

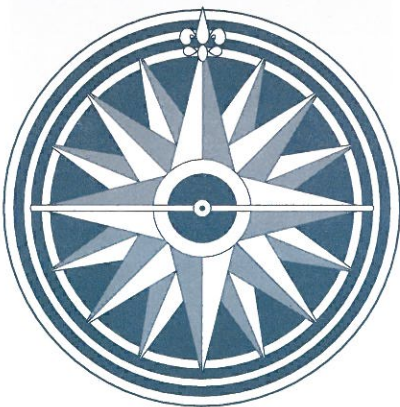
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**CHALLENGING  
CONVENTION(AL)  
WISDOM:  
Hard Facts About  
the Proposed Boston  
Convention Center**

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**PIONEER INSTITUTE  
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## Executive Summary

As the political leadership of Boston and the Commonwealth consider investing \$700 million in a new publicly owned convention center in South Boston, plans are already in place to enlarge facilities in the nation's capital and in San Francisco. Discussions have also begun in New York City, Atlanta, and San Jose to enlarge or replace facilities in those cities. In each case, the goal is to bring in more out-of-state visitors and the dollars that come with them. The success of each project is invariably assured by feasibility studies and civic pride.

The *Final Report on the Boston Convention and Exhibition Center* argues that a new facility will enable the city to serve new convention markets, with a target niche of events requiring 200,000 square feet or more (a minimum of 100,000 net square feet). These events, it reports, will have the greatest economic impact because events of this size tend to be national, thereby maximizing the number of out-of-state visitors.

Forecasts of continued growth in the convention and tradeshow industry form the underpinning for convention center fever. While the Commission's *Final Report* predicts strong growth in the industry, its figures are based on an industry-wide average that includes everything from the small exhibits of national conventions currently held in hotel meeting rooms, to the truly massive shows. If we look at the variation in growth rates across the range in event sizes, we see that the shows that are growing the most are those already too big to fit in the proposed center.

The growth on which the Boston center will depend may not materialize. The latest data show small and medium-sized shows to be essentially flat in terms of space usage. Since 1995, the national event count has been almost flat. Event counts at individual facilities across the country have also been relatively flat over the last several years. Chicago's McCormick Place housed 22 of the industry's largest events in 1986 and 24 in 1995. Following its expansion in 1992, the Georgia World Congress Center in Atlanta housed 50 large events in 1993, 47 in 1994, and 50 in 1995. The pre-expansion figures for 1986 and 1987 were 55 and 59.

With an essentially fixed pool of events, any event that Boston's new facility attracts will mean one less for another city. Boston will also have to compete for smaller meetings, which have smaller attendance and less economic impact. And given that many of these smaller meetings could be housed at Boston's existing facilities, the new Center may simply take

business away from the Hynes Convention Center, the Bayside Exposition Center, and the World Trade Center, providing no net benefit to the city.

The recent experience of Philadelphia is a case in point. The intent was for the new Pennsylvania Convention Center to complement the existing Civic Center. But within days of the new Center's opening, the mayor announced a plan to phase out the old center, and the shows it housed have moved to the new venue. Thus, much of the new facility's business would have happened in Philadelphia without the \$500 million investment. To make matters worse, it seems many of the visitors are from the local area or come in for only the day. Hotel room usage has not approached the city's expectations. Nonetheless, city leaders are now arguing that the four-year-old center is too small and that a larger facility is needed.

The proposed Boston center might reasonably attract 45 events per year. At an average attendance of 6,800, that would yield a total annual figure of 306,000. If Boston's experience is similar to Chicago's, San Francisco's or Philadelphia's, the likely ratio of hotel room nights to attendance will be 1.1 to 1. That would yield about 336,000 hotel room nights—less than half the room nights estimated in the *Final Report*.

The total annual cost of the proposed center will approximate \$66 million. At an annual attendance of some 306,000, the public subsidy per convention attendee works out to \$215. At an annual room night usage of 336,000, that works out to a public subsidy per hotel night of \$196.

Yet even those massive levels of public subsidy ignore the reality of the cannibalization of Boston's existing venues. It is likely that 35 to 45 percent of the attendance and room night generation of the new center will come at the expense of the other three Boston facilities, particularly the Hynes. The historic evidence in other cities suggests that such "substitution" of a newer, larger facility for an older one is the most likely outcome.

*Challenging Convention(al) Wisdom:  
Hard Facts about the Proposed Boston Convention Center*

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Boston is not alone.

As the political leadership in Boston and the Commonwealth consider committing some \$700 million for a new publicly owned convention center, other cities (and their state governments) are pressing forward with remarkably similar plans.

In the nation's capital, the Washington Convention Center Authority is moving ahead with a scheme for a new \$650 million, 900,000-square-foot convention center, while seeking federal government dollars to supplement its own resources.

In New York, discussion has begun over the need to enlarge or replace the Jacob K. Javits Convention Center (800,000 sq.ft.), which opened in 1986.

San Francisco won voter approval in early 1996 for a hotel tax increase to fund expansion of the George Moscone Convention Center.

Atlanta, armed with two successive feasibility studies from Price Waterhouse, is seeking to enlarge the Georgia World Congress Center (960,000 square feet) by some 700,000 square feet of exhibit space.

And San Jose, California, recently funded a feasibility study on the expansion of its convention center, looking to a possible doubling of its exhibition space.

The intensity of convention center fever is matched by the constancy of the local rhetoric and arguments. For Washington boosters, a vastly larger center offers the opportunity to spur new development in an underbuilt section of the city—"Commercial real estate in east downtown Washington should get a big boost from the new Washington Convention Center....And ripples from the project could be felt as far away as Union Station and the White

House”—while stimulating the local economy with new out-of-town visitors, and the dollars they bring.<sup>1</sup> For San Jose promoters, a larger convention venue is crucial to competing against San Francisco and Los Angeles, while supporting the city’s enormous fiscal investment in downtown revitalization. In Atlanta, the goal is to sustain and expand major trade shows in downtown Atlanta, in the face of increasing competition from new convention destinations like Orlando.

For each of these cities, expansion of convention center space is described as vital to the community’s competitive position, with projected booms in visitor spending, job creation, and private development. For center proponents in each and every one of these cities, there can be no question of ultimate success, because each possesses some key convention attraction:

- Washington’s status as a tourist destination and the national capital is clearly unique. The city’s appeal is buoyed by the opportunity for organizations to combine national meetings with lobbying efforts directed at Capitol Hill and the executive branch.
- Atlanta’s proponents point to the metropolitan area’s rapid economic growth and its status as the regional hub of the south.<sup>2</sup>
- San Francisco touts its own unique character and vibrant tourism business.
- The local San Jose business weekly boasts that the city is the “capital of Silicon Valley” ready “for the next level” of convention business.<sup>3</sup>

### **The Questions for Boston**

Boston too has its own unique character and visitor appeal. Boston’s central role in early American history, its wealth of cultural and educational institutions, and its vibrant technology-based businesses are all formidable assets. But that undeniable appeal alone will not necessarily make conventions and trade shows with hundreds of thousands of new visitors appear in the city. To fill a massive new convention facility, Boston and the Commonwealth must compete with a host of other communities, bent on precisely the same goal, supported by their own urban amenities, monuments, culture, and economic centrality, armed with exactly the same rhetoric, and bolstered by a stack of bulky feasibility studies.

The central issue for the Commonwealth is not whether Boston should have a center larger than Wichita’s or Washington’s or Philadelphia’s. It is not whether the public investment in a \$695 million box speaks of the community’s hope for the future and pride in community and history. It is what that \$695 million is likely to actually yield in economic benefits to the city and Commonwealth. And it is whether that investment is ultimately worthwhile.

This analysis of the proposed Boston Convention and Exposition Center (BCEC) will focus on three major concerns:

- the shape of the national convention and trade show market and its likely future course
- the performance of convention centers in other cities that are comparable in size to the proposed Boston facility
- a set of alternate estimates of the probable performance of the BCEC after its completion.

In seeking to answer these questions, it is vital to move beyond the rhetoric of civic boosterism and hope, to a realistic assessment of what major convention centers actually do and what they produce.

## **GETTING BIGGER: MARKET AND DEMAND**

The proponents and promoters of a new and larger convention center for Boston have long argued that the city needs more exhibit space, in order to house conventions too large for the existing Hynes Convention Center, in order to attract more meetings, and in order to generate an influx of new conventiongoers. Their arguments are based on the central premise that more and larger conventions will come to the city, generating substantial economic benefits to the tourism and hospitality industries. Indeed, the *Final Report of the Study Commission on the Boston Convention and Exhibition Center* forecasts that the city will gain some 64 new conventions and trade shows with a total attendance of 537,600 by the year 2012. Any assessment of the plausibility of that forecast must begin with an understanding of the current shape of the national convention market, and its likely future path.

First, as the report itself notes, most conventions and trade shows are relatively small. The Hynes' current 193,000 square feet of exhibition space allow it to serve conventions that require up to about 120,000 to 130,000 net square feet of space. Indeed, figures provided by *Tradeshow Week* indicate that the largest 1997 show at the Hynes, the Boston International Seafood Show, will use about 120,000 net square feet of exhibit space and draw some 20,000 attendees. The 250,000 square feet of space at the Bayside Expo Center allow it to handle meetings up to about 125,000 net square feet, while the more modest World Trade Center, with 120,000 square feet of space, generally serves events of 50,000 net square feet or less.

But the central argument of the Commission's *Final Report* on the BCEC is that it will serve "markets that are currently under-served or not served at all in Boston."<sup>4</sup>

The primary role of the proposed BCEC will be to serve conventions and trade shows with exhibit hall space requirements of 150,000 to 600,000 square feet [presumably 75,000 to 300,000 net square feet]. The target market for the BCEC will be events that require approximately 200,000 square feet or more [100,000 net square feet or more] because these events will have the highest yield in terms of economic impact.<sup>5</sup>



**Table 1. 1997 Conventions and Tradeshows by Net Square Feet**

| <i>Net Square Feet</i> | <i>Percent of Total Events</i> |
|------------------------|--------------------------------|
| 0-50,000               | 61.8                           |
| 50-100,000             | 19.6                           |
| 100-150,000            | 6.1                            |
| 150-200,000            | 3.9                            |
| 200-250,000            | 2.3                            |
| 250-300,000            | 2.2                            |
| 300-350,000            | 0.8                            |
| Over 350,000           | 3.3                            |

Source: Tabulation from 1997 Tradeshow Week database.

Table 1 offers some context for understanding the contemporary distribution of conventions and tradeshows, based on data for 1997 developed by *Tradeshow Week*. The data include all conventions and tradeshows with a minimum of 100 exhibitors responding to *Tradeshow Week's* regular annual survey. That floor thus excludes a very large number of small meetings, many of which are housed in hotels or small conference facilities. Fully 81 percent of all U.S. meetings reporting their space usage to *Tradeshow Week* require less than 100,000 net square feet of space. The "target market" range for the proposed BCEC of 100,000 to 300,000 net square feet includes just 25 percent of the *Tradeshow Week* event universe.

The shape of the national convention market is a pyramid or triangle—a broad base of a very large number of small meetings, and a rapidly diminishing number of larger conventions and trade shows. Those big meetings are in some ways really a prize, for they hold out the promise of a very large number of attendees for a single event. The Print Expo Show in Chicago's McCormick Place convention center, for example, covers 1 million square feet and brings some 100,000 attendees annually. And as table 2 shows, an increase in meeting size brings a clear boost in average event attendance.

Existing centers of a size comparable to the roughly 600,000 square feet of exhibit space planned for the Boston Center generally "top out" at convention and tradeshow events with a maximum size of 300,000 net square feet. Thus Anaheim, with 720,000 square feet of space, housed the National Association of Music Merchants as its biggest meeting in 1995, requiring 380,000 net square feet of space. In the Dallas Convention Center (800,000 square feet), the largest meeting reported by *Tradeshow Week* booked for 1997 is the Promotional Products Association at an estimated 307,000 net square feet.

**Table 2. Average Event Attendance by Size**

| <i>Net Square Feet</i> | <i>Mean Attendance</i> | <i>Median Attendance</i> |
|------------------------|------------------------|--------------------------|
| 0-50,000               | 3,242                  | 2,500                    |
| 50-100,000             | 8,459                  | 7,250                    |
| 100-150,000            | 14,090                 | 11,800                   |
| 150-200,000            | 16,131                 | 13,085                   |
| 200-250,000            | 21,717                 | 20,000                   |
| 250-300,000            | 30,447                 | 30,000                   |
| 300-350,000            | 15,104                 | 13,500                   |
| Over 350,000           | 46,120                 | 37,500                   |

Source: Tabulation from 1997 Tradeshow Week database.

But while the biggest meetings at these centers are comparable to the hoped for upper range for the Boston Convention and Exhibition Center, the reality is that all of these centers depend on the base of the pyramid—the vast majority of small to medium-sized meetings—for their operation.

**Table 3. Fiscal 1998 McCormick Place Events by Size**

| <i>Net Square Feet</i> | <i>Events</i> | <i>Attendance</i> | <i>Room Nights</i> |
|------------------------|---------------|-------------------|--------------------|
| 1-100,000              | 7 (18.9%)     | 65,700 (5.5%)     | 88,818 (9.0%)      |
| 100-200,000            | 11 (29.7%)    | 229,700 (19.1%)   | 224,820 (22.8%)    |
| 200-300,000            | 5 (13.5%)     | 75,000 (6.2%)     | 82,920 (8.4%)      |
| 300-400,000            | 4 (10.8%)     | 169,510 (14.1%)   | 152,851 (15.5%)    |
| Over 400,000           | 10 (27.1%)    | 662,000 (55.1%)   | 435,578 (44.3%)    |
| Total                  | 37            | 1,201,910         | 984,987            |

Source: Chicago Convention and Tourist Bureau

Table 3 illustrates the distribution of conventions and tradeshows booked for Chicago's McCormick Place in fiscal year 1998. While the massive McCormick houses some truly huge events, a substantial share of its annual business is comprised of mid-sized events, precisely the events that constitute the "target market" for the BCEC. Indeed, fully 62 percent of McCormick's 1998 events, 31 percent of its projected attendance, and 40 percent of its estimated hotel room night stays come from meetings using less than 300,000 net square feet of space.

The operational reality is little different in Anaheim, California. While Anaheim regularly hosts some major national trade shows, the bulk of its business is made up of much smaller events. Indeed, 37 of Anaheim's 88 convention and tradeshow events in 1995 used no exhibit space at all (making use of meeting rooms and ballroom space), while the bulk of the remaining conventions and tradeshows (33) fell between 1,500 and 100,000 net square feet of space.

Even in booming Orlando, the rapidly expanding Orange County Convention Center gets the lion's share of its attendance from small and mid-sized events.

The reality of the convention and tradeshow market is that the proposed BCEC will have to depend for most of its event activity on shows that can be contained in the three existing Boston venues.

### Growing and Competing

Growth is a central tenet of the arguments and analysis supporting the new Boston convention center. Faced with the reality that a large number of major cities are either expanding existing centers or developing new ones, the *Final Report* cites figures from the Center for Exhibition Industry Research (CEIR) projecting a 23 percent expansion of the national convention market from 1996 to 2000. During this same period, the *Final Report* predicts that the supply of exhibition space will grow by only 12 percent.

**Table 4. Exhibition Industry: Shows and Space Used, By Year**

| <i>Year</i>                             | <i>Number of Shows</i> | <i>Net Square Feet Used (in million)</i> |
|---|------------------------|--|
| 1989                                    | 3,289                  | 270                                      |
| 1990                                    | 3,738                  | 330                                      |
| 1991                                    | 3,887                  | 331                                      |
| 1992                                    | 4,066                  | 366                                      |
| 1993                                    | 4,172                  | 387                                      |
| 1994                                    | 4,316                  | 400                                      |
| 1995                                    | 4,315                  | 448                                      |
| 1996                                    | 4,400                  | 448                                      |
| 1997                                    | 4,336                  | 445                                      |
| <b>Growth Projections<br/>1996-2000</b> |                        |  |
| 1996 (actual)                           | 4,400                  | 448                                      |
| 1997                                    | 4,492                  | 471                                      |
| 1998                                    | 4,587                  | 496                                      |
| 1999                                    | 4,683                  | 522                                      |
| 2000                                    | 4,781                  | 550                                      |
| Est. Growth                             | 8.6%                   | 22.7%                                    |

Source: Center for Exhibition Industry Research and 1997 Tradeshow Week Databook.

As long as the market continues to grow, Boston need only maintain its market share in order to reap the benefits. Should the market as a whole fail to grow or the pool of events that

could be housed in Boston fail to expand, Boston would have to expand its market share in order to cover its costs.

The *Final Report* relies on figures from the CEIR indicating that space growth from 1990 to 1996 averaged about 4 percent per year. The predictions that Boston's consultants have employed assume growth in excess of 5 percent per year for the next five years. The most recent 1997 data, not available for the *Final Report*, show a striking decrease from the 1996 space usage total. Rather than growing, overall space usage is flat or declining—total exhibition space demand has not grown since 1995. The *Final Report's* analysis notes that convention and tradeshow space demand tends to mirror the overall economy. Yet, as the economy has continued to expand in the last two years, the overall demand for exhibition space has remained flat. The business has changed.

Beyond the question of overall growth, space demand averages reported by the CEIR cover everything from the small exhibits of national conventions currently held in hotel meeting rooms to the massive space of the National Hardware Show and the Pack Expo. The crucial issue for the *Final Report's* analysis, and for Boston, is the variation in growth rates across the range of convention sizes. There, the news is even less comforting.

Boston will *not* be competing for the top rank of national tradeshows. Many of these shows remain in other cities year after year, either because of some professional or structural tie, or because of their vast size. It is precisely these major shows, tabulated annually by *Tradeshow Week* in its "200" listing, that have shown the most substantial growth in size. According to *Tradeshow Week's* analysis, "...the growth of these elite tradeshows has been offset by the slow to moderate growth of small and mid-sized shows, which represent the bulk of the market."<sup>6</sup> Indeed, while for all shows the volume of space used was proportionately the same in 1996 as in 1995, for the "200" shows it grew by more than 5.2 percent over a comparable set of shows. The final conclusion of the *Tradeshow Week* analysis is remarkably cautionary—"Faced with these realities, facilities have to accommodate their large, growing customers, while being careful not to over-build for a maturing industry."<sup>7</sup> Nor is the conclusion that small to medium-sized shows are essentially "flat" in terms of space usage unique to *Tradeshow Week*. The consultants hired by San Francisco to examine the prospects for an expansion of the Moscone Convention Center reached a quite similar conclusion.

It is interesting to note that while the major meeting industry as a whole has been fairly flat, the largest trade shows have shown consistent growth. This observation is consistent with industry interviews of consolidation that indicated that the larger, more successful events continue to grow while smaller events in stable industries are declining or being eliminated.<sup>8</sup>

With an analysis and future forecast pegged to consistent growth, Boston faces a rather sobering reality. At 445 million square feet, the actual level of convention space usage for 1997

is already substantially off the 471 million net square feet predicted and slightly below the actual space usage figure for 1996.

### Getting the Numbers

Boston will not be competing for some fractional slice of the exhibit space pie. Rather, it will be competing for individual events—conventions and trade shows—one at a time. The number of annual convention and tradeshow events tracked by *Tradeshow Week* has been growing only modestly over the 1990s. Since 1995, the national event count has been almost flat.<sup>9</sup>

The “flatness” of annual count of convention and tradeshow events has not escaped other industry observers and consultants. The most recent analysis of the national meetings market—produced by *Meetings & Conventions* magazine in the “Meetings Market” report and cited by the consultants in the *Final Report*—notes, “The number of conventions declined 8 percent, from 11,800 in 1993 to 10,900 two years later.”<sup>10</sup> Indeed, the biennial figures from the report on the number of conventions indicate 1995 had the second smallest number of meetings since 1985—well below the 12,600 reported in 1989.

These and similar figures on the number of convention events led the consultants examining the feasibility of expanding the Moscone Center to conclude, “The historic pattern of major meetings has flattened in terms of number of meetings yet continues to experience a slightly rising average attendance.”<sup>11</sup>

#### *Counting Events at Major Centers*

The effectively fixed pool of conventions and tradeshows can also be seen in the figures on the number of annual events at major centers around the nation.

Start with Chicago’s McCormick Place: McCormick’s annual count of “200” tradeshow events has remained amazingly stable over the decade, from 22 in 1986 to 24 in 1995. The story is essentially the same for Atlanta’s Georgia World Congress Center. The GWCC hosted 59 in 1987. Following an expansion completed in August 1992, the event count for 1993 totaled 50. In 1994 the Atlanta center housed 47 tradeshows and conventions, with a total of 50 in 1995.

The Anaheim center housed a total of 82 conventions and tradeshows in 1990, and 88 in 1995.

Nor is the event growth pattern different in two centers held out as models for Boston: the Pennsylvania Convention Center in Philadelphia and the Moscone Center in San Francisco. The convention and tradeshow count at the PCC has ranged from 32 in 1994, its first full year of operation, to 42 the following year, 48 in 1996, and a projected 43 in 1997. Once again, “flat” appears the appropriate descriptive term.

At the Moscone, the count of conventions and tradeshow has also been stable, from 58 in fiscal 1992/3 following the center's last expansion round, to the latest total of 61 in fiscal 1995/6.

With the national total of meetings and shows largely unchanged in recent years, and with projections of at best quite modest growth for the near future, Boston and its competitors face a difficult market environment. The convention business has become what social scientists term a "zero sum" game. Any events that Boston attracts to a new center in the future will necessarily come at the expense of other centers. And as Boston may be building convention space, other cities will be building and expanding as well.

While Boston's charm and appeal are clear, competitors like San Francisco, Washington, and Philadelphia are also attractive locales for conventiongoers. Increasingly, the factors that meeting planners stress as the determinants of convention location choice go beyond charm, history, and traditional attachment.

The 1996 Meetings Market survey of convention planners noted that the dominant factor in convention destination decisions was the "availability of hotels or other facilities for meetings," cited by 85 percent of the planners. That was followed closely by "affordability of destination" at 65 percent. "Ease of transporting attendees to/from location" came in at 51 percent, and "transportation costs" at 37 percent.<sup>12</sup> "Climate" was noted by 36 percent of association planners, and "sightseeing, cultural, other extracurricular attractions" by just 24 percent.

The conclusions of the Meetings Market survey are bolstered by the results of the regular "Metropoll" survey of meeting planners conducted by Economics Research Associates. The feasibility analysis conducted by ERA for the City of San Francisco concluded, "Costs, air service, cleanliness and security have been much more important to the selection of destinations. These changing attitudes tend to work against San Francisco which has a high cost and less safe image."<sup>13</sup>

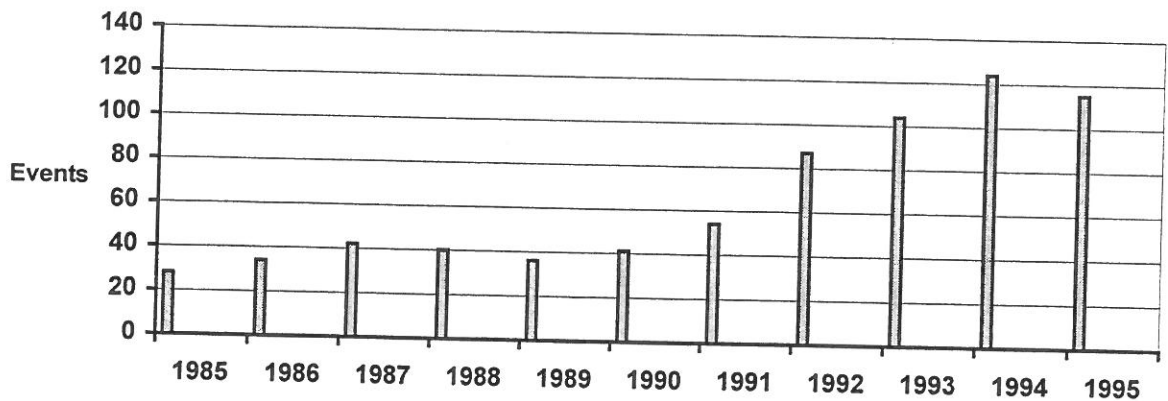
The San Francisco study goes on to compare that city to other cities named by planners as "the most attractive cities in North America."<sup>14</sup> San Francisco was tied with New Orleans for first place in number of mentions, followed by Orlando, Chicago, Philadelphia, Atlanta, and then Washington, which was tied with Boston. Only San Diego and Las Vegas were mentioned less frequently than Boston and Washington.

The meeting planners poll of attractive cities clearly has some empirical base, as shown by the cities and centers that are succeeding in winning a growing share of the meeting and tradeshow market.

The Ernest Morial Convention Center in New Orleans has seen a boom in the number of events since its opening in January 1985. As figure 1 shows, business has grown at the Morial

from 41 events in 1990 to 115 in 1995, filling a center that now covers 700,000 square feet of contiguous exhibit space. (And the Morial is in the process of expanding, building an additional 401,000 square feet of exhibit space scheduled to open in late 1998.)

**Figure 1. Morial Convention Center Conventions and Tradeshows, By Year**



New Orleans' success in attracting an increasing number of meeting events in a flat marketplace has been won by a clear strategy. It has consciously sought to attract smaller meetings. As a result, the average attendance per meeting in the Morial Center has dropped from more than 15,200 in 1986 to 7,500 in 1995.

The meeting planners' poll placed Orlando right behind San Francisco and New Orleans. Orlando also represents an exception to the general pattern of no event growth in major centers. The original Orange County Convention Center hosted 20 events in 1984 and 34 in 1988. Expansions boosted its space and its event count to 66 in 1992 and 82 in 1995. Yet over this period, with some ups and downs, average attendance per event fell from about 8,200 in 1984 to 5,700 in 1990 and 5,900 in 1995. Thus, the Orlando Center has boomed in a "zero sum" market by attracting more small to mid-sized events. The Center's 1997 booking calendar shows a total of 118 events, more than 60 percent of which will have 2,500 or fewer attendees.

One of the premiere tradeshows in Chicago's McCormick Place has long been the Radiological Society of North America (RSNA). The radiological organization has met annually in Chicago, and almost every year since its first meeting in 1915. Its November 1997 meeting in Chicago will use some 385,000 net square feet of space, draw an attendance estimated at 61,000, and generate more than 80,000 hotel room nights for Chicago hotels. But the Society has made the decision to alternate between Chicago and Orlando beginning in 2002.

The loss of the RSNA is clearly a blow to Chicago and McCormick Place. But it does suggest the manner in which the convention market is becoming increasingly "zero sum." As

Orlando expands to a total of 1.1 million square feet of exhibit space in early 1998, it will be able to serve both many of the largest tradeshow in the nation, and a greater volume of the smaller ones. With an abundant supply of relatively inexpensive hotel rooms (average 1996 rates were more than \$60 less than Boston's)<sup>15</sup>, it offers organizations like the Radiological Society and the American Dental Association a broader appeal particularly to younger members with families.

### **Implications for Boston and the Commonwealth**

The projected business at the proposed Boston convention center depends both on a substantial increase in market share and a growing national convention market. In particular, the estimates in the *Final Report* require regular growth in the space needs of mid-sized meetings, in order to boost the pool of events for which Boston can compete.

Yet the reality of the current market is that growth in space demand is flat, as is the annual count of conventions and tradeshow.

Where does that leave Boston?

There are two plausible scenarios. With no growth in the number of meetings, and no real increase in space needs to "push" small meetings into the range predicted in the *Final Report*, one possibility is that the city will secure far fewer medium to large-sized meetings than predicted.

The alternative is no less discomfiting. With a far more limited pool of events in the 100,000- to 300,000-net-square-foot range, the proposed Boston Convention and Exhibition Center may be able to reach its annual target of some 57 events in 2007 and 64 in 2012 *only by capturing smaller meetings*. The implications of that result are obvious. Smaller meetings will generate smaller attendance and room night demand on average, decreasing the likely economic impact of the center. But those smaller meetings are also likely to be events that could readily fit in the existing Hynes Convention Center or the Bayside Expo Center.

### **FILLING THE BOX**

Major convention centers are generally big, blank-walled boxes. With rare exceptions—Arthur Erickson's work in San Diego, James Ingo Freed's in Los Angeles and New York, Kallmann, McKinnell & Wood's at the Hynes in Boston—they are little distinguished for their design or the impact on the urban landscape. Their presumed value lies instead in what and who they house: the tens or hundreds of thousands of conventiongoers and city visitors who bring outside dollars into the city economy, and whose visits generate employment in hotels, restaurants, and retail sectors.



The big question for Boston is who will come, and what they will produce. The contemporary experience of other cities comparable to Boston can suggest some of the products of convention center “success,” and what the future may hold for Boston.

### **A New Box for Philadelphia: The Pennsylvania Convention Center**

Philadelphia’s Pennsylvania Convention Center opened in late June 1993 with a flurry of civic celebration and congratulations. The \$522-million facility was embraced by Vice President Al Gore as “more than just a convention center....It’s a building block of the revitalization of Philadelphia.”<sup>16</sup> And for Philadelphia Mayor Edward Rendell, the real issue was jobs—“Philadelphians will be put back to work by this great and magnificent building.”<sup>17</sup>

A feasibility study had projected that the center could attract 48 major events after three years, with attendance of 263,000. After 10 years, it would lure 346,000 delegates and more than 700,000 hotel room nights—well beyond the 9 major convention and tradeshow events the city hosted in 1989.<sup>18</sup> Of course, the convention center itself would not directly generate many permanent jobs. But the city was committed to supporting the development of a 1,200-room Marriott Hotel across the street from the new center, by acquiring and clearing a site for the hotel development at a cost of some \$18 million.

There was already a convention venue in Philadelphia in the late 1980s. The city’s Civic Center and Convention Hall, built in 1931, had been home to four presidential nominating conventions, and the annual Philadelphia Flower Show, the Home, Boat, and Auto Shows, and such national and regional events as the Printing Expo, Graphic Communications, and the Crafts Buyers Market. The latter events would presumably “migrate” to the new downtown center. The announced intent of the city was that “The Civic Center will continue to house local and regional shows, such as the annual flower, home, boat and auto shows... the services marketed for the Convention Center and the Civic Center will be largely complementary to each other and that the Civic Center and the Convention Center will not be in direct competition with each other to any significant degree.”<sup>19</sup>

Within days after the opening of the new Pennsylvania Convention Center, Mayor Rendell announced the phasing out over two years of the old Civic Center. In the words of the *Philadelphia Inquirer*, “Rendell’s comments mark a dramatic shift from those of past city officials, who promised that there would be a role for the Civic Center after the Convention Center opened....Rendell, however, said it was no longer practical for the city to pay for both buildings.”<sup>20</sup> The Civic Center was finally shuttered at the end of June 1995, as the Flower Show and the Auto Show joined a host of others at the new downtown facility.

Philadelphia obviously proved unwilling or unable to sustain two public convention facilities. Yet the central question of the impact of the new facility remains. The PCC operated

for only the last half of 1993. The adjacent Marriott hotel, long portrayed as vital to the center's operational success, only opened in January 1995. Table 5 presents the figures on the annual performance of the center in attracting conventions and tradeshow. These data exclude purely local, consumer-oriented shows like the Flower Show and the Auto Show, although these events may well bring some out-of-town visitors to the city.

**Table 5. Pennsylvania Convention Center Activity by Year**

| <i>Year</i> | <i>Conventions<br/>and Tradeshow</i> | <i>Attendance</i> | <i>Percent Local</i> | <i>Room Nights</i> |
|-------------|--------------------------------------|-------------------|----------------------|--------------------|
| 1994        | 32                                   | 202,940           | 72.5                 | 165,482            |
| 1995        | 42                                   | 195,795           | 44.5                 | 268,084            |
| 1996        | 48                                   | 318,737           | 52.4                 | 498,667            |
| 1997        | 43                                   | 296,500           | 52.0                 | 431,038            |

Source: Philadelphia Convention and Visitors Bureau.

In its first full year of operation, 1994, the center attracted 32 convention events and a total of 165,482 attendees. The following year, with the 1,200 rooms of the new Center City Marriott nearby, attendance at the center was 195,795 for 42 events.<sup>21</sup> Attendance at the center in 1996 came to almost 319,000, while the estimated total for 1997 is about 296,500.

Philadelphia's new center thus appears to be stabilizing at about 44 or 45 events per year and an annual attendance of about 300,000, slightly below the forecasts of a 1988 feasibility study by Pannell Kerr Foster.

Yet there are some elements of the center's performance and product that raise real questions. For one thing, some meetings and tradeshow long held in Philadelphia simply moved to the new PCC. The Graphic Communications show had been at the Civic Center, as had the Buyers' Market of American Crafts, with 10,000 attendees in 1996. Clearly some of the business included in the PCC totals would have happened anyway.

Even more sobering than the difference between "gross" and "net" impact, the new center draws much of its attendance from the local area. The Philadelphia Convention and Visitors Bureau (CVB) estimates local versus "in-hotel" attendees on a meeting-by-meeting basis each year. A convention of the Association of School Business Officials would obviously draw most of its attendance from outside metropolitan Philadelphia. Indeed, the CVB estimated that only about 6 percent of the convention's attendance was "local." In contrast, some 74 percent of the 20,000 attendees at Graph Expo were judged to be local, generating only 8,778 hotel room nights.

The figures in table 5 indicate that over half of the attendance at the PCC is local. Data from the Philadelphia Convention and Visitors Bureau indicate that the more than 202,000 convention attendees in 1994 reserved only about 165,000 room nights. The following year, with

the Marriott available, 196,000 convention attendees reserved about 268,000 room nights—a ratio of 1.37 to 1. In 1996 the ratio of hotel room night reservations to attendees hit 1.565. And the estimate for 1997 is 1.45 to 1.<sup>22</sup>

The Philadelphia CVB's review of room usage for groups using 1,500 or more rooms in 1995 and 1996 indicate some clear shrinkage from the hotel rooms reserved to those actually used. In 1995, the actual represented about 72 percent of the total. For 1996, it was about 69 percent. Assuming that all meetings showed a drop of about 30 percent in their actual hotel room usage, that would bring the ratio of room nights to attendance to just 1.1. The same procedure would yield a ratio of 0.96 in 1995, and 1.02 in 1997.

Why is this ratio so low? Two reasons stand out. First, the major tradeshow that bring large number of attendees to Philadelphia and other cities draw on a largely local and regional market. Shows in the printing trades, drug industry, and packaging business are held in Philadelphia because that is where their business and market is. Second, the city's very accessibility on the east coast by auto, rail, and air makes it easy for people to attend for a day or two, going in and out of the city rather than staying overnight.

### **Filling the Moscone: Convention and Tourism Trade in San Francisco**

San Francisco voters have good reason to enthusiastically support Proposition A, the proposed expansion of Moscone Center. A larger convention facility would bring thousands of permanent new jobs and an additional \$200 million a year into the city's coffers, all without costing local taxpayers a dime...

Expansion is badly needed. Competitors for conventions in major cities across the country are almost all investing in new or expanded buildings. Meanwhile, Moscone Center is booked through the turn of the century and is being forced to turn away business for a lack of space—resulting in about \$871 million a year in convention business being diverted to other cities.

—Editorial, "Moscone Expansion Would Enrich S.F.," San Francisco Chronicle, February 12, 1996.

The city of San Francisco has long been touted as a competitor to Boston and an example of a convention success story. The *Final Report*, for example, notes that "San Francisco is similar to Boston in many ways, except that it has a larger convention center with 442,000 square feet of exhibit space," and that San Francisco's 7.3 percent share of convention attendance neatly exceeds Boston's 3.8 percent.<sup>23</sup>

For *Boston Globe* columnist Martin Nolan, San Francisco has demonstrated the wisdom and value of convention center investment in quantitative terms:

The convention business here "continues to be very strong," says John A. Marks, president of the San Francisco Convention and Visitors Bureau. "Let me give

you two base-line numbers from 1995. More than 16 million visitors came to San Francisco that year. They left \$5 billion behind. That's enough to get people's attention."<sup>24</sup>

Figures like 16 million visitors and \$5 billion are truly impressive. But those San Francisco figures refer to total city visitors, not convention attendees and not necessarily those attending meetings and trade shows at the Moscone Center. The real figures solely for the Moscone are rather different.

First, the San Francisco Convention and Visitors Bureau officially counted 16.27 million visitors in 1995. Of that total, only 3.31 million actually stayed in San Francisco hotels,<sup>25</sup> while more than 5 million were area residents making day trips to San Francisco. A 1995 survey of city visitors conducted for the SFCVB concluded that just 13 percent were there for conventions, corporate meetings, or seminars.<sup>26</sup> The relevant number for Boston's discussion of a new convention center is the attendance inside the Moscone Convention Center.

According to Moscone Center managers, the center had total convention and tradeshow attendance in fiscal year 1995-96 of 628,564 at 61 events. Even the 628,000 figure is something of an overstatement, as more than 268,000 attended state, regional, or local meetings.

Data on recent hotel bookings for the Moscone Center, shown in table 6, indicate that the ratio of hotel room nights to Moscone attendees has hovered at about 1 to 1.<sup>27</sup> In fiscal 1995-96, when convention attendance was pegged at 628,500, Moscone Center management concluded that the center "produced nearly 655,000 consumed room nights..."<sup>28</sup> The ratio of room nights works out to 1.04.

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**Table 6. Moscone Center Bookings by Year**

| <i>Year</i> | <i>Est. Attendance</i> | <i>Est. Room Nights</i> | <i>Ratio</i> |
|-------------|------------------------|-------------------------|--------------|
| 1992        | 652,900                | 644,500                 | 0.987        |
| 1993        | 809,700                | 762,032                 | 0.941        |
| 1994        | 684,600                | 579,425                 | 0.846        |
| 1995        | 575,300                | 691,200                 | 1.201        |
| FY 1995-96  | 628,564                | 655,000                 | 1.042        |

Source: 1992 to 1995: Economics Research Associates, San Francisco Needs Assessment for Additional Meeting and/or Exhibit Space, page II-7; 1995-96: SMG Corp., Moscone Center 1995-1996 Annual Report, p. 3.

The correlation between meeting attendance and the percentage of attendees who stay in hotels is clearly negative. For meetings with attendance under 5,000, about 59 percent stay in hotel rooms. But above 10,000, the proportion falls to just 24 percent. Indeed, for the city's top five meetings, which account for more than 168,000 attendees, all at Moscone, the hotel-using fraction falls to 20.3 percent. These larger events are, of course, the BCEC's target market.

## Filling Boxes and Beds in Chicago, Atlanta, Orlando, and Beyond

The news from Philadelphia and San Francisco is that these large, successful centers in reasonable destination cities draw attendance in the hundreds of thousands. But a large share of that attendance is local or regional. The result is that the product of filled hotel rooms is relatively modest. The news is no better in other prime convention and tradeshow destinations.

Chicago's McCormick Place has long been a prime tradeshow venue. The 37 events booked into McCormick for fiscal year 1998 will generate an attendance estimated at more than 1.2 million, using more than 11 million net square feet of exhibit space. Yet those 1.2 million attendees are estimated to generate only 984,987 hotel room nights. The resulting ratio of 0.82 is even *lower* than San Francisco's or Philadelphia's. Projections for fiscal year 1999 don't change the picture. With 911,673 room nights for 1.25 million attendees, the ratio actually falls to 0.73. Overall, the simple correlation between meeting attendance and the room night use ratio for Chicago's fiscal 1998 events is -0.46.

The tale is much the same in Atlanta. The 1993 feasibility study for an expansion of the Georgia World Congress Center concluded, "Overnight attendees are assumed to comprise approximately 45 percent of total convention/trade show attendance (based on historic percentages)," an estimate based on room night reports from the Atlanta Convention & Visitors Bureau, "adjusted to reflect rooms not captured in the pick-up report and double occupancy of delegates in hotel rooms."<sup>29</sup>

The Price Waterhouse study goes on to conclude that the "55 percent of delegates which are day trippers are assumed to spend an average of one day at GWCC," with an average daily spending of \$55.22.<sup>30</sup> Despite what the study termed "Atlanta's success in attracting conventions and trade shows," and the fact that "Since its opening and with every expansion, GWCC has consistently achieved convention/trade show occupancies which are above averages of facilities in markets of similar size," much of Atlanta's success has simply come in bringing Georgians to Atlanta for the day.

Orlando's Orange County Convention Center has achieved impressive success in recent years, filling its expanding exhibit space with a growing number of meetings and attendees. With DisneyWorld and a host of family-oriented attractions, Orlando is the sort of convention destination likely to attract convention attendees for hotel stays. The city's 1996 convention booking records reveal that it drew almost 85,000 attendees to the Orange County Center. The center's hotel room impact is calculated in "peak nights," which is the largest number of rooms filled by a meeting for a single night. The 1996 peak night room count came to 226,000—a ratio to attendance to 0.266. Assuming that all those peak night rooms were filled for a full four nights (a quite generous assumption), the overall ratio of total room nights to attendance would come to

1.06. That number is almost exactly equal to the 1.04 for the 1995-96 at the Moscone Center, to the adjusted figures for Philadelphia's Pennsylvania Convention Center, and somewhat above the comparable values for Chicago.

In Orlando, as in the other major convention cities, the yield of hotel room nights to attendance goes down as meeting size increases. Events with more than 10,000 in attendance in 1996 yielded a peak room night ratio of 0.21, while among those with under 5,000 attendees the ratio came to 0.42. Overall, the simple correlation between meeting attendance and peak room night ratio, over more than 100 meetings, came to -0.24.

In Boston, with a high density of regional plane and train transportation, relatively high daily hotel rates, and a large population in easy driving distance, the outcome is likely to be at least the same. A majority of the attendance at a large new center would be day-trippers, driving into South Boston each day in search of parking close to the box.

The major center locales have another piece of news for Boston. At the same time that Boston is expanding in hope of gaining market share among larger conventions, their expansion plans are predicated on gaining ground among the "middle-sized events," deemed by McCormick's consultants to be between 25,000 and 150,000 net square feet.<sup>31</sup>

The marketing strategy for the recently enlarged McCormick Place is to pursue qualified Tradeshow 200 shows currently not using [McCormick Place] and the mid-market convention segment, which traditionally has not been a major source of demand for the MPCC. Research suggests that the addition of the [new Hyatt] Hotel, combined with the features of the new MPCC facilities, will make the complex more desirable to Tradeshow 200 events and mid-market conventions and tradeshows.... With the new Hotel, the MPCC will be particularly competitive in the mid-market trade show segment, potentially increasing its share of the number of these shows by over 50% during the first five years of operation.<sup>32</sup>

Recognizing that meeting planners demand a nearby convention headquarters hotel, and with no immediate prospects for the private sector supplying one, Chicago's Metropolitan Pier and Exposition Authority has undertaken the construction of an 800-room hotel. While placing the management of the hotel in the hands of the Hyatt Corporation, the public authority will own the structure and provide annual financial support for its operations. As a public building, the hotel will pay no property taxes.

At Atlanta's Georgia World Congress Center, expansion in pursuit of smaller meetings is also the future strategy. Based on a recognition that there has been "an inverse relationship between total room nights generated and exhibit space square footage occupied," the center's managers have sought to "Host more mid-size events which generate proportionately more room nights per occupied square foot day (OSFD) than the larger events."<sup>33</sup>

The Ernest Morial Convention Center in New Orleans is already succeeding by attracting smaller meetings. Its expansion from 700,000 square feet of exhibit space to 1.1 million, scheduled for completion in late 1998, is accompanied by a marketing strategy explicitly targeted at mid-sized meetings. In Orlando, the managers of the Orange County Convention Center have begun a strategic planning process to “decide whether to target the industry’s largest tradeshows such as the Super Show [now located in Atlanta], or to seek more midsize meetings.”<sup>34</sup> Las Vegas is also considering positioning its 1.3-million-square-foot convention center for the mid-sized meeting market.

The increasingly difficult competitive reality of the meetings marketplace was recently summed up by John Christison, director of the Washington State Convention and Trade Center in Seattle:

I think some cities make decisions based on civic pride. If San Diego has 350,000 square feet, by God, we’ll have 450,000....To go any bigger [than 258,000 square feet], we might be keeping up with the Joneses, but we wouldn’t necessarily be making any more money....If you look at the marketplace, and you think of it as a triangle, the majority of the business requires less than 100,000 square feet of exhibit space. That’s the bottom of the triangle, which is wider and deeper than the top.<sup>35</sup>

The Washington State Center is currently expanding from 155,000 to 258,000 square feet of exhibit space.

### **One, Two, Three, Four Boxes in Boston**

With three existing convention facilities in Boston—the Hynes, the Bayside Expo Center, and the World Trade Center—it is entirely possible that the new center will be forced to compete for business that is already coming to the city. The “multiple centers” issue was directly addressed in the *Interim Report on the Convention & Trade Center*. The argument of the report is worth quoting and examining in detail:

*Are there other cities that operate multiple convention and trade centers?*

Several other cities have facilities for public assembly which serve individual niche markets. Chicago has McCormick Place, which in itself consists of three buildings, along with Navy Pier. Orlando has the Orange County Convention Center as well as Expo Centre, both of which operate at full capacity. New Orleans and Houston also offer multiple centers, each with different personality and clientele.<sup>36</sup>

Let’s examine “personality” and, more importantly, business at these successful multiple center cities, for what they suggest about intra-city competition.

Both Chicago’s McCormick Place and Navy Pier are operated by the Metropolitan Pier and Exposition Authority. McCormick offers 2.2 million square feet of exhibit space. Navy Pier,

reopened in mid-1995, covers 170,000 square feet. The two facilities thus differ radically in size and capacity. That difference is reflected in the scale of their business and attendance.

For fiscal year 1997, McCormick will house 37 events, using a total of more than 11 million square feet and with an estimated attendance of 1.2 million. Navy Pier's convention attendance will be just over 121,000. That gives the smaller facility just over 9 percent of the combined attendance, and a slightly smaller share of space. And because Navy Pier often books the overflow of McCormick and shows that are less certain, its share of combined attendance booked for fiscal 1999 is estimated at just 3.5 percent.

The conclusion of the *Interim Report*, that these multiple centers serve "individual niche markets," is thus not entirely accurate. One major center serves the vast majority of the local convention market. The other serves a small remnant.

The *Interim Report* also cites the "full capacity" of the two centers in Orlando. The Orange County Center will cover more than 1.1 million square feet of exhibit space next year. Orlando's downtown Expo Centre covers just 71,000 square feet. The vast difference in scale is mirrored by their respective attendance. In 1996, the Orange County Convention Center hosted more than 840,000 convention and tradeshow attendees. The Expo Centre managed total attendance of 198,636 for fiscal year 1996 (ending September 30). But only 47.2 percent of the Expo Centre's space usage was for conventions. The majority of its business involved public shows, catering, and local civic and government events. At best, about 95,000 of the Centre's attendees were there for conventions. That amounts to 10 percent of the combined attendance at the two facilities.

As was the case with Chicago, Orlando has one major center that singularly dominates the convention and tradeshow marketplace, and one far smaller facility that has a modest share of the total. The reality is remarkably similar in New Orleans, also cited for "multiple centers" by the *Interim Report*, noting their "different personality and clientele."<sup>37</sup>

The *Major Exhibit Halls Directory* cited in the consultants' report lists three major non-hotel exhibit facilities in New Orleans: the Morial Center, with 700,000 square feet of space, the Louisiana Superdome with 166,000, and the Municipal Auditorium with 52,250. Presumably, it is the Superdome that serves the different clientele. And different it is. The Morial's attendance came to 869,000 in 1995. The Superdome's scheduling staff was hard-pressed to come up with the individual conventions and tradeshows that filled the dome last year, or that will take place this year. Beyond the list of football games, large banquets, and public events at the Superdome last year, it did serve a clientele of Promise Keepers and the Southern Baptist convention. Convention bookings in 1997 include the Evangelical Lutheran Youth, the Wall and Ceiling Industry Convention, and Lobo's New Orleans Industrial Tradeshow.



The convention business in New Orleans is at the Morial. The Superdome handles a tiny handful of trade events, and an occasional religious assembly, often with a substantial local attendance.

The normal course of convention center evolution is exemplified by Denver. The city opened Currigan Hall in May 1969. The Colorado Convention Center opened across the street from Currigan Hall in March 1990, adding 300,000 square feet of space to Denver's supply. The "multiple centers" in Denver now do a very different business, in scale and function. The new Colorado Center housed 46 national and regional conventions and tradeshow in 1996, with 186,195 attendees. Currigan drew seven such events totaling 23,138 attendees. Thus, the new facility served 89 percent of the combined convention and tradeshow business. Currigan Hall has managed to serve as a locale for public shows, drawing about 245,000 people while the Colorado Center served 252,000. But it is quite obvious that only one center services the city's convention trade.

So it is in almost every community that has built a new convention center. St. Louis' Cervantes Convention Center built in 1977 neatly replaced the 1930s-era Kiel Auditorium. Recently, Kiel was rebuilt to serve as a hockey arena. And in San Francisco, the construction of Moscone Center drained the convention business from its predecessors, Brooks Auditorium and the Cow Palace.

The experience of other cities indicates that Boston should anticipate a significant cannibalization of its existing convention and tradeshow activity. In light of the flat level of such events in recent years, and the slow growth among small to mid-sized shows, such an outcome appears inevitable. This conclusion echoes the findings of Coopers & Lybrand in its 1993 analysis of a megaplex or standalone convention center for Boston, which noted,

In considering the size of the exhibition space recommended for the convention center or megaplex, it has been assumed that all of the national and regional conventions and trade shows which were presented in the market analysis will be held at the new facility. Therefore, the existing Hynes Convention Center would need to be repositioned to focus on event segments other than national and regional conventions, such as international seminars and congresses, large meeting and conference uses or other market segments. If the Hynes continues to host some of the national or regional conventions or trade shows, facility occupancy percentages at the new convention center or megaplex would be reduced. [*Italics mine.*]<sup>38</sup>

In calculating the economic and fiscal impacts of a new convention center, Coopers distinguished between "total economic impact" and "incremental benefits," noting that "some level of fiscal impact is currently being generated by the existing Hynes Convention Center...incremental benefits would therefore, exclude these existing benefits."<sup>39</sup> The calculation of "incremental economic impact related to the stand alone convention center" came

to 61 percent of total impact.<sup>40</sup> Thus Boston is already receiving some 40 percent of the estimated impact of the 338,000 attendees projected to use a new 400,000- to 500,000-square-foot convention center by the year 2000.<sup>41</sup> The business at a new convention center will necessarily come at the expense of the Hynes, and perhaps of the other two centers as well.

#### *Location*

The discussion of "multiple centers" and intra-city competition has ignored the questions of center site and location. The choice of a South Boston site for the proposed center appears set in concrete. Yet location does play a role in the desirability and appeal of a convention facility. That is why Chicago's Metropolitan Pier and Exposition Authority is building a convention headquarters hotel adjacent to McCormick Place, and why Houston, Miami, San Antonio, Baltimore, and Kansas City are subsidizing the development of hotels near their convention centers. And it is why the Price Waterhouse analysis of an expanded convention center in Atlanta noted, "The ability to attract more events to the GWCC, increase attendance, encourage longer stays as well as contribute to downtown's recapture of the commercial visitor is dependent on the city making the CBD a safer, more attractive destination."<sup>42</sup>

### **WILL THEY COME? ESTIMATING A CONVENTION FUTURE FOR BOSTON**

The *Final Report* projects an economic bonanza for Boston and the Commonwealth. The new convention center is estimated to generate almost 6,500 new jobs and attract \$436 million each year in new direct spending. Those are impressive figures. Yet they ultimately depend on a logical and analytical foundation marked by serious flaws.

The consultants' estimates are based on an assumption about the growth in the space needs of conventions and tradeshows that is insupportable in light of the current market. Without that growth, and in the face of flat or slightly declining counts of annual meetings, Boston will have to secure its anticipated greater market share entirely at the expense of other, competitive cities. And those cities, from San Francisco to San Antonio, from Washington to Philadelphia, are building, planning, or promoting new and expanded convention centers. In the words of *Tradeshow Week*,

A significant rise in expanding facilities has sharply increased proposed meeting and exhibit space from the numbers reported in 1995. In total 8.8 million sq. ft. of meeting and exhibit space will be constructed between Fall 1996 and 2002. This is 22% more space than the 7.2 million proposed last year.<sup>43</sup>

All projections for job creation, visitor spending, and fiscal impact depend ultimately on the capacity of the new center to attract convention attendees who fill hotel rooms, as hotel spending makes up 55 percent of the daily spending estimated by the consultants. And the impact estimates are based on a year "after demand has stabilized and the BCEC is operating at full

capacity.”<sup>44</sup> The crucial set of numbers in the *Final Report*, which define the center’s operations and its economic return, are contained in table 6-2, buried in the appendices under “Operating Finance.” That table is reproduced in part in table 7.

**Table 7. Trade and Convention Center Demand Projections**

|                               | 2003    | 2007    | 2012    |
|-------------------------------|---------|---------|---------|
| Conventions and<br>Tradeshows | 38      | 57      | 64      |
| Annual Attendance             | 302,800 | 470,600 | 537,600 |
| Annual Room Nights            | 398,135 | 675,000 | 794,000 |

Source: Final Report on the Boston Convention and Exhibition Center, Technical Appendices, Volume I. “Operating Finance,” p. 3.

The consultants predict that by 2012 the proposed center will host 64 conventions and tradeshows, drawing total attendance of 537,600 and generating some 794,000 hotel room nights per year. Were any of those figures to turn out lower than forecast, the estimates of job generation and economic impact would obviously be reduced. Significant questions can be raised about each component of the estimates.

#### *Event Counts*

The contemporary performance of major centers, coupled with the flat annual number of conventions and tradeshows, suggest that the estimate of 64 events is overly optimistic.

Atlanta’s Georgia World Congress Center has hosted between 43 and 50 conventions and tradeshows annually in the recent past. The Dallas Convention Center has attracted an average of 50 conventions and tradeshows each year over the last four years. In Philadelphia, the new Pennsylvania Convention Center has housed 42 conventions and shows in 1995, 48 in 1996, and a projected 43 in 1997. And the Anaheim Convention Center managed 51 events using some exhibit space in 1995.

The Moscone Center in San Francisco has managed somewhat higher event counts in recent years, averaging 58 over the last four years. But that total is inflated by the inclusion of some 8 to 10 small convention meetings which use only limited exhibit space and average about 3,000 attendees. Absent those small meetings, San Francisco’s figures are fully in accord with the centers noted above.

The exception to this general pattern of event counts averaging between 40 and 50 per year are the expanding centers in New Orleans and Orlando. In light of their current size, expansion plans, hotel room capacity, and room rates, it is unlikely Boston will approach their activity levels without attracting sharply smaller meetings.

The most plausible scenario for Boston is a full capacity of between 40 and 50 convention and tradeshow events per year, assuming no constraint on the city's hotel room capacity.

#### *Meeting Size*

The *Final Report* estimates that conventions and tradeshow events at the proposed center will average just under 8,000 attendees in 2003, rising to 8,450 in 2012. Those attendance averages reflect the strategy of positioning the proposed center to attract small and mid-sized meetings—just the sector likely to feel the strongest demand increase from major centers like Atlanta, Chicago, and Orlando.

How likely are the estimated attendance norms?

While they are smaller than those of McCormick Place and the Georgia World Congress Center, they *exceed* the current average meeting size in Philadelphia and Orlando. The average per-meeting attendance at the Pennsylvania Convention Center was 6,640 in 1996, and an estimated 6,895 for 1997. Average attendance figures for the Orange County Convention Center in Orlando have varied between 5,340 and 7,450 over the last four years, averaging out to 6,230. Again, the Orlando center has built its business on a multitude of small meetings. While the average per-meeting attendance in 1996 was 7,500, the median was 4,990.

Finally, at the Morial Convention Center in New Orleans, average per-meeting attendance was 5,900 in 1994 and 7,500 in 1995.

When Coopers & Lybrand calculated the likely attendance and economic impact of a standalone Boston convention center in 1993, they estimated average attendance per event of 5,281.<sup>45</sup>

Boston may succeed in luring an increased number of larger meetings and tradeshow events to the proposed center. Yet the greatest likelihood is that average per-event attendance will fall in the range of 6,500 to 7,200.

#### *Local Attendance and Room Night Demand*

Many of the biggest and most successful conventions and trade shows already in Boston draw much of their business from the metropolitan area and surrounding region. That is why an event like the 1997 Macworld Expo/Boston is estimated to draw 48,000 attendees, yet uses a block of only 3,500 hotel rooms. And why the 40,000-person Internet Expo scheduled for August is "blocked" for 2,000 hotel rooms. Or the 18,000-attendee International Boston Seafood Show is linked to a block of just 3,600 rooms. Overall, for citywide events in 1995 and again in 1996, the hotel rooms blocked by the Greater Boston Convention and Visitors Bureau worked out to 20 percent of estimated attendance. For this year, the proportion comes to 26 percent.

Those fractions should not be surprising. And they do sustain the notion that Boston should anticipate a healthy share of attendance at the new center from 'locals' who drive in for

the day, rather than stay overnight. The proportion of day-trippers would be no less than the 55 percent that Philadelphia currently draws, or the 55 percent in Atlanta at the World Congress Center. Indeed, in the trade-off between air and train fares and Boston average room rates, many potential attendees might find it more desirable to commute than to stay over.

Based on the contemporary experience in Orlando, Chicago, Philadelphia, and San Francisco, it is unlikely that Boston will exceed a ratio of hotel room nights to total attendance of 1.1, and it is likely (as in Chicago) to fall below that figure.

The hotel room night estimates provided in the *Final Report* imply a ratio of 1.43 in 2007 and 1.47 in 2012. The estimates of hotel room nights, which drive the penultimate figure of \$436 million in annual economic impact, are thus overstated even without adjusting for event count or attendance. Based on the total attendance figure estimated by the consultants, room nights generated by the proposed center circa 2012 should range between 510,000 and 590,000.

#### *Intra-City Competition*

The experience of other cities suggests that it is unlikely that Boston will be able to open and operate a new center at full capacity without some impact on the business of the other convention and tradeshow facilities. The estimate from Coopers & Lybrand calculated that only 61 percent of the economic impact of a new center would be “incremental” or new. This implies that only 323,000 of the *Final Report*’s estimated 537,600 attendees would be new to the city. It is entirely plausible that the Hynes would lose some 50 percent or more of its existing attendance to a larger center. The management of the two centers would clearly attempt to attract more small meetings to the Hynes. That is a strategy more than a few other multi-center cities are already pursuing.

#### **Adding It All Up**

The proposed Boston center might reasonably attract 45 events per year. At an average attendance of 6,800, that would yield a total annual attendance figure of 306,000. With a likely ratio of hotel room nights to attendance of 1.1 to 1, that would yield about 336,000 hotel room nights—less than half the room nights now estimated.

Lest these estimates appear far-fetched, the Coopers & Lybrand study pegged total convention attendance for a megaplex/convention center complex at just over 330,000.

The *Final Report* concludes that “if 75 percent of the \$695 million project cost is to be provided through proceeds of dedicated revenue bonds...and assuming debt service is accelerated over the life of the bonds, then approximately \$40 million in dedicated revenue will be needed in the first bond years...[growing] to over \$75.7 million in the final bond year.”<sup>46</sup> The average annual debt service cost would, of course, be accompanied by a subsidy for operating

losses, "projected to be \$7.7 million in 2003," and a capital maintenance reserve of \$1.5 million per year.<sup>47</sup> That brings the total average annual cost of the proposed center to about \$66 million.

At an annual attendance of 306,000, the public subsidy per convention attendee works out to \$215. At an annual room night usage of 336,000, that works out to a public subsidy per hotel room night of \$196. Yet even this massive level of public subsidy fails to account for the cannibalization of the existing Hynes, the Bayside Expo, and the World Trade Center. On the basis of the Coopers & Lybrand estimate of the difference between "total" and "incremental" impact, it is likely that 35 to 45 percent of the attendance and room night generation of the new center will come at the expense of other Boston facilities.

### **Boston's Future from Its Past**

Boston is a prime visitor destination and a unique urban environment. By all accounts of local civic and political leaders, there are dozens of groups waiting in the wings to come to Boston for their meetings, if only space were available. Yet when, in the late 1980s, such increased space was made available by the Commonwealth's expansion of the Hynes Convention Center, the result was remarkably modest.

Sympathetic observers and the staff of the Massachusetts Convention Center Authority described the larger Hynes as virtually operating at capacity from its opening, attracting over 300,000 convention and tradeshow attendees per year. Yet an earlier analysis undertaken by Pioneer concluded that the expanded center produced far less in terms of new Boston visitors, new hotel developments, filled hotel room nights, or hotel employment, than predicted by a stack of studies stretching from 1978 to 1985. Indeed, for all the apparent popularity and success of the Hynes, it had no discernible impact on a series of independent measures of the local hospitality business.<sup>48</sup>

How could that be?

The answer turns out to be rather simple. A large portion of the meetings and tradeshows at the Hynes attract a substantial local attendance. Major events like the Boston Seafood Show, the Yankee Dental Congress, and New England Grows generate an impressive volume of attendees. They also generate a comparatively modest volume of hotel room nights. The story is the same as in Philadelphia and Atlanta, San Francisco, Chicago, and Orlando. Forecasts of convention center impact that typically multiply a substantial fraction of total attendance by four or more room nights generate impressive figures for hotel room demand. Yet when the majority of attendance comes from day-trippers, and convention attendees typically "double up" on hotel rooms, the resulting product will necessarily be far less.

If the expanded Hynes lured 287,000 convention and tradeshow attendees in 1996, it probably generated only about 316,000 room nights. That, in and of itself, looks to be a big

number, but with some 12,000 Boston hotel rooms capable of supplying about 4.4 million room nights, it turns out to be a rather small fraction of the total.

In the context of the metropolitan area's 23,000 hotel rooms supplying more than 8 million annual room nights, the potential impact of the old convention center appears even more modest. The probable impact of a new one is not much greater.

The proposal for a new Boston convention center stands as an obvious case of goal confusion. If the intent of Boston and the Commonwealth is to build a massive box, that can certainly be accomplished. Indeed, centers like the Ernest Morial in New Orleans, the George Moscone in San Francisco, the Cobo Center in Detroit, Bartle Hall in Kansas City, and the McEnery in San Jose serve as striking monuments to the entrepreneurial mayors whose names they bear.

Yet if the intent of the public investment is to boost Boston's hospitality industry and its job generation, the experience of both the Hynes and other cities suggests that the causal link may well be reversed. Cities these days commonly subsidize new hotels to make convention centers work. New hotels in Boston are likely to require a substantial commitment of public resources beyond the development of the center. Indeed, Philadelphia, intent on renewing its downtown new hotels, is employing a host of public subsidy vehicles in its search for rooms. One development, a proposed new \$105-million Loews hotel, will receive more than \$38 million in public financing.<sup>49</sup>

Finally, if the goal of the new center is to induce large-scale private development near its site in South Boston, the lessons of history and other cities suggest that the outcome is no less fraught with uncertainty. For those convinced that massive convention centers are development boons, a visit to New York City's Jacob K. Javits Center is recommended. For those who cannot manage the trip, consider the comments of Francis Morone in his *Architectural Guidebook to New York City*:

It is almost impossible for a convention center, however desperately it may be needed for the sake of the city's economy, to be anything but a blight on the cityscape. The best a city can do with a convention center is to put it off to the side, where it is not going to be a nuisance. That's what New York has done with its new convention center. In fact, it's so off to the side that it seems like it's in the hinterland....Subways don't stop anywhere near it, and the streets leading to it from the closest station...are rather desolate and uninviting. It's a shame that conventioners in New York are forced to get to the convention center from their hotels—there are also, strangely, no hotels near it—by bus, or taxicab, just as they would in Dallas or Las Vegas.<sup>50</sup>

**Notes**

- 1 "D.C. Convention Center should spur development," *Washington Business Journal*, May 12, 1997.
- 2 "Atlanta's success in attracting conventions and trade shows is attributed to a number of factors, which include Atlanta's location in the center of the southeastern United States,...the corporate sector's commitment to community development and the national and international exposure which CNN and other Atlanta-based telecommunications companies provide." Price Waterhouse, *Georgia World Congress Center: Market and Economic Impact Analysis of Proposed Phase IV Expansion*, January 1993, p. 1.
- 3 "Convention center needs help if city is to play in big leagues," editorial, *San Jose Business Journal*, February 3, 1997.
- 4 City of Boston and Commonwealth of Massachusetts, *Final Report of the Study Commission on the Boston Convention and Exhibition Center*, March 1997, p. 4.
- 5 Ibid.
- 6 "Future Expansions and Renovation Activities," 1996 Major Exhibit Hall Directory, *Tradeshaw Week*, p. 24.
- 7 Ibid.
- 8 San Francisco Needs Assessment, p. IV-7.
- 9 Center for Exhibition Industry Research, *The Size of the Exhibition Industry, 1996*, May 1996.
- 10 Meetings and Conventions, Meetings Market Report 1996.
- 11 Economics Research Associates, San Francisco Needs Assessment for Additional Meeting and/or Exhibit Space, September 1994, p. IV-1.
- 12 Meetings Market Report, 1996.
- 13 San Francisco Needs Assessment, p. IV-15.
- 14 Ibid., p. V-11.
- 15 Chicago Convention and Tourist Board, "Average Hotel Rates," Competitive Analysis Report, p. 13.
- 16 "High Praise, Higher Hopes at New Center," *Philadelphia Inquirer*, June 27, 1993.
- 17 Ibid.
- 18 Philadelphia City Planning Commission, *Destination Philadelphia*, February 1993, p. 13.
- 19 Ibid., p. 25.
- 20 "As One Center Debuts, Another Could be Closing," *Philadelphia Inquirer*, June 28, 1993.
- 21 The Philadelphia Convention and Visitors Bureau count of PCC attendance includes some meetings held entirely at the Marriott. The figures here exclude Marriott meetings, which totaled about 38,000 attendees in 1995.
- 22 These room night figures are based on the hotel rooms "blocked" by the Convention and Visitors Bureau for a particular meeting. They thus miss some people (and room nights) booked individually or distantly.
- 23 *Final Report*, pp. 2-3.
- 24 "Boston Has An Attitude Problem About Tourism," *Boston Globe*, April 9, 1997.
- 25 All figures on San Francisco tourism are taken from San Francisco Convention and Visitors Bureau, 1995 San Francisco Visitor Demographics and Statistics: Summary Report, Appendix I.
- 26 Ibid., p. 7.
- 27 San Francisco Needs Assessment, p. II-7.
- 28 SMG Corp., Moscone Center 1995-1996 Annual Report, p. 3.
- 29 Price Waterhouse, *Georgia World Congress Center: Market and Economic Impact Analysis of Proposed Phase IV Expansion*, January 1993, p. 54.



30 Ibid., pp. 54-55.

31 Peat Marwick, Metropolitan Pier and Exposition Authority: Long Range Marketing Study, January 1990, p. III-5.

32 Metropolitan Pier and Exposition Authority, "Official Statement, \$127,420,000 MPEA McCormick Place Convention Complex Hospitality Facilities Revenue Bonds, Series 1996A," February 1996, p. III-5.

33 Peat Marwick, Metropolitan Pier and Exposition Authority: Long Range Marketing Study, January 1990, p. III-5.

34 The Insider, "Knock, Knock," *Atlanta Business Chronicle*, May 12, 1997.

35 "Growing Pains: Expanding to Keep up with Joneses," *Amusement Business*, October 21-27, 1996, p. 19.

36 City of Boston and Commonwealth of Massachusetts, *Interim Report on the Trade & Convention Center*, p. 54.

37 Ibid.

38 Coopers & Lybrand, Megaplex, Convention Center, and Stadium Feasibility Analysis: Final Report, February 1993, p. 41.

39 Ibid., p. 93.

40 Ibid., p. 99.

41 Ibid., p. 92.

42 Price Waterhouse, Georgia World Congress Center: Market, Economic and Fiscal Impact Analysis of Proposed Phase IV Expansion, October 1996, p. 43.

43 Tradeshow Week, 1996 Major Exhibit Hall Directory, p. 18.

44 *Final Report: Technical Appendices, Volume 1, "Economic Impact,"* p. 5.

45 Coopers & Lybrand, Megaplex, Convention Center, and Stadium Feasibility Analysis: Final Report, February 1993, p. 92.

46 *Final Report: Technical Appendices, Volume I, "Capital Finance,"* p. 6.

47 Ibid., p. 3.

48 One response to Pioneer's first study of the city's convention trade appeared to argue that the most appropriate arena to assess the impact of the expanded center was the metropolitan region, on the assumption that the volume of new hotel business spilled out of the city's 12,000 rooms into the metro area's 23,000. A review of independent data on metropolitan area room night consumption annually since 1987 suggests that there is no obvious difference in room night demand from the period when the Hynes was closed for expansion to the time period after its re-opening (1988-90).

49 "Philadelphia Actively Courting Hotel Developers," *Hotel Business*, Vol. 6, No. 10, May 21-June 6, 1997, p. 1.

50 Francis Morone, *Architectural Guidebook to New York City*, (Layton, UT: Gibbs Smith, 1994), p. 105.