

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



Presentation to the Mayor's Citizen Task Force  
By Steven E. Spickard, AICP, LEED AP, Senior Vice President

May 26, 2009

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## Outline of Presentation Topics

1. The Assignment
2. Who is ERA|AECOM (Economics Research Associates)?
3. Methodology
4. Research & Analysis Findings
5. Projections
6. Recommendations

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## 1. The Assignment

- Review & extend previous PwC report.
- Project into the future.
- Assess impact of recession.
- Conduct sensitivity analysis of expansion sizes.
- Project future utilization and economic impact of expansion.
- Report findings and recommendations.

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## 2. Who is ERA|AECOM?

- ERA is a 50 year old firm, founded on attractions research/analysis.
- Expanded into urban attractions of all kinds, especially convention centers and other public assembly facilities in the 1960s.
- Dedicated to the land use economics of good, sustainable, urban development.
- Team with world class designers in a global practice.
- Recently acquired by AECOM.

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## Who is the Principal Analyst?

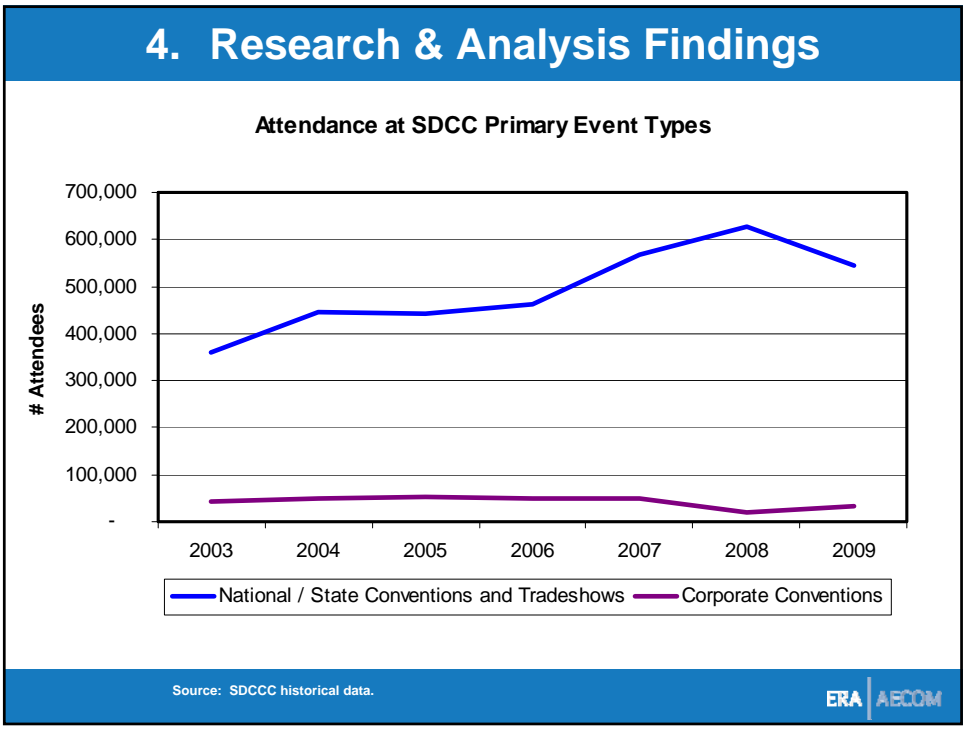
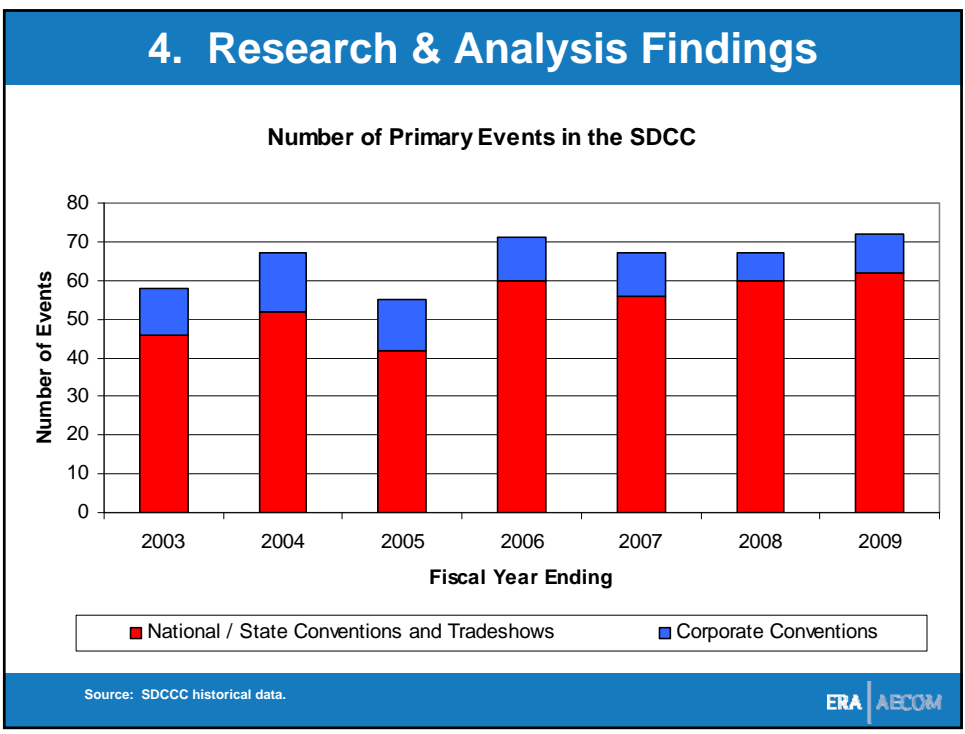
- Steven E. Spickard, AICP, LEED AP, Sr. V.P.
- 30 years experience with ERA overseeing work on:
  - convention centers,
  - downtown revitalization,
  - public/private partnerships,
  - mixed-use development,
  - arenas, ballparks, anchor retail, hotels,
  - tourism research,
  - economic and fiscal impact.

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## 3. Methodology

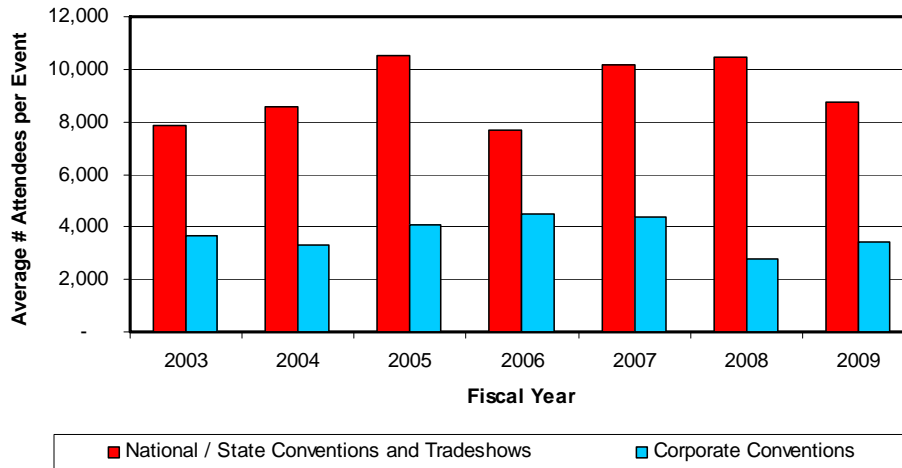
1. Interview staff.
2. Collect, extend, categorize historical data.
3. Analyze trends to capture onset of recession.
4. Update local market conditions.
5. Update local hotel inventory.
6. Investigate changes in competitive set.
7. Interview customers.
8. Assess trends in underlying industries.
9. Specifically address impact on need for meetings.
10. Project future utilization with and without expansion.
11. Project economic impacts of expansion.

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## 4. Research & Analysis Findings

Average Convention and Tradeshow Attendance (2003-2009)



Source: SDCCC historical data, ERA analysis.

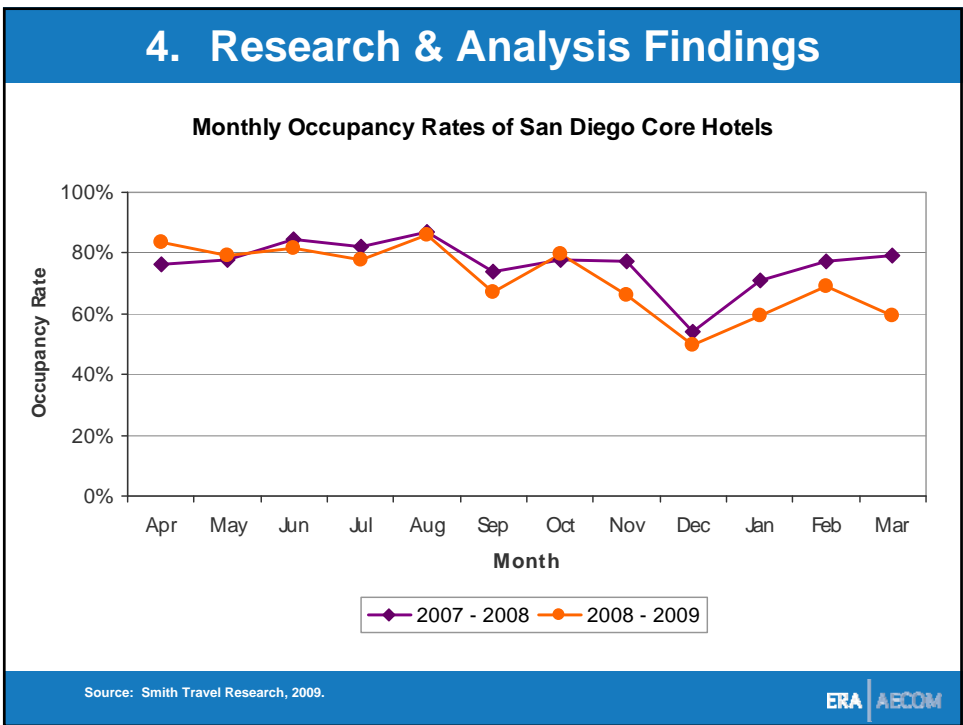
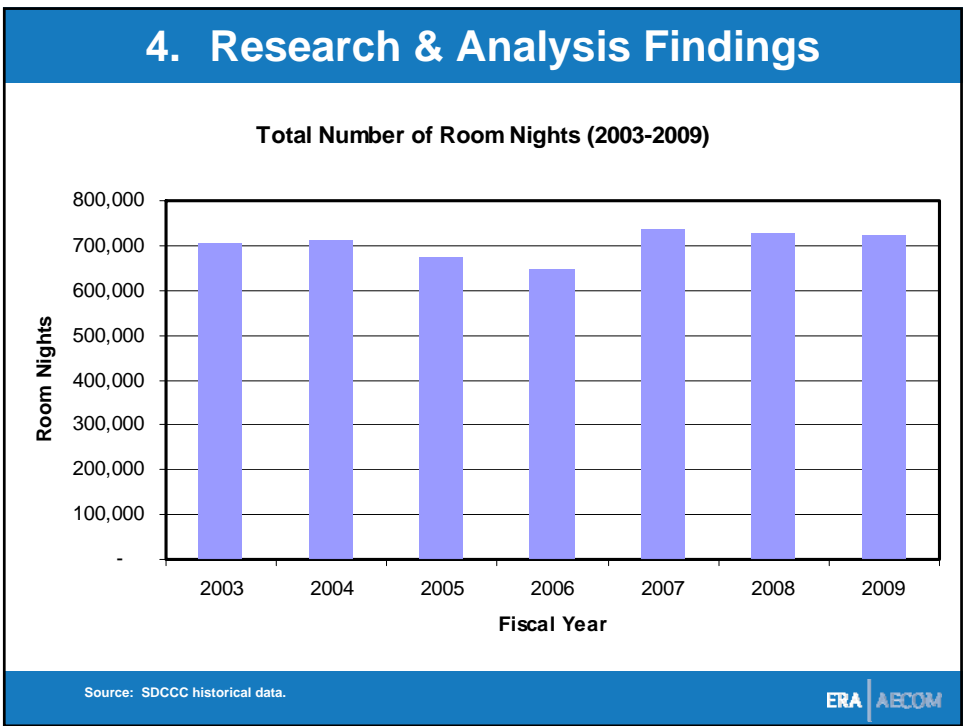
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## 4. Research & Analysis Findings

### Update of “Lost Business” records:

- “Lack of available dates” remains the #1 reason. (Still 40% of all lost groups.)
- Of lost business groups that are not in danger of outgrowing the full facility, 89% would be able to fit within a 225,000 sq.ft. expansion space as a self-contained event.

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#### 4. Research & Analysis Findings

##### **Changes in the competitive market since 2007:**

- Phoenix expansion has opened,
- Vancouver expansion has opened,
- Las Vegas expansion proposed (but delayed),
- Seattle expansion proposed (but delayed),
- Dallas has purchased land for expansion,
- San Francisco expansion being discussed.

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#### 4. Research & Analysis Findings

##### **Results of interviewing key meeting executives:**

- Recession is having a negative impact on attendance, number of exhibitors, and association spending;
- Long term importance of conventions and tradeshow remains unchanged in underlying industries;
- Meeting business is expected to return with recovery from the recession;

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## 4. Research & Analysis Findings

### Results of interviewing key meeting executives:

- The growth and decline of specific events in specific industries is seen as continuing to churn in good economic times as well as bad; and
- Interviews unequivocally reflected a perception that San Diego is one of the most desirable destinations in North America for meetings business.

## 4. Research & Analysis Findings

### “Sensitivity Analysis” of Expansion Size:

- Executive interviews investigated the minimum threshold amount of space to be included in any expansion.
- “A million square feet” is a common threshold in the macro market.
- “3/4<sup>ths</sup> of a million square feet” is another threshold.



## 4. Research & Analysis Findings

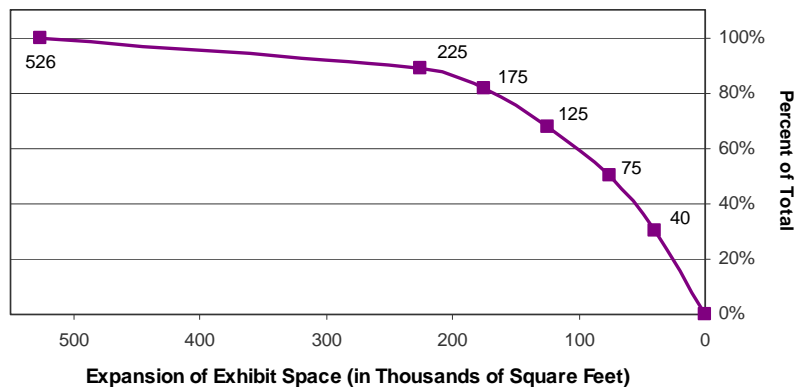
### “Sensitivity Analysis” of Expansion Size:

- Analysis of lost business files provided more quantitative insight into minimum expansion size.
- Of 381 events turned away, 100% could be accommodated if the SDCC doubled in size.
- 89% could be accommodated by 225,000 sq.ft.
- 82% could be accommodated by 175,000 sq.ft.
- The % accommodated drops precipitously after that.

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## 4. Research & Analysis Findings

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

Source: SDCCC historical lost business data, ERA analysis.

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## 5. Projections

- Projections are based on the difference between an “Expansion Scenario” and a “No Build Scenario.”
- Must have a specific size of an expansion to test.
- Number of events by type captured under each scenario.
- Average attendance by event type for future business must be forecast.
- Economic impact = Direct net new visitor spending + Indirect + Induced multiplier effects.

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## 5. Projections

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
<b>Total Indoor Rentable Space</b>	<b>814,400</b>	<b>405,000</b>	<b>1,219,400</b>

Source: San Diego Convention Center Corporation

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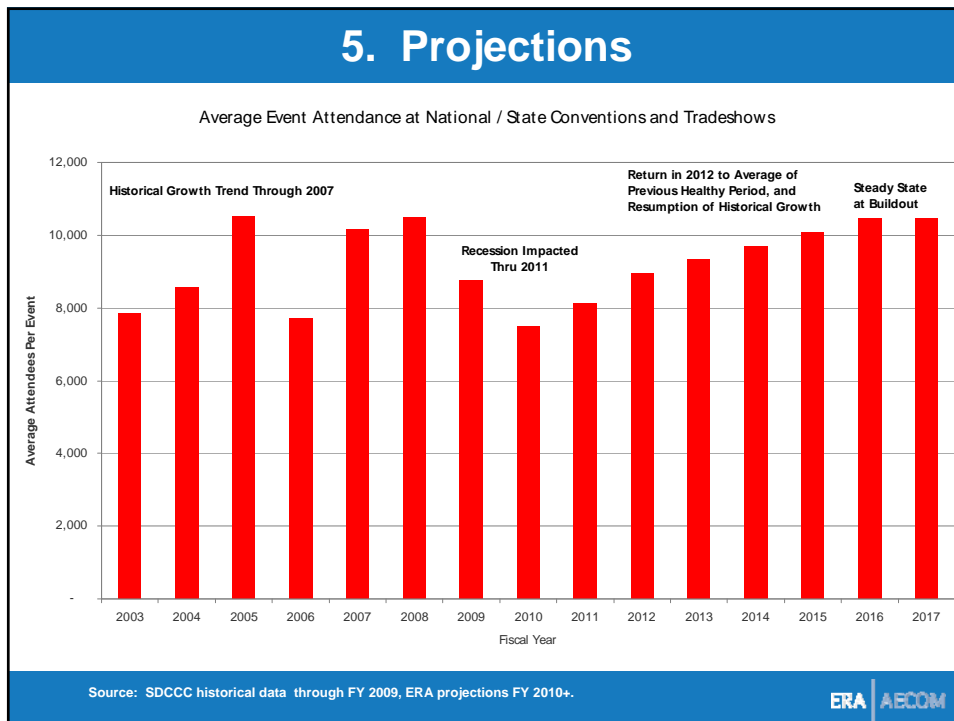
## 5. Projections

	Average 2003-2007	Fiscal Year 2009	No Build Scenario (~ 2016)	Expansion Projections (~ 2016)
<b>Number of Primary Events:</b>				
National / State Conventions and Tradeshows	51	62	55	75
Corporate Conventions	<u>12</u>	<u>10</u>	<u>10</u>	<u>15</u>
<b>Total Primary Business</b>	<b>64</b>	<b>72</b>	<b>65</b>	<b>90</b>
<b>Number of Secondary Events:</b>				
Local Trade Shows	10	9	10	12
Consumer Shows	11	16	10	13
Meetings, Community Events, Food & Bev.	<u>153</u>	<u>152</u>	<u>150</u>	<u>170</u>
<b>Total Secondary Business</b>	<b>174</b>	<b>177</b>	<b>170</b>	<b>195</b>
<b>Total Number of Events</b>	<b>238</b>	<b>249</b>	<b>235</b>	<b>285</b>

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

Source: SDCCC historical data, ERA projections.

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## 5. Projections

### Economic Impacts:

- \$372 Million per year in Direct spending impacts.
- \$698 Million per year in Countywide Economic Impact.
- 6,885 new permanent jobs created.

Source: US Dept. of Commerce, RIMS II, ERA analysis.

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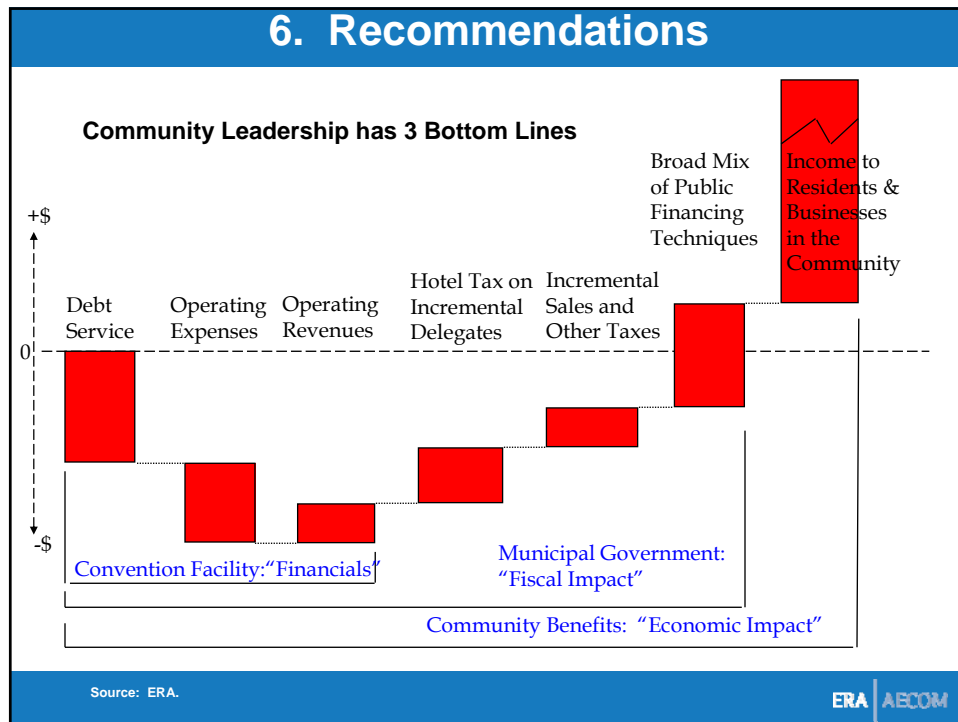
## 5. Projections

### Hotel Sector and City Tax Revenue Impacts:

- \$155.6 Million in gross room sales for hotels.
- \$16.3 Million in Transient Occupancy Tax.
- \$ 0.8 Million in Sales Tax.
- \$17.1 Million in Direct City Tax Revenues.

Source: ERA analysis.

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- ### 6. Recommendations
- An expansion up to 1 million sq.ft. of exhibit space would be nice, if it could be contiguous.
  - If you can't fit that in the available sites, an expansion of up to 3/4<sup>ths</sup> of a million sq.ft. would be ideal (i.e., a net addition of 225,000 sq.ft.).
  - An expansion of 125,000 sq.ft. or less may not make sense.
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## 6. Recommendations

- Expansion of the SDCC will allow the convention business to continue to grow and thrive.
- Convention business will add to the vitality of downtown commercial areas.
- Vitality of commercial areas, will continue to enhance the attractiveness of downtown as a business and residential location.
- All of the above will contribute to real estate values, tax base, and urban sustainability.

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## Questions and Answers

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# Thank You for Your Time

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