are out-of-town visitors. Many statewide associations, for example, will rotate their events throughout facilities across a state in order to allow various markets an opportunity to host and to provide a changing destination that is close to home for different groups of attendees each year.

According to M&C's survey, characteristics of association meetings include the following:

- Average attendance of 180 people,
- The most common types of association meetings are board meetings (30%), training/educational seminars (26%), and professional/technical meetings (17%),
- 68% of associations have used downtown hotels, 48% have used suburban hotels, 42% have used resort hotels, 26% have used airport hotels, and 19% have used convention centers for association meetings.

Other Event Types

Conventions/trade shows, corporate meetings, and association meetings may all have local, statewide, regional, national, and/or international components, and will draw attendees from the corresponding level of geography. The following event types are also often held at convention facilities but are generally attended by residents from a more local area.

Consumer/Public Shows

These events are similar to trade shows in that they are exhibit-oriented, but are open to the public, draw from a local area, and generally charge admission fees. The range of consumer shows (including auto, home and garden, sports-related, and boat shows), typically draw from within a metropolitan area, and therefore generate less of an economic impact, in terms of hotel, restaurant, or retail activity, compared to convention events, which generally attract non-local residents who more frequently stay in hotels and eat at local restaurants. However, consumer shows can generate greater revenues for a host facility, and the SDCC does currently host significantly large consumer shows that have a regional draw and large impact on the city, and even draw some attendees from out-of-state, thereby incrementally expanding the state economy as well. Public events can also be booked to fill vacant time slots in the convention/tradeshow schedules and maximize meeting facilities' use.

Social, Military, Educational, Religious, and Fraternal (SMERF) Meetings

These can be local, regional, or national in nature, and include military/family reunions, fraternal meetings, religious conferences, and similar social functions. The size of these events can vary considerably, requiring anything from suburban hotel function space to larger convention center or arena facilities. Although these groups use a broad range of facilities for their events, they can also be more price sensitive, and tend to generate significantly fewer hotel room nights, compared to a state or regional professional association meeting.

Local Meetings & Banquets

This segment includes a broad range of events, ranging from weddings to a diverse array of events sponsored by organizations such as a Chamber of Commerce or other business or government groups, Rotary, Lions, senior groups, Kiwanis, and others, as well as corporate and professional events from the region. Local meetings generally do not generate much revenue to a host facility from the use of space, although the food and beverage portion of a banquet function would generate catering revenues, which can be more significant.

The following table summarizes the various types of event types and their major characteristics.

Table 42: Types of Events and Major Characteristics

Event Type	Common Attendance Range	Primary Purpose	Major Facility Requirements	Typical Facility Preference
Convention with Exhibits	500 to 30,000	Information Exchange and Sales	Exhibition, Breakout/Meeting and Banquet Space	Convention Centers
Conferences - no Exhibit	300 - 5,000	Information Exchange	Meeting and Banquet Space	Hotels, Conference Centers, Convention Centers
Tradeshows	1,000 - 50,000	Sales	Exhibition and Meeting Space	Convention Centers, Fairgrounds, Trademarts
Consumer Shows	3,000 - 50,000	Advertising and Sales	Exhibition Space	Convention Centers, Fairgrounds, Trademarts
Corporate and Other Meetings	150 or less	Training / Information Exchange	Meeting Space	Hotels, Conference Centers, Convention Center Meeting Rooms
Banquets	100 - 2,500	Social, Networking, Recognition	Ballroom or Banquet Spaces	Hotels, Conference Centers, Convention Center Ballrooms
Sporting Events	25 - 80,000	Competition, Training, Tournament	High Ceilings, HVAC or Lighting Specifics, Unobstructed Play Space	Stadiums, Arenas, Auditoriums, Exhibit Halls
Concerts and Entertainment	500 - 10,000	Entertainment	Stage, Seating, Lighting, Concessions, Ticket Booths, Lobby	Arenas, Stadiums, Theatres, Auditoriums, Convention Centers
Assemblies	1,000 - 5,000	Information Exchange	Stage, Seating, Breakout and Meeting Rooms	Convention Centers, Arenas, Stadiums, Fairgrounds

Source: HVS Internationsl, 2008

VI. Findings from Meeting Executive Interviews

ERA completed telephone interviews with a number of meeting and event executives who are familiar with the San Diego Convention Center. ERA interviewed groups that are regular users of the SDCC, groups that have booked but may no longer be able to book in the future due to lack of space, and “lost business” groups.

ERA contacted more than 90 representatives of past and potential events. In the end, we were able to conduct interviews and/or correspond with a total of 26 meeting and event executives, some of whom represent multiple events on behalf of third-party groups. Approximately 25 percent of the responses were considered to be “lost” events, and the remaining are either future users or currently booked events. The results of these interviews are described below.

A major topic in these discussions was how the current recession is affecting the industries they represent and how recession effects are likely to change their needs for meetings and meeting space in the future. Key findings from this research include:

- The recession is having a negative impact on attendance at conventions, tradeshow, and all other kinds of meetings. The number of exhibitors participating in shows has also taken a hit. Attendance and exhibitor participation are expected to continue to remain depressed for at least another year and stay “below normal” until the economy improves.
- At all levels (sponsoring associations, attendees, and exhibitors) are more cost conscious and are spending less on meetings.
- On the other hand, none of the executives interviewed believed that the recession will ultimately change the basic need for the meetings and events they plan. With returning economic health, most of the respondents expect conditions to return to business as usual.
- Meeting planners understand that at any given time, some groups are expanding and attracting more attention, while others are dwindling for a large variety of reasons. This churning within individual industries may be exacerbated by the current recession, but has been observed in booming economic times as well.
- ERA’s executive interviewing research has unequivocally confirmed the attractiveness of San Diego as a convention destination.

Lost Business Surveys

Of the facility's "lost" events, most reported not using the San Diego Convention Center due to its lack of space and available dates, as well as "other" reasons that often included the cost of the facility and/or local hotels. These events were primarily conventions or combination conventions and trade shows.

- San Diego was stated by many to be the top West Coast location and would be the number one pick on a rotation if they had more square footage of exhibit space. It was stated to be important to have more exhibit space than Los Angeles and Anaheim.
- Though many of the groups stated that they need between 550,000-650,000 square feet of exhibit space (preferably contiguous), at least 30 percent of the lost business interviewees stated that their group could not use San Diego without 1 million square feet of total exhibit space. These groups also need at least 150,000 square feet of meeting space and between 50-100 individual breakout rooms. A couple groups also stated that they need a 100,000 square foot ballroom. Exhibit halls were explained to not be suitable for ballroom functions.
- The second most common reason for lost business was the lack of ability to obtain preferred dates. Especially difficult have been the spring and fall months. The lack of available dates for many years into the future is representative of strong demand and a potential need for expansion. The expanded facility will considerably open the number of date's available and booking capacity of the Center.
- Top facility competitors listed by the lost business groups are: Orlando, Atlanta, Las Vegas, Houston and Chicago. San Diego and Boston are noted to be the two large biotech hubs and are important to that industry.
- Some events stated the need for more hotel rooms within a 1-5 mile radius of the site. Even groups that stated they would be able to fit into the expanded facility stated that there are not enough quality hotel rooms within a 5-mile radius to make San Diego a viable location. Pricing was also an issue and groups are choosing cities like San Francisco now because of their hotel and rate packages.
- For some groups, San Diego will never be a desirable location. Some groups feel that the usage of a true convention center is cost prohibitive and they prefer to hold their conferences between two adjacent conference hotels. One group comes to San Diego every 3-5 years, but they always use hotel conference facilities.

- A few shows cited unusually long move-in and move-out needs, which have prohibited them from using the SDCC on many occasions. They expressed positive feedback on the expansion plans as it would allow the SDCC to book a revenue generating event in one exhibit hall while allowing their group the lag time needed to move in and out of theirs.

Booked Events Surveys

Of the facility's events that are currently booked to be held at the San Diego Convention Center in the future, and/or have recently been held at the facility, the most common reason for selecting San Diego was its general destination appeal and draw for attendees. The next-most common responses were San Diego's location and its hotel inventory. Most booked events that responded were conventions or combination conventions/trade shows, although a few were meetings and conferences. The main intent of the booked events interviews was to identify these events' interest in using the expansion facility on its own in the future or in conjunction with the existing facilities space as well as understand prevailing industry trends.

- In terms of customer service, knowledgeable staff, physical location and strong collaboration from city partners, San Diego is listed in the top three event centers among current and future users of the facility.
- Though many groups consider San Diego their preferred conference location, there has been a serious issue with lack of availability. Some groups have stated that they are not able to get into San Diego for the next 6 years. It is especially difficult for those groups with annual conferences between July and November.
- Most user groups stated that San Diego has one of the best hotel packages in the U.S., but that rates are often too high. Given the reduction in many group's 2009 and 2010 budgets, the cost of hotel rates is going to be a key factor in deciding where groups book in the future. A couple groups stated that if they were not able to get favorable hotel rates, they might have to consider moving their events to second tier cities which offer lower facility rental fees and discount hotel packages.
- At least 30 percent of the groups are outgrowing the facility and expect not to be able to use the SDCC by 2012-2016. Many groups increase the amount of necessary square footage by 10-20 percent per year.
- Groups that are not outgrowing the facility usually book San Diego on a 3, 4 or 6 year rotation given that dates are available.

- Top competitive facilities for the SDCC by current users were stated to be; Los Angeles, Anaheim, Phoenix, Atlanta and San Francisco.
- In terms of how the recession has been and will continue to affect the industry, a couple of the user groups mentioned that their budgets for receptions and off-site events have diminished which could affect their group's overall impact on the city.
- It was also mentioned that the exhibitors themselves have been seeing slower business and have had to reduce their budgets which has resulted in small booth sizes, less amenities and creative ways to cut their overall costs.
- Most respondents would like to see at least 750,000 square feet of exhibit space in the future, with a minimum of 75 breakout rooms and a minimum of 60,000 square feet of ballroom space.
- Consumer show interviews suggest strong market demand for these shows and promoters see continued demand over the next five to ten years.
- A key concept for the expanded facility should be flexibility, meaning that individual spaces should have the capability of being reconfigured to make smaller spaces and even to serve as swing space which can be an exhibit hall for one group, and meeting room space for the next. There needs to be more than one main entrance so that different groups can host events simultaneously.
- A couple groups mentioned that the Sails Pavilion should be used for exhibit space as both exhibitors and participants like it despite its poor acoustics.

Additional Comments from Respondents

In addition to the responses described above, event representatives also provided a number of other comments to ERA, through telephone conversations and e-mail discussions. The following summarizes common themes that appeared throughout these responses.

- In general, most respondents indicated that they love meeting in San Diego and cite the city's draw as a major plus for their events. Most groups have San Diego as part of their top 5 desired locations and most see it is as the top west coast locale.
- The length of the facility was consistently cited as a major drawback. Respondents recommended that any future expansion project include the addition of moving walkways as well as a thoroughfare for those groups being split in two by not renting the Sails Pavilion.

- The Sails Pavilion was cited as too expensive and not a user friendly space for exhibitions. The Mezzanine was also cited to be difficult to access as well as perceived as a long walk.
- Vancouver was not mentioned as part of the competitive set for more than 80 percent of the respondents because of the customs and immigration issues. Large medical and plant/garden shows can not consider Vancouver as a potential due to their customs regulations.
 - Most events stated that they would be willing to use stacked exhibit space, but that layout, access and design would prove integral in the decision factor to use the split space or choose another facility. The Boston Convention and Exposition Center was cited as a good example of how split space was effectively and seamlessly integrated as was Moscone West in San Francisco. Though the new facility will not be perfectly contiguous at the same level, creating a plan for the movement of people that is perceived as safe and easy will be important not only for the functional usage, but also in effectively marketing the facility as a whole.
 - Airport access and hotel pricing are a constant issue among all groups. Airlift is especially difficult for conferences with a large international attendee base.
 - The cost of hosting an event in San Diego (for hotel rooms and convention hall space rental) is considered to be prohibitively high by a number of respondents. The hotel package, capacity and pricing are becoming important site selection driver these days. Often times, booking decisions are being made based on the availability, quality, range, and affordability of hotel rooms. New facilities are most likely to succeed when positioned competitively with respect to market conditions, management, pricing, booking policies, location, amenities, destination appeal, and existing tourism infrastructure.
 - In general, it was stated that the number of exhibitors at conventions has been slightly down over the past 2-3 years, but the number of attendees has either remained stable or has slightly increased. None of the groups expect to shrink in overall size and some expect to grow by 20,000 square feet of exhibit space per year for the next few years.
 - The number of large-scale tradeshow is declining. Instead, there has been an emergence of smaller more innovative conferences. Regional 1-3 day conferences are becoming the preferred method of meeting. Groups like the American Heart Association (AHA) are feeling the pressure from regional event planners who organize 5-6 regional conferences a year for roughly 1,500 attendees each. In the last year, the AHA's participation dropped from 35,000 to 24,000 participants.

- In terms of how the recession has been and will continue to affect the industry, there does not seem to be the level of impending doom and gloom that is widely expressed in the media. Event executives expressed that the nature of the industry is cyclical and all shows shrink and boom at different times. It is generally acknowledged that when some sectors are doing well, others experience a downturn.
- The industries that are seeing exponential growth in their conference numbers are all industries related to green technology, green products or services and sustainable development. User groups and corporate events are also on the rise. It was stated that the medical and electronics industries are stable while the retail, construction and automotive industries are declining. In general, the education industry expects a 3-5 year lag before they bounce back.
- Some groups mentioned that the new facilities in Phoenix, San Antonio and Vancouver look extremely appealing and may indeed become part of their rotation selections. Also, the access and flow of Moscone West was cited as an example of industry best practices.
- In an era of competitive oversupply, as is presently the case, facilities with contiguous exhibit halls on a single level enjoy a competitive advantage, assuming other key factors are essentially equal. However, consensus among interviewees is that San Diego holds such strong market appeal, that many large groups would be willing to work with non-contiguous exhibit space.

VII. Size Sensitivity Analysis and Utilization Projections

In order to estimate the financial benefits that could potentially be gained from expanding the SDCC, it is first necessary to propose a specific building expansion program, and then estimate the degree to which that new building configuration would be utilized by the market. ERA understands that a variety of sites have been investigated for their potential to accommodate an expansion in the recent past, including at least one discontinuous off site alternative. ERA was introduced to one proposal to be used in the discussions with meeting executives that would include 225,000 square feet of exhibit space adjacent to the existing building, and would have additional meeting and ballroom space in proportion at other levels within the same structure.

Sensitivity Analysis

One topic of discussion with meeting executives was the appropriateness of this size of expansion project, and how it compared with their ideal facility. The market tends to respond to certain thresholds when describing exhibit facilities. Several of the larger events' planners routinely responded, "we need a million square feet." Although size needs vary, the next size down that seems to resonate with the market is "three quarters of a million square feet."

A more quantitative method of investigating the sensitivity of market response to different sized expansion programs was gained by analyzing the lost business records of the SDCCC. This analysis focused on just those groups who could have fit within the existing facility if only dates were available to them, and did not include groups that are in the process of outgrowing the existing facility.

Table 43: Space Requirements of Business Lost Due to Center Unavailability

Square Feet of Expansion	Number of Events that can be accommodated	Percent of Total
0	0	0%
40,000	115	30%
75,000	190	50%
125,000	258	68%
175,000	312	82%
225,000	339	89%
525,700	381	100%
Total Events 525,700 SF or Less	381	

Source: San Diego Convention Center Corporation

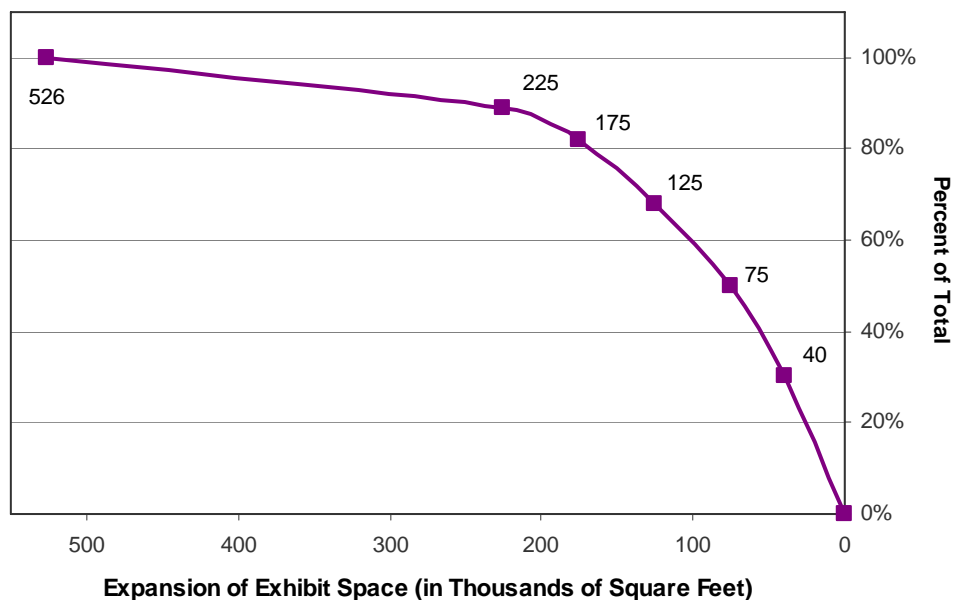
Note: Data includes lost business reported from January 2006 - February 2009

Percentages will not add to 100%.

For the total of 381 groups that contacted the center from January 2006 up through February of 2009 with their needs for specific sizes of exhibit space in certain ranges of dates, **Table 43** displays what percentage would have been able to be accommodated on a self contained basis in an expansion building with a range of sizes.

This analysis is presented graphically in **Figure 14**. Potential customers looking for dates had already investigated the specifications for the SDCC and thus knew they could fit within the existing space of 525,700 square feet. Only 11 percent were large enough to be close to needing the full building, however, and 89 percent could have been accommodated in an expansion program that provided a 225,000 square foot exhibit hall. From that point, the sensitivity analysis investigated the effects of 50,000 square foot reductions from this amount. At 175,000 square feet, 82 percent of the business could still be accommodated. Reducing further to a 125,000 square foot expansion, only about two-thirds of the potential business would fit. A 75,000 square foot expansion would only accommodate half of those looking for dates. As can be seen from the slope of the line in Figure 14, as the size of the expansion program being contemplated shrinks, there are clearly diminishing returns.

Figure 14: Percent of Events Lost Due to Unavailability that Could be Accommodated with Expansion, by Size of Expansion



N = 381, Includes Inquiries made from Jan 2006 - Feb 2009

There appears to be a break point around the range of 175,000 and 225,000 square feet, where in terms of number of events accommodated the space seems to perform well with respect to market needs. Following this line of analysis, **Table 44** presents a summary of the building program focused around a 225,000 square foot exhibit hall that ERA assumed for the purpose of making projections.

Table 44: Assumed Expansion Program and Total Facility Created

Description	Existing Square Feet	Proposed Square Feet	Total Square Feet
Prime Exhibit Space	525,700	225,000	750,700
Sails Pavilion	90,000	N/A	90,000
Total Exhibit Space	615,700	225,000	840,700
Total Ballroom Space	80,000	80,000	160,000
Total Meeting Room Space	118,700	100,000	218,700
Total Indoor Rentable Space	814,400	405,000	1,219,400

Source: San Diego Convention Center Corporation

Utilization Projection

Utilization estimates were projected for a stabilized year of operation, which for these purposes is assumed to be around 2016. The timeline assumes an entitlement and design process taking approximately two years, followed by two years of construction. The expansion would then open at say the beginning of FY 2014. Stabilized operations are then assumed to be achieved in the third operating year, or FY 2016.

Projected utilization in **Table 45** is based on key trends and assumptions discussed previously within the report and include historic building usage patterns, industry trends, trends at competitive facilities and user group interviews. Specific comments include:

- The average of the most recent five years of healthy economic activity is presented for reference in the first column (FY 2003 – 2007).
- The current fiscal year (2009), which is mostly historical data supplemented by anticipated activity in the last few months of the year, is also included for reference.
- The No Build Scenario assumes little or now growth from the longer term averages, and in fact may show some reduction in number of events as a few repeat user groups outgrow the facilities.

- In the expansion scenario it is assumed that the highest priority will be given to booking and retaining national/state conventions and tradeshow and corporate conventions. An incremental capture of 20 of the former and 5 of the latter is projected for the expansion scenario.
- In the categories of local tradeshow and local meetings, community events and food and beverage events the SDCC has already captured the majority of those local users that are appropriate and there are limits to how many more they can attract without competing unnecessarily with the local hotels and other local venues. Only modest growth is projected for these.
- Modest growth is also projected for consumer shows, primarily reflecting the infill of weekend dates that are not picked up by higher impact pieces of business.

Table 45: Projected Utilization With and Without Expansion

	Average 2003-2007	Fiscal Year 2009	No Build Scenario (~2016)	Expansion Projections (~2016)
Events:				
National / State Conventions and Tradeshow	51	62	55	75
Corporate Conventions	12	10	10	15
<u>Local Trade Shows</u>	<u>10</u>	<u>9</u>	<u>10</u>	<u>12</u>
Total Conventions and Trade Shows	74	81	75	102
Consumer Shows	11	16	10	13
Meetings, Community Events, Food & Bev.	153	152	150	170
Total Events	238	249	235	285

Source: San Diego Convention Center Corporation, ERA (2009)

VIII. Economic Impact

The Convention Center’s primary mission is to attract meetings and conventions that generate significant economic benefits for the San Diego region. These economic impacts are generated through spending by event attendees, associations, and exhibitors that come to the area and who would not otherwise have spent money in the local economy. Direct impacts in hotels, restaurants, retail and transportation affect the immediate area, but indirect and induced impacts ripple out through the region as well.

Attendance Projections

The largest direct impact is derived from the spending of attendees. ERA first examined the historical trend in average attendance for the most desirable categories of events. **Figure 15** presents the trendline during the healthy economic years, which implies that there had been long term growth by about 375 attendees per year in the average size of National/State Convention & Tradeshow groups served by the SDCC. Average attendance remained consistently high during the first year impacted by the recession, but the current fiscal year, FY 2009, shows distinct shrinkage in group size.

Figure 15: Historical Average Attendance at National / State Conventions & Tradeshows

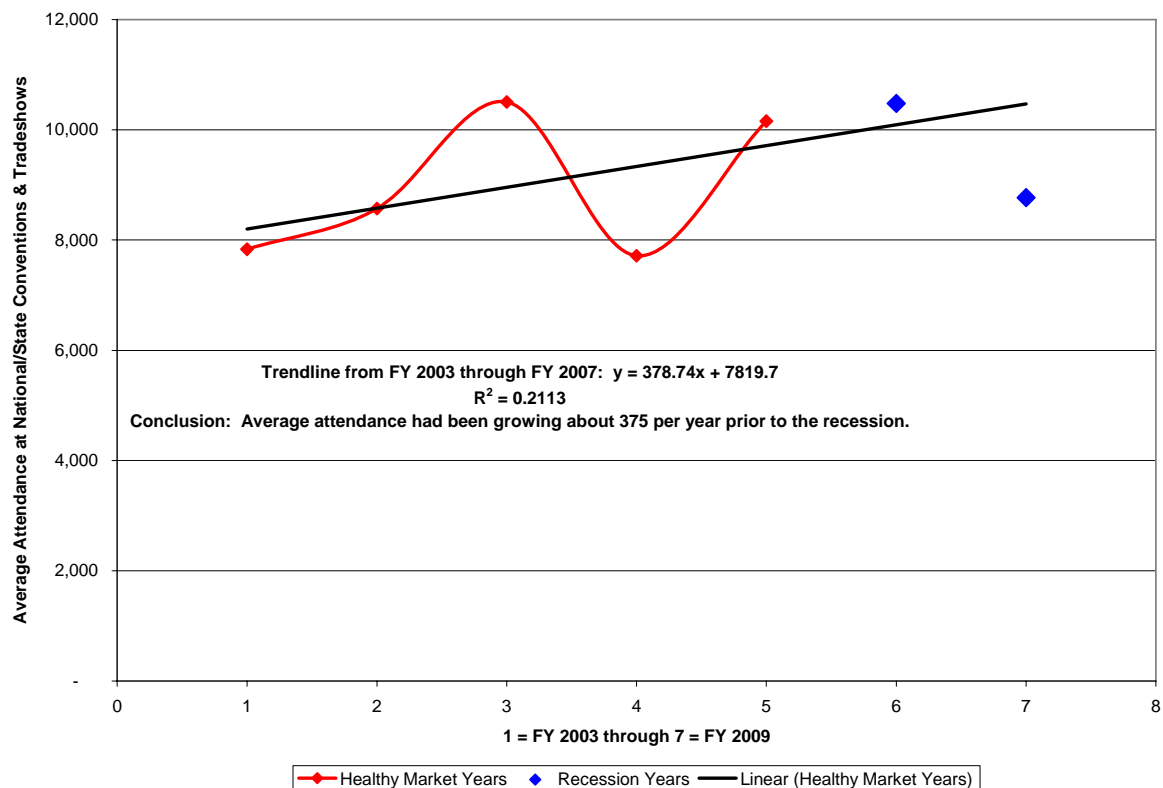
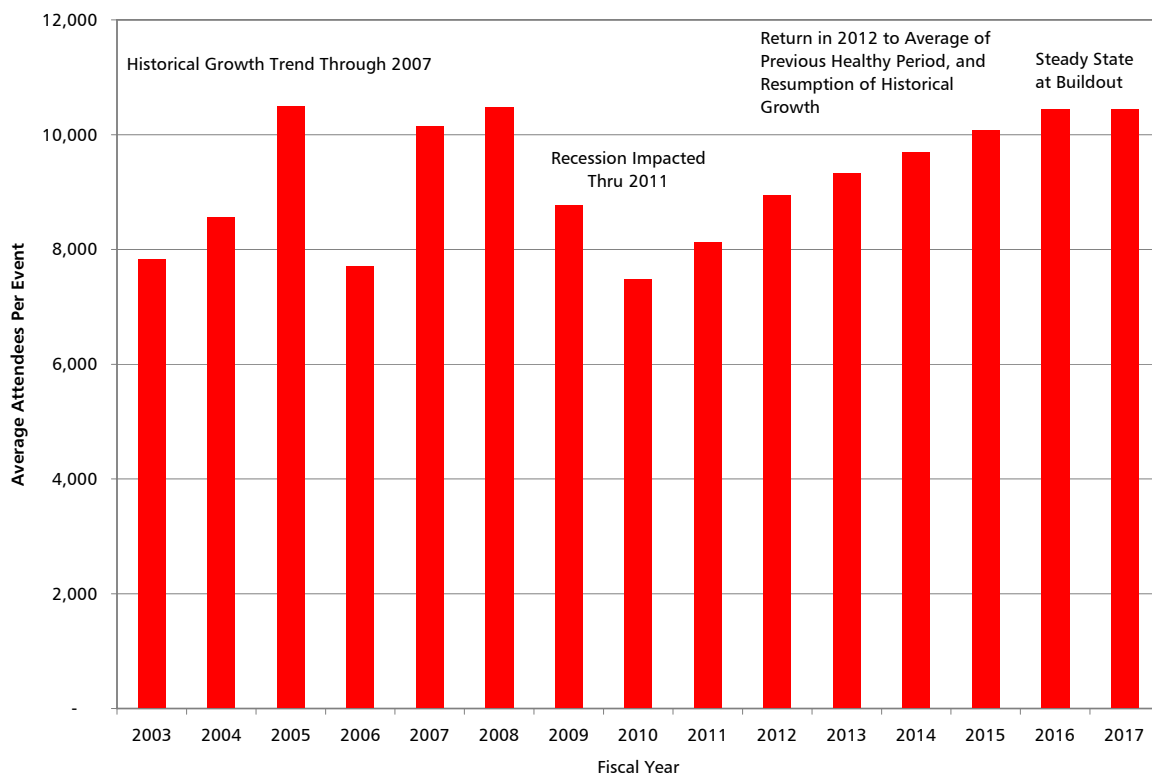


Figure 16 extends this analysis, showing not only the historical data, but also ERA's projections of the impact of the recession and the return to economic health. The figure depicts a forecast where the recession bottoms out in FY 2010, and shows partial growth in FY 2011. FY 2012 is shown in the Figure as an average attendance equal to the average of the five previously healthy years from 2003 through 2007. The long term secular growth trend observed in the past is assumed to then resume, stabilizing in 2016 at an average attendance just above 10,000 for major National / State Convention & Tradeshow groups.

Figure 16: Projected Convention & Tradeshow Average Attendance Post-Recession



A similar analysis is conducted in **Figures 17 and 18** for Corporate Conventions. Figure 17 reveals that Corporate Conventions had been growing by about 250 attendees per year prior to the recession. Corporate Conventions reacted to the onset of the recession much more quickly than the larger association conventions and tradeshow, however, and a sharp drop in average group size was observed in FY 2008, followed by another depressed average size this fiscal year.

Figure 17: Historical Average Attendance for Corporate Conventions

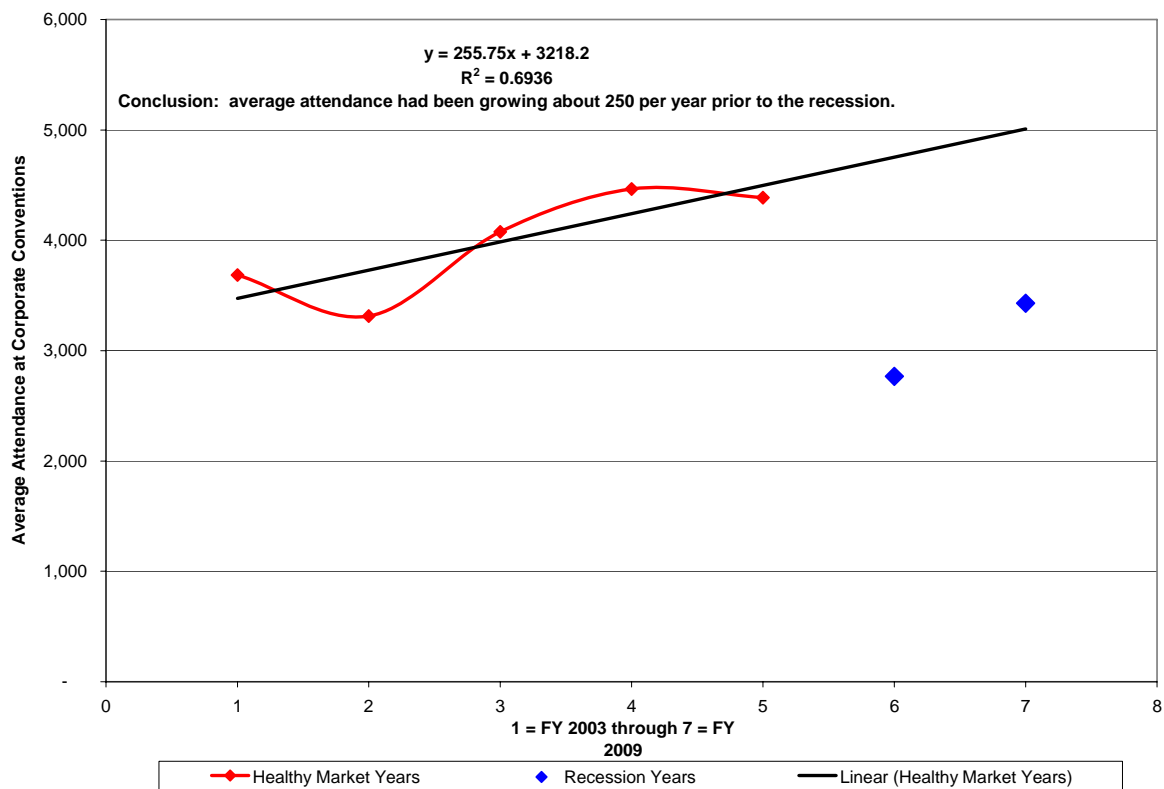
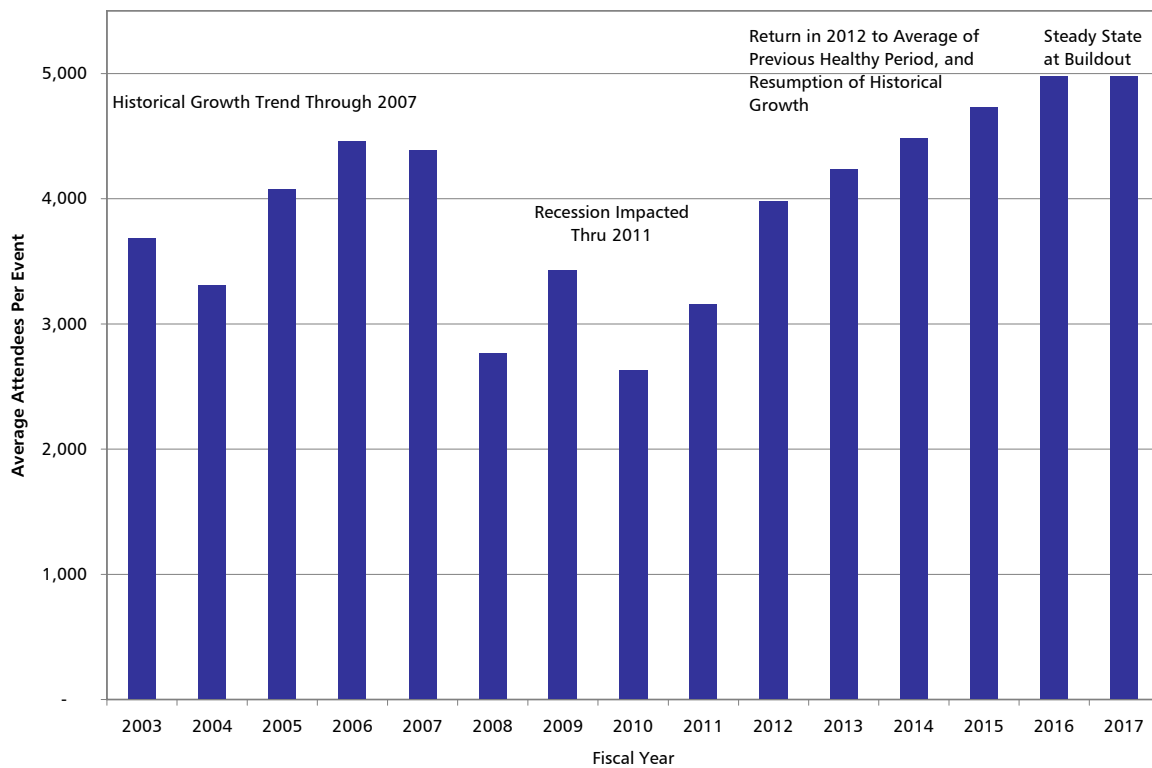


Figure 18 forecasts a similar dynamic to that in Figure 16. The worst attendance per group is expected to be seen in the coming year with a partial recovery in FY 2011. Average attendance in FY 2012 is then reset to the average of the healthy economic years from 2003 through 2007, and the average then grows according to the 250 per year addition to group size until it stabilizes at just under 5,000 in 2016.

Figure 18: Projected Corporate Convention Average Attendance Post-Recession



Projected average attendance for all types of users in the SDCC is presented in **Table 46**. The average size for the lower priority groups has been projected to remain the same as the historical healthy economic years from 2003 through 2007. The exception is Consumer Shows, where the historical average had been distorted by an unusual attendance year in 2003.

Table 46: Projected Average Attendance for All Event Types

	Average 2003-2007	Fiscal Year 2009	No Build Scenario (~2016)	Expansion Projections (~2016)
Events:				
National / State Conventions and Tradeshows	8,956	8,769	10,456	10,456
Corporate Conventions	3,985	3,431	4,985	4,985
Local Trade Shows	2,255	2,304	2,255	2,255
Total Conventions and Trade Shows	7,146	7,392	7,146	7,146
Consumer Shows	19,340	10,348	16,437	16,437
Meetings, Community Events, Food & Bev.	1,220	1,087	1,220	1,220
Total Events	3,809	3,733	3,809	3,809

Source: San Diego Convention Center Corporation, ERA (2009)

After projecting the average attendance per event by event type, ERA multiplied the results by the total number of events at the center. The year 2016 again was used as an expected stabilized year, but this timeframe should be considered approximate. If the center is not expanded, more than 990,000 people will attend events annually, beginning in the stabilized year. Of this total, approximately 575,000 people are expected to attend National / State Conventions & Tradeshows, while another 50,000 are expected to be attendees of Corporate Conventions. If the center is expanded, approximately 1.3 million attendees are expected, of which 784,000 and 75,000 will be for National / State Conventions & Tradeshows and Corporate Conventions, respectively. These two user groups will comprise 66 percent of all attendees in the expansion scenario, which is significant because these groups bring new dollars into the region and have different spending patterns than the other user groups. The center stands to gain approximately 234,000 attendees of the two high-impact user groups alone.

Table 47: Projection of Total Attendance by User Group Type

	Average 2003-2007	Fiscal Year 2009	No Build Scenario (~2016)	Expansion Projections (~2016)
Events:				
National / State Conventions and Tradeshows	455,768	543,691	575,078	784,198
Corporate Conventions	48,857	34,305	49,854	74,781
Local Trade Shows	23,342	20,733	22,552	27,063
Total Conventions and Trade Shows	527,968	598,729	647,485	886,042
Consumer Shows	184,213	165,566	164,373	213,685
Meetings, Community Events, Food & Bev.	187,953	165,172	182,999	207,399
Total Events	900,133	929,467	994,857	1,307,126

Source: San Diego Convention Center Corporation, ERA (2009)

Economic Impact

ERA has focused on attendees of National / State Conventions & Tradeshows and Corporate Conventions to determine the economic impact of the center. The majority of these events' attendees resides outside the metro area and is traveling to San Diego, so the dollars they spend in and around San Diego would be net new to the regional economy. All other user group categories were not included in the economic impact computations because the attendees come mainly from the regional market area and their spending would not be considered net new.

ERA used data based on DMAI expenditure surveys as updated by SDCCC to determine average spending per attendee for these two user categories. While the PwC report aggregated these user groups, ERA has kept them distinct because they have different spending patterns and thus different impacts on the economy. Each attendee of a Corporate Convention brings approximately \$1,400 new dollars into the regional economy on average, and an attendee of a National / State Convention or Tradeshow brings \$1,600. Most categories of expenditures represent dollars spent by the attendee (i.e.: meals and retail shopping). However, the final two expenditure categories represent local spending by event organizers and exhibitor companies, which have been calculated on a per-attendee basis.

Table 48: Average Spending Per Attendee Per Stay

Expenditure Type	National / State Conventions and Trade Shows	Corporate Conventions
Lodging	\$672	\$604
Meals & Beverages	\$207	\$329
Retail Shopping	\$96	\$124
Attractions Admissions (Museums, Theatre, etc.)	\$46	\$33
Air Transportation (Local Impact)	\$127	\$120
Local Transportation (Excluding Car Rental)	\$17	\$34
Car Rental	\$35	\$30
Miscellaneous	\$27	\$1
Per Attendee Spending by Event Organizers	\$122	\$161
<u>Per Attendee Spending by Exhibitor Companies</u>	<u>\$260</u>	<u>\$0</u>
TOTAL	\$1,609	\$1,436

Source: DMAI, San Diego Convention Center Corporation, ERA (2009)

Note: Amounts are shown in 2009 dollars.

These expenditures then were multiplied by the projected number of attendees for the No Build and Expansion scenarios. In total, approximately \$997 million of annual direct economic impact will occur as a result of the center in the stabilized year if it does not expand. With the expansion, the direct impact would increase to \$1.37 billion, a gain of \$372 million. These numbers correspond to direct impacts of the center only and do not measure indirect or induced impacts. It should be noted that the amounts are shown in 2009 dollars to eliminate any distortion of the data that might occur as a result of applying an inflationary factor.

Table 49: Direct Annual Economic Impact

	No Build Scenario (~2016)	With Expansion (~2016)	Net Benefit of Expansion
National / State Conventions & Trade Shows			
Lodging	\$386,453,000	\$526,981,000	\$140,528,000
Meals & Beverages	\$119,041,000	\$162,329,000	\$43,288,000
Retail Shopping	\$55,208,000	\$75,283,000	\$20,075,000
Attractions Admissions (Museums, Theatre, etc.)	\$26,454,000	\$36,073,000	\$9,619,000
Air Transportation (Local Impact)	\$73,035,000	\$99,593,000	\$26,558,000
Local Transportation (Excluding Car Rental)	\$9,776,000	\$13,331,000	\$3,555,000
Car Rental	\$20,128,000	\$27,447,000	\$7,319,000
Miscellaneous	\$15,527,000	\$21,173,000	\$5,646,000
Per Attendee Spending by Event Organizers	\$70,160,000	\$95,672,000	\$25,512,000
<u>Per Attendee Spending by Exhibitor Companies</u>	<u>\$149,520,000</u>	<u>\$203,891,000</u>	<u>\$54,371,000</u>
SUBTOTAL	\$925,302,000	\$1,261,773,000	\$336,471,000
Corporate Conventions			
Lodging	\$30,112,000	\$45,168,000	\$15,056,000
Meals & Beverages	\$16,402,000	\$24,603,000	\$8,201,000
Retail Shopping	\$6,182,000	\$9,273,000	\$3,091,000
Attractions Admissions (Museums, Theatre, etc.)	\$1,645,000	\$2,468,000	\$823,000
Air Transportation (Local Impact)	\$5,982,000	\$8,974,000	\$2,992,000
Local Transportation (Excluding Car Rental)	\$1,695,000	\$2,543,000	\$848,000
Car Rental	\$1,496,000	\$2,243,000	\$747,000
Miscellaneous	\$50,000	\$75,000	\$25,000
Per Attendee Spending by Event Organizers	\$8,027,000	\$12,040,000	\$4,013,000
<u>Per Attendee Spending by Exhibitor Companies</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
SUBTOTAL	\$71,591,000	\$107,387,000	\$35,796,000
TOTAL	\$996,893,000	\$1,369,160,000	\$372,267,000

Source: DMAI, San Diego Convention Center Corporation, ERA (2009)

To evaluate indirect and induced economic activity as a result of the attendees' spending, ERA used RIMS II Multipliers from the US Bureau of Economic Analysis. When compared with multipliers provided by IMPLAN, which PwC used in its report, RIMS II Multipliers have been shown in university studies to yield more conservative estimates of regional economic impact. ERA decided to use these multipliers to be conservative. The industry-specific multipliers were applied to each category of spending to determine total regional economic impact, including indirect and induced economic activity. ERA evaluated only the difference in spending between the No Build and Expansion scenarios. Consequently, the total regional economic impact numbers represent what the regional economy stands to gain if the expansion is completed. While net new spending within particular industries (i.e. lodging) is triggering the indirect and induced spending, it should be noted that the total regional economic impacts are spread across all industries of the regional economy. For example, the \$15 million spent on lodging by attendees of Corporate Conventions is causing a total of \$27.7 million in economic activity in all sectors of the economy, including the direct lodging spending of \$15 million.

Table 50: Total Economic Impact Including Direct, Indirect, and Induced Impacts

	Direct Impacts from Expansion in the Given Industry	Rims II Industry- Specific Multiplier	Total Regional Impact of Expansion
National / State Conventions & Trade Shows			
Lodging	\$140,528,000	1.8406	\$258,655,837
Meals & Beverages	\$43,288,000	1.9328	\$83,667,046
Retail Shopping	\$20,075,000	1.9521	\$39,188,408
Attractions Admissions (Museums, Theatre, etc.)	\$9,619,000	2.2481	\$21,624,474
Air Transportation (Local Impact)	\$26,558,000	2.0710	\$55,001,618
Local Transportation (Excluding Car Rental)	\$3,555,000	2.0030	\$7,120,665
Car Rental	\$7,319,000	2.0030	\$14,659,957
Miscellaneous	\$5,646,000	1.9612	\$11,072,935
Per Attendee Spending by Event Organizers	\$25,512,000	1.9240	\$49,085,088
<u>Per Attendee Spending by Exhibitor Companies</u>	<u>\$54,371,000</u>	<u>1.6434</u>	<u>\$89,353,301</u>
SUBTOTAL	\$336,471,000		\$629,429,329
Corporate Conventions			
Lodging	\$15,056,000	1.8406	\$27,712,074
Meals & Beverages	\$8,201,000	1.9328	\$15,850,893
Retail Shopping	\$3,091,000	1.9521	\$6,033,941
Attractions Admissions (Museums, Theatre, etc.)	\$823,000	2.2481	\$1,850,186
Air Transportation (Local Impact)	\$2,992,000	2.0710	\$6,196,432
Local Transportation (Excluding Car Rental)	\$848,000	2.0030	\$1,698,544
Car Rental	\$747,000	2.0030	\$1,496,241
Miscellaneous	\$25,000	1.9612	\$49,030
Per Attendee Spending by Event Organizers	\$4,013,000	1.9240	\$7,721,012
<u>Per Attendee Spending by Exhibitor Companies</u>	<u>\$0</u>	<u>n/a</u>	<u>\$0</u>
SUBTOTAL	\$35,796,000		\$68,608,353
TOTAL	\$372,267,000		\$698,037,682

Source: US Bureau of Economic Analysis, DMAI, San Diego Convention Center Corporation, ERA (2009)

The BEA's RIMS II system also provides multipliers to estimate the job creation derived from all three levels of economic impact, the direct, indirect and the induced effects. The expansion program would produce the full-time-equivalent of an additional 6,900 permanent jobs within the regional economy.

Table 51: Total Regional Employment Impacts

	Direct Impacts from Expansion in the Given Industry	Rims II Industry-Specific Employment Multiplier	Total Regional Employment Impact of Expansion in all Industries
National / State Conventions & Trade Shows			
Lodging	\$140,528,000	18.7902	2,640.5
Meals & Beverages	\$43,288,000	31.3778	1,358.3
Retail Shopping	\$20,075,000	20.5858	413.3
Attractions Admissions (Museums, Theatre, etc.)	\$9,619,000	18.2305	175.4
Air Transportation (Local Impact)	\$26,558,000	12.7301	338.1
Local Transportation (Excluding Car Rental)	\$3,555,000	27.4996	97.8
Car Rental	\$7,319,000	27.4996	201.3
Miscellaneous	\$5,646,000	29.4154	166.1
Per Attendee Spending by Event Organizers	\$25,512,000	13.5156	344.8
<u>Per Attendee Spending by Exhibitor Companies</u>	<u>\$54,371,000</u>	<u>7.2439</u>	<u>393.9</u>
SUBTOTAL	\$336,471,000		6,129.3
Corporate Conventions			
Lodging	\$15,056,000	18.7902	282.9
Meals & Beverages	\$8,201,000	31.3778	257.3
Retail Shopping	\$3,091,000	20.5858	63.6
Attractions Admissions (Museums, Theatre, etc.)	\$823,000	18.2305	15.0
Air Transportation (Local Impact)	\$2,992,000	12.7301	38.1
Local Transportation (Excluding Car Rental)	\$848,000	27.4996	23.3
Car Rental	\$747,000	27.4996	20.5
Miscellaneous	\$25,000	29.4154	0.7
Per Attendee Spending by Event Organizers	\$4,013,000	13.5156	54.2
<u>Per Attendee Spending by Exhibitor Companies</u>	<u>\$0</u>	<u>n/a</u>	<u>n/a</u>
SUBTOTAL	\$35,796,000		755.8
TOTAL	\$372,267,000		6,885.1

Source: US Bureau of Economic Analysis, DMAI, San Diego Convention Center Corporation, ERA (2009)

Note: Employment numbers shown are in full-time equivalencies.

Fiscal Revenue Impacts

The two major categories of fiscal benefits that ERA evaluated include Transient Occupancy Tax Revenues and Sales Tax Revenues. Like the economic impact measures calculated above, these are driven off the attendance and spending patterns projected in Tables 47 and 48. Fiscal benefits have only been estimated for the direct spending impacts (i.e., without trying to account for the fiscal tax revenues derived from further rounds of spending in the multiplier effect). Direct spending on hotels and retail related items are taken from Table 49 in the last column showing the net new spending created by going from the no build to the expansion scenario.

The city's base Transient Occupancy Tax is 10.5 percent, and there is a supplemental 2 percent tax that is set aside for general tourism and marketing. Taken together, the new room night revenues

that would be generated through the center’s expansion would generate \$19.4 million a year in direct hotel related tax revenue.

For sales tax revenues, ERA considered only the direct spending by attendees of Corporate Conventions and National / State Conventions and Tradeshows. This spending aggregates to \$80.3 million annually, which includes spending on retail goods, restaurants and other food and beverages, and miscellaneous goods (the majority of which are taxable). The city receives 1.0 percent of the total sales tax revenue, and the county receives 0.5 percent. San Diego’s city and county governments would thus receive \$1.2 million in net new sales tax revenue if the center were expanded. In total, the center’s expansion would generate \$20.7 million in local-level tax revenues. The City of San Diego’s share of this would be approximately \$17.1 million per year in constant 2009 dollars.

Table 52: Estimation of Direct Annual Fiscal Revenues

	Net New Industry Revenues	Tax Rates	Net New Tax Revenue Benefits
Transient Occupancy Taxes			
Net New Hotel Revenues	\$155,584,000		
Transient Occupancy Tax		10.5%	\$16,336,320
<u>Supplemental Destination Tax</u>		<u>2.0%</u>	<u>\$3,111,680</u>
Total Taxes on Hotel Rooms		12.5%	\$19,448,000
Retail Sales Taxes			
Net New Retail Sales Revenues	\$80,326,000		
City Sales Tax Yield		1.0%	\$803,260
<u>County-Level Sales Tax Yield</u>		<u>0.5%</u>	<u>\$401,630</u>
Total Local Sales Tax		1.5%	\$1,204,890
Total Annual Tax Benefits			\$20,652,890
City Share of Direct Hotel and Sales Tax			\$17,139,580

Source: San Diego Convention Center Corporation, ERA (2009)

Note: Retail sales revenue includes the following expenditure categories: Retail, Food and Beverage, and Miscellaneous (which are typically taxable goods & services)

IX. Appendices

Appendix I: Interview Guide for Potential Users of an Expanded SDCC

The City of San Diego is currently reviewing plans for an expansion of the current convention center and is seeking additional information about the impact of the current economic climate on future plans. The San Diego Convention Center Corporation has retained an independent consulting firm, Economics Research Associates, an AECOM Company (or ERA), to conduct a series of brief interviews with meeting executives on how economic trends are affecting the meetings industry and future plans for events. Your responses are confidential and will only be used when aggregated with others. This should take no more than 5 to 10 minutes.

In addition we would like to get your reaction to the proposed plans for expansion of the SDCC. The opportunity is presented by a long linear site lying between the existing facility and the bay to the west. A multi-story new structure would be interconnected with the existing building on every level, significantly expanding the size of the space and dates available in downtown San Diego.

(To the interviewer: for reference, the current facility includes approximately:

- 525,700 sq.ft. of prime, contiguous exhibit space,
- 90,000 sq.ft. of flexible space in the Sails Pavilion,
- 204,000 sq.ft. of meeting space, with 72 breakout rooms, including two 40,000 sq.ft. ballrooms,
- 284,500 sq.ft. of prefunction and support spaces, and
- 184,500 sq.ft. of outdoor terrace space.

Before beginning the interview in earnest, make sure we know:

- Who we are talking to,
- The name of the organization,
- The type of organization (e.g., industry trade association, professional society, fraternal or social organization, etc.), and
- Make sure we have contact information.

1. Have you met in the San Diego Convention Center since 2000?
 - a. If yes: Was your most recent meeting successful? Why do you like San Diego? What is good about the existing facility? What could be improved?
 - b. If no: What is keeping you from San Diego? Probe into whether it is related to the facility. The availability of dates? Is there some fatal flaw with San Diego as a destination for their group?

2. Will you (or could you) meet in San Diego in the future in the existing facilities? (e.g., have you outgrown the SDCC?) What other reasons why or why not?
3. What cities are competing alternatives to a San Diego location for you?
4. So far, how has the recent economic recession been affecting the industry you represent? (*i.e.*, *the underlying industry your members work in, and not the “meetings industry” itself.*)
5. How has the recent recession affected your planning for events?
Note: possible categories of effects could include:
 - a. ___ Cancelled events entirely.
 - b. ___ Lower attendance.
 - c. ___ Fewer exhibitors/exhibitors dropping out at the last minute.
 - d. ___ Reduced space needs.
 - e. ___ Budget cutbacks in receptions and related off-site events.
 - f. ___ Others _____
6. I realize we are asking you to speculate, but how might a lingering economic recession affect your future likelihood of holding events in San Diego?
7. How might an economic recovery after the current recession affect your future likelihood of holding events in San Diego?
8. Do you forecast any structural changes in the industry you represent as a result of the current economic recession, and can you guess in what ways?
Is it likely that your industry will return to business as usual after an economic recovery?
9. Travel and tourism destinations in general have many unique attributes that can include restaurant and entertainment districts, sports, waterfronts, theme parks, gambling, and many other attractions. Among cities that have convention and hotel facilities sufficient to accommodate your largest event, how does the attractiveness of the San Diego destination package rank?
 - a. ___ Number one.
 - b. ___ Within the top 5.
 - c. ___ Within the top 10.
 - d. ___ Within the top 25.
 - e. ___ Below the top 25.
10. If we could build the ideal facility for your group in San Diego, what would its total size be?

- a. _____ Gross Sq. Ft. of exhibit space.
- b. _____ Number of break out/meeting rooms.
- c. _____ Sq.Ft. devoted to break out/meeting rooms.
- d. _____ Sq.Ft. in a single large ballroom space.
- e. _____ Any other features, amenities, or facility requests?

11. Now to be as realistic as possible, we believe that the following configuration would be possible in an expanded facility:

- 225,000 sq.ft. of additional prime exhibit space, ½ of a level up from the existing exhibit halls and connected by escalators, stairs, and elevators (**for a total of 750,000 sq.ft.**),
- 100,000 sq.ft. of additional meeting/breakout space,
- An additional ballroom of up to 80,000 sq. ft of contiguous space,
- A variety of generous prefunction and support spaces, and with
- Freight loading at below-grade level

How would the presence of such a facility affect your future interest and ability to meet in San Diego? (*Open ended discussion.*) *Specific follow-up questions could include the following:*

- a. Would your group be able to meet entirely within this expansion building? (i.e., in concept this would create 365 new dates of availability for your size group.)
 - b. Do you expect your group to outgrow the entire 750,000 sq.ft. of exhibit space in the near future?
 - c. As the facility grows from 525,000 sq.ft. to 750,000 sq.ft., how many more years could you meet in San Diego?
12. May we use your name and organization in conjunction with your comments above?

- a. ___ Yes
- b. ___ No.

Thank you so much for your time.

Appendix II: Contacted User Groups

The following user groups granted ERA's request for an interview. The answers attributable to each of the groups have not been identified to provide the groups with confidentiality.

Table 53: User Groups Interviewed by ERA

Name
American College of Cardiology
Radiological Society of North America
American Pet Products
American Unological Association
Infocomm International
AARP
Health Information & Management System Society
Biotechnology Industry Organization
Produce Marketing Association
Risk & Insurance Management Society (RIMS)
National Safety Council
Choice Hotels
The American Society of Human Genetics
American Accounting Association
Aircraft Owners & Pilots Association
National School Boards Association
American Public Transportation Association
Oracle Application Users Group
FASEB
CIGGRAPH
Nielsen Business Media
The American Society of Nephrology
American Association of Clinical Chemistry
American Institute of Aeronautics & Astonautics
American Society of Landscape Architects
American Society of Plastic Surgeons

Source: ERA, 2009