

Should We Build It? Two Views on the Merits of Boston's Proposed Convention Center

On May 30, 1997 the Northeastern University College of Business Administration hosted a discussion about the proposed Boston Convention Center that was co-sponsored by Pioneer Institute. Participants included:

Thomas N. O'Brien, Chief Economic Development Officer, Boston Redevelopment Authority

Heywood T. Sanders, Professor of Urban Administration, Trinity University, San Antonio, TX, and author of the Pioneer Institute White Papers, *If We Build It, Will They Come? And Other Questions About the Proposed Boston Convention Center*; and *Challenging Convention(al) Wisdom: Hard Facts about the Proposed Boston Convention Center*.

In the following pages, Pioneer Institute has reproduced an edited transcript of the forum.

Tom O'Brien: A recent study named Boston as the seventh most popular destination among convention-goers in the US, ahead of cities like New York, Las Vegas and San Diego. We are in a league with Chicago, San Francisco, New Orleans, Orlando and Atlanta. But our convention center does not even rank in the top 40 in terms of total space.

We are a center of intellectual capital. We have outstanding residential neighborhoods directly attached to the downtown core, something that other cities are fighting desperately to get.

We also have a diversified economy with an outstanding finance sector represented by companies like Fidelity and BankBoston. Gillette, one of the largest manufacturers in the world, is located here. We have a very strong tourism economy. According to the Tourism and Visitors Bureau, we will have 3.5 million visitors in the city of Boston this summer who will pump approximately \$139 million into our economy. But we cannot rest on our laurels. We need to continue to look for opportunities to enhance our infrastructure. Today, we have zero percent market share of convention shows that need an excess of 100,000 square feet. We do not have a facility that can serve that demand.

We believe that shows in the 150,000 net square foot range would be the most lucrative for us. That translates into a need for about 300,000 total square feet for an associated show. We are proposing a 600,000 square foot facility, which could host two shows at one time.

This building is a long-term investment and we should measure its results in the long-term. The convention market has grown by about 5.5 percent per year over the past 15 years. We also project, based on this 15-year growth record, that there will be future growth in the market.

In 1978, prior to the expansion of the Hynes Convention Center, we had just under 7,000 hotel rooms in Boston. In 1979, the first studies began calling for an expanded Hynes. By 1985, after there was an authorization to expand this facility, our hotel room capacity had grown 60 percent to 11,500 hotel rooms in Boston. Then the recession hit, and one of the hardest-hit industries was hotel construction. The effect that the Hynes has had on Boston is visible when you tour the Prudential shops in the Back Bay, a wonderful development that is directly tied to the Hynes expansion.

The BRA recently approved two hotel expansions, a brand-new hotel and an expansion of a hotel in the Back Bay. In anticipation of a new convention facility, we are already seeing hotel construction. We think that the South Boston site along Summer Street is the best place to enhance all of the investments that we are making in our infrastructure right now. It will be located on 60 acres, on an interstate highway that connects directly to an international airport. It will feature direct access onto the floor of the facility so trucks do not touch a city street, and an upper level for taxicab and pedestrian arrival. It is an outstanding location that other cities do not have, and will enhance our opportunity to produce great development on the waterfront.

Heywood Sanders: The reality is that Boston faces a terribly competitive marketplace in the convention and trade show business. We have looked at other cities that are no less unique, no less desirable, no less fascinating than Boston. If Boston ranks among the top ten, so do New Orleans, San Francisco, Chicago,

Orlando, Philadelphia, Atlanta, and Washington. Almost without exception, each one of those cities is either planning or building an expanded convention center that will put Boston's proposal in the shade in terms of space.

The Final Report and the language of Mayor Menino have been very reassuring: "The convention business is growing. It is getting bigger every year, there'll be plenty of business for Boston." The Final Report projects 23 percent growth in the square footage of conventions and trade shows nationally over the next five years. That 23 percent growth suggests the pie is getting bigger. It also means the small meetings under 100,000 square feet that today make up 82 percent of the convention and trade show industry, are gradually going to get bigger-big enough to be worthwhile for Boston to go after.

This would be a reassuring phenomenon were it not for two things: First, the convention business has changed. That assumption of growth has encountered a very different reality. Those who predicted 23 percent growth also estimated that 471 million net square feet of convention and trade show space would be consumed nationally this year, roughly a 5.5 percent increase over last year. In reality, only 445 million net square feet of convention center space will be used this year. Contrary to what the BRA wants to believe, the pie is not getting bigger.

Not only is the business flat in the aggregate, but the piece of it that Boston seeks, the small- to medium-sized meetings, has been doing even worse. In space terms, this segment of the market is flat or declining. For the next ten or 20 years, the national pool of conventions that exceed the capacity of the Hynes, Bayside Expo Center and the World Trade Center will be somewhere in the neighborhood of 180 to 250 per year. Even if Boston does very well in this market segment, it will fall far short of the 60-odd meetings that are projected to take place in the proposed center each year.

If we look at how major convention centers have performed around the country, they have inevitably ended up getting far fewer attendees than projected. They have generated far fewer hotel room nights than predicted. The studies that forecast the future of the Hynes talked expansively about going from circa 7,000 hotel rooms in the late '70s and early '80s to between 14,000 and 20,000 hotel rooms today.

As most of you know, that did not happen for many reasons. But it was predicted by a BRA staff recognized for their analytical competence. The business of forecasting a city's economic future is a very uncertain and difficult one. Any of you who have lived through the changes in technology over the last decade recognize the difficulty in predicting where we will be as a society ten or 20 years from now. Will there be some new hotels in Boston? Sure. Is this the best way to get them? I do not think so. Do you want to build a Boston filled with conventioners and based on a hotel economy? Or do you want to build a different kind of Boston? Not one that is marked by the kind of big box that you have got in Orlando or in Anaheim or in dreary downtown Atlanta, or even San Francisco. Think about using the capacity of the public sector to build a Boston that is a workable, livable, inviting city. People will come to Boston for Boston, not for its box.

Question: Did your hotel numbers for facilities elsewhere include gate shows?

Heywood Sanders: Within the business, an absolutely vital distinction has to be made between conventions and trade shows and those aimed at an essentially local audience, usually termed "consumer" or "gate shows". Every last number in the report from other centers excludes gate and consumer shows. To do otherwise would be comparing apples and oranges.

The Philadelphia Convention and Visitors Bureau's numbers indicate that a majority of their convention and trade show attendees, not including any auto, home, or flower shows, are locals. Those who are not local stay on average two days, not the three or four we normally assume. The ratio of hotel room nights per visitor turns out to be just over one to one. For every convention-goer, you get about one hotel room night. The numbers are the same for San Francisco, Chicago, Orlando, and Anaheim. I did not expect it, but inevitably the yield is strikingly less than the feasibility studies suggest.

Question: Professor Sanders, it sounds like your analysis would lead you to the same conclusion that you have made here with respect to any other facility in the country that wanted to expand.

Heywood Sanders: Much of the logical and substantive foundation of the feasibility studies dealing with the convention center and the megaplex is just as relevant in any other city. There are, however, some very Boston-specific things here.

One is the size of meetings and the capacity to open a new center attracting a substantial increase in market share without hurting existing business already at Bayside, the World Trade Center, and the existing Hynes. There is a great deal of evidence from all over the country that suggests that it is virtually impossible for a city to target the market without cannibalizing existing business.

Another issue is the physical location of the proposed center. If you look at the capacity of centers located on sites comparable to the South Boston one, they are the centers that are doing the worst. They generally lack the nearby hotel amenities that make an enormous difference. Centers that tend to do better, like New Orleans and Orlando, offer some interesting local amenities, but more importantly, an abundance of relatively low-priced hotel rooms. The cost issue is a real concern.

Question: Mr. O'Brien, has the city has considered other competitive uses for that beautiful piece of property with all those unique attributes than a convention center?

Tom O'Brien: In 1993, the mayor asked the design staff of the BRA to look at the stadium and convention center issue and come up with a cerebral and sober study of what should be done. At the conclusion of the study, the head of our design staff said to me, "Thank you. This is the first time that I have been able to do a study where the BRA director and the chief of staff have not told me what the conclusion is before the study begins"

We thought initially the most cost-effective way to do this was to expand the Hynes. But after months of study we concluded that we could not physically expand. So, we looked around for other sites. This site was a perfect rectilinear site, fairly inexpensive land, close to the downtown. It enhanced our waterfront. The bulk of it is privately owned, so we could not competitively bid those parcels as you suggest.

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