

- Good evening. I'm Chris Cramer, and I have the honor of serving as the chair of the San Diego Convention Center Corporation. In 1984, the city council created the corporation to manage, market, and operate the San Diego Convention Center.
- We are thrilled to be here at tonight as this civic dialogue on the future of our Convention Center begins anew, and I want to thank Mayor Sander's for his leadership on this important issue.
- In the coming months, you will learn about the Center and the role it has played in establishing our city as one of the nation's top convention and meeting destinations.
- The building is one of our city's most visible landmarks, attracting millions of visitors from around the world and is a great source of civic pride.
- MOST importantly, it's a powerful economic engine for our community, driving jobs, tax revenues and the third largest industry in San Diego, tourism.
- As Jeff shared with you, the Convention Center has been an anchor helping drive the revitalization of our downtown, a role that continues today as we just recently saw the opening of the new Hilton Bayfront with nearly 1200 hotel room and hundreds of new jobs for local San Diegans.

San Diego Convention Center



Chris Cramer
Chair, Board of Directors, San Diego Convention Center Corporation

Carol Wallace
President & CEO, San Diego Convention Center Corporation



- When the Convention Center opened in 1989 it was an immediate success, attracting so much business that plans for an expansion were begun only a few years later. Events hosted in the building exceeded all expectations, proving even the most strident critics DEAD WRONG and launching San Diego's rise as a world-class convention destination.
- In 2001, an expansion that doubled the original building opened and as Carol Wallace will share with you, the Center once again exceeded all performance expectations. In fact, the Convention Center now turns millions of dollars in business away each year due to a lack of exhibit space.
- Over the last 20 years, the corporation has established a proven track record:
 - Maximizing the building's economic potential attracting many of the nation's most lucrative conventions;
 - Generating tax revenues reducing the tax burden on San Diegans;
 - Creating and sustaining more than 12,000 jobs; and
 - Serving as a catalyst for redevelopment that has transformed downtown into the thriving hub it is today.
- More than 25 years ago, a task force similar to this one helped lay the foundation to build our Center and created this economic powerhouse. Unlike that group of visionary civic leaders who had to make an informed decision using expert projections, but no actual operating history, we now have 20 years of success to show how wise an investment our Convention Center has become for our City.

An Economic Engine Driving Our Economy

- **Maximized the economic impact by attracting the most lucrative conventions;**
- **Generated hundreds of millions of tax revenues from visitors helping reduce the tax burden on San Diegans;**
- **Driving 12,000 jobs across all sectors of the local economy; and**
- **A catalyst for ongoing downtown redevelopment**



- As our city and nation face a difficult economic downturn, I think it is fair to ask if this is the right time for this discussion.
- Let me respond to that directly.
- This facility serves as the foundation for our visitor industry. Unlike the downturn we are seeing in leisure travel, the events hosted in the Convention Center are usually booked 3-5 years out minimizing the impact of the economic cycles on the performance.
- Our sales team is currently booking events into the building for 2013 and 2014. And as Carol will share with you, we are out of exhibit space to sell due to the success of San Diego.
- I don't want to suggest we have not seen some events have a drop in attendance this past few months. We have. But we have also seen events that have surpassed projected attendance. We are fortunate to have a customer base, largely driven by medical association meetings, that continues to have a strong economic performance and a necessity to continue to host their annual meetings.
- If we do not address expansion now, we will lose convention business, including some of our best current customers like ComicCon, which have outgrown our facility.
- Finally, I believe expanding this facility should NOT be viewed as an infrastructure project.
- Your decision is whether we, as a community, should expand the physical size of the Center in order to protect and grow this important and proven economic engine.
- The stakes are HUGE: Your decision will impact our regional economy, job creation, tax revenues, and San Diego's economic future into the next century.
- So, I want to thank the members of this Task Force for contributing your valuable time, expertise, and collective judgment to this important issue.
- Now, I'd like to turn it over to Carol Wallace to talk about the Convention Center's extraordinary success and the significant return it has generated since our community invested in this Center not once, but twice.

Building on Success- A Solid Investment in the Future

- Ensuring our continued ability to attract and retain the top industry conventions;
- Protect and expand our ability to drive new tax revenues into the future;
- Create and sustain thousands of jobs for local San Diegans;
- Build on 20 years of success in driving our local economy.



- Good evening. I'm Carol Wallace, and it's a pleasure to be here to talk about one of our city's most important assets -- the Convention Center.

Return on Investment



Celebrating
20 years
OF SUCCESS

- The results over the last two decades tell a story of success that has made San Diego the envy of our competition in the meeting and convention industry:
 - \$18.3 billion in regional economic impact
 - \$7.6 billion in direct attendee spending
 - \$364.4 million in tax revenues
 - We've sold 11 million hotel room nights for city hoteliers
 - Hosted over 1,000 conventions and trade shows
 - Held more than 3,000 other community and local events; and
 - Welcomed 15.8 million guests, including 7.7 million out-of-town visitors who spend money in our hotels, restaurants and attractions, infusing fresh dollars into our local economy.

20 Years of Accomplishments

Economic Impact	\$18.3 Billion
Direct Attendee Spending	\$7.6 Billion
Tax Revenues	\$364.4 Million
Hotel Room Nights	11,061,602
Number of Events (1,133 conventions)	4,261
Attendance (7.7 M out-of-town visitors)	15,810,465

CY1990-2009 RESULTS



- In FY08, the SDCCC had an unprecedented fiscal year with all time historical highs in key performance categories setting the standard throughout the industry.
- How did we do it? We hosted over 230 events -- 67 of those events were premier conventions that generated:
 - \$1.8 billion in regional economic impact
 - \$751.8 million in direct delegate spending
 - \$31.9 million in total tax revenues for San Diego
 - 648,159 out-of-town attendees, and
 - Overall attendance of nearly one million
- The events held in our building also support over 12,000 jobs county-wide for the hard working men and women of San Diego.
- And they support San Diego's third leading industry, tourism.

FY08 Results



CATEGORY	FY07	FY08	INCREASE
Economic Impact	\$1.56 B	\$1.8 B	15.3%
Direct Attendee Spending	\$650.3 M	\$751.8 M	15.6 %
Total Tax Revenues for San Diego	\$25.1 M	\$31.9 M	27%
• Transient Occupancy Tax (TOT)	\$23.7 M	\$30.4 M	28%
• Sales Tax	\$1.4 M	\$1.5 M	14%
Total Attendance	983,706	996,226	1.2%
• Out-of town Attendees	617,089	648,159	5%



- The Convention Center continues to be a wise investment for San Diego taxpayers.
- For every one dollar of tax revenues invested in the Convention Center, it has returned \$2.36 in tax revenues this past year.
- The city uses these revenues to pay for basic city services including police and fire protection; street, park and beach maintenance; as well as libraries and museums.

Return on Investment

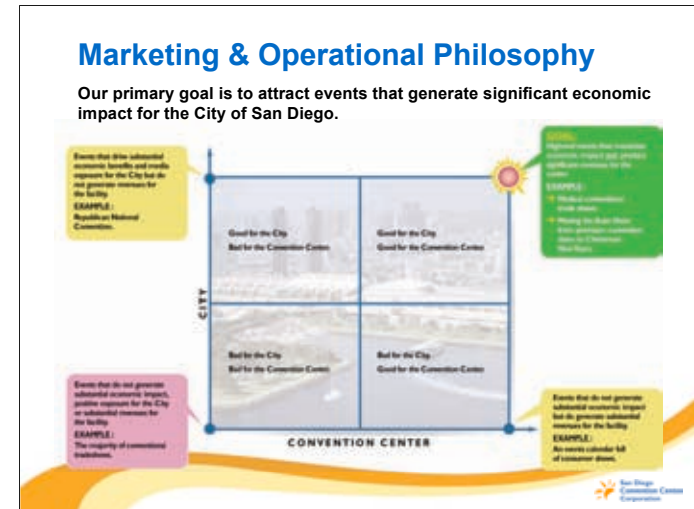
For every **one dollar invested in the **Convention Center in 2008**, it has returned **\$2.36** in tax revenues back to the city.**

- We've been very successful.
- Because of our weather, destination amenities, five-star service and prime location.
- We must consider expanding the building or face losing billions of dollars in business.
- Let's talk about the need for an expansion.

**Building on Success:
the Need for an Expansion**



- This slide represents our marketing and operating philosophy. It's divided into four quadrants.
- The sweet spot is in the upper right hand quadrant. The Center specifically targets high-end events to maximize economic impact for the city and produce significant revenues for the Center. Good examples are medical shows which attract attendees who have more disposable income, are likely to bring their families and come for the convention and extend their stay into a vacation. These events also have large budgets, host many off site events and have the need for ancillary services which generate substantial revenue for the facility.
- In the upper left hand quadrant, are events that are good for the city, but don't necessarily generate revenues for the facility. These events provide positive media exposure for the city and economic benefits. Examples are high profile political conventions or offshoot events surrounding events like the Superbowl.
- In the two lower quadrants are events that don't generate significant economic benefits for the city. On the left, these include conventions, tradeshows and events, with smaller budgets – so they don't generate money for the facility either. And, they typically don't attract attendees who stay as many nights. If they do, they usually don't spend much money.
- The lower right quadrant represents consumer shows and local events. While these events may attract a large number of local attendees, they don't attract overnight visitors.



- As it stands today, market demand has surpassed the current supply of space the building offers. And, we are losing many of the highly desirable events located in the sweet spot you saw on the previous slide.
- Presently, we turn away millions of dollars worth of business that goes to competitor cities.
- To remain competitive, we simply need more product to sell: meaning more exhibit and meeting space.
- In the simplest of terms, an expanded Convention Center means more jobs, more tax revenues to fund critical city services and a stronger economic impact helping drive our regional economy into the future

The Need for an Expansion

- **Market Demand**
- **Lost Business**
- **Competitive Environment**
- **Future Tax Revenues & Economic Impact**

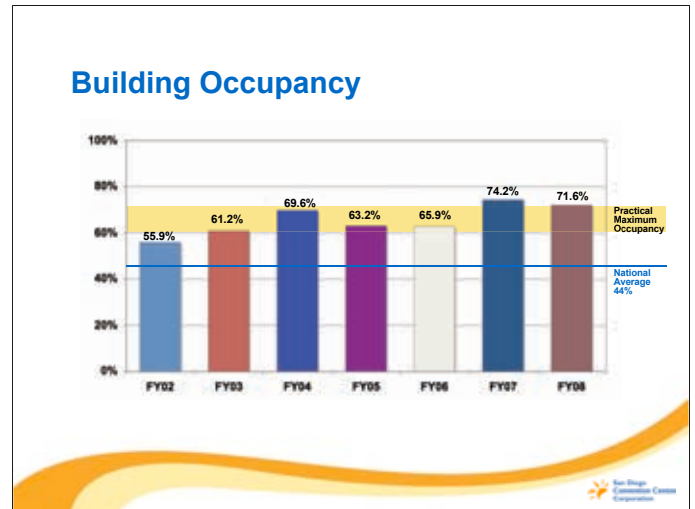
- Since the expansion opened in 2001, we have been operating at or above practical maximum capacity
- And even with the expansion, we can no longer accommodate the space needs of many events.
- While several of our most lucrative events have outgrown or expect to outgrow the Convention Center, many of these groups desire to remain in San Diego.
- For example, HIMSS (Health Information Management Systems Society) brought more than 25,000 attendees to San Diego in 2006 and generated nearly \$2 million in tax revenues for the city. While they wanted to remain in San Diego, they will not be back because we can no longer accommodate their space demand.
- Overall, if we don't expand we could lose millions of room nights and tax revenues to the city.

Market Demand

- Operating at or above practical maximum capacity
- Losing business most frequently due to lack of available dates/space
- Customers interest in an expanded Center
- Events that have outgrown or expect to outgrow represent a potential cumulative room night loss of over 500,000



- One of the key indicators of a convention facility's success is building occupancy.
- In FY08, we reached an occupancy rate of 71.6 percent, well beyond 60% which is considered full, and we turn away business.
- As you can see, almost since we opened the Phase II expansion, we've been at maximum capacity. We are, quite literally, busting at the seams
- It's important to note that no facility ever reaches 100 percent, due to brief closures for maintenance, holidays, and the difficulty of booking back-to-back events because of move-in, move-out schedules which vary widely.
- San Diego continues to outpace the competition in building occupancy.
- The national average for similar size facilities is just over 44 percent
- As the future number of attendance and events grows, so too should our occupancy




- Let me breakdown the current rentable space we have:
 - 525,701 square feet of prime, contiguous exhibit space
 - 90,000 square feet of flexible space in the Sails Pavilion, which can be used for a variety of events from receptions to trade show activity
 - 204,000 square feet of meeting space, with 72 breakout rooms, including two 40,000 square foot ballrooms
 - 284,494 square feet of prefunction, registration and lobby areas; and
 - 184,500 square feet of outdoor terrace space

- Service and support areas.

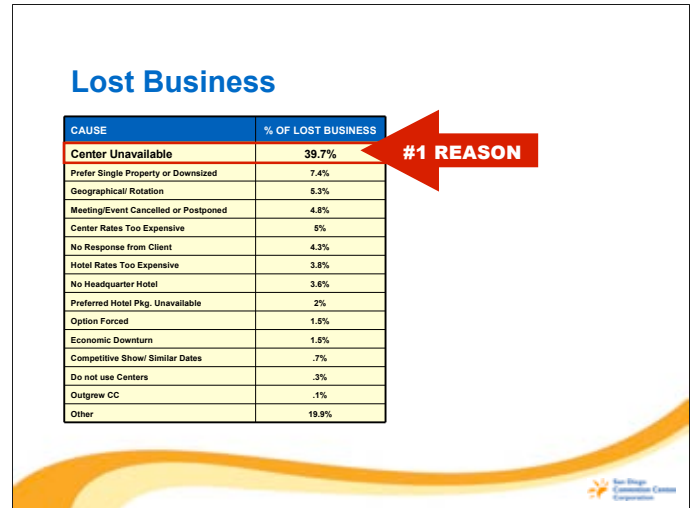
- Total gross square footage is approximately 2.6 million square feet.

Square Footage Summary

FUNCTION	TOTAL SQ.FT.
Exhibit Halls	525,701
Sails Pavilion	90,000
Meeting/Ballroom	204,114 (72 Meeting Rooms)
Prefunction, Lobby, Registration & Circulation	284,494
TOTAL INTERIOR SPACE, SQ. FT.	1,104,309
Services/Support Areas	659,567
TOTAL GROSS INTERIOR SQ. FT.	1,763,876
Outdoor Terraces	166,901
Skywalk	17,613
TOTAL OUTDOOR SPACE	184,514
Parking	669,800
TOTAL GROSS SQ. FT.	2,618,190



- Here is a list of reasons we lose business. As you can see, the number one reason for lost business is a lack of available space at the Convention Center
- 39.7% of lost business is due to this reason alone



- San Diego competes with other first-tier convention cities including heavy hitters like Las Vegas, Anaheim, San Francisco, Orlando, Dallas, Washington DC and New Orleans.
- San Diego's strengths:
 - Coastal destination with great climate, vibrant downtown and top-notch visitor service
 - Award-winning facility with outstanding service and waterfront location
 - Close to the airport, hotels, restaurants and world-class attractions
- Challenges:
 - Nearly two-thirds of our competitive set is larger than us
 - Our strong market segment is increasingly being targeted by other western regional convention destinations attempting to lure conventions away by offering free or heavily discounted convention space and substantially lower rates

Competitive Landscape

San Diego is a first-tier convention city whose competitive set includes such heavy hitters as Las Vegas, Anaheim, San Francisco, Orlando, Dallas, Washington D.C. and New Orleans.

Growth of exhibit space within San Diego's competitive set

	2001	2008
Las Vegas	2,263,131	4,045,084
Orlando	1,103,138	2,051,820
New Orleans	1,300,000	1,100,000
Dallas	811,852	1,019,142
Anaheim	815,000	815,000
San Francisco	442,000	742,000
Washington DC	-	725,000
Phoenix	282,000	688,000
Denver	300,000	584,000
San Diego	435,000	615,000
Boston	-	316,000
Vancouver, Canada	199,000	473,500
San Antonio	440,000	440,000
Seattle	268,700	268,700
TOTAL COMPETITIVE SET	6,679,241	12,194,148

- Our most lucrative market: medical meetings
 - Medical shows have large budgets
 - Perform well – even in economic downturns
 - Attract attendees with more disposable income
 - Attendees are more likely to bring family and extend their stay into a vacation

- In FY08, we hosted 16 medical convention with record-breaking results, including our largest economic generator to date, the Society for Neuroscience. This show alone attracted 32,000 attendees and generated:
 - \$133 million in economic impact, and
 - \$2.3 million in tax revenues for the city





- An expansion will allow us to tap deeper into this critical market.


Medical Shows

Why are medical conventions so highly prized by convention cities?

- Medical shows have large budgets
- Perform well even in economic downturns
- Attract attendees with more disposable income
- Attendees are more likely to bring family and extend their stay

Economic summary for medical shows in FY08:

Economic impact	\$726.9 million	
Tax Revenues	\$12.8 million	
Room Nights	324,496	
Attendance	174,879	
# of Events	16	



- Conventions translate into results for taxpayers. And an expansion would increase both economic impact and tax revenue at a time when new sources of revenue to fund city services are desperately needed.
- According to a recent study by PricewaterhouseCoopers, if we expand:
 - Room nights will increase from 810,800 to over one million
 - Additional jobs will be created – an increase from 12,500 to over 17,000
 - Sales tax revenue will increase from \$4 million to \$5.5 million
 - And, hotel taxes will rise from \$29.7 million to \$40.8 million
- The bottom line: an expansion is an investment in our city's financial future.

Future Tax Revenues & Economic Impact

ECONOMIC IMPACTS	NO-BUILD	EXPANSION ESTIMATES
Room Nights	810,800	1,112,700
Employment	12,500	17,200
Sales Tax	\$4,000,000	\$5,500,000
Hotel Tax	\$29,700,000	\$40,800,000

Source: PricewaterhouseCoopers Study

- Before I finish, I'd like to say that not only is the Convention Center one of the region's leading economic engines, but we're leaders in service excellence.
- Our facility and staff have earned 31 awards over the past 20 years, including receiving a Recycler of the Year Award last year from the City of San Diego.
- We're proud of our accomplishments on behalf of San Diego, and even prouder to share our story with you.
- The materials you received today include a backgrounder about the Convention Center, which provides additional details about our award-winning facility.



- Thank you.

