

# Convention and Conference Facilities

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## **Conference Centers**

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## Convention Centers

### DEVELOPER PICKS SITE FOR CLEVELAND CENTER

Cleveland, Ohio – The developer of a proposed medical mart and convention center for Cleveland has switched its site recommendation to a tract on the northern edge of downtown. The move also removes a Public Auditorium renovation from the plan.

The move means the county must now renegotiate its plan with the city which has become skeptical of the changes. Cuyahoga County Administrator Jim McCafferty said he will recommend that payments be suspended to developers if those talks drag on too long.

"I'm very surprised and very disappointed," Councilman Michael Polensek said. "One of the reasons I voted on this was the restoration of Public Auditorium. . . The bait-and-switch thing, it really troubles me."

The county has hired Chicago-based MMPI to build and operate the convention center and mart, a showcase for medical technology, using money freed up by a quarter-cent increase in the county sales tax. The county is paying MMPI \$333,333 a month.

"If it's a short period of time to work things out with the city that's one thing, but if there's going to be some sort of dead period, then I think it's something we should consider," McCafferty said. "Because the truth is, what would be going on during that period?"

MMPI already has collected \$2.3 million in tax dollars under the development agreement, which still allows the company to abandon the project. And the company could collect up to \$4 million before construction starts.

The City Council last spring signed off on a \$20 million deal to sell Public Auditorium and the existing underground convention center to the county. The agreement guaranteed that the land now being recommended would remain parkland, since MMPI's original plan envisioned a mart on St. Clair Avenue and high-tech meeting rooms in the 87-year-old Public Auditorium.

Since then, talks with the previous site's owners have stalled. And a more detailed study found that the auditorium's heating, plumbing, electrical and mechanical systems had problems, adding tens of millions of dollars to the estimated \$32 million renovation.

MMPI officials Mark Falanga and Lloyd Davidson described and documented an "unsalvageable" electrical system rife with fire hazards and electrocution dangers. They also warned that heavy limestone facade slabs could snap free at any time and plummet to sidewalks below. The building's would-be owners also detailed heating, cooling and ventilation systems that violate building codes.

Among the problems identified:

- Strips of copper jammed into circuit-breaker sockets to override circuit-overload protections against fire, and other circuit-breaker bypasses and wiring taps that Davidson called illegal.
- Deteriorated wiring that's so vulnerable to breaking that electricians can't pull it out to replace it.
- Oversized fuses being used to let old circuits carry more voltage than they're designed to carry.
- Broken sewer stacks that allow sewage gases to vent into the building's walls.
- Roof drains that leak into the building.

MMPI and county officials publicly disclosed the problems, surprising the city, said Ken Silliman, Jackson's chief of staff. Council members, like some business leaders, learned about the change in press.

Removing the auditorium from the land deal could further delay the pace of the project, which some critics argue is too slow to win a race against competing medical mart developments in New York City and Nashville, Tenn.

MMPI remains committed to bringing "a world-class facility to Cleveland," said Mark Falanga, senior vice president of MMPI. The company wants to present information to City Council in a month or so, Falanga said, but said the project's overall schedule is unclear.

Falanga said MMPI still wants to figure out a use for Public Auditorium, something that would not require so much investment. He said MMPI will not consider using historic tax credits to pay for the work.

The council's last scheduled meeting this year is Dec. 7, said council President Martin J. Sweeney, adding that he could reconvene members in extraordinary circumstances.

#### CITY, COUNTY WORKING ON CENTER IN PROVO

Provo, Utah – Provo and Utah County leaders are sitting down in earnest to work on plans for a new convention center in Provo.

The proposal calls for Provo and its redevelopment agency to build a parking structure for the facility and forego its requirement to have underground parking.

Paul Glauser, director of Provo's RDA, told the City Council that underground parking would cost up to \$36,000, while ground-level parking could cost as little as \$12,000.

The proposed convention center would be built near the Provo Marriott. It would be three stories tall and 120,000 square feet, with a 20,000-square-foot exhibit hall and an 18,000-square-foot ballroom. Currently, the largest public ballroom in Utah County is 8,000 square feet.

Commissioners have requested that Provo and its RDA help the county acquire additional properties along the south side of the convention center site; assist with obtaining any available grant funding for the project; and work together with the county to provide future parking. Tourist taxes will fund the facility.

According to the proposal, the county has to start construction by Dec. 31, 2010, but officials said the county is planning to start building this summer.

The Provo City Council will vote on the key points of the deal soon.

County leaders want to move the construction forward while the cost of steel, concrete and labor are still cheap and estimate the cost of building is down 25 percent to 42 percent from last year.

#### INLAND EMPIRE CENTER RENOVATION UP FOR DISCUSSION

Riverside, Calif. – Local business leaders are urging the City Council to revive the idea of upgrading the city's convention center.

Officials in 2006 included a convention center overhaul in the Riverside Renaissance, a massive public works program now pegged at \$1.68 billion. But, as City Manager Brad Hudson told the council, the \$25 million in Renaissance funds earmarked for the convention center was a placeholder, not real money waiting to be spent.

Hudson said he'll bring the council some recommendations, likely within 90 days. Several council members said they support a convention center upgrade, though Councilman Mike Gardner noted the project won't jump ahead of major endeavors such as an expanded downtown library.

#### OAKLAND MAY SELL TWO CONVENTION CENTERS

Oakland, Calif. – Emergency measures intended to help erase deficits in the city's budget could lead Oakland to sell both its convention centers. Utility taxes on water and garbage services could also be increased.

The latest shortfall appears in the general fund budget of \$420 million for the current 2009-10 fiscal year that began July 1. The shortfall is due to an \$11 million drop in property, sales, hotel and parking taxes, coupled with a \$3 million spike in police overtime and the city's inability to collect \$4.5 million in Oakland Coliseum ticket surcharges that were never assessed.

The quarterly report issued by the city administrator's office shows that even June's \$70 million in cuts were not enough and advised the city to take emergency steps in order to remain solvent through June.

Selling the Henry J. Kaiser Convention Center near Lake Merritt and the George P. Scotlan Convention Center at the downtown Marriott would raise about \$11.6 million, according to the report. The historic Kaiser center, best known as a favorite performance venue for the Grateful Dead, has been closed since 2006, but the downtown convention hall is nearly always booked and generates about \$14 million annually for the city.

Several council members said they are reluctant to make short-term fixes and would rather address the city's larger budget problems.

The ticket surcharges are the city's effort to recoup some of the \$12 million the city pays annually to the Coliseum as part of the deal to return the Raiders to Oakland in 1995. The teams using the Coliseum and the Oracle Arena have so far resisted paying the surcharge, and the city might consider legal action, officials said.

## Conference Centers

### CITY MAY PARTNER WITH HOTEL ON NEW CENTER

Dearborn, Mich. – The city is talking with the owners of a Hyatt Regency hotel about building a new conference center nearby that would cost up to \$25 million.

A nine-acre site has been chosen as the potential home of the conference center, said Barry Murray, director of the city's Economic and Community Development Department. The Hyatt conference areas currently have a capacity of 600-700, while the proposed project could serve between 1,000-1,200 guests. The new facility is expected to cost between \$22 million and \$25 million to construct. The city has applied for federal stimulus funds to help cover the costs of constructing the new conference center.

In the event the city does not receive the stimulus funds it has applied for, Dearborn could turn to its major business partners, like Severstal North America, for support.

The Dearborn-based company agreed to provide an \$8.5 million contribution in June in exchange for exclusive naming rights at the new facility.

A 2008 study by the Metro Detroit Convention and Visitors Bureau (MDCVB) indicated that constructing a new conference center is a viable option for the city.

### STUDY TO DETERMINE POTENTIAL OF HOTEL AND CENTER

Walhalla, S.C. – The Oconee County Council has agreed to spend up to \$20,000 for the county's half of the estimated cost for a feasibility study on a new hotel and conference center. The board of the Oconee Alliance, a public-private partnership that promotes Oconee County, has already approved its half of the funding.

The county has fewer than 300 hotel rooms and city officials say up to five developers are interested in hotel and conference center projects in the county. They will be seeking some support from the county, such as financial incentives or infrastructure, and the study would help the county decide which were the better projects to back.

The study is expected to be ready by the first week in April.

**GROUP TO BEGIN STUDY OF MEETING FACILITY**

Huntsville, Texas – City officials plan to form a committee to determine the scope of a feasibility study of a new meeting facility. The study will be guided by a board with the responsibility of overseeing the community's hotel occupancy tax.

Mayor Pro Tem Lanny Ray said a study is needed to "see if we can do it because we do have substantial amount of HOT money we could use to finance this and also to operate it since it would be a convention center."

The city receives an estimated \$500,000 a year in Hotel Occupancy Tax funds.

Ray said grant money could also be obtained to help fund the project.

**TEXAS COUNTY MAY CONVERT CLOSED RETAIL BUILDING INTO CENTER**

Rockport, Texas – Aransas County officials say their existing meeting facilities are too small to meet demand and they have begun looking at a closed Walmart building as the site of a new conference center.

To move a project such as a conference center forward, Aransas County voters must approve a new venue tax and the project or projects the resulting revenue would be earmarked for.

The proposed 2 percent tax, which likely will be on the May ballot, would be an extension of the 13 percent hotel occupancy tax. It would bring in about \$280,000 devoted to venue projects, County Judge Burt Mills said.

A conference center to host large conferences and trade shows would draw needed business, and it would clean up an old building and put it to good use, Mills said.

Commissioners agreed to hire Houston-based PKF Consulting to determine whether a convention center is economically feasible. The county will pay the company \$24,000 for the study to be complete by January 15, Mills said.

Mills estimated that it would cost about \$8 million to redo the old Walmart building, which the company vacated in favor of building a new Supercenter. The 48,000 square foot building is appraised at \$1.5 million and is owned by Houston-based Hurricane Holdings, said Chief Appraiser Jad Smith.

The county also is considering the old H-E-B building, which also has been vacant for several years and is adjacent to the waterfront and downtown Rockport, That building is 46,000 square feet and valued at \$1.9 million.

The Walmart location is favored because of its proximity to lodging, commissioners said.

## **Hotels**

**30-STORY HOTEL PLANNED NEAR ROCHESTER**

Irondequoit, N.Y. – A 30-story hotel is part of a planned \$260 million make-over of the Medley Centre mall in Irondequoit. A boutique hotel is expected to be paired with the facility.

Developer Scott Congel has not spoken to the media about the project, which would also include condominiums, a movie theater and upscale shopping and dining. His spokesman, Jim LeBeau, has repeatedly said that Congel is working on financing.

"Hold your breath, it's coming," LeBeau said. "Scott is feeling very comfortable. We'd like to do it very soon."

LeBeau said Congel has been in touch with hotel officials and hotel experts who have studied the Rochester area and indicated that the market here is very stable. He also said Congel's plans in Irondequoit – which already has two smaller hotels – would fill a different niche than what is available in the region. He said the larger hotel would be "one of the highest-end in the country" but would not identify the company.

The year-to-date national occupancy rate through September dropped to 51.4 percent, a decline of nearly 10 percent from 2008. In Monroe County, the rate is 55.6 percent, or 9.7 percent less than last year, according to Smith Travel Research figures, which typically track properties with 20 or more guest rooms.

Congel has not detailed what type of customer he would be targeting for the hotels, but documents filed with the town of Irondequoit said room rates would range from \$131 to \$174 per night. LeBeau also stressed that Congel is seeking funding for the entire project, not just for the hotels.

Irondequoit has two hotels – a 66-room Holiday Inn Express that opened in 2002, and a 77-room Hampton Inn that opened earlier this year. Both are within a half-mile of Medley Centre.

The 30-story hotel that Congel plans to build would be much larger: With 421 rooms, it would be among the biggest in the Rochester area. The Radisson Hotel Rochester Riverside has 465 rooms; The Rochester Plaza Hotel & Conference Center has 363 rooms, and the Hyatt Regency Rochester has 338 rooms. All of those are in downtown Rochester.

Officials from the town and the East Irondequoit Central School District signed a tax-abatement agreement with Congel in March that includes escalating annual payments to both entities, as well as mandated milestones that must be met by the developer. Congel fell behind on a \$500,000 payment to the town, which was to have been received on Sept. 1, officials said last month.

#### KNOXVILLE MAY FUND HOTEL RENOVATION

Knoxville, Tenn. – Knoxville's Industrial Development Board is considering issuing \$15 million in Empowerment Zone bonds to fund the renovation of the Holiday Inn near the city's convention center.

Upgrading the hotel will make more available hotel rooms for conventions, Mayor Bill Haslam said.

Developer Nick Cazana said he has 20-plus years to repay the bonds.

"There will be a complete renovation of the lobby, rooms, corridors, meeting rooms and common areas," Cazana said.

"Knoxville desperately needs additional full-service rooms," he said. "All the hotels downtown are in good shape, but the Holiday Inn's new 293 rooms will be a plus for the convention center. It will allow for larger conventions to come to Knoxville to have more upscale rooms available. It will be an attraction."

Cazana currently has a contract to purchase the Holiday Inn from owner Franklin Haney, formerly of Chattanooga, now of Washington, D.C.

He said he expects to close on the contract by the end of the year and begin the renovation at that time.

In 2004, 70 percent of Knoxville voters rejected plans for a subsidized convention hotel. The election had been forced in a campaign by the Haney who sought to expand his facility to serve the convention center rather than face competition from a new hotel.

Haney invested \$14,000 in the \$43,000 campaign. He was joined by three other hotel operators in the effort.

The city had selected local developer Lawler-Wood LLC to build a 400-room Hyatt hotel to serve the city's convention center. Lawler proposed an 18-story building with 40 luxury condominiums taking up the top four floors. The building would cost an estimated \$59.9 million. The city stopped its plans when the referendum effort succeeded.

The city based its efforts on a study that said meeting planners want a headquarters hotel in Knoxville. A strong majority of meeting planners surveyed said they needed a hotel with at least 500 rooms, but the city's largest hotel near the center had only 293 rooms. The hotel, a Holiday Inn, was a brand ranked last among eight suggested to meeting planners.

### HOTEL PLANNED NEAR REFURBISHED ARENA

Fayetteville, N.C. – An unidentified developer is considering a four-star hotel and restaurant to be attached to the city's Crown Center arena which is scheduled for a \$3.85 million upgrade.

The developer wants the county to provide 4½ acres through a long-term lease. The developer also wants county help to erect a bridge between the hotel and Crown Center.

Based on the city's staff recommendation Cumberland County commissioners decided to seek \$30 million in additional stimulus money for the hotel project.

The money for the electrical, plumbing and other improvements to the 42-year-old building that houses the arena and theater would come from federal economic stimulus funds and local food sales taxes.

### COLUMBUS HOTEL TO BE LARGER THAN ANTICIPATED

Columbus, Ohio – The Hilton hotel to be built across from the Greater Columbus Convention Center is going to be bigger and open sooner than originally planned, local leaders learned.

The \$140 million hotel is expected to have 532 rooms, up from the original 500, and to be completed by early fall 2012, a couple of months earlier than previously expected, consultant Jeff Sachs and architect Todd Holamka of HOK told convention-center officials and Franklin County commissioners.

HOK and Columbus-based Moody Nolan, the project's architects, unveiled designs showing the 10-story building with a glass and brick facade in keeping with the look of the adjacent Arena District. The interior will be defined by a soaring atrium designed to let in as much sunlight as possible.

Other features will include a 12,000-square-foot ballroom and a restaurant with seating for up to 400 people. A small coffee shop near the hotel's High Street entrance also is planned.

The hotel is being publicly financed, with Franklin County backing the bonds for the project.

The county also agreed to put \$8 million into a contingency fund as a revenue guarantee in the event the hotel does not meet projections. The city of Columbus separately agreed to reserve up to \$1.4 million in parking-meter revenue and to forgo the usual bed taxes on the hotel.

Sachs told the convention authority's hotel-development committee that the hotel is expected to generate \$25.9 million in revenue in 2013, its first full year in operation. The projection assumes an occupancy rate of 61.5 percent, with an average daily room rate of \$135.

Columbus convention officials consider the hotel crucial to their ability to attract and retain large conventions, and they have lobbied for years for a new full-service hotel near the convention center.

### ONLINE BOOKERS INCREASE RESERVATIONS FOR HOTELS

Myrtle Beach, S.C. – As local communities go to war with Orbitz, Expedia and other Internet travel agencies over tax rates being paid for hotel rooms, a new study shows that agencies help hotels boost reservations by up to 26 percent. Those reservations, however, tend to come from the hotel operator's own system and not through the travel agent.

In what is referred to as "the billboard effect," hotels received a boost in reservations made directly through the hotels that ranged from 7.5 to 26 percent when they were included on these sites, according to the study from Cornell University's Center for Hospitality Research.

The theory is that the potential guest gains information about the hotel from an online travel agent listing, but then books the room through a channel controlled by the hotel.

For three months, the study cycled several hotel properties on and off of Expedia.com for seven to 11 days each cycle. When the hotels were taken off Expedia.com, potential guests could not find them anywhere else on the Web site, even if one searched specifically for one of the hotels, the researchers said.

At the end of the study, the company recorded all the reservations on each hotel's own reservation system and saw the increase.

Patrick Norton, director of marketing for Brittain Resort management company, which is made up of 15 hotels along the Grand Strand in Myrtle Beach, S.C. said the presence of the online travel agents has forced many hotels and property groups to begin more aggressive marketing to guests to ensure they come back – and book directly through them instead of the third-party sites.

It's important that once someone stays at a hotel once or twice, that they continue to receive e-mails and other correspondence from the hotel so that they'll return back to the source, he said.

Otherwise, the hotels stand to lose up to 30 percent of their revenue from each sale because of the taxes and fees associated with a person making reservations through a third-party Web site, said Frans Mustert, president of the Oceana Resorts hotel group.

### HOTEL ROOM RATES EXPECTED TO CONTINUE DECLINE

New York – Hotel room rates which have dropped 8.8 percent this year are expected to continue to decline in 2010, but at a slower rate, according to a new forecast from PricewaterhouseCoopers Hospitality & Leisure Practice.

“It is expected that the steepest declines in ADR (average daily rates) have passed, but that year-over-year ADR levels will continue to decline, resulting in a 1.8 percent decline” next year, PricewaterhouseCoopers said.

A 3.2 percent increase in the number of hotel rooms this year added to the hotel industry's problems, PricewaterhouseCoopers said, expanding supply just as consumer demand weakened and further hurting the ability of hotel operators to maintain stable pricing.

Nationwide occupancy levels for 2009 are expected to decrease 8.4 percent over the previous year to 55.2 percent, PricewaterhouseCoopers said, meaning that hotels in 2009 will be on average just over half-occupied.

The number of hotel rooms available is expected to continue to grow next year but so will demand, leading to a slightly higher hotel occupancy rate for 2010 of 55.8 percent, the report said.

That's still 7 percentage points below the long-term average for the industry of 62.8 percent occupancy.

## **The Rest of the News**

### UNIONS, CONVENTION FACILITIES AT WAR IN CHICAGO

Chicago, Ill. – Chicago is losing two major trade shows to Las Vegas and Orlando because of the high cost of services at McCormick Place, show organizers said.

The Healthcare Information and Management Systems Society, which held its annual meeting at McCormick Place for the first time in April, is taking its 2012 show to the Sands Expo and Convention Center and the adjacent Venetian hotel.

The show rotates among several cities, and 2012 had been the next window for Chicago, which is trying to establish itself as a center for medical meetings.

Chicago was ruled out after show exhibitors and organizers were slammed with electrical services bills that were four to 10 times greater than what they paid at last year's show in Orlando, Fla., for identical services, said Steve Lieber, president and CEO of the Chicago-based association.

The SPI: Plastics Industry Trade Association cited “lower costs, simpler work rules and more flexible logistics” that would help the show draw more participants and allow larger, more elaborate exhibits in announcing its decision to move to Orlando. Show officials said the move would save about \$20 million.

Following the disclosures, the Metropolitan Pier and Exposition Authority, also called McPier, which runs McCormick Place, announced a task force will start meeting immediately to come up with ways to make Chicago a more competitive destination for conventions.

Chicago Federation of Labor President Dennis Gannon said the unions will “work a little bit harder” to see that Chicago stays competitive.

One small exhibitor with the healthcare show saw its electrical-services bill climb from \$4,000 in Orlando to \$40,000 in Chicago, for the same booth, he said, adding that others saw costs rise by four to eight times what they paid in Orlando.

While hourly rates are not significantly higher in Chicago, the number of workers required and the number of hours billed for identical jobs are much greater, he said.

The 2009 show in the West Building was a choice piece of business for the city, drawing 27,000 attendees and generating an estimated \$55 million in spending locally. McCormick Place officials had touted its arrival as a sign that the city was on track to becoming the world's medical meetings headquarters.

The losses are a disappointment, acknowledged Juan Ochoa, chief executive of Metropolitan Pier and Exposition Authority.

A lesser issue for the healthcare group had been the cost of hotel rooms for the 2009 show, and the reluctance of hotels to budge from prices locked in prior to the deep recession. But, ultimately, some hotels modified their rates for 2009, and the hotels got competitive when negotiating for the 2012 show.

Meanwhile, a hotel union letter sent to 200 people warning that possible strikes could disrupt events booked at five Chicago downtown hotels has raised the ire of the Illinois Hotel and Lodging Association and the Chicago Convention and Tourism Bureau.

“If workers go on strike, customer service could be disrupted. At the Congress Hotel – where workers have been on strike for over six years – guests have complained of a lack of amenities, roaches, and poor service,” reads the Nov. 2 letter, signed by Jessica Lawlor, a research analyst at Unite Here Local 1, which represents hotel workers in downtown Chicago.

The letter recommends that hotel customers put protective language into contracts made with the five Starwood hotels where workers have authorized a strike if necessary.

Union contracts covering 6,000 workers at 31 hotels in downtown Chicago expired Aug. 31, and the two sides have not been able to agree.

Unite Here is also supporting a proposed city ordinance that would require hotels to inform customers if and when a strike occurs. Marc Gordon, president of the Illinois Hotel and Lodging Association, called the letter and the proposed ordinance damaging tactics designed to force through “unreasonable” contract demands.

The proposed ordinance, supported by Unite Here and introduced May 13 by Ald. Ricardo Munoz, 22nd, and about three dozen co-signers, would require a “struck hotel” to notify potential guests of the work stoppage prior to booking, including through third-party booking sites.