



**Final Report**  
**Refined Analysis of Additional Business**  
**Capture Derived from a Potential Expansion**  
**of the San Diego Convention Center**

**Prepared for the**  
**San Diego Convention Center Corporation**  
**San Diego, California**

**Submitted by**  
**The Economics Practice at AECOM**  
**November 15, 2010**  
**ERA Project No. 10870014.01**

## Table of Contents

---

<b>I. Introduction and Executive Summary .....</b>	<b>4</b>
Introduction .....	4
Executive Summary .....	4
<b>II. San Diego Convention Center Performance to Date .....</b>	<b>8</b>
Facility Description.....	8
Operations Overview .....	10
Facility Past Performance.....	11
<b>III. Meeting Executive Interviews .....</b>	<b>20</b>
Methodology .....	20
Description of Sample.....	20
Interview Results .....	24
Lost Business Surveys .....	24
Booked Events Surveys.....	27
<b>IV. Baseline Utilization Projections and Updated Return on Investment .....</b>	<b>35</b>
<b>V. Return on Investment and Size Sensitivity Analysis .....</b>	<b>42</b>
Return on Investment .....	51
<b>VI. Appendices: .....</b>	<b>56</b>
Appendix I: Meeting Executive Discussion Guide.....	56
Appendix II: Contacted User Groups .....	60

## Index of Tables/Figures

Table 1: ROI Economic Benefits of the Full Baseline Expansion Program .....	5
Table 2: ROI Analysis of Ballroom Options .....	6
Table 3: ROI Analysis of Meeting Room Expansion Options .....	6
Table 4: ROI Analysis of Exhibit Hall Expansion Options.....	6
Table 5: San Diego Convention Center Facility Characteristics.....	9
Table 6: Number of Events at SDCC by Type, FY 2003 – FY 2010.....	12
Table 7: Attendance at SDCC Event by Type, FY 2003 – FY 2010.....	13
Table 8: Average Attendance at SDCC Event by Type, FY 2003 – FY 2010.....	13
Table 9: Room Nights from SDCC Events by Type, FY 2003 – FY 2010.....	15
Table 10: Room Nights per Attendee for SDCC Events by Type, FY 2003 – FY 2010 .....	16
Table 11: Occupancy Rates at SDCC by Event Type, FY 2003 – FY 2010.....	17
Table 12: Largest Room Night Generating Events, FY 2007 – FY 2010.....	19
Table 13: Key Metrics for User Groups Interviewed.....	23
Table 14: Projected Utilization With and Without Expansion.....	36
Table 15: Average Attendance for Primary Event Types .....	38
Table 16: Total Attendance for Primary Event Types.....	38
Table 17: Average Spending Per Attendee Per Stay (Updated to FY 2010).....	39
Table 18: Direct Spending Impacts by Attendees .....	40
Table 19: Baseline Return on Investment in Industry Revenue and Tax Collections .....	41
Table 20: ROI Analysis of Ballroom Options .....	51
Table 21: ROI Analysis of Meeting Room Expansion Options .....	53
Table 22: ROI Analysis of Exhibit Hall Expansion Options.....	54
Table 23: User Groups Interviewed by AECOM.....	61
Figure 1: Overview of the SDCC Facility.....	8
Figure 2: SDCC Overview.....	9
Figure 3: Attendance at SDCC Event by Type, FY 2003-2010 .....	13
Figure 4: Average Convention and Tradeshow Attendance, FY 2003-2009 .....	14
Figure 5: Total Number of Room Nights Attributable to Events at the SDCC, FY 2003-2010 ....	15
Figure 6: Occupancy Rates at SDCC, FY 2003-2009.....	17
Figure 7: Dates Preferred by Interviewed User Groups .....	21
Figure 8: Desired Amounts of Space Represented by the Interview Sample.....	22
Figure 9: Projected Convention & Trade Show Average Attendance.....	37
Figure 10: Projected Corporate Event Average Attendance .....	37
Figure 11: Ideal Spaces Desired by User Groups.....	42
Figure 12: Distribution of Ideal Size of Exhibit Space.....	43
Figure 13: Distribution of Ideal Meeting Space .....	44
Figure 14: Distribution of Ideal Ballroom Space .....	44
Figure 15: Correlation of Exhibit and Meeting Space Needs.....	45
Figure 16: Sensitivity to Ballroom and Exhibit Space Sizes in Expansion Program .....	46
Figure 17: Sensitivity to Meeting Rooms and Exhibit Space in Expansion Program.....	48
Figure 18: Increase in Hotel Room Sales Due to Incremental Investments in Ballroom Expansion.....	52
Figure 19: Increase in Hotel Room Sales Due to Incremental Investments in Expanded Meeting Rooms .....	53
Figure 20: Increase in Hotel Room Sales Due to Incremental Investments in Exhibit Space Expansion.....	54

## **General & Limiting Conditions**

*Every reasonable effort has been made to ensure that the data contained in this report are accurate as of the date of this study; however, factors exist that are outside the control of AECOM and that may affect the estimates and/or projections noted herein. This study is based on estimates, assumptions and other information developed by AECOM from its independent research effort, general knowledge of the industry, and information provided by and consultations with the client and the client's representatives. No responsibility is assumed for inaccuracies in reporting by the client, the client's agent and representatives, or any other data source used in preparing or presenting this study.*

*This report is based on information that was current as of November 2010, and AECOM has not undertaken any update of its research effort since such date.*

*Because future events and circumstances, many of which are not known as of the date of this study, may affect the estimates contained therein, no warranty or representation is made by AECOM that any of the projected values or results contained in this study will actually be achieved.*

*Possession of this study does not carry with it the right of publication thereof or to use the name of "AECOM" or "Economics Research Associates" in any manner without first obtaining the prior written consent of AECOM. No abstracting, excerpting or summarization of this study may be made without first obtaining the prior written consent of AECOM. Further, AECOM has served solely in the capacity of consultant and has not rendered any expert opinions. This report is not to be used in conjunction with any public or private offering of securities, debt, equity, or other similar purpose where it may be relied upon to any degree by any person other than the client, nor is any third party entitled to rely upon this report, without first obtaining the prior written consent of AECOM. This study may not be used for purposes other than that for which it is prepared or for which prior written consent has first been obtained from AECOM. Any changes made to the study, or any use of the study not specifically prescribed under agreement between the parties or otherwise expressly approved by AECOM, shall be at the sole risk of the party making such changes or adopting such use.*

*This study is qualified in its entirety by, and should be considered in light of, these limitations, conditions and considerations.*

## I. Introduction and Executive Summary

### Introduction

The San Diego Convention Center Corporation (SDCC Corporation) has retained the Economics Practice at AECOM (the business unit formed by the acquisition of the firm Economics Research Associates, ERA) to conduct additional research and analysis investigating the potential return on investment for the San Diego hospitality industry and community at large from an expansion of the San Diego Convention Center (SDCC). This work builds upon the AECOM analysis presented May 26, 2009 in the report titled "Market, Feasibility & Impact Analysis for the Proposed San Diego Convention Center Expansion" (the 2009 AECOM report). While the previous analysis focused heavily on the onset of the recession and what effect that might have on the needs of the meetings and conventions industry for expanded facilities in San Diego, the 2010 assignment essentially drills down to greater detail on the return on investment (ROI) question. The primary research in this current effort has been a set of much more detailed discussions with meeting executives for user groups and potential user groups using a larger sample than was included in the 2009 analysis. The goal of this work is to provide guidance to the San Diego community and their selected physical design team regarding the optimum size of expansion project and the types and features of spaces included in that expansion to maximize return on investment.

### Executive Summary

The 2009 AECOM report focused heavily on the size of exhibit space in an expansion project. In the more detailed discussions with meeting executives in this study, the importance of companion facilities, especially the ballroom, emerged.

To analyze the return on investment, a baseline expansion program was first tested in the executive interviews. After discussing what the ideal sizes and features of convention center spaces would be for the market, a baseline expansion program was described as the following:

*"Now to be as realistic as possible, we believe that the following configuration would be possible in an expanded facility:*

- *A total of 750,000 square feet of exhibit space comprised of 525,000 sq. ft. of contiguous space and an additional 225,000 sq. ft. of exhibit space ½ a level up from the current exhibit space and connected by escalators, stairs, and elevators.*
- *300,000 sq. ft. of meeting/breakout space,*
- *Two 40,000 sq. ft. ballrooms and an additional ballroom of up to 80,000 sq. ft.*
- *A variety of pre-function and support spaces, and with*
- *Freight loading at below-grade level."*

Using the same methodology as was applied in the 2009 AECOM report, input factors were updated, and the return on investment for the baseline expansion was then estimated in terms of economic returns to private industry and to the public sector. The essential ROI metrics are presented in **Table 1**. The three key measures have boxes around them.

**Table 1: ROI Economic Benefits of the Full Baseline Expansion Program**

	Net New Private Industry Revenues	Tax Rates	Net New Public Tax Revenue Benefits
<b>Net New Hotel Revenues</b>	<b>\$121,081,000</b>		
Transient Occupancy Tax		10.5%	\$12,713,505
<u>Supplemental Destination Tax</u>		<u>2.0%</u>	<u>\$2,421,620</u>
Total Taxes on Hotel Rooms		12.5%	<b>\$15,135,125</b>
<b>Net New Retail Sales Revenues</b>	<b>\$76,831,000</b>		
City Sales Tax Yield		1.0%	\$768,310
<u>County-Level Sales Tax Yield</u>		<u>0.5%</u>	<u>\$384,155</u>
Total Local Sales Tax		1.5%	<b>\$1,152,465</b>
<b>Total Annual Tax Benefits</b>			<b>\$16,287,590</b>
<b>City Share of Direct Hotel and Sales Tax</b>			<b>\$13,481,815</b>

Source: San Diego Convention Center Corporation, AECOM (2010).

Note: Retail sales revenue includes the following expenditure categories: Retail, Food and Beverage, and Miscellaneous (which are typically taxable goods & services)

The meeting executives and the events they were planning for embodied over 830,000 room nights. This substantial pool of potential business was then analyzed for the ideal sizes of spaces meeting executives want for their events, weighted by the room nights embodied in each of their events. It was then possible to apportion the above measures of return on investment among the expansion options for three major classes of space: exhibit space, breakout meeting room total space, and ballroom (defined as the single largest space it could be opened up to). Assuming two of the space types were built out to the full specifications in the baseline expansion program, variations in the third space type were then analyzed for the amount of market share they could accommodate (as measured by the percentage of total room nights embodied in those groups).

The return on investment for ballroom development is presented in **Table 2**.

**Table 2: ROI Analysis of Ballroom Options**

Ballroom Options Analyzed	Portion of Room Nights in Sample in Each Category	Indicated Share of Annual Attendance Captured	Measures of Return on Investment (Value of Expanding from One Option to the Next)		
			Hotel Room Sales Revenue	Restaurant & Retail Sales	City Share of Hotel & Retail Sales Tax
0 The Existing 2 Ballrooms of 81,700 Sq.Ft.	0	0			
1 Plus 1 New Ballroom of 50,000 Sq.Ft.	35.1%	86,648	\$42,499,431	\$26,967,681	\$4,732,117
2 Plus 1 New Ballroom of 60,000 Sq.Ft.	33.8%	83,439	\$40,925,378	\$25,968,878	\$4,556,853
3 Plus 1 New Ballroom of 70,000 Sq.Ft.	3.1%	7,653	\$3,753,511	\$2,381,761	\$417,936
4 Plus 1 New Ballroom of 80,000 Sq.Ft.	28.0%	69,121	\$33,902,680	\$21,512,680	\$3,774,908
<b>Totals for Full Baseline Expansion Program</b>	<b>100.0%</b>	<b>246,861</b>	<b>\$121,081,000</b>	<b>\$76,831,000</b>	<b>\$13,481,815</b>

Source: AECOM survey and analysis.

The comparable analyses of ROI for meeting rooms and for exhibit hall expansion are presented in **Tables 3 and 4** respectively.

**Table 3: ROI Analysis of Meeting Room Expansion Options**

Meeting Room Options Analyzed	Portion of Room Nights in Sample in Each Category	Indicated Share of Annual Attendance Captured	Measures of Return on Investment (Value of Expanding from One Option to the Next)		
			Hotel Room Sales Revenue	Restaurant & Retail Sales	City Share of Hotel & Retail Sales Tax
0 The Existing Total of 118,700 Sq.Ft.	0	0			
1 Plus 31,300 for a Total of 150,000 Sq.Ft.	38.2%	94,301	\$46,252,942	\$29,349,442	\$5,150,053
2 Plus 50,000 for a Total of 200,000 Sq.Ft.	22.4%	55,297	\$27,122,144	\$17,210,144	\$3,019,927
3 Plus 50,000 for a Total of 250,000 Sq.Ft.	24.0%	59,247	\$29,059,440	\$18,439,440	\$3,235,636
4 Plus 50,000 for a Total of 300,000 Sq.Ft.	15.4%	38,017	\$18,646,474	\$11,831,974	\$2,076,200
<b>Totals for Full Baseline Expansion Program</b>	<b>100.0%</b>	<b>246,861</b>	<b>\$121,081,000</b>	<b>\$76,831,000</b>	<b>\$13,481,815</b>

Source: AECOM survey and analysis.

**Table 4: ROI Analysis of Exhibit Hall Expansion Options**

Exhibit Space Options Analyzed	Portion of Room Nights in Sample in Each Category	Indicated Share of Annual Attendance Captured	Measures of Return on Investment (Value of Expanding from One Option to the Next)		
			Hotel Room Sales Revenue	Restaurant & Retail Sales	City Share of Hotel & Retail Sales Tax
0 The Existing Total of 525,700 Sq.Ft.	0	0			
1 Plus 74,300 for a Total of 600,000 Sq.Ft.	10.3%	25,427	\$12,471,343	\$7,913,593	\$1,388,627
2 Plus 50,000 for a Total of 650,000 Sq.Ft.	27.3%	67,393	\$33,055,113	\$20,974,863	\$3,680,535
3 Plus 50,000 for a Total of 700,000 Sq.Ft.	18.9%	46,657	\$22,884,309	\$14,521,059	\$2,548,063
4 Plus 50,000 for a Total of 750,000 Sq.Ft.	43.5%	107,385	\$52,670,235	\$33,421,485	\$5,864,590
<b>Totals for Full Baseline Expansion Program</b>	<b>100.0%</b>	<b>246,861</b>	<b>\$121,081,000</b>	<b>\$76,831,000</b>	<b>\$13,481,815</b>

Source: AECOM survey and analysis.

While the above analysis method is practical and allows testing of incremental investments in expansion, the real decisions to be made by meeting planners will be based on the whole complex of complementary facilities. In the real world, most groups need adequate amounts of all three types of spaces: exhibit halls, meeting rooms, and a ballroom. That said, the ROI analysis indicates that the most valuable first increment of expansion is in meeting rooms. This would be followed closely by a new ballroom that allows for a larger maximum capacity than what is currently available at the SDCC, up to say 50,000 square feet. The next most valuable 30,000 square feet of construction would also be in the ballroom, boosting it up to a maximum size of 80,000 square feet.

While in the upper ranges of expansion there are diminishing returns to continuing to invest in meeting rooms, an interesting finding is that there are two significant thresholds in exhibit floor expansion, one at a total of 650,000 square feet and the even larger threshold at 750,000 square feet. While the highest initial returns are derived from meeting and ballroom development, as the facility gets larger an exhibit space offering of “three-quarters of a million feet” will have impact in the marketplace.



## II. San Diego Convention Center Performance to Date

### Facility Description

The SDCC is located in Downtown San Diego along the waterfront of the San Diego Bay. It is approximately two miles from the San Diego International Airport and is within walking distance of downtown's popular Gaslamp District. After its original construction in 1989, the facility was under sufficient demand to warrant an expansion in September 2001, which more than doubled the facility's original size. Currently, the SDCC contains 525,700 square feet of prime exhibit hall space in eight contiguous halls, as well as 90,000 square feet within the Sails Pavilion, which is not considered "prime" because it has lower floor weight maximums. There are also two ballrooms totaling 81,700 square feet, and 63 meeting rooms. The SDCC also contains outdoor terraces with ocean views that are used for receptions and as comfortable relaxation space for event attendees.

**Figure 1: Overview of the SDCC Facility**



**Table 5: San Diego Convention Center Facility Characteristics**

Description	Number	Unit
Number of Exhibit Halls <sup>1</sup>	8	Halls
Prime Exhibit Space	525,700	Square Feet
<u>Sails Pavillion</u>	<u>90,000</u>	<u>Square Feet</u>
Total Exhibit Space	615,700	Square Feet
Number of Ballrooms	2	Halls
<u>Largest Ballroom</u>	<u>41,000</u>	<u>Square Feet</u>
Total Ballroom Space	81,700	Square Feet
Number of Meeting Rooms	63	Rooms
Total Meeting Room Space	118,700	Square Feet
Total Indoor Rentable Space	816,100	Square Feet

Notes: <sup>1</sup> Excluding Sails Pavillion  
 Source: San Diego Convention Center Floor Plan

**Figure 2: SDCC Overview**



## Operations Overview

To understand statistics on the facility's performance, it is first necessary to be acquainted with the terminology and categorizations used by the SDCC Corporation. The SDCC operates on fiscal years that run from July 1<sup>st</sup> to June 30<sup>th</sup>. In addition, the year that is used to label each fiscal year corresponds with the calendar year of the ending date. For example, Fiscal Year 2003 contains the period from July 1<sup>st</sup> 2002 through June 30<sup>th</sup> 2003. At the time of the previous AECOM report, the end of Fiscal Year 2009 was still a few months into the future. At this time, complete fiscal year data is available for both 2009 and 2010. To provide context for the return on investment analysis and discussions held with executives in the meetings and conventions industry, the historical performance of the SDCC in capturing group business has been updated to include the two most recently ended fiscal years and is presented in this report section.

In hindsight, a committee of technical economists established that the recession started in December of 2007, but that announcement did not come until a year later, in December of 2008. By then, people definitely felt that a recession was upon them, having just experienced the stock market crash in October 2008. Through the end of SDCCC's Fiscal Year in June of 2008, however, people were still making convention travel plans much as they had through the preceding relatively healthy economic years. In October of 2010, it was announced that the recession officially ended in June of 2009, but in spite of that the psychology of recession persisted through virtually all of fiscal year 2010, and even into the current FY 2011. In the analysis that follows, historical years reflecting "healthy economic conditions" are those with Fiscal Years (FY) ending 2003 through 2008. FY 2009 and 2010 may now be seen as years of historical data that have been "affected by the recession."

The facility provides space for a wide array of event types, which have different needs and impacts. Some of these impacts will be discussed in more detail within subsequent pages of this section. To provide a preliminary overview, the major categories of events are as follows:

- *National / State Conventions and Tradeshows* – These events book many years in advance, are often very space-intensive, and draw significant numbers of attendees from other metro areas who patronize area hotels, restaurants, retail stores, and visitor attractions. Since these events draw visitors from beyond San Diego County, they bring new spending power into the San Diego region, positively impacting bottom line business revenues and tax revenues. Such events are considered one of the two primary event types at the SDCC.
- *Corporate Conventions* – The second of two primary event types, these gatherings also can book several years in advance, but they generally require less space and have fewer attendees than conventions and tradeshows (although they often require major staging

and production for large elaborate general sessions and meal functions). These events also bring attendees from other market areas that stay overnight, shop, and dine within San Diego, most often in the area proximate to the SDCC, which in turn benefits the City through tax revenues.

- *Local Trade Shows* – These are considered secondary business activities at the SDCC. They often require significant exhibit space, but they draw attendees mostly from the local market and bring substantially fewer out-of-town visitors. Consequently, much of the revenue generated around the convention center is in the form of meals and retail shopping is *not* “net new” to the San Diego regional economy because the visitors are merely redirecting their spending from the surrounding communities.
- *Consumer Shows* – These events, which are also considered secondary business, are space-intensive and pull primarily from the regional market. Most attendees do not stay overnight in San Diego, instead impacting the downtown economy minimally by shopping and dining. While these dollars can enhance supportable retail and restaurant square footage within downtown, they cannot be considered “net new” to the region.
- *Meetings, Community Events, and Food & Beverage Events* – Another group of secondary business at the SDCC, these functions are typically booked closer to the events’ dates and are less space intensive because there is no exhibit component. They do not regularly draw substantial numbers of outside visitors or significant new spending power into San Diego.

## Facility Past Performance

By Fiscal Year 2003, the SDCC had stabilized after its 2001 expansion. This exceeded expectations because many centers need three to five operating years after an expansion to see optimal utilization rates. In the last eight fiscal years, the center has performed strongly. Presented below are data sets on the facility’s event counts and attendance records from Fiscal Year 2003 through Fiscal Year 2010. Additionally, room nights generated by events held at the SDCC are presented. Total occupancy at the center is also measured and discussed. All of these data points should be considered concurrently to obtain a complete picture of the facility’s past performance.

These tables are patterned after those presented a previous expansion feasibility report conducted in 2007 by PriceWaterhouseCoopers to facilitate comparison and to serve as an update which reflects the onset of the current recession on key statistical operating trends. Note, however, that the most important categories of business are “National / State Conventions and Tradeshows” and “Corporate Conventions.” Because these bring money into San Diego from outside the region, they create the

majority of beneficial economic impacts and are thus considered primary business. The remaining event types in each table are secondary business.

**Number of Events**

Since Fiscal Year 2003, the SDCC has generally held more than 200 events annually. In 2010, the most recent full fiscal year, 62 Conventions and Tradeshowes were held at the center, along with four Corporate Conventions. The remaining events, which drew primarily from the local market, accounted for 92 events in 2010. Approximately 60 percent of the total events held at the center over the years are Meetings, Community Events, and Food & Beverage Events, which have minimal impact on the local economy. However, it is important to note that this particular set of data points do not reflect numbers of attendees, square footages utilized by each event, or room nights generated.

**Table 6: Number of Events at SDCC by Type, FY 2003 – FY 2010**

<b>Fiscal Year</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
National / State Conventions and Tradeshowes	46	52	42	60	56	60	61	62
Corporate Conventions	12	15	13	11	11	7	10	4
<u>Local Trade Shows</u>	<u>12</u>	<u>8</u>	<u>11</u>	<u>12</u>	<u>9</u>	<u>10</u>	<u>9</u>	<u>7</u>
Total Conventions and Trade Shows	70	75	66	83	76	77	80	73
Consumer Shows	5	11	9	15	13	17	16	13
Meetings, Community Events, Food & Bev.	156	147	149	183	131	140	152	79
<b>Total Events</b>	<b>231</b>	<b>233</b>	<b>224</b>	<b>281</b>	<b>220</b>	<b>234</b>	<b>248</b>	<b>165</b>

Source: San Diego Convention Center Corporation

**Attendance**

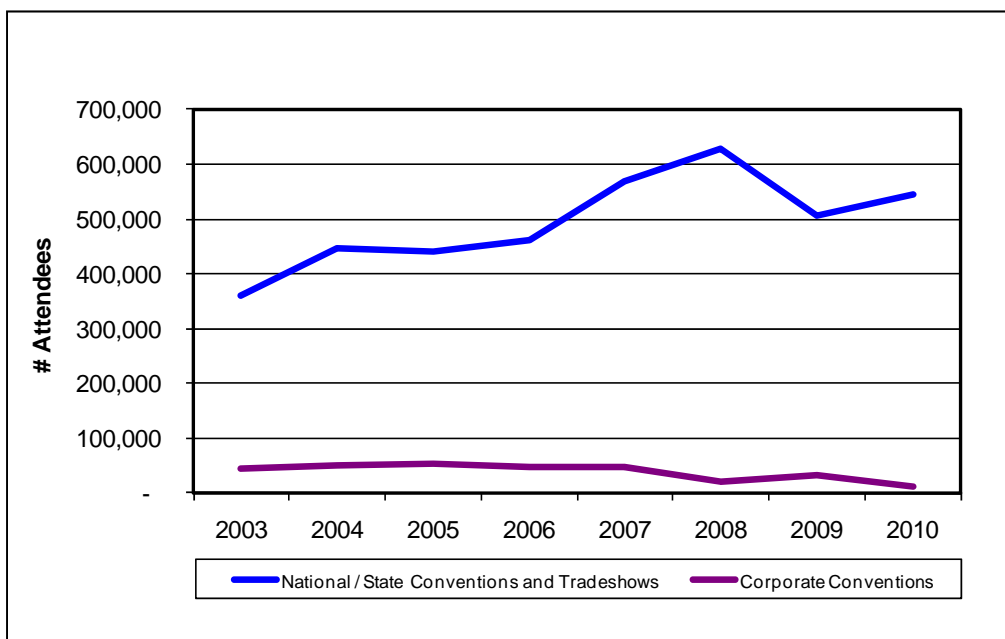
In recent fiscal years, the SDCC has drawn three-quarters of a million to a million attendees annually to events of all types. Even in the recession affected years of FY 2009-2010, the center's attendance in the critical primary business categories has held up at over half a million per year. Although this represents a decline from FY 2007 and 2008, it is still a very strong attendance count. When all of the fiscal years shown below are averaged, approximately 60 percent of attendees are coming for Corporate Conventions or National / State Conventions and Tradeshowes. Again, these categories generally have substantially higher levels of economic benefits per attendee. Consumer Shows draw the largest number of attendees per event, followed by National / State Conventions and Tradeshowes. As one might expect as a result of the economic downturn, the number of attendees per event in the most important category, National / State Conventions and Tradeshowes, decreased in Fiscal Year 2009, but has rebounded somewhat in 2010.

**Table 7: Attendance at SDCC Event by Type, FY 2003 – FY 2010**

Fiscal Year	2003	2004	2005	2006	2007	2008	2009	2010
National / State Conventions and Tradeshow	360,395	445,704	441,151	462,762	568,829	628,788	505,964	545,837
Corporate Conventions	44,218	49,691	52,999	49,119	48,260	19,371	33,626	11,400
<u>Local Trade Shows</u>	<u>22,184</u>	<u>17,120</u>	<u>21,861</u>	<u>31,379</u>	<u>24,166</u>	<u>27,576</u>	<u>20,163</u>	<u>19,133</u>
Total Conventions and Trade Shows	426,797	512,515	516,011	543,260	641,255	675,735	559,753	576,370
Consumer Shows	154,765	203,057	171,155	184,108	207,980	187,347	163,466	124,555
Meetings, Community Events, Food & Bev.	229,222	179,786	172,892	223,392	134,471	133,145	139,250	85,478
<b>Total Events</b>	<b>810,784</b>	<b>895,358</b>	<b>860,058</b>	<b>950,760</b>	<b>983,706</b>	<b>996,227</b>	<b>862,469</b>	<b>786,403</b>

Source: San Diego Convention Center Corporation

**Figure 3: Attendance at SDCC Event by Type, FY 2003-2010**

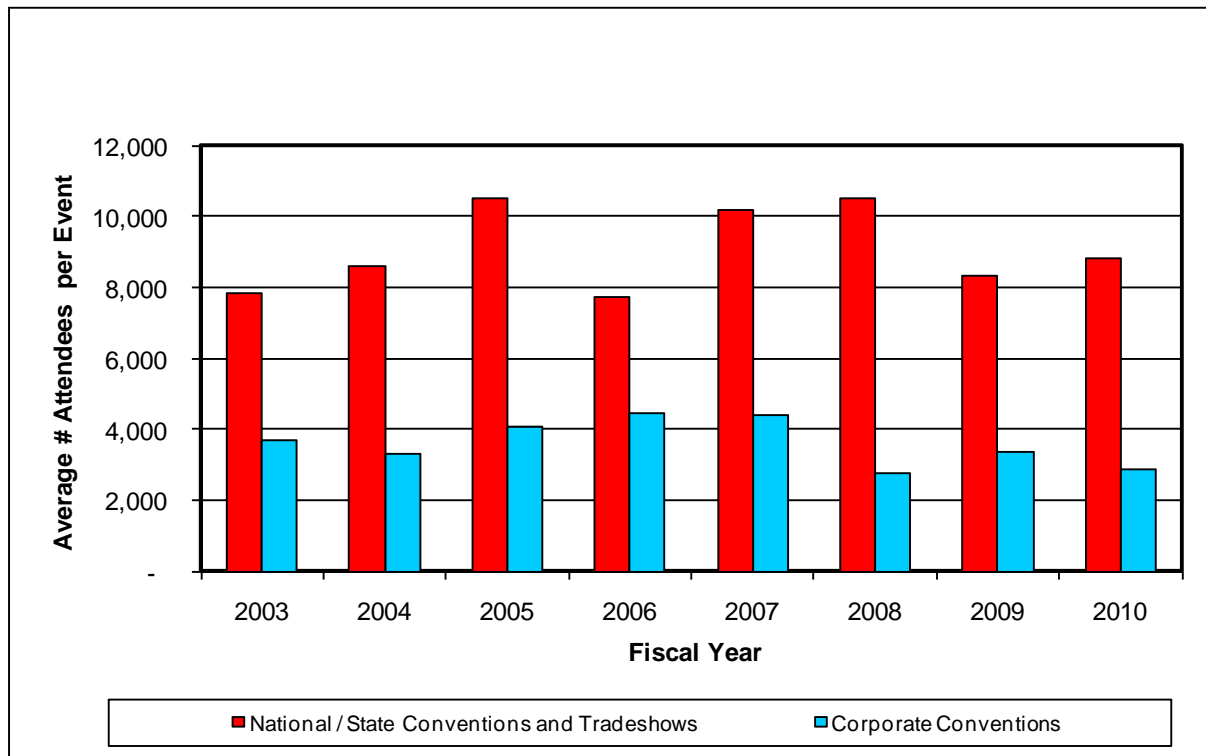


**Table 8: Average Attendance at SDCC Event by Type, FY 2003 – FY 2010**

Fiscal Year	2003	2004	2005	2006	2007	2008	2009	2010
National / State Conventions and Tradeshow	7,835	8,571	10,504	7,713	10,158	10,480	8,294	8,804
Corporate Conventions	3,685	3,313	4,077	4,465	4,387	2,767	3,363	2,850
<u>Local Trade Shows</u>	<u>1,849</u>	<u>2,140</u>	<u>1,987</u>	<u>2,615</u>	<u>2,685</u>	<u>2,758</u>	<u>2,240</u>	<u>2,733</u>
Total Conventions and Trade Shows	6,097	6,834	7,818	6,545	8,438	8,776	6,997	7,895
Consumer Shows	30,953	18,460	19,017	12,274	15,998	11,020	10,217	9,581
Meetings, Community Events, Food & Bev.	1,469	1,223	1,160	1,221	1,026	951	916	1,082
<b>Total Events</b>	<b>3,510</b>	<b>3,843</b>	<b>3,840</b>	<b>3,383</b>	<b>4,471</b>	<b>4,257</b>	<b>3,478</b>	<b>4,766</b>

Source: San Diego Convention Center Corporation

**Figure 4: Average Convention and Tradeshow Attendance, FY 2003-2009**



**Room Nights**

Data on room nights generated by events held at the SDCC are presented below. It should be noted that these numbers include *only* room nights booked within the block of rooms set aside for each event. The true numbers of room nights supported by events at the center will be larger, as attendees often stay at alternate hotels outside of the block due to cost, availability, or personal preference. Previous studies commissioned by the Convention Center Corporation have found that the “out of block” booking of hotel rooms typically constitutes 30 percent or more of the total room nights.

In Fiscal Year 2009, room nights decreased only slightly from 2008, and have rebounded again somewhat in 2010. In addition, it is worth noting that 99 percent of all room nights are generated by Corporate Conventions and National / State Conventions and Tradeshows. Corporate Conventions generate the greatest number of room nights per attendee, followed by the National / State Conventions and Tradeshows events.

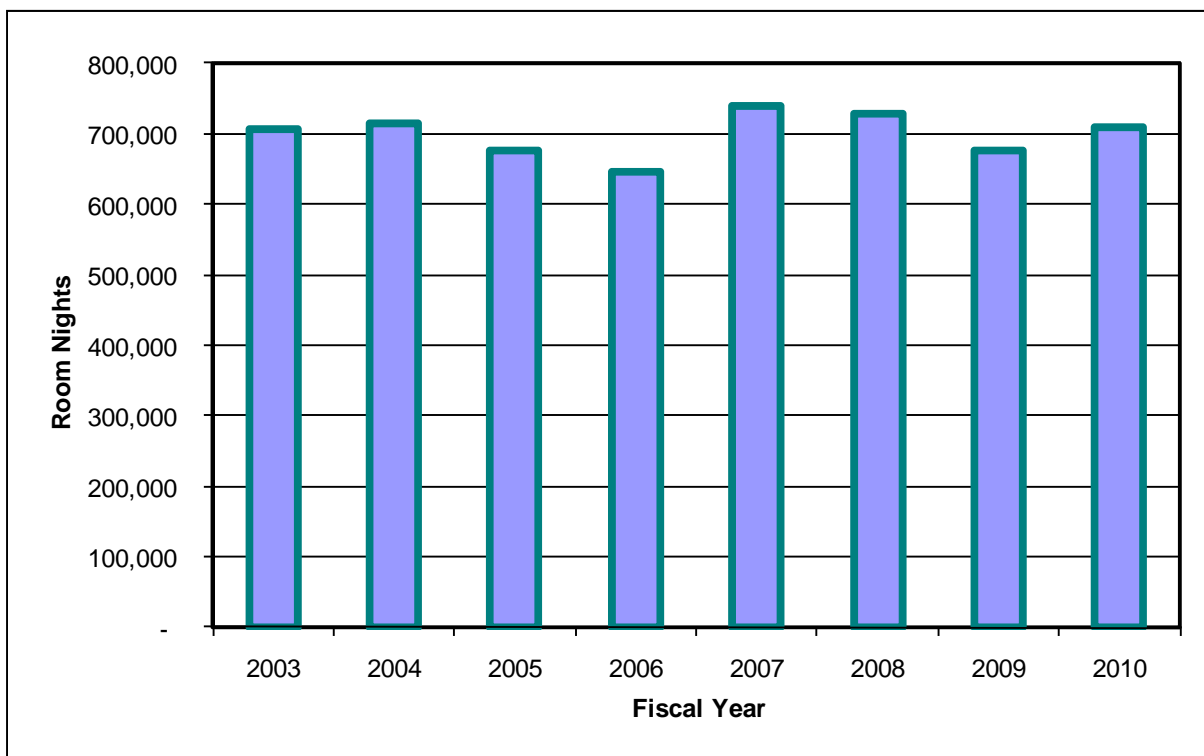
**Table 9: Room Nights from SDCC Events by Type, FY 2003 – FY 2010**

<b>Fiscal Year</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
National / State Conventions and Tradeshows	600,176	586,451	538,982	541,277	630,003	683,272	611,198	671,230
Corporate Conventions	99,667	122,716	114,616	93,612	98,900	41,027	56,346	33,791
<u>Local Trade Shows</u>	<u>3,603</u>	<u>1,650</u>	<u>7,060</u>	<u>2,210</u>	<u>355</u>	<u>355</u>	<u>375</u>	<u>335</u>
Total Conventions and Trade Shows	703,446	710,817	660,658	637,099	729,258	724,654	667,919	705,356
Consumer Shows	1,055	460	585	1,225	2,245	940	936	448
Meetings, Community Events, Food & Bev.	1,818	3,242	14,065	7,860	7,255	4,108	7,815	3,494
<b>Total Events</b>	<b>706,319</b>	<b>714,519</b>	<b>675,308</b>	<b>646,184</b>	<b>738,758</b>	<b>729,702</b>	<b>676,670</b>	<b>709,298</b>

Source: San Diego Convention Center Corporation

Previous studies have shown that 30% or more of total room night generation is derived from bookings outside of the reserved room block, which means that the actual totals will be substantially larger than what are observable in this table.

**Figure 5: Total Number of Room Nights Attributable to Events at the SDCC, FY 2003-2010**





**Table 10: Room Nights per Attendee for SDCC Events by Type, FY 2003 – FY 2010**

<b>Fiscal Year</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
National / State Conventions and Tradeshows	1.67	1.32	1.22	1.17	1.11	1.09	1.21	1.23
Corporate Conventions	2.25	2.47	2.16	1.91	2.05	2.12	1.68	2.96
<u>Local Trade Shows</u>	<u>0.16</u>	<u>0.10</u>	<u>0.32</u>	<u>0.07</u>	<u>0.01</u>	<u>0.01</u>	<u>0.02</u>	<u>0.02</u>
Total Conventions and Trade Shows	1.65	1.39	1.28	1.17	1.14	1.07	1.19	1.22
Consumer Shows	0.01	0.00	0.00	0.01	0.01	0.01	0.01	0.00
Meetings, Community Events, Food & Bev.	0.01	0.02	0.08	0.04	0.05	0.03	0.06	0.04
<b>Total Events</b>	<b>0.87</b>	<b>0.80</b>	<b>0.79</b>	<b>0.68</b>	<b>0.75</b>	<b>0.73</b>	<b>0.78</b>	<b>0.90</b>

Source: San Diego Convention Center Corporation

Previous studies have shown that 30% or more of total room night generation is derived from bookings outside of the reserved room block, which means that the actual totals will be substantially larger than what are observable in this table.

### ***Exhibit Hall Occupancy Rates***

To determine an occupancy rate for the center, ERA began with the number of days annually that each exhibit hall was occupied. The annual occupancy for each hall was multiplied by the number of square feet within that hall. The results for the center's eight halls were aggregated to reach a center-wide measurement of occupied square foot days. This total was divided by the product of the total exhibit hall square feet at SDCC times 365 days per year. The data presented below were generated through this methodology.

Since Fiscal Year 2003, the center's occupancy rate has been more than 65 percent. The highest occupancy in this time period was approximately 79 percent in 2007. The recent historical data suggest the economic downturn has negatively impacted the center's occupancy in Fiscal Years 2009 and 2010. For those familiar with occupancy rates of other types of real estate, this may appear a low occupancy rate. However, convention centers routinely post lower occupancy rates than hotels or other land use types because of unusable days between major events and maintenance. For a convention center, 70 percent is considered a very high occupancy rate, and may indicate that the center is turning away business because of lack of availability. Data provided by the SDCC Corporation indicates that this is, in fact, exactly what is happening at the center.

The event type with the highest occupancy rates at the center is National / State Conventions and Tradeshows, which also include events with an international draw. The space needs of corporate events appear to be more variable according to which events use the SDCC in any given year, with

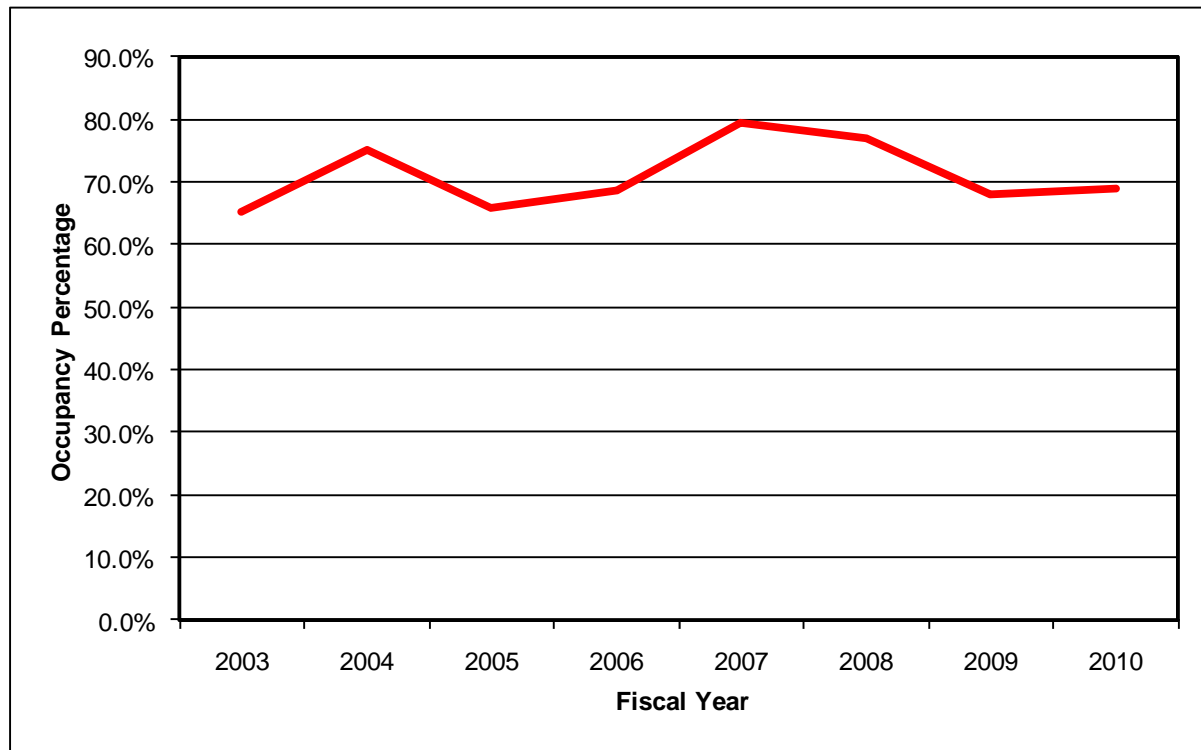
their contribution to occupancy ranging from over 10 percent in healthy economic years to low single digit occupancies during other years.

**Table 11: Exhibit Hall Occupancy Rates at SDCC by Event Type, FY 2003 – FY 2010**

<b>Fiscal Year</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
National / State Conventions and Tradeshow	44.0%	48.9%	41.1%	46.1%	57.3%	61.2%	NA <sup>1</sup>	NA <sup>1</sup>
Corporate Conventions	9.5%	12.1%	10.9%	9.5%	9.5%	2.8%	--	--
<u>Local Trade Shows</u>	<u>1.0%</u>	<u>0.4%</u>	<u>1.5%</u>	<u>0.7%</u>	<u>0.7%</u>	<u>0.7%</u>	--	--
Total Conventions and Trade Shows	54.5%	61.4%	53.4%	56.2%	67.5%	64.7%	--	--
Consumer Shows	4.9%	7.0%	7.0%	7.7%	8.1%	8.0%	--	--
Meetings, Community Events, Food & Bev.	5.7%	6.7%	5.5%	4.8%	3.9%	4.2%	--	--
<b>Total Events</b>	<b>65.1%</b>	<b>75.2%</b>	<b>66.0%</b>	<b>68.8%</b>	<b>79.5%</b>	<b>77.0%</b>	<b>68.1%</b>	<b>69.0%</b>

<sup>1</sup> The data are not available in the same format for the two most recent fiscal years.  
Source: San Diego Convention Center Corporation

**Figure 6: Exhibit Hall Occupancy Rates at SDCC, FY 2003-2010**



### ***Largest User Groups***

Presented in the table below are the ten largest room generating events from Fiscal Years 2007 - 2010. Many of the largest user groups are medical associations, which bring high numbers of attendees from out-of-state and even out-of-country, generate many room nights, and tend to have high expenditures locally per attendee. In addition, medical groups are less susceptible to economic downturns. One of the ten largest room generators in Fiscal Years 2007 - 2009 was the San Diego Comic Con. This event was 11<sup>th</sup> in size by blocked room nights in the Fiscal Year 2010, but is included in the charts because it generates very large numbers of rooms beyond the reserved room block. With more than 120,000 attendees annually, most San Diego hotels have little or no vacancy, regardless of price point or proximity to the convention center during Comic Con. All of these events can be considered high in economic impact.

**Table 12: Largest Room Night Generating Events, FY 2007 – FY 2010**

Rank	Event / Organization	Room	
		Nights	Attendance
<b><u>FY 2007</u></b>			
1	American Academy of Orthopaedic Surgeons	74,700	31,695
2	American Psychiatric Association	47,589	17,200
3	ASIS International Annual Seminar & Exhibits	35,080	25,000
4	American Society of Nephrology	32,316	12,000
5	National Safety Council	24,725	15,000
6	Environmental Systems Research Institute	21,100	14,500
7	American College of Obstetricians & Gynecologists	21,015	7,000
8	San Diego Comic Con	20,320	123,000
9	ESRI / Environmental Systems Research Institute	20,301	14,499
10	National Educational Computing Conference	19,805	12,000
<b><u>FY 2008</u></b>			
1	Society for Neuroscience	52,900	32,011
2	Digestive Disease Week	48,060	23,359
3	Bio 2008	36,970	20,408
4	Water Environment Federation	29,817	19,929
5	American Association for Cancer Research	29,420	17,220
6	Siggraph International Conference & Exhibits	26,850	24,043
7	Risk and Insurance Management Society	26,235	10,255
8	American Association for Clinical Chemistry	25,960	19,500
9	Fed. Of American Societies for Experimental Biolog	23,157	15,864
10	San Diego Comic Con	20,310	125,000
<b><u>FY 2009</u></b>			
1	National School Boards Association	37,400	9,446
2	American Thoracic Society International Conference	35,875	16,000
3	American Educational Research Association	32,520	16,000
4	International Association of Chiefs of Police	32,460	16,290
5	American Public Transportation Association	25,650	13,156
6	American Water Works Association Annual Confere	23,746	13,000
7	American Academy of Family Physicians	22,095	12,310
8	ESRI / Environmental Systems Research Institute	21,199	14,400
9	ASAE & Center for Association Leadership	20,700	6,100
10	San Diego Comic Con	20,310	126,000
<b><u>FY 2010</u></b>			
1	National Education Association	48,610	16,014
2	Society for Human Resources Management	44,200	16,017
3	Golf Industry Show	35,250	15,300
4	2009 Realtors Conference & Expo	34,228	19,278
5	American Society of Nephrology	29,308	12,751
6	National Council of Teachers of Mathematics	23,760	9,500
7	Direct Marketing Association	23,100	6,800
8	Amer Acad of Otolaryngology, Head & Neck	22,770	8,200
9	American Society for Microbiology	21,350	8,897
10	ESRI / Environmental Systems Research Institute	21,199	14,087
11	San Diego Comic Con	20,310	126,000

Source: San Diego Convention Center Corporation

### **III. Meeting Executive Interviews**

#### **Methodology**

After an initial kick-off meeting with the San Diego Convention Center Corporation (SDCCC), AECOM worked with the SDCCC staff to generate a list of 140 meeting and event executives who are familiar with the San Diego Convention Center. The list was comprised of groups that are regular users of the SDCC, groups that have booked but may no longer be able to book in the future due to lack of space, and “lost business” groups that have expressed an interest in San Diego, but have been unable to book for a variety of reasons.

Through a collaborative process, the AECOM team working with the SDCCC staff and representatives of the hospitality industry, created a comprehensive interview guide for potential users of an expanded SDCC. The interview guide was used as an instrument to ensure a high level of uniformity in responses as well as ensuring that all major pertinent topics were covered. A copy of the interview guide can be found in the appendices at the end of this report.

AECOM attempted to contact all 140 meeting and event executives originally discussed both via email and phone. AECOM also contacted all of the executives interviewed during the previous study for the SDCCC. Of the more than 180 meeting and event executives contacted in total, we were able to conduct interviews and/or correspond with a total of 50, some of whom represent multiple events on behalf of third-party groups. It should be noted that the current sample was significantly larger than that used in the initial study conducted in 2008. Also, we were able to obtain a significantly higher response rate for this study.

Approximately 35 percent of the responses were considered to be “lost” events, and the remaining are either future users or currently booked events. The results of these interviews are described below and a comprehensive list of the groups that were interviewed can be found in the appendices at the end of this report.

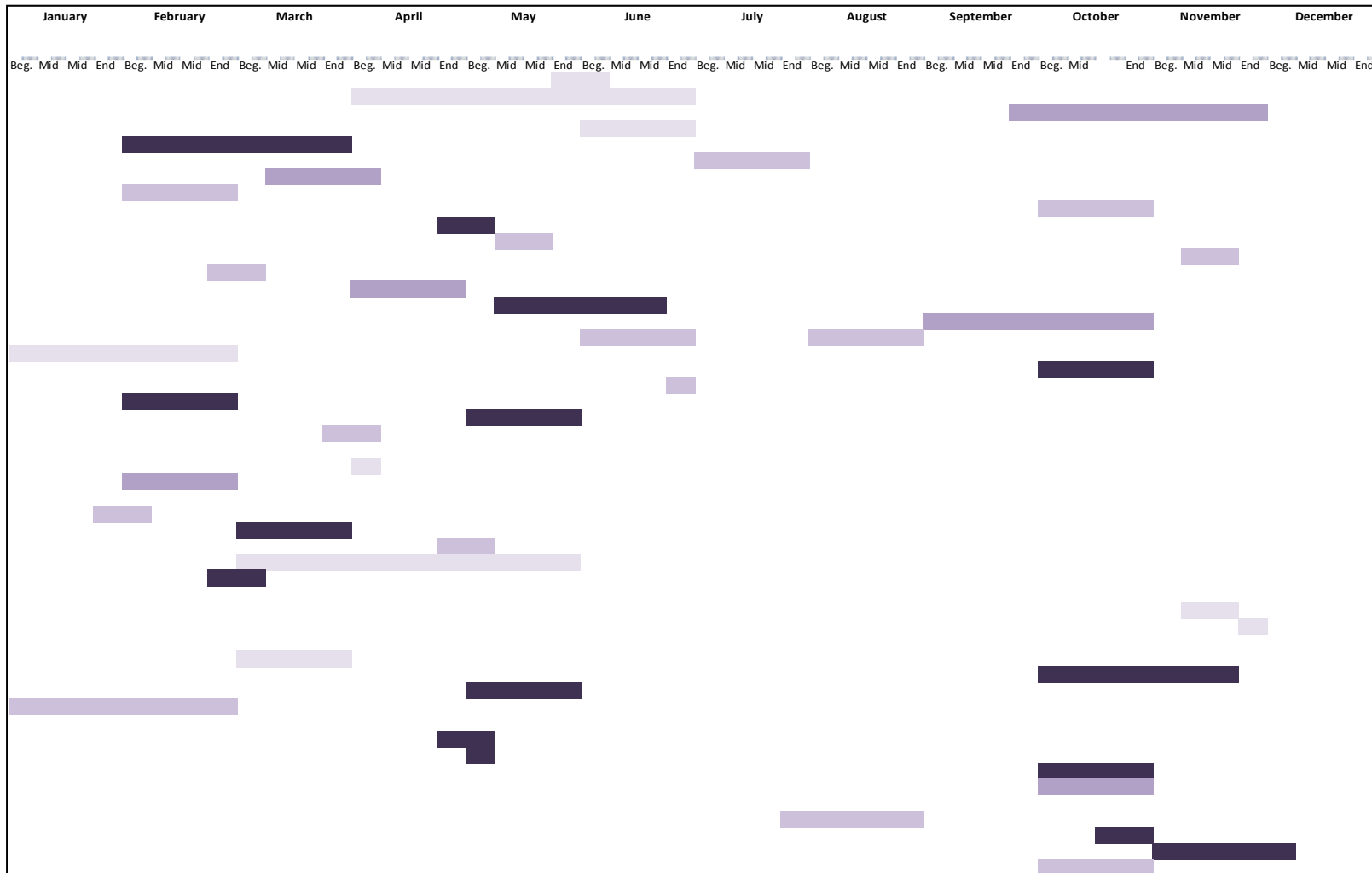
#### **Description of Sample**

AECOM was able to interview a wide sample of user groups ranging in space needs, attendance, scheduled dates and other predominant factors. The sample also included a mix of groups that have previously used the facility, groups that plan to use the facility in the future as well as those that can no longer use the facility due to myriad reasons.

Of the 50 interviews, 82 percent have met in San Diego since 2001 and 67 percent are scheduled to meet in San Diego in the future. Some of the projected bookings, however, are contingent on a future expansion. In terms of booking trends for the interviewed dates, the following table is a graphic representation of the preferred dates of each of the interviewed groups.

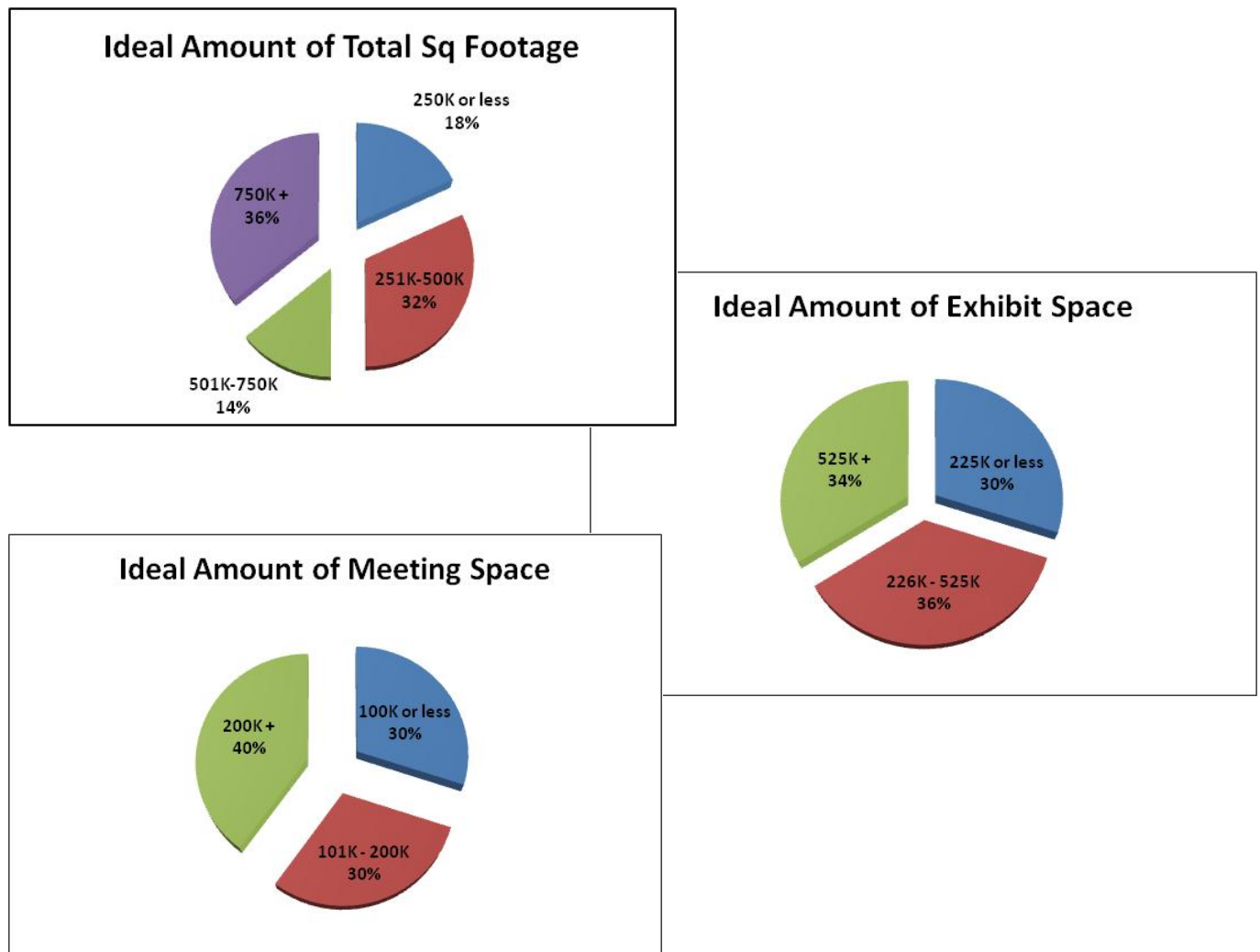
The darker blocks represent the larger the groups, with the darkest blocks representing groups that would fill the entire SDCC or more.

**Figure 7: Dates Preferred by Interviewed User Groups**



As the data clearly shows, there is a noticeable trend towards larger convention centers when looking at the ideal total square footage desired by the 50 groups interviewed. The numbers are more even when you break down the total square footage into exhibit versus meeting and breakout spaces. The following pie charts demonstrate the percentage of interviewees that fall into the three predominant square foot ranges for total, exhibit and breakout spaces.

**Figure 8: Desired Amounts of Space Represented by the Interview Sample**



The following table shows the summarized key points about the groups interviewed and their varying composition.

**Table 13: Key Metrics for User Groups Interviewed**

Number	Current Gross sq ft Exhibit Space	Ideal Gross sq ft Exhibit Space	Unmet Demand	Ideal Exhibit Space Range	# Attendees	Peak Hotel Rooms	Total Hotel Rooms	Exhibitor Comps	Exhibitor people	Current: # Breakout rooms	Current Total sq ft Breakout Space	Ideal # of Breakout Rooms	Ideal: Total sq ft Breakout Space	Meeting Room Space (ideal)	Total sq feet (ideal)	Ideal Total sq feet Range
1	40,000	100,000	60,000	225K or less	4,250	3,100	13,000	110	110	22		25	55,000	100K or less	155,000	250K or less
2	60,000	60,000		225K or less	2,050	1,000	7,344	34	34	3	15,000	15	100,000	100K or less	160,000	250K or less
3	300,000	400,000	100,000	226K - 525K	7,750	3,900		220	220	19	75,000	34	150,000	101K - 200K	550,000	501K-750K
4	550,000	650,000	100,000	525K +	13,500	10,000	44,000			30	200,000	50	250,000	200K +	900,000	750K +
5	750,000	800,000	50,000	525K +	12,000	3,500	10,000	800	800	2		3	100,000	100K or less	900,000	750K +
6	250,000	300,000	50,000	226K - 525K	6,000	3,000	11,500	800	800	40	150,000	50	150,000	101K - 200K	450,000	251K-500K
7	475,000	500,000	25,000	226K - 525K	25,000	13,000	70,000	370	370	70		70	200,000	101K - 200K	700,000	501K-750K
8	250,000	250,000		226K - 525K	8,000	4,000	14,000	525	525				250,000	200K +	500,000	251K-500K
9	250,000	250,000		226K - 525K	10,000	5,500	2,500	250	250	40		45	99,000	100K or less	349,000	251K-500K
10	600,000	750,000	150,000	525K +	10,000	7,000	28,000			70	150,000	75	250,000	200K +	1,000,000	750K +
11	125,000	250,000	125,000	226K - 525K	7,000	5,000	20,000	250	250	60		90	250,000	200K +	500,000	251K-500K
12	250,000	300,000	50,000	226K - 525K	5,500	5,000	20,000	225	225	60		70	154,000	101K - 200K	454,000	251K-500K
13	80,000	250,000	170,000	226K - 525K	2,250	1,100	4,350	100	100	25		50	150,000	101K - 200K	400,000	251K-500K
14	200,000	550,000	350,000	525K +	9,500	5,000	20,000	350	350	37		40	100,000	100K or less	650,000	501K-750K
15	500,000	700,000	200,000	525K +	15,000	9,000	49,450	2,000	2,000			40	250,000	200K +	950,000	750K +
16	450,000	500,000	50,000	226K - 525K	10,000	6,000	28,380	775	775	50		60	132,000	101K - 200K	632,000	501K-750K
17	400,000	450,000	50,000	226K - 525K	3,000	1,200	8,000	600	600	10	20,000	10	20,000	100K or less	470,000	251K-500K
18	90,000	125,000	35,000	225K or less	1,800	1,200	4,000	265	265	15	50,000	15	50,000	100K or less	175,000	250K or less
19	200,000	725,000	525,000	525K +	6,500	3,500	14,500	200	200	35	300,000	50	300,000	200K +	1,025,000	750K +
20	125,000	150,000	25,000	225K or less	2,300	1,100	4,650	60	60	10	100,000	50	150,000	101K - 200K	300,000	251K-500K
21	425,000	550,000	125,000	525K +	7,000	1,500	7,250	365	365	30	60,000	80	250,000	200K +	800,000	750K +
22	500,000	650,000	150,000	525K +	9,000	2,850	9,000				0	100	250,000	200K +	900,000	750K +
23	100,000	125,000	25,000	225K or less	3,500	2,100	10,000	100	100	50	100,000	60	175,000	101K - 200K	300,000	251K-500K
24	250,000	250,000		226K - 525K	6,100	2,450	9,250	275	275	47	150,000	50	150,000	101K - 200K	400,000	251K-500K
25	200,000	250,000	50,000	226K - 525K	5,000	15,000	5,000	450	450	25		25	150,000	101K - 200K	400,000	251K-500K
26	425,000	425,000		226K - 525K	15,000	4,000	23,000	650	650		250,000		250,000	200K +	675,000	501K-750K
27	650,000	700,000	50,000	525K +	17,000	6,000	25,000				250,000	25	300,000	200K +	1,000,000	750K +
28	200,000	225,000	25,000	225K or less	2,500	2,000	9,000	68	68	30	100,000	30	150,000	101K - 200K	375,000	251K-500K
29	500,000	750,000	250,000	525K +	8,500	2,875	14,500	200	200	30.0		40	88,000	100K or less	838,000	750K +
30	300,000	500,000	200,000	226K - 525K	10,000	5,050	21,000	300	300	28.0	200,000	35	300,000	200K +	800,000	750K +
31	125,000	137,500	12,500	225K or less	6,000	2,200	10,000	175	175	25.0		25	55,000	100K or less	192,500	250K or less
32	850,000	850,000		525K +	30,000	14,500	60,000	1,000	1,000		350,000.0	75	350,000	200K +	1,200,000	750K +
33	525,000	625,000	100,000	525K +	ouldn't sha	0	0	100	100	0.0	0	0	-	100K or less	625,000	501K-750K
34	70,000	70,000		225K or less	2,000	0	0	50	50	8.0	40,000.0	8	40,000.0	100K or less	110,000	250K or less
35	100,000	150,000	50,000	225K or less		0	0	NA	NA	0.0	0.0		0.0	100K or less	150,000	250K or less
36	60,000	100,000	40,000	225K or less	5,000			NA	NA			10	50,000	100K or less	150,000	250K or less
37	150,000 (total)	100,000		225K or less	1800	1100	4,500	62	62	25.0		50	150,000	101K - 200K	250,000	250K or less
38	300,000	650,000	350,000	525K +	15,000	8200	38,000	500	500	200	350,000	50	450,000	200K +	1,100,000	750K +
39	425,000	500,000	75,000	226K - 525K	17,500	9250	46,000	315	315	30.0		50	350,000	200K +	850,000	750K +
40	200,000	200,000		225K or less	6,000	2100	10,000	160	160	38	75000	40	75,000	100K or less	275,000	251K-500K
41	50,000	50,000		225K or less	3,000	2600	12,000	45	45	52.0		50	110,000	101K - 200K	160,000	250K or less
42	600,000	800,000	200,000	525K +	23,000	7000	22,000	900	990	53	300,000	60	350,000	200K +	1,150,000	750K +
43	600,000	750,000	150,000	525K +	12,000	5000	21,000				300,000	55	300,000	200K +	1,050,000	750K +
44	650,000	750,000	100,000	525K +	20,000	5,000.00	17,000				250000	75	350,000	200K +	1,100,000	750K +
45	300,000	350,000	50,000	226K - 525K	6,000	2800	10,000	90	90				300,000	200K +	650,000	501K-750K
46	250,000	250,000		226K - 525K	5,000	775	3,000			30	66,000	30	66,000	100K or less	316,000	251K-500K
47	100,000	200,000	100,000	225K or less	5,000	2200	6,000			15	100,000	30	200,000	101K - 200K	400,000	251K-500K
48	500,000	750,000	250,000	525K +	16,000	6000	20,000	450		30	250,000	50	500,000	200K +	1,250,000	750K +
49	300,000	500,000	200,000	226K - 525K	12,000	6800	29,000	250		25	250,000	60	350,000	200K +	850,000	750K +
50	200,000	225,000	25,000	225K or less	7,000	3000	16,000	260		30	100,000	50	200,000	101K - 200K	425,000	251K-500K



## Interview Results

The results of AECOM's meeting executive interviews have unequivocally confirmed the attractiveness of San Diego as a convention destination. The following discussion serves to highlight some of the key trends and conclusions that have come to surface as a result of these interviews. There may be some additions in the coming week to the number of interviews and percentages may vary from the draft to final report.

In an effort to clearly articulate the results of the surveys, this discussion has been broken down into two groups in order to highlight the different needs and issues pertaining to both current/planned events as well as those considered lost business.

## Lost Business Surveys

Of the facility's "lost" events, most reported not using the San Diego Convention Center due to its lack of space and available dates, as well as "other" reasons that often included the cost of the facility and/or local hotels. These events were primarily conventions or combination conventions and trade shows.

- San Diego was stated by many to be the top West Coast location and would be the number one pick on a rotation if they had more square footage of exhibit and meeting space.
- Meeting space is becoming an increasingly important topic for groups of all sizes. Larger groups need a number of large rooms to be able to host meals, concurrent sessions and large plenaries.
  - The American Diabetes Association stated "our growing attendance (roughly 5 percent per year) has generated a need for more meeting space, particularly large meeting rooms. In addition to increasing the sizes of our breakout rooms we also need 5 or more 20,000 square foot rooms."
- Contiguous space is generally an issue in the industry, but as long as San Diego builds additional exhibit space that is only ½ level up from the existing space as well as open or readily visible from the current trade floor, it does not appear to be a major issue in determining usage of the building in the future. Only one group out of all the interviews stated that they would not be able to return to San Diego if the expanded exhibit floor were not on the same level as the current exhibit floor.
  - An anonymous group stated that "the new exhibit space needs to focus on design in order to make it look and feel contiguous even though it really is not. It was

recommended that a glass wall be used so that you can see the new exhibit space from the existing exhibit hall and corridors.”

- The most common reason for lost business is lack of space; exhibit space, meeting space or ballroom space. Many groups have booked tentative dates into the future contingent on an expanded facility. These groups will become lost business in the future if an expansion does not take place.
  - The American Pet Products Association is booked in 2012, but their future dates including 2014, 2015, 2017 and 2018 are contingent on an expanded facility. The group needs a minimum of 750,000 square feet of exhibit space and prefers 800,000 as 90 percent of their show is tradeshow. The group stated that “we cannot come back to San Diego past 2012 without an expansion and we can guarantee that we will return to the city every two years into the future if the exhibit space is expanded.”
  - The Biotechnology Industry Association is booked in 2014, but their future dates including 2017, 2020 and 2023 are contingent on an expansion. In order to return to San Diego past 2014, the group needs a minimum of 700,000 square feet of exhibit space, multiple large meeting rooms for concurrent sessions and an 80,000 square foot ballroom. The groups has stated that “we cannot come back to San Diego after 2014 if an expansion does not happen, but we will commit to coming back every three years if the expansion is built.”
  - The American College of Rheumatology is booked into San Diego in 2013, but they will not be able to fit in 2017 if an expansion is not built. In addition to needing roughly 100,000 square feet of additional exhibit space, the group also needs a significant amount of meeting and breakout space and they need a bigger ballroom than the 60,000 square foot space they have been using in other destinations.
  - The American Diabetes Association stated “Our scheduled 2011 meeting will be our last meeting in San Diego unless more meeting space is added prior to our tentative 2017 booking. We will not be able to move forward with a 2017 meeting if more and larger meeting rooms are not built.”
  - The Produce Marketing Association outgrew San Diego in 2006 and they are tentatively booked in 2018 pending an expansion. The group needs a minimum of 650,000 square feet of contiguous exhibit floor space. They are the only group that must have contiguous space as referenced by the comment “If San Diego cannot create truly contiguous space, we will not be able to return in future years”

- One group, which wishes to remain anonymous, outgrew San Diego in 2006 and will not be able to come back unless an expansion is built. The group ideally needs 850,000 square feet of exhibit space, but would be willing to book the SDCC with 750,000 square feet of exhibit space as long as an 80,000 square foot ballroom was also part of the programming.
- The second most common reason for lost business was the lack of ability to obtain preferred dates. Especially difficult have been the spring and fall months. The lack of available dates for many years into the future is representative of strong demand and a potential need for expansion. The expanded facility will considerably open the number of date's available and booking capacity of the Center.
  - The American Society of Echocardiography has not been able to lock into preferred dates in the future and they are now looking at other cities to put on their permanent rotation. The group stated "an expanded facility would allow large groups to utilize the existing facility while opening the new building for our meeting...If we could get dates, we would return to San Diego every three years."
  - The American Association of Orthodontists has not been able to secure dates in San Diego since 1999. Even with dates, the SDCC does not have enough large meeting space and they have to use most of the adjacent hotels which is not preferable. The group stated "We would love to come to San Diego and could commit to coming every five years if we could get dates...we also would love to have two 40,000 square foot ballrooms that could open up into an 80,000 square foot space."
  - Franchise World Headquarters are not able to find suitable dates in San Diego in the future. The group would fit ideally in the newly expanded building given an 80,000 square foot ballroom for their general session. The group stated "if the expanded building were built, we could return to San Diego on a 5-7 year rotation."
- Some other groups are conflicted out of San Diego because of other large city-wide conventions that take place during their preferred date range. Two examples are:
  - The School Nutrition Association cannot book because of other large city-wide conventions that are already booked in July. It was stated that "we do not see an opportunity to utilize San Diego in the future even with an expansion, as it is expected that the large city-wide groups will need to occupy any additional space that is built" They also stated "we could potentially fit in the expanded building, but we

would need to ensure sufficient hotel room availability if a large city-wide was booked at the same time.”

- Blackboard Inc. has been conflicted out of coming to San Diego because of Comic Con. The group stated “The expanded building would allow our group to book our preferred July dates without conflicting with Comic Con’s move-in dates...if we could secure space in the new building in July, we would come to San Diego every two to three years.”
- A few shows cited unusually long move-in and move-out needs, which have prohibited them from using the SDCC on many occasions. They expressed positive feedback on the expansion plans as it would allow the SDCC to book a revenue generating event in one exhibit hall while allowing their group the lag time needed to move in and out of their space.
  - One anonymous group stated that they will not be able to come back in the future if an expansion is not completed. They need a minimum of 750,000 square feet of exhibit space and an 80,000 square foot ballroom. If the new facility was built they would not be conflicted out given their long move-in timing and they would be able to book San Diego every 4-6 years into the future.
- Top facility competitors listed by the lost business groups are: Orlando, New Orleans, Las Vegas, Atlanta and Chicago. San Diego and Boston are noted to be the two large biotech hubs and the meeting facilities in those cities are important to that industry.
- The high cost of hotel rates and SDCC rates are an issue for some groups and could drive away business in the near future as competition among cities for market share increases.
  - Franchise World Headquarters stated that “hotel rates in San Diego are starting to become preventative for future bookings in the city”.
  - The American College of Rheumatology stated “there needs to be more of a range of hotel supply with an increase in mid-range product types.”

## **Booked Events Surveys**

Of the events currently booked to be held at the San Diego Convention Center in the future, and/or those which have recently been held at the facility, the most common reason for selecting San Diego was the overall appeal of the destination and its ability to draw high numbers of attendees. Most booked events that responded were conventions or combination conventions/trade shows. The main intent of the booked events interviews was to identify interest in using the expansion facility

on its own in the future or in conjunction with the existing facilities space, as well as understand prevailing industry trends.

- In terms of customer service, knowledgeable staff, physical location and strong collaboration from city partners, SDCC is consistently listed among the top three event centers among current and future users of the facility.
- Of the booked events, over 70 percent stated that their attendance numbers were higher in San Diego than most other locations.
- Though many groups consider San Diego their preferred conference location, there has been a serious issue with lack of availability. Some groups have stated that they are not able to get into San Diego for the next 6 years.
  - The American Society of Military Comptrollers has been trying to book since 2006 and the first available dates they could book are in 2017. If dates were available they would confirm to come to the SDCC every 8 years.
  - The Society of Gynecologic Oncologists tried to get into San Diego in 2011 and 2013, but could not get dates until 2016. They stated that they would return to San Diego every three years if they could get dates and that the new facility would house their meeting well.
  - The American Academy of Hospice and Palliative Medicine is scheduled to meet in San Diego in 2014, but they have not been able to meet in the past due to availability. If they could get dates, they would commit to coming to San Diego every 3 years, fitting nicely within the new facility.
  - The Association of Connecting Electronics Industries stated “the building of an expanded facility would increase the availability of dates which would allow us to come back to San Diego versus moving to other West Coast locations.”
- At least 35 percent of the groups are outgrowing the facility and expect not to be able to use the SDCC by 2012-2016. Several groups increase the amount of necessary square footage by 10-20 percent per year. In terms of space, many groups need more meeting and breakout space, larger spaces in particular.
  - The American College of Cardiology, which is booked into San Diego in 2015, will have to “use the majority of the meeting space at one, if not two or three, of the adjacent hotels in order to satisfy the needs of the group...An expanded facility would

allow more of the event to stay under one roof, which is preferable and makes the destination more desirable in the future.”

- The National School Board Association’s tradeshow fits in the existing building, but they have to overflow into the surrounding hotels for their meeting needs. An expanded facility would allow them to keep more of their meetings and events under one roof.
- The Society of Gynecologic Oncologists is undergoing a membership expansion and will need significantly more meeting and breakout space after 2010.
- The American Physical Therapy Association needs more meeting and breakout space to satisfy their concurrent sessions.
- Though most groups are requesting larger space, some groups, like The Risk and Insurance Management Society need 60-70 small meeting rooms for their exhibitors to host onsite one on one meetings.
- The American Society for Microbiology has seen a significant need for large size meeting and breakout rooms and the need is going to continue to increase over the next 3-5 years by at least 5 percent per year.
- The Golf Industry has already outgrown the SDCC’s meeting and breakout space, supplementing the existing rooms with rooms in the Omni and the Hilton. By 2016, the Golf Industry anticipates outgrowing both the meeting and the exhibit space at the SDCC. Currently they need 100,000 square feet of additional meeting and breakout space. They will eventually need 200,000 square feet of exhibit space as well as 250,000 square feet of meeting and breakout space.
- One anonymous group booked into the SDCC in 2014, but will outgrow the facility by 2020. They strongly need an 80,000 square foot ballroom, as well as more exhibit space and larger meeting and breakout rooms. “We need the facility expansion to be complete in order to return in 2020... If an expansion is completed, we could return to San Diego every 4-6 years.”
- The Firehouse World Exposition and Conference, despite being able to fit into a 225,000 square foot facility today, they anticipate needing a 250,000 square foot facility within the next three years and something larger beyond 5 years.

- Some groups stated that they are willing to shrink the size of their tradeshow in order to fit into the SDCC, but this is only a temporary solution and most will need an expanded facility in order to book more than 8 years out.
  - The U.S. General Services Administration is reducing the size of their tradeshow to fit into San Diego in 2011 and they are using meeting rooms at adjacent hotels to make up for the shortage at the SDCC. They have stated that “If there is not expansion of the SDCC, it will be extremely difficult for us to return to San Diego on our traditional 3 year rotation.”
  - The National Indian Gaming Association stated that they would barely fit into a 225,000 square foot expanded building, but they would be willing to squeeze in so that they could guarantee dates every 2<sup>nd</sup> or 3<sup>rd</sup> year into the future.
- Most user groups stated that San Diego has one of the best hotel packages in the U.S., but that rates are often too high. 42 percent of the booked interviewees stated that the hotel pricing package has become too high. Given the reduction in many groups’ 2009 and 2010 budgets, the cost of hotel rates is going to be a key factor in deciding where groups book in the future. A couple groups stated that if they were not able to get favorable hotel rates, they might have to consider moving their events to second tier cities which offer lower facility rental fees and discount hotel packages.
  - The Risk and Insurance Management Society (RIMS) stated that in addition to San Diego’s hotel rates becoming cost prohibitive for future bookings, the convention center itself costs \$250,000 more than Boston and other cities. The added attendees are not enough to justify such a significant rate disparity.
  - The Infectious Disease Society of America stated that prices are becoming too costly in San Diego. “Los Angeles and San Francisco will start taking business away from San Diego if they don’t look at their hotel pricing and air access issues.”
- There have been significant mergers in the medical industry that have been resulting in the reduction in booth sizes and, in some cases, the number of booths at conferences for a few groups. This trend is not anticipated to reduce any of the group’s overall need for space in the SDCC.
  - The American Society of Neuroradiology has seen a 15 percent drop in exhibitors over the past two years due to merger issues.

- The North American Spine Society also has seen a reduction in booth sizes over the past two years due to mergers and acquisitions.
- The American Osteopathic Association has seen a reduction in booth size as well as a reduction in exhibitors due to the mergers and acquisitions.
- 25 percent of respondents would like to see 650,000 square feet or more of exhibit space in the future, with a minimum of 60,000 square feet of ballroom space and 400,000 square feet of meeting and breakout space. 26 percent of booked groups would like the expanded facility to include an 80,000 square foot ballroom.
  - An anonymous group stated that “there are not a lot of convention centers with large ballroom space. If San Diego were to build two 40,000 square foot ballrooms that could be divisible as well as open up into an 80,000 square foot space, it would be a significant differentiating factor and one that would drive additional demand.”
  - RIMS stated that “in order for the SDCC to maintain its competitive edge, it needs to expand. In addition to more column free exhibit space, it also needs to add a ‘true’ large ballroom.”
- Some groups that are not outgrowing the facility still are in strong favor of an expansion because they are often booked in with other groups and are limited to the quantity and quality of spaces available to them.
  - The American Association of Blood Banks stated that “more space would be attractive because it would give us more choices of space...more space would allow for more flexibility in choosing space and overall booking.” They also stated that the creation of a new building with 225,000 square feet of exhibit space and over 200,000 square feet of meeting and breakout space “would allow our group to be self contained in the new building”
- Groups that are not outgrowing the facility usually book San Diego on a 3, 4 or 6 year rotation given that dates are available. 28 percent of the groups stated that they would return to San Diego every 2-3 years if dates were available.
- Top competitive facilities for the SDCC by current users were stated to be; Los Angeles, Anaheim, Phoenix, Atlanta and San Francisco.
- Consumer show interviews suggest strong market demand for these shows, and promoters see continued demand over the next five to ten years. Achieving desired dates and sufficient space in San Diego is a general concern for most consumer and tradeshow.



## Additional Comments from Respondents

In addition to the responses described above, event representatives also provided a number of other comments, through telephone conversations and e-mail discussions. The following summarizes common themes that appeared throughout these responses.

- In general, most respondents indicated that they love meeting in San Diego and cite the city's draw as a major plus for their events. Most groups have San Diego as part of their top 5 desired locations and most see it as the top west coast locale.
- One of the most favorable aspects of the SDCC, as stated by interviewees, is the staff of the building. From booking an event to security, it was stated time and time again that San Diego surpasses the service of other convention facilities. It was stated as one of the easiest facilities to work with.
- The American Association of Blood Banks stated, "San Diego, in and of itself, is a great convention destination. Being the size group we are, we've always been able to fit within the space at the center – but for larger groups, additional space enhances the city's capability to attract either more groups at one time or offer space to groups larger than what the center can accommodate now."
- It was voiced across most interviews that a key concept for the expanded facility should be flexibility, meaning that individual spaces should have the capability of being reconfigured to make smaller spaces and even to serve as swing space which can be an exhibit hall for one group, and meeting room space for the next. There needs to be more than one main entrance so that different groups can host events simultaneously.
- There is significant demand for more meeting and breakout space. Flexibility will be key given the disparate needs of the various user groups. It should be noted, however, that over 50 percent of the groups interviewed expressed a need for more and larger meeting and breakout space. It was also stated that converting exhibit space into meeting or event space has become too costly given the tight budgets in this economy. It is therefore necessary to plan sufficient space to accommodate the needs of a more meeting and event driven industry.
- 12 percent of respondents recommended that any future expansion project include the addition of moving walkways as well as a thoroughfare for those groups being split in two by not renting the Sails Pavilion.

- 16 percent of respondents stated a significant growth in international attendees. Some groups such as The American College of Rheumatology have 40 percent of their delegates coming from international locations. It was stated that airlift needs to be readdressed to make San Diego a viable location for international attendees in years to come.
- Roughly 20 percent of the interviewees stated that there is not a wide enough mix of hotel rates in San Diego and that there is demand for more hotel rooms in the lower room rate categories.
- Day lighting was cited as an important issue for the expansion project. Where possible, it was suggested that daylight should be included in any future expansions, especially in the lobby and pre-function space.
- One group mentioned that a strong differentiating factor for an expanded SDCC would be a theatre with permanent seating for 3,000 people. There are few facilities with this capability and more meetings and groups are requiring this type of space.
- Concessions were stated as an issue for many groups. 23 percent of the booked groups stated an increased need for food and beverage concessions in the SDCC. Some interviewees recommended that retail spaces, particularly branded fast food or casual dining retail, should be incorporated into an expanded facility as well as the existing facility.
- Other important deciding factors were cited to be: affordable parking, free wireless internet access, ease of air access and overall price package. 29 percent of the booked groups stated a need for free wireless internet in the SDCC.

One topic that was revisited during these interviews was how the current recession is affecting the various industries and how recession effects are likely to change the needs for meetings and meeting space in the future. Key findings from the interviews conducted include:

- Groups with growing attendance, especially in the medical field, are seeing an increased need for larger meeting rooms. Many of these groups require multiple large rooms to host concurrent sessions. Almost all respondents reported a need for dedicated meeting space in addition to a significant amount of flexible space for large breakout and plenary sessions.
- There has been an overall decrease in attendance over the past two years, but the majority of groups are projecting a return to stabilized numbers by 2012 at the latest.
- Though the number of exhibit booths has not declined sharply, the number of personnel being sent to staff booths has been reduced over the past two years and many groups see this trend continuing into the future.

- None of the executives interviewed believed that the recession will ultimately change the basic need for the meetings and events they plan. Most of the respondents expect conditions to return to business as usual within the next two to three years.

#### IV. Baseline Utilization Projections and Updated Return on Investment

In order to analyze the sensitivity of the meetings market response to subtle changes in the size and features of possible expansion programs, it is first necessary to project a baseline capture and economic return on investment for a specific expansion project design. This section presents the baseline analysis, with the sensitivity analysis following in Section V.

In the interviews, the baseline expansion of the SDCC was described as follows:

*“Now to be as realistic as possible, we believe that the following configuration would be possible in an expanded facility:*

- *A total of 750,000 square feet of exhibit space comprised of 525,000 sq. ft. of contiguous space and an additional 225,000 sq. ft. of exhibit space ½ a level up from the current exhibit space and connected by escalators, stairs, and elevators.*
- *300,000 sq. ft. of meeting/breakout space,*
- *Two 40,000 sq. ft. ballrooms and an additional ballroom of up to 80,000 sq. ft.*
- *A variety of pre-function and support spaces, and with*
- *Freight loading at below-grade level.”*

This is the same description that was presented in the more rudimentary interviews included in research behind the previous AECOM report “Market, Feasibility & Impact Analysis for the Proposed San Diego Convention Center Expansion,” dated May 26, 2009 (the 2009 AECOM report). In the 2009 AECOM report a market response in terms of the number of groups that could be captured under alternative scenarios of expansion vs. no expansion as a result of this baseline building program was projected. In **Table 14** that analysis has been updated to reflect the remainder of FY 2009 and all of FY 2010 data, which is now available.

In hindsight the number of National and State Conventions & Tradeshows has held up remarkably well during the last two recession impacted years. Capture has averaged 69 “primary events” (i.e., the types of events that generate economic impact). Any expansion program has been delayed by approximately a year since the 2009 AECOM report was conducted, and the stabilized operating year has been pushed out to approximately 2017 in Table 10. However, AECOM has found no compelling reason to change the baseline forecasts in terms of numbers of groups captured since the 2009 AECOM report, and the last two columns of Table 10 reflect the same captures for the No Build and Expansion Scenarios. The net difference remains an expected 20 more National/State Conventions and Tradeshows and 5 additional Corporate Events if the SDCC is expanded.

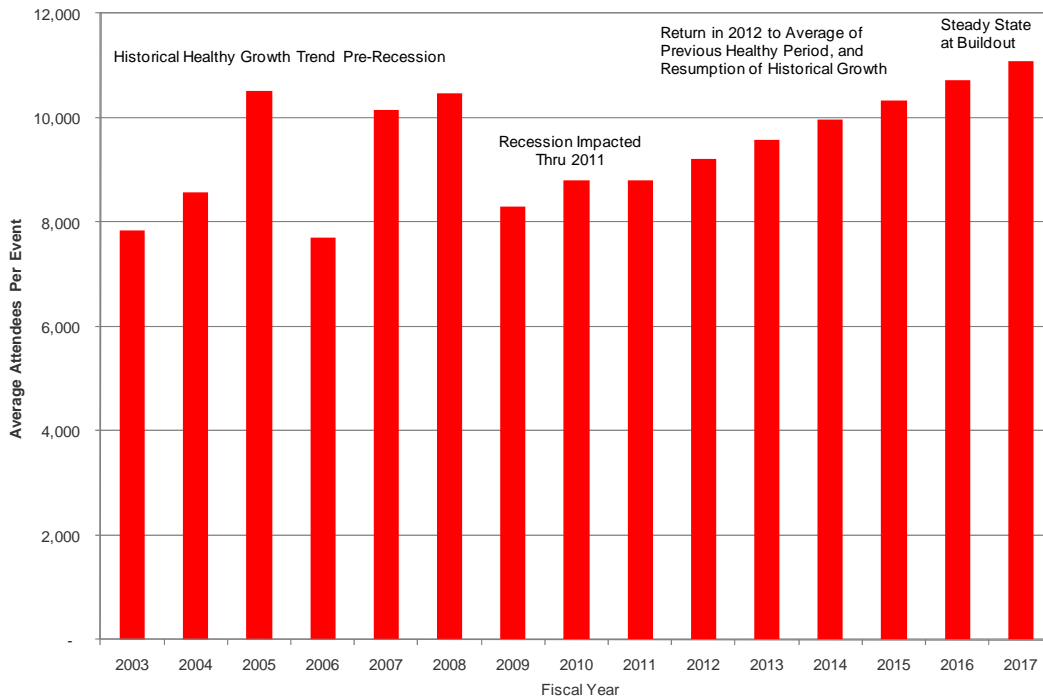
**Table 14: Projected Utilization With and Without Expansion**

	Healthy Economy 2003-2008 Averages	Recession Economy 2009-2010 Averages	No Build Scenario (~2017)	Expansion Projections (~2017)
<b>Number of Primary Events:</b>				
National / State Conventions and Tradeshows	53	62	55	75
Corporate Conventions	<u>12</u>	<u>7</u>	<u>10</u>	<u>15</u>
<b>Total Primary Business</b>	<b>64</b>	<b>69</b>	<b>65</b>	<b>90</b>
<b>Number of Secondary Events:</b>				
Local Trade Shows	10	8	10	12
Consumer Shows	12	15	10	13
Meetings, Community Events, Food & Bev.	<u>151</u>	<u>116</u>	<u>150</u>	<u>170</u>
<b>Total Secondary Business</b>	<b>173</b>	<b>138</b>	<b>170</b>	<b>195</b>
<b>Total Number of Events</b>	<b>237</b>	<b>207</b>	<b>235</b>	<b>285</b>

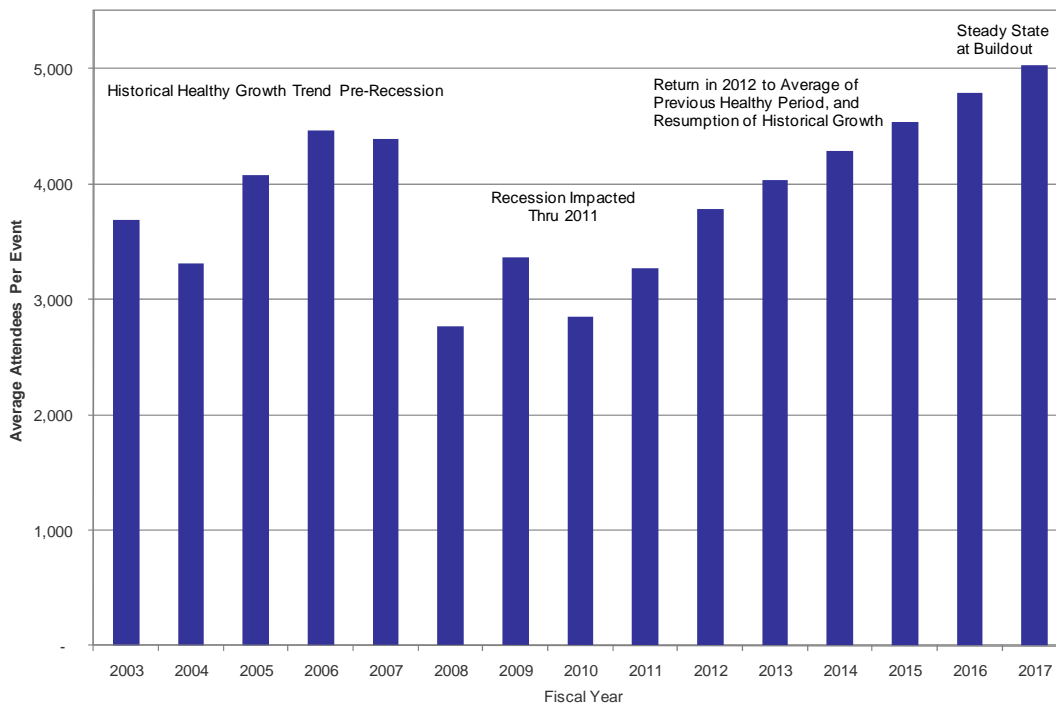
Source: San Diego Convention Center Corporation, AECOM (2010).

To simplify the analysis below, the focus is maintained only on the two types of primary events that fill hotel rooms and create economic returns for the San Diego community. While the updated operating data from Section II did not indicate the need for any revision of the capture projections in Table 10, the experience of the last year and a half has indicated that average attendance has not been impacted as heavily as AECOM expected back in May of 2009. To account for the fact that attendance at national and state conventions and tradeshows has held up better, a updated analysis and projection of average attendance was conducted and is presented in **Figure 9**. The comparable analysis for Corporate Conventions is presented in **Figure 10**. The resulting average attendance for the stabilized operating year, circa 2017, are presented in **Table 15**, and the total attendance (i.e., average x number of groups captured) is presented in **Table 16**.

**Figure 9: Projected Convention & Trade Show Average Attendance**



**Figure 10: Projected Corporate Event Average Attendance**



**Table 15: Average Attendance for Primary Event Types**

	Healthy Economy 2003-2008 Averages	Recession Economy 2009-2010 Averages	No Build Scenario (~2017)	Expansion Projections (~2017)
<b>Average Attendance at Primary Events:</b>				
National / State Conventions and Tradeshows	9,210	8,549	11,085	11,085
Corporate Conventions	3,985	3,431	5,032	5,032

Source: San Diego Convention Center Corporation, AECOM (2010).

**Table 16: Total Attendance for Primary Event Types**

	Healthy Economy 2003-2008 Averages	Recession Economy 2009-2010 Averages	No Build Scenario (~2017)	Expansion Projections (~2017)
<b>Total Attendance at Primary Events:</b>				
National / State Conventions and Tradeshows	484,605	525,901	609,672	831,371
Corporate Conventions	43,943	22,513	50,324	75,486
<b>Total Primary</b>	<b>528,548</b>	<b>548,414</b>	<b>659,996</b>	<b>906,857</b>

Source: San Diego Convention Center Corporation, AECOM (2010).

The average spending per attendee per stay in San Diego has also been updated since the 2009 AECOM report, which was based on spending patterns observed in pre-recession years. The most recent spending patterns, in 2010 dollars, are presented in **Table 17**. Compared with the spending patterns used in the 2009 AECOM report, these are now slightly lower, presumably due to the effects of the recession. For example, spending on hotel rooms was over \$600 per attendee per stay before, and is now under \$500.

**Table 17: Average Spending Per Attendee Per Stay (Updated to FY 2010)**

Expenditure Type <sup>1</sup>	National / State Conventions and Trade Shows <sup>2</sup>	Corporate Conventions
Lodging	\$492	\$475
Meals & Beverages	\$193	\$187
Retail Shopping	\$95	\$91
Attractions Admissions (Museums, Theatre, etc.)	\$54	\$52
Air Transportation (Local Impact)	\$110	\$106
Local Transportation (Excluding Car Rental)	\$40	\$38
Car Rental	\$20	\$20
Miscellaneous	\$24	\$24
Per Attendee Spending by Event Organizers	\$133	\$129
Per Attendee Spending by Exhibitor Companies	\$285	\$0
<b>TOTAL</b>	<b>\$1,446</b>	<b>\$1,122</b>

<sup>1</sup> Amounts are shown in FY 2010 dollars.

<sup>2</sup> Weighted average of 8% National Trade Shows, and 92% Conventions and Trade Shows  
Source: DMAI, San Diego Convention Center Corporation, AECOM (2010).



The combined effects of slightly higher average attendance with slightly lower spending per stay has produced estimates of total direct impacts that are about 6 percent lower than what was projected a year ago. Total direct spending impacts for the stabilized operating year are estimated in **Table 18** for both scenarios with the net effects of expansion highlighted in the last column.

**Table 18: Direct Spending Impacts by Attendees**

	No Build Scenario (~2017)	With Expansion (~2017)	Net Benefit of Expansion
<b>National / State Conventions &amp; Trade Shows</b>			
Lodging	\$300,105,000	\$409,234,000	\$109,129,000
Meals & Beverages	\$117,837,000	\$160,687,000	\$42,850,000
Retail Shopping	\$57,675,000	\$78,648,000	\$20,973,000
Attractions Admissions (Museums, Theatre, etc.)	\$32,849,000	\$44,794,000	\$11,945,000
Air Transportation (Local Impact)	\$66,966,000	\$91,318,000	\$24,352,000
Local Transportation (Excluding Car Rental)	\$24,167,000	\$32,956,000	\$8,789,000
Car Rental	\$12,389,000	\$16,893,000	\$4,504,000
Miscellaneous	\$14,876,000	\$20,285,000	\$5,409,000
Per Attendee Spending by Event Organizers	\$81,281,000	\$110,838,000	\$29,557,000
<u>Per Attendee Spending by Exhibitor Companies</u>	<u>\$173,635,000</u>	<u>\$236,774,000</u>	<u>\$63,139,000</u>
SUBTOTAL	\$881,780,000	\$1,202,427,000	\$320,647,000
<b>Corporate Conventions</b>			
Lodging	\$23,904,000	\$35,856,000	\$11,952,000
Meals & Beverages	\$9,411,000	\$14,116,000	\$4,705,000
Retail Shopping	\$4,579,000	\$6,869,000	\$2,290,000
Attractions Admissions (Museums, Theatre, etc.)	\$2,617,000	\$3,925,000	\$1,308,000
Air Transportation (Local Impact)	\$5,334,000	\$8,001,000	\$2,667,000
Local Transportation (Excluding Car Rental)	\$1,912,000	\$2,868,000	\$956,000
Car Rental	\$1,006,000	\$1,510,000	\$504,000
Miscellaneous	\$1,208,000	\$1,812,000	\$604,000
Per Attendee Spending by Event Organizers	\$6,492,000	\$9,738,000	\$3,246,000
<u>Per Attendee Spending by Exhibitor Companies</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
SUBTOTAL	\$56,463,000	\$84,695,000	\$28,232,000
<b>TOTAL</b>	<b>\$938,243,000</b>	<b>\$1,287,122,000</b>	<b>\$348,879,000</b>

Source: DMAI, San Diego Convention Center Corporation, AECOM (2010).

The return on investment for the baseline expansion program is calculated in **Table 19** using several different measures, including the direct returns to the private hospitality industry, and also returns to the public sector. For example, the attendees attracted by an expanded SDCC are estimated to contribute \$121 million in hotel revenue. In the hotel industry, marginal room sales over and above what are otherwise achieved tends to contribute disproportionately to bottom line profits at the end of the year, because fixed costs and most of the operating costs have already been paid. It is conceivable that in an otherwise healthy year, the addition of another \$121 million in top line revenue could contribute \$60 million to bottom line industry profits. For sake of comparison, the annual debt service on \$1 billion in public bond issuance (e.g., 30 year bonds at 4.0%) would be \$60 million. While the retail sales impacts, which includes restaurants, bars and other food and beverage as well, is spread throughout a more diverse set of businesses, it will also contribute to end of year profitability.

From a public perspective, at current tax rates, the expansion program would raise another \$15 million per year in hotel related taxes, and another million in local sales tax revenue. The City of San Diego share is also noted, and would be approximately \$13.5 million.

**Table 19: Baseline Return on Investment in Industry Revenue and Tax Collections**

	Net New Private Industry Revenues	Tax Rates	Net New Public Tax Revenue Benefits
<b>Net New Hotel Revenues</b>	<b>\$121,081,000</b>		
Transient Occupancy Tax		10.5%	\$12,713,505
<u>Supplemental Destination Tax</u>		<u>2.0%</u>	<u>\$2,421,620</u>
Total Taxes on Hotel Rooms		12.5%	<b>\$15,135,125</b>
<b>Net New Retail Sales Revenues</b>	<b>\$76,831,000</b>		
City Sales Tax Yield		1.0%	\$768,310
<u>County-Level Sales Tax Yield</u>		<u>0.5%</u>	<u>\$384,155</u>
Total Local Sales Tax		1.5%	<b>\$1,152,465</b>
<b>Total Annual Tax Benefits</b>			<b>\$16,287,590</b>
<b>City Share of Direct Hotel and Sales Tax</b>			<b>\$13,481,815</b>

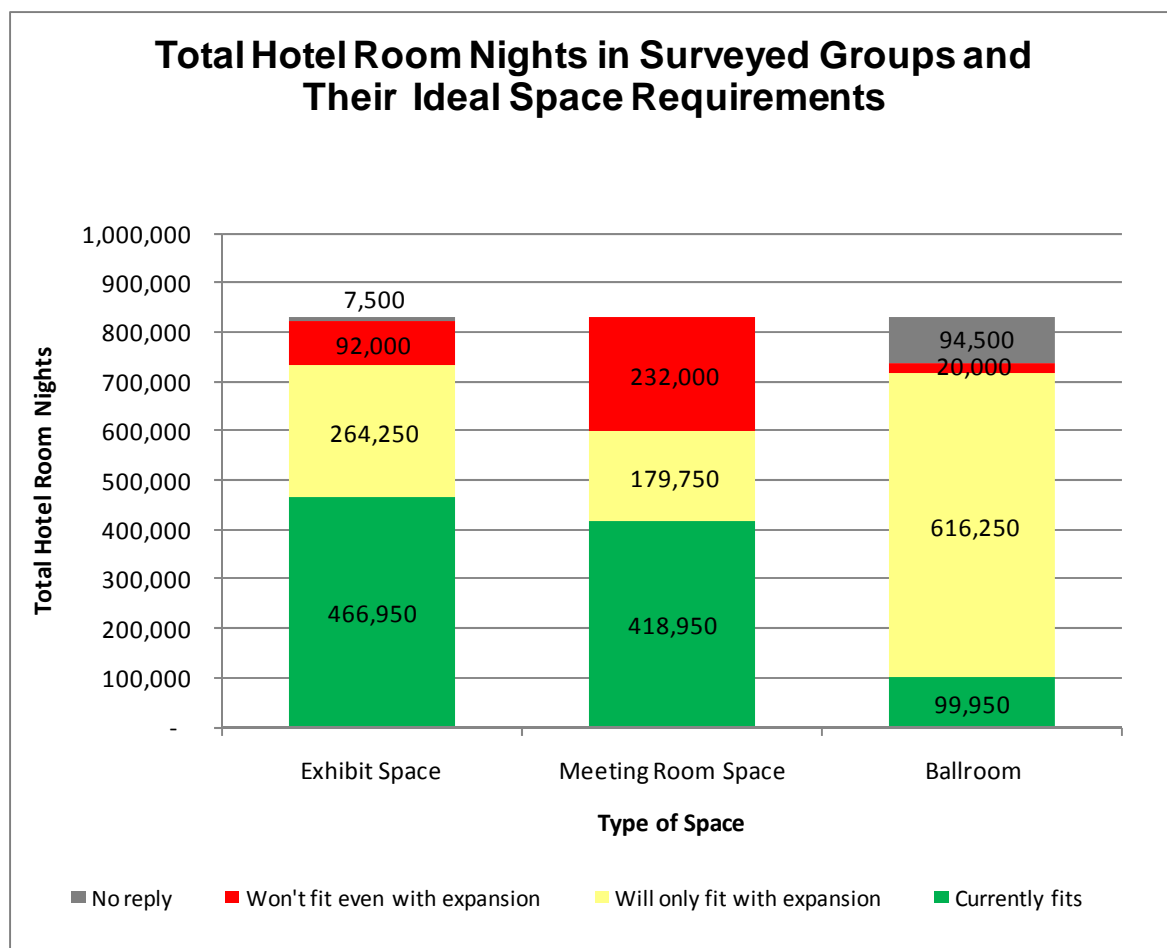
Source: San Diego Convention Center Corporation, AECOM (2010).

Note: Retail sales revenue includes the following expenditure categories: Retail, Food and Beverage, and Miscellaneous (which are typically taxable goods & services)

## V. Return on Investment and Size Sensitivity Analysis

Over the years in the meetings and exhibitions industry, the most rudimentary metric for describing convention centers has been the total square footage of usable exhibit space. Much of the 2009 AECOM report focused on this basic metric. In practice, however, a user group has to be concerned with the entire package of facilities and plan the use of the full variety of spaces, and guide the flow of their delegates between spaces, in order to create a successful event. In this more detailed set of meeting executive interviews for the 2010 study; AECOM was able to drill down into what the ideal configuration of a convention complex would be in San Diego. Some of the complexity in what contemporary user groups need is illustrated in **Figure 11**. It demonstrates that on the margin breakout meeting rooms and ballroom spaces may be even more important than exhibit halls in the expansion program.

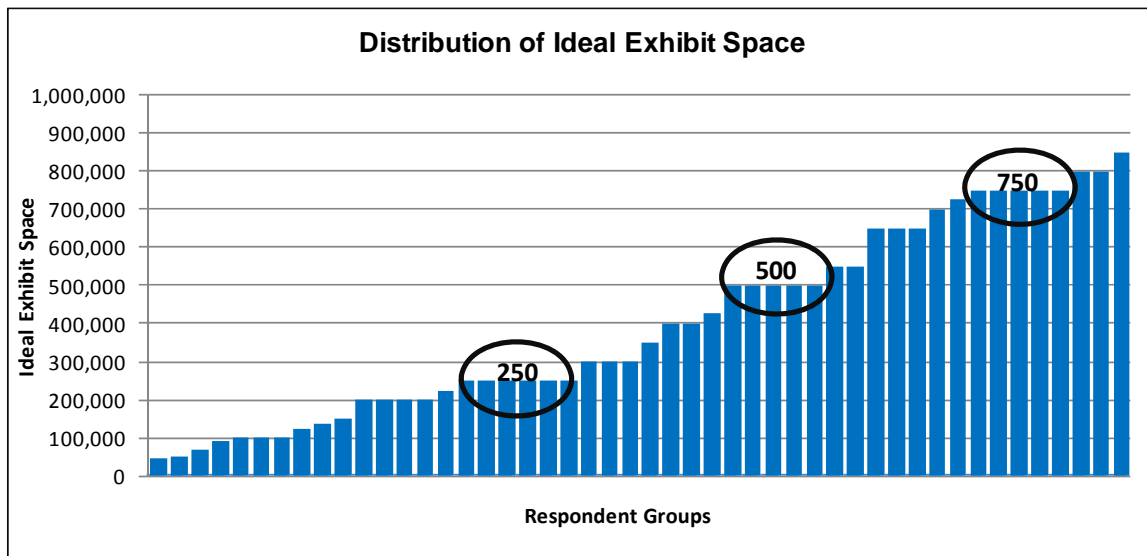
**Figure 11: Ideal Spaces Desired by User Groups**



The sample of meeting planners surveyed embodies approximately 831,000 room nights every year that hold meetings throughout the United States. This was a well crafted sample and the vast majority has firsthand experience with meetings in San Diego, and those that have not have at least expressed interest in a future San Diego meeting. Looking at Figure 11, groups embodying about half of the room nights can fit within the exhibit and meeting room spaces in the existing SDCC. But many of these same groups find the existing ballroom sizes, at 40,000 square feet maximum, to be inadequate to handle their plenary sessions. If groups restrict their bookings only to convention centers that contain a ballroom of their ideal desired size, only about 1/8<sup>th</sup> of the room nights could be attracted to San Diego with the existing ballroom facilities. Dramatically, if the proposed 80,000 square foot ballroom were included in the expansion program, the capture of room nights jumps to 7/8ths of those represented in the sample.

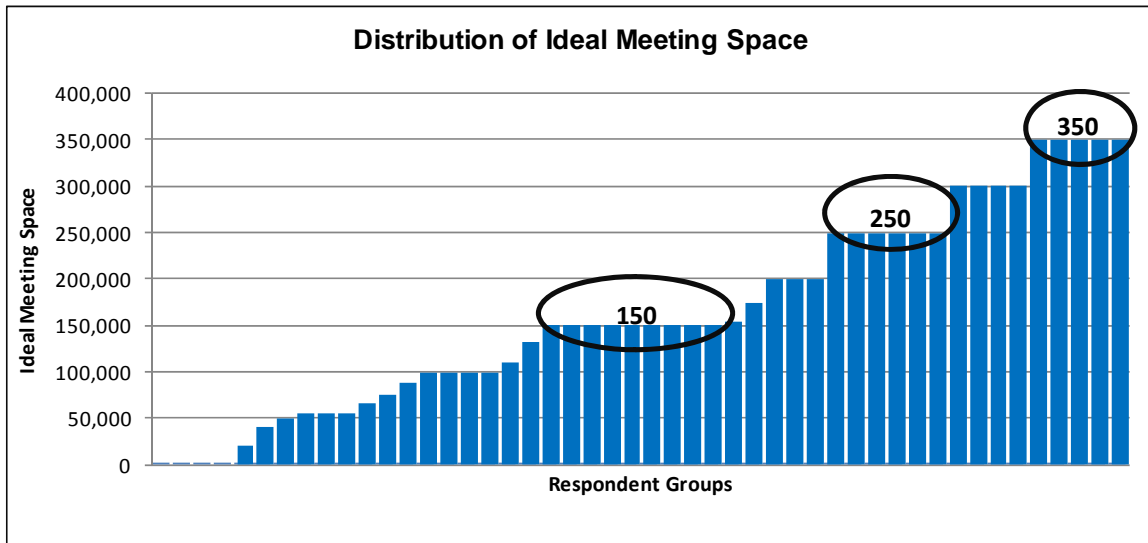
The next series of charts graphically depict the diversity of desired spaces by the user groups surveyed. While ranges are useful for summarizing characteristics of the respondent group, they conceal the concentration of respondents at specific size thresholds within the range. To understand the concentration of respondents within ranges, responses are graphed below as individuals. For example, **Figure 12** demonstrates that when describing the ideal amount of exhibit space square footage, respondents concentrate around the sizes of 250,000 square feet, 500,000 square feet, and 750,000. These sizes are circled in the chart below.

**Figure 12: Distribution of Ideal Size of Exhibit Space**



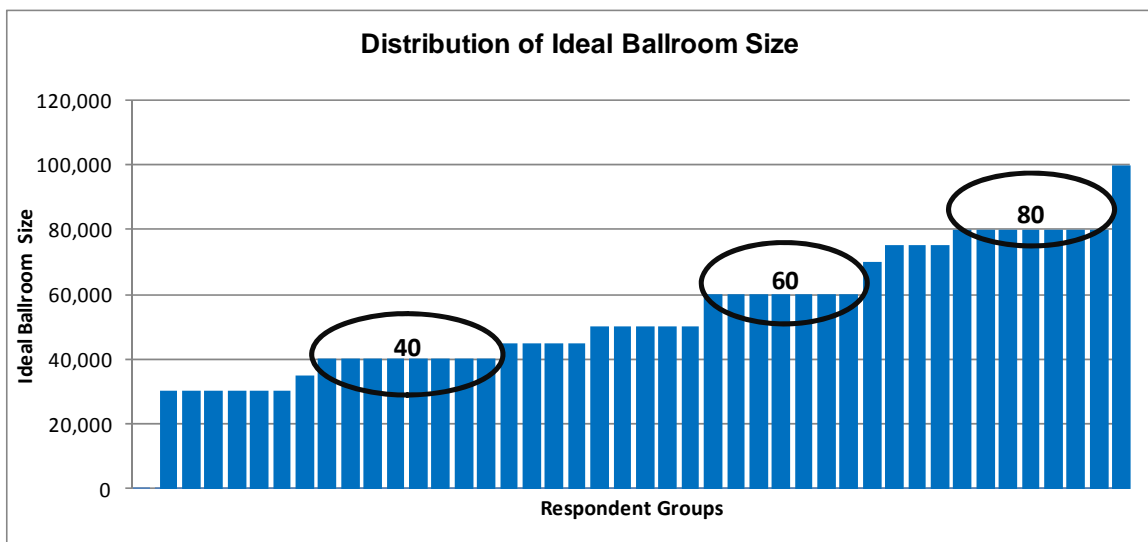
When describing the ideal amount of meeting room square footage, responses concentrate most aggressively at the size of 150,000 square feet. Responses also concentrate, though to a lesser degree, at the size of 250,000 square feet and 350,000 square feet. These sizes are circled in **Figure 13** below.

**Figure 13: Distribution of Ideal Meeting Space**



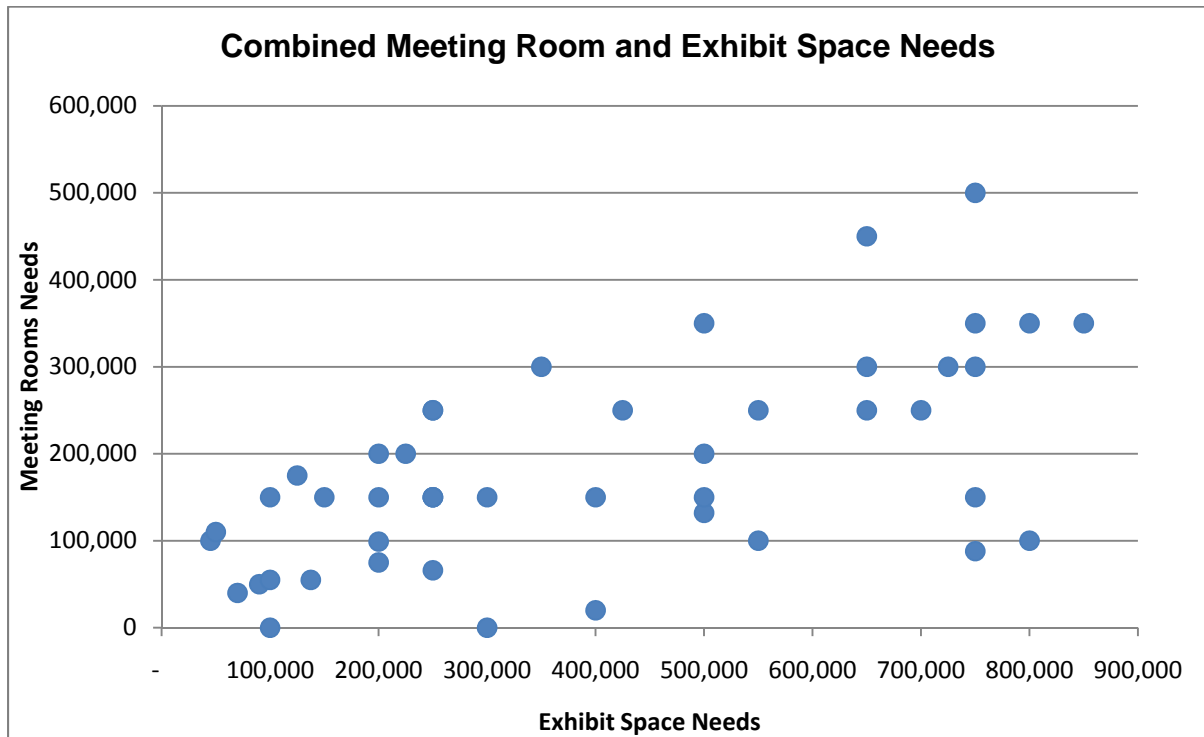
When asked about the ideal size of a ballroom, there are user groups that would like a facility just slightly larger than the 41,000 square foot maximum that San Diego offers (e.g., 45,000 or 50,000 square feet), but there are also significant clusters of users who ideally are looking for 60,000 or even 80,000 square feet.

**Figure 14: Distribution of Ideal Ballroom Space**



While responses concentrate around specific sizes, in terms of exhibit, meeting, and ballroom space needs, it's important to understand that most groups need a combination of all three types of space. For example, the meeting room and exhibit space needs are of course correlated, as illustrated by plotting the needs of individual respondents in **Figure 15** below.

**Figure 15: Correlation of Exhibit and Meeting Space Needs**



The goal of attracting users to the SDCC is to generate hotel room nights for San Diego, and thus the economic spending impacts that come with them. The next series of charts has been segmented by the number of total hotel room nights embodied in each respondent group. The legend to the right shows the framework for analysis, which demonstrates what size of facility in terms of maximum ballroom size coupled with exhibit hall size will be necessary to accommodate the ideal profile for each group. The dots represent each group within that room-night size range. The four charts in **Figure 16** analyze the ballroom and exhibit hall combinations.

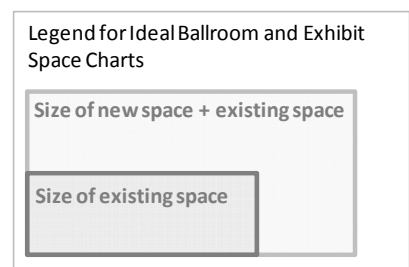
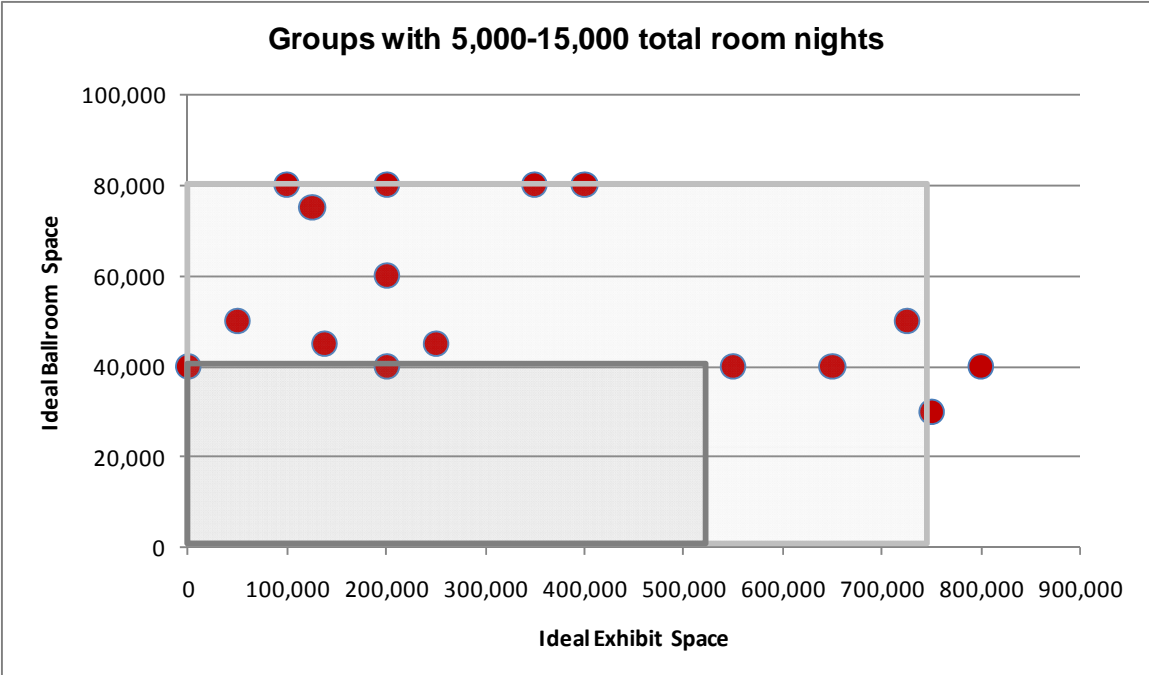
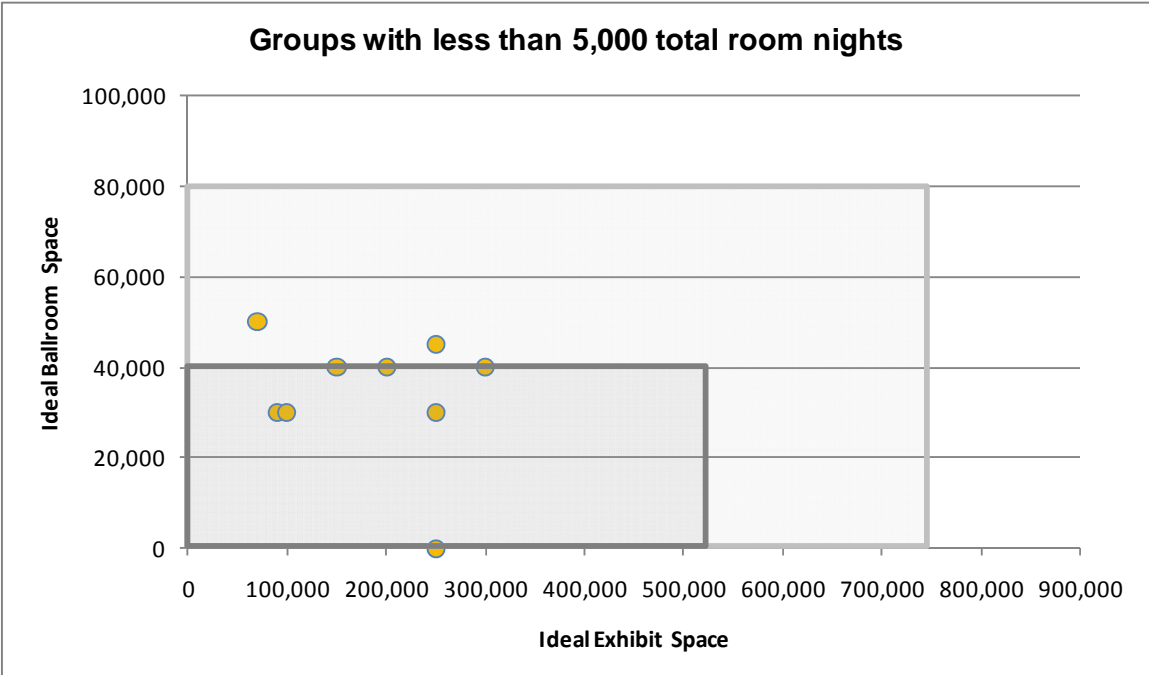
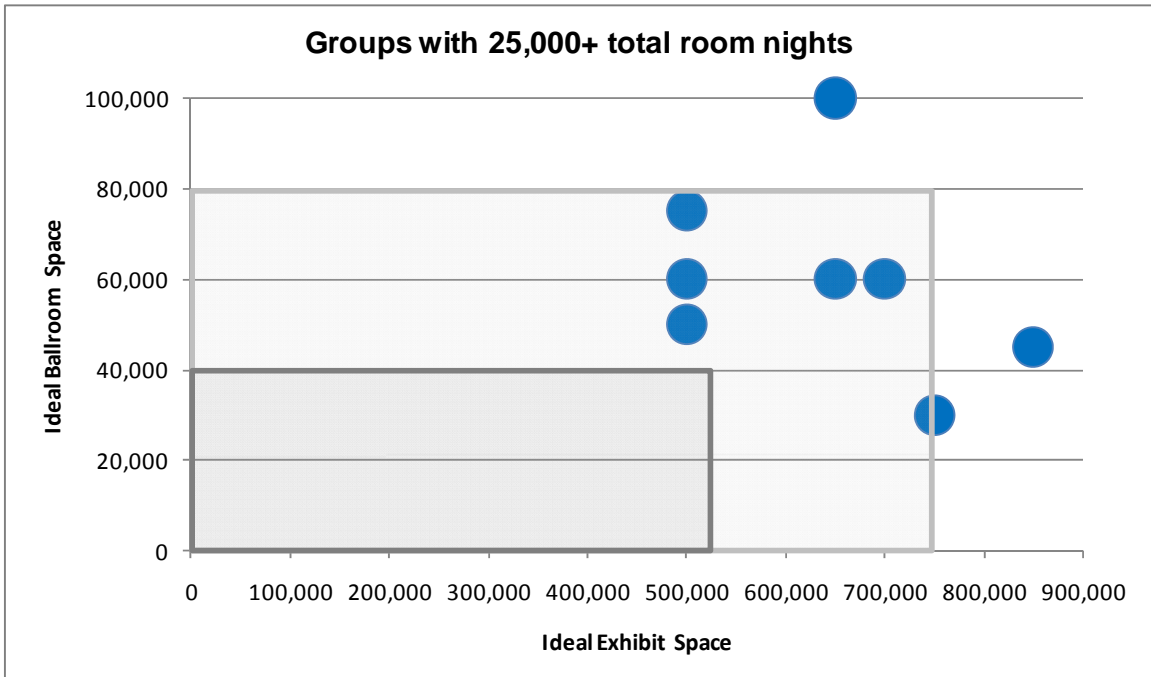
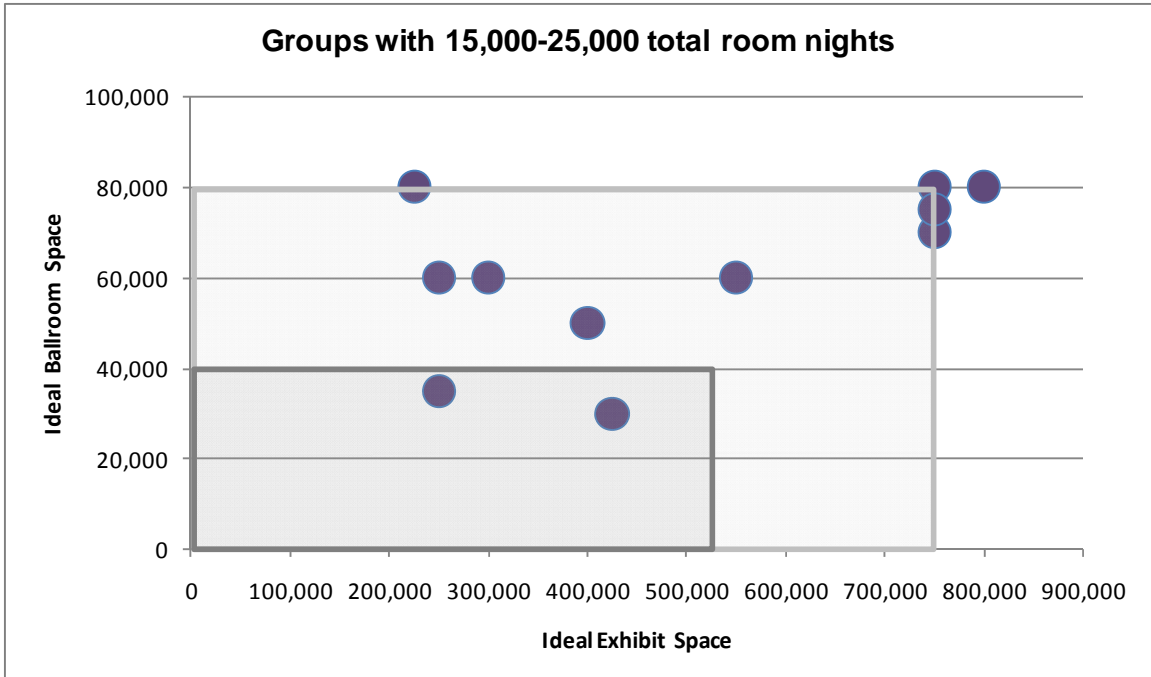


Figure 16: Sensitivity to Ballroom and Exhibit Space Sizes in Expansion Program



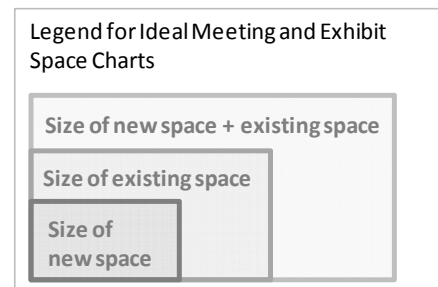


The first chart in Figure 16 shows that most, but not quite all, of the user groups with 5,000 total room nights or less can fit within the existing ballroom offering, and all of them can fit within the SDCC's current exhibit halls. In the next three charts of groups bringing more than 5,000 room nights,

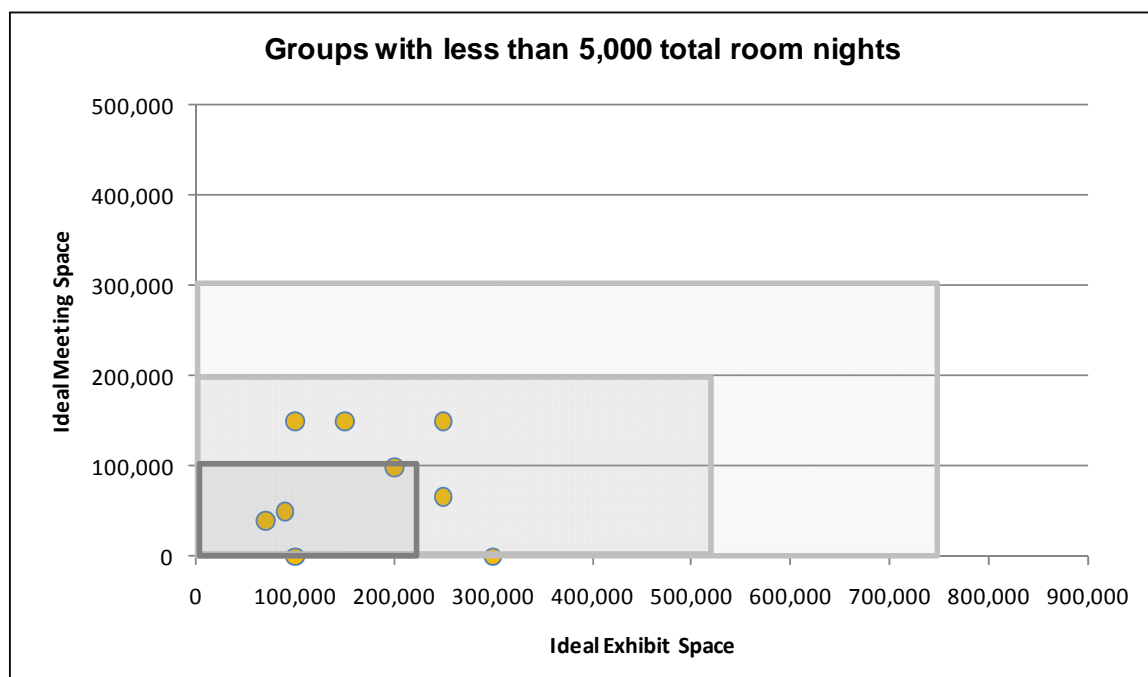


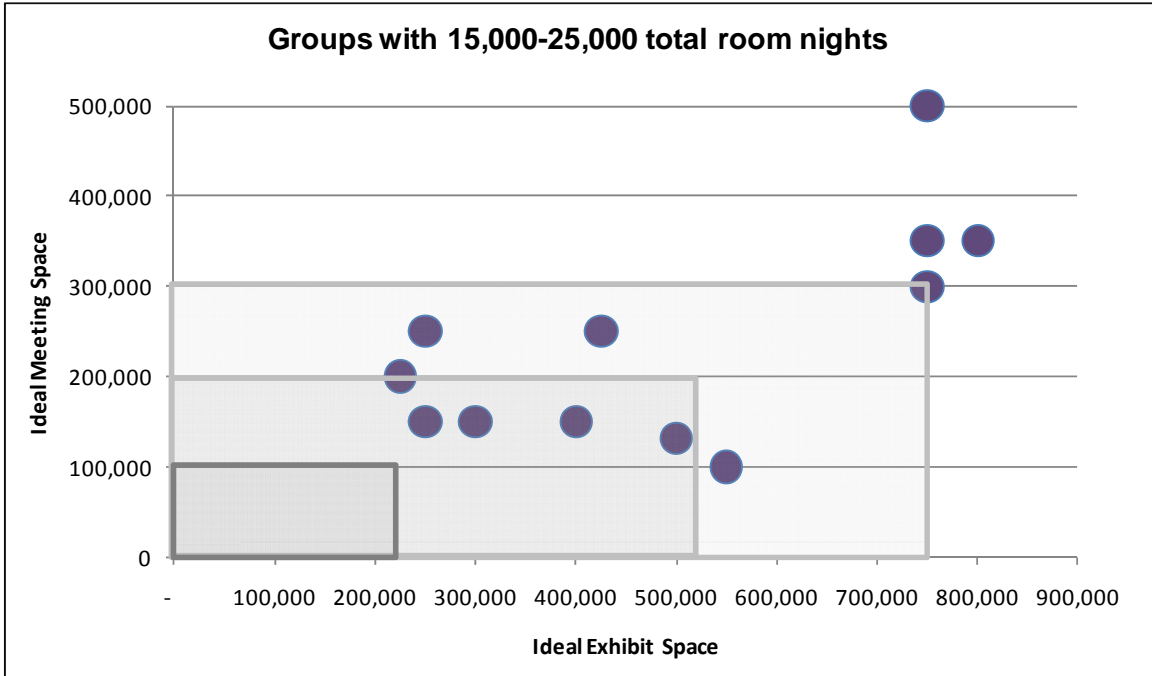
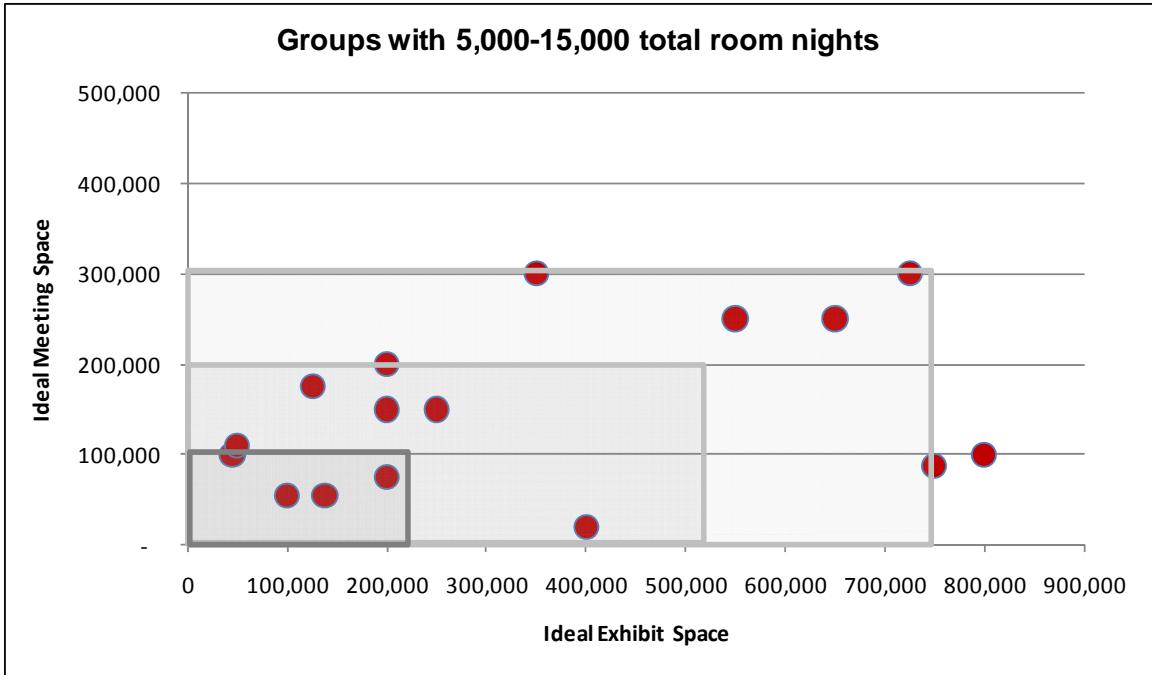
however, while half or more of them can fit within the existing exhibit space, very few of them can work within the existing ballrooms. Some of them may be squeezing their events into the existing facilities in order to hold an event in San Diego, but in ideal terms they would like to see a larger ballroom. Of the eight groups in the largest category, those bringing 25,000+ room nights with their event, three of these large groups could fit within the existing exhibit space, but none of them find the 40,000 square foot maximum ballroom to be ideal. Six could be accommodated by the baseline expansion program, and two would be left out regardless on one dimension or the other.

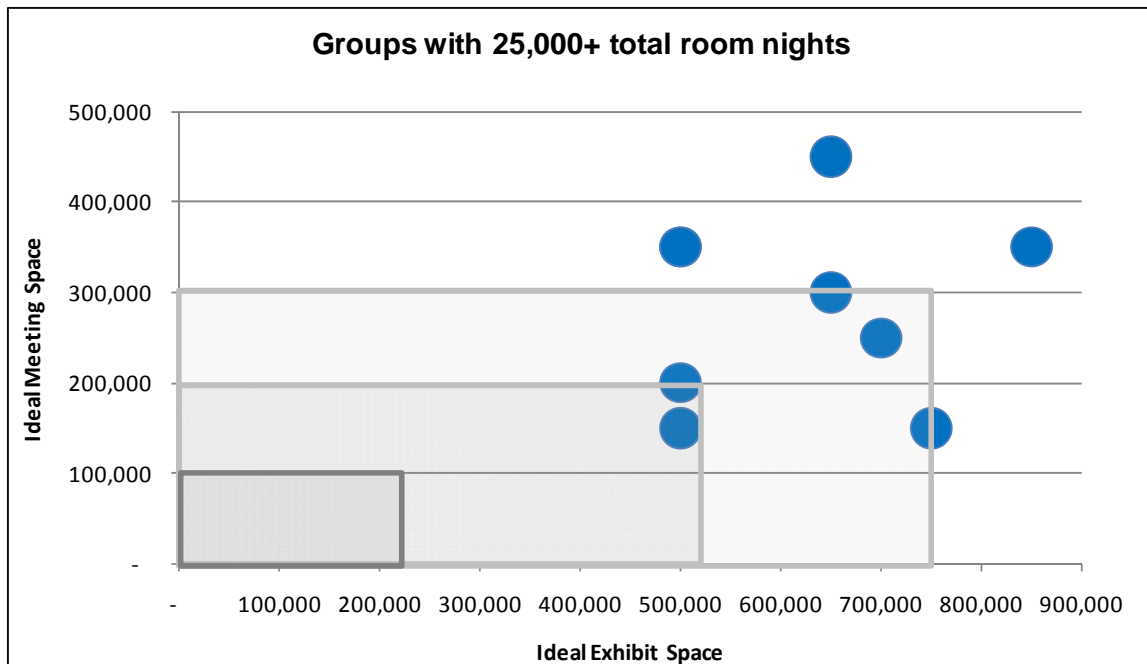
The sequence of charts in **Figure 17** presents a parallel analysis combining meeting room and exhibit space needs, which also significantly impact the number of groups that could fit into the current and proposed San Diego Convention Center. In the charts below, the dimensions of the current and proposed center are applied to the stated needs of respondent groups, segmented again by their utilization of total hotel room nights. The legend in this set, however, also adds a rectangle describing the size of the baseline expansion program alone, with the idea that some groups could fit within just the new space, leaving the entire existing building to be occupied simultaneously by another user.



**Figure 17: Sensitivity to Meeting Rooms and Exhibit Space in Expansion Program**







Currently, all of the groups utilizing less than 5,000 total hotel room nights can fit within the existing convention center. Most (10 out of 16), but not all, of the groups utilizing between 5,000 and 15,000 total hotel room nights can fit within the existing center.

The first two categories, small and medium-sized groups utilizing 15,000 or fewer total hotel room nights, could be accommodated better with expanded meeting room space. Only eight out of a total 25 small and medium-sized groups fit within the proposed addition. This is primarily due to insufficient meeting room space. If the amount of meeting room space doubled and the amount of exhibit space increased 10%, then 17 out of 25 of these groups would fit.

Also, a convention center design that makes at least 100,000 square feet of meeting space in the center easily accessible to groups using the proposed addition will ensure greater utilization of the convention center by two groups at the same time.

For most groups utilizing 25,000 total hotel room nights or more, the current convention center is not a viable option. Only two out of a total of eight of these groups can fit within the existing facility. If the proposed baseline expansion is built, a total of five of these groups could fit.

## Return on Investment

As mentioned above, the sample of meeting executives represented a total of 831,000 room nights of hotel business spread among their various events. The baseline Return on Investment (ROI) analysis above determined that the difference between build and no build scenarios for the baseline expansion program would attract, among other measures, \$121,081,000 in additional hotel room revenue, \$76,831,000 in additional restaurant & retail sales, and generate \$13.5 million in hotel and retail sales taxes for the City of San Diego.

The return on investment analysis below posits that two of the three major elements of the baseline expansion program are built, and thus the differences in capture of additional events, attendees, and their room night pick up is attributable to variations in the third element. Thus, in **Table 20** it is assumed that an expansion program builds up to a total of 750,000 square feet of exhibit space and a total of 300,000 square feet of breakout meeting rooms, but only one of four options for a new ballroom complex. In Option 1, the new ballroom is assumed to be able to open up to a maximum of 50,000 square feet (it is assumed that it would make no sense to build a third new ballroom that is no larger than the existing facilities). Option 2 would be a ballroom of up to 60,000 square feet. Options 3 and 4 would then include up to 70,000 and 80,000 square feet respectively. The sample was then analyzed by groups that fit into each of these categories according to their ideal ballroom desires. These groups were then weighted by the number of total hotel room nights they represent for each of their meetings, and the percentages that fall into each category were then applied to total attendance and other measures of ROI.

**Table 20: ROI Analysis of Ballroom Options**

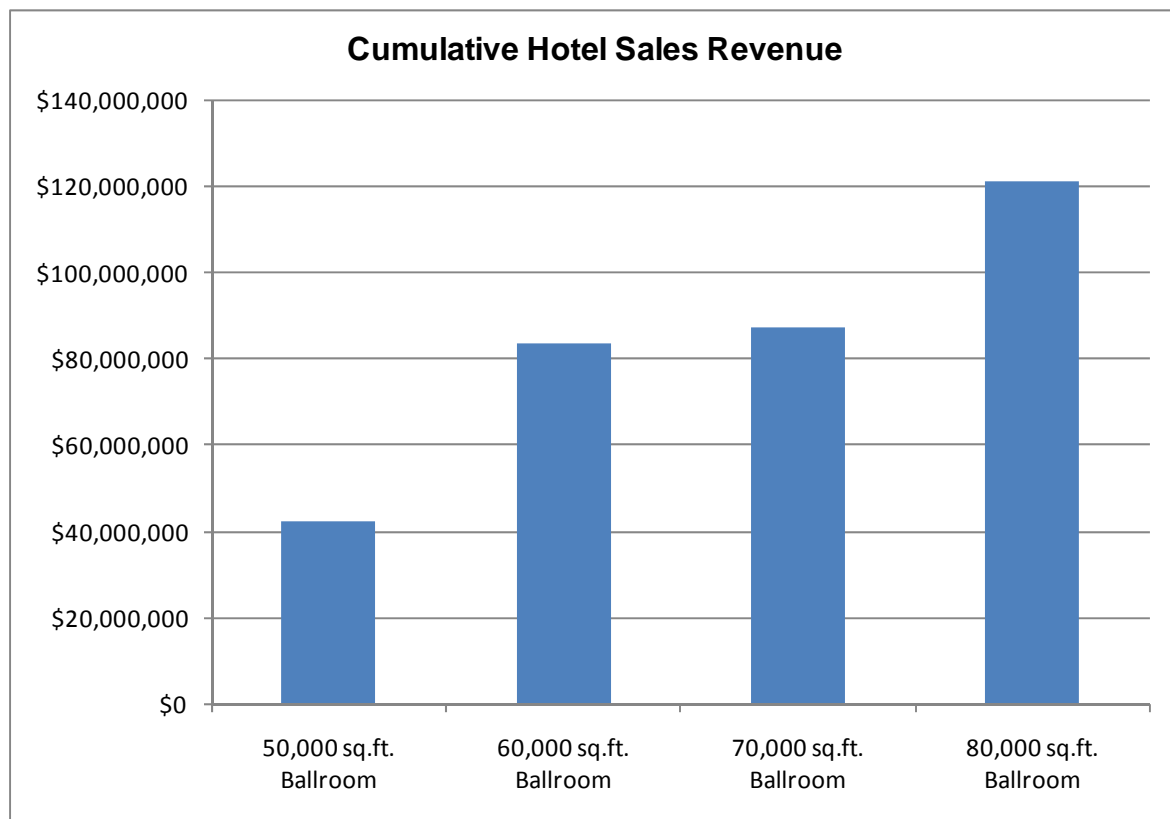
Ballroom Options Analyzed	Portion of Room Nights in Sample in Each Category	Indicated Share of Annual Attendance Captured	Measures of Return on Investment (Value of Expanding from One Option to the Next)		
			Hotel Room Sales Revenue	Restaurant & Retail Sales	City Share of Hotel & Retail Sales Tax
0 The Existing 2 Ballrooms of 81,700 Sq.Ft.	0	0			
1 Plus 1 New Ballroom of 50,000 Sq.Ft.	35.1%	86,648	\$42,499,431	\$26,967,681	\$4,732,117
2 Plus 1 New Ballroom of 60,000 Sq.Ft.	33.8%	83,439	\$40,925,378	\$25,968,878	\$4,556,853
3 Plus 1 New Ballroom of 70,000 Sq.Ft.	3.1%	7,653	\$3,753,511	\$2,381,761	\$417,936
4 Plus 1 New Ballroom of 80,000 Sq.Ft.	28.0%	69,121	\$33,902,680	\$21,512,680	\$3,774,908
<b>Totals for Full Baseline Expansion Program</b>	<b>100.0%</b>	<b>246,861</b>	<b>\$121,081,000</b>	<b>\$76,831,000</b>	<b>\$13,481,815</b>

Source: AECOM survey and analysis.

The sensitivity of ROI to these four levels of investment is graphically presented in **Figure 18**. It is interesting to note that there is a significant market response (35%) to offering a ballroom that is merely 9,000 square feet larger than what the SDCC currently has. Going to 60,000 square feet adds almost the same returns again. But as was pointed out earlier from the interviews and the way the

market thinks about spaces, the next significant threshold in ballroom development is the 80,000 square foot maximum configuration. There were extremely few respondents in the 65,000 and 70,000 square foot size range, and going from 60,000 to 70,000 square feet only picked up about 3% of the room nights represented. Achieving 80,000 square feet, on the other hand, creates another significant market splash.

**Figure 18: Increase in Hotel Room Sales Due to Incremental Investments in Ballroom Expansion**



The comparable analysis of ROI sensitivity to meeting room expansion is presented in **Table 21** and **Figure 19**. Again, this analysis assumes the full 750,000 square feet of exhibit space is available and a ballroom with the largest configuration able to open up to 80,000 square feet is added. The market response to increments in meeting rooms is much more linear than was the case with ballroom sensitivity, but also shows classic signs of economists' "diminishing returns." The largest "bang for the buck" is in the first increment of expansion, and the smallest return is in the last increment from 250,000 to 300,000 square feet.

**Table 21: ROI Analysis of Meeting Room Expansion Options**

Meeting Room Options Analyzed	Portion of Room Nights in Sample in Each Category	Indicated Share of Annual Attendance Captured	Measures of Return on Investment (Value of Expanding from One Option to the Next)		
			Hotel Room Sales Revenue	Restaurant & Retail Sales	City Share of Hotel & Retail Sales Tax
0 The Existing Total of 118,700 Sq.Ft.	0	0			
1 Plus 31,300 for a Total of 150,000 Sq.Ft.	38.2%	94,301	\$46,252,942	\$29,349,442	\$5,150,053
2 Plus 50,000 for a Total of 200,000 Sq.Ft.	22.4%	55,297	\$27,122,144	\$17,210,144	\$3,019,927
3 Plus 50,000 for a Total of 250,000 Sq.Ft.	24.0%	59,247	\$29,059,440	\$18,439,440	\$3,235,636
4 Plus 50,000 for a Total of 300,000 Sq.Ft.	15.4%	38,017	\$18,646,474	\$11,831,974	\$2,076,200
<b>Totals for Full Baseline Expansion Program</b>	<b>100.0%</b>	<b>246,861</b>	<b>\$121,081,000</b>	<b>\$76,831,000</b>	<b>\$13,481,815</b>

Source: AECOM survey and analysis.

**Figure 19: Increase in Hotel Room Sales Due to Incremental Investments in Expanded Meeting Rooms**

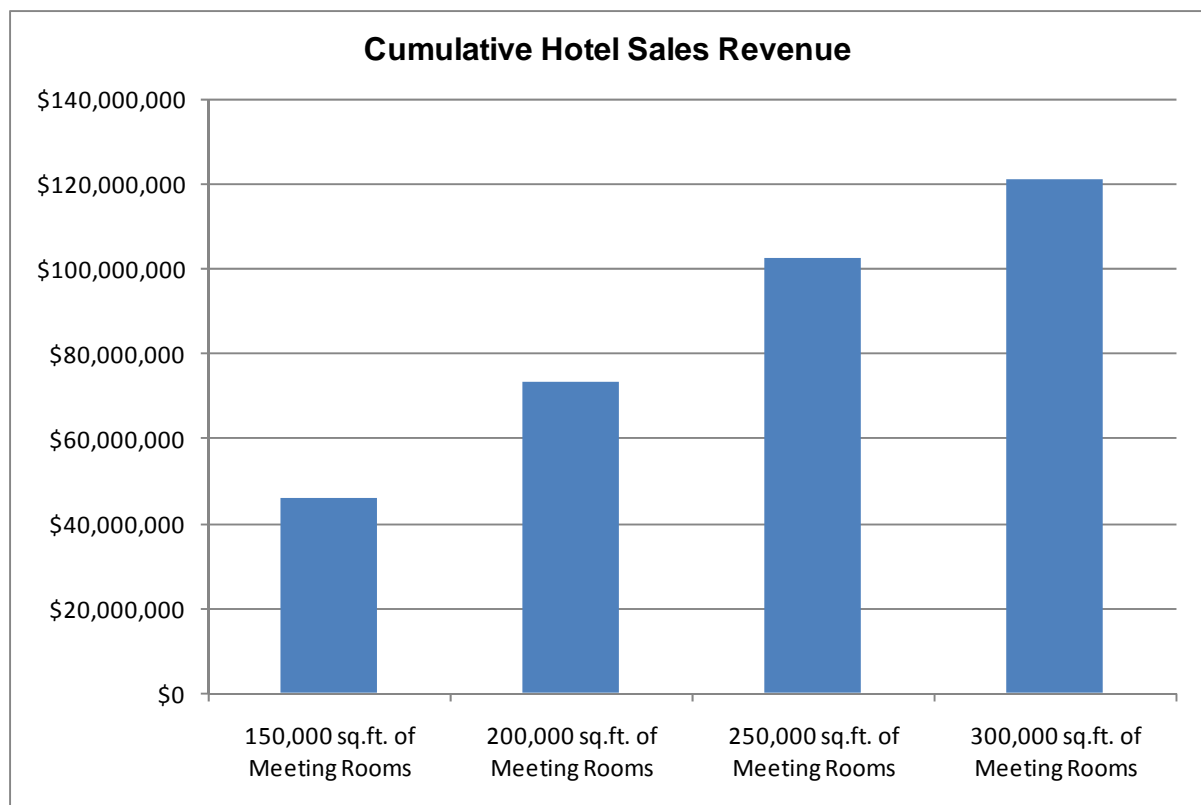


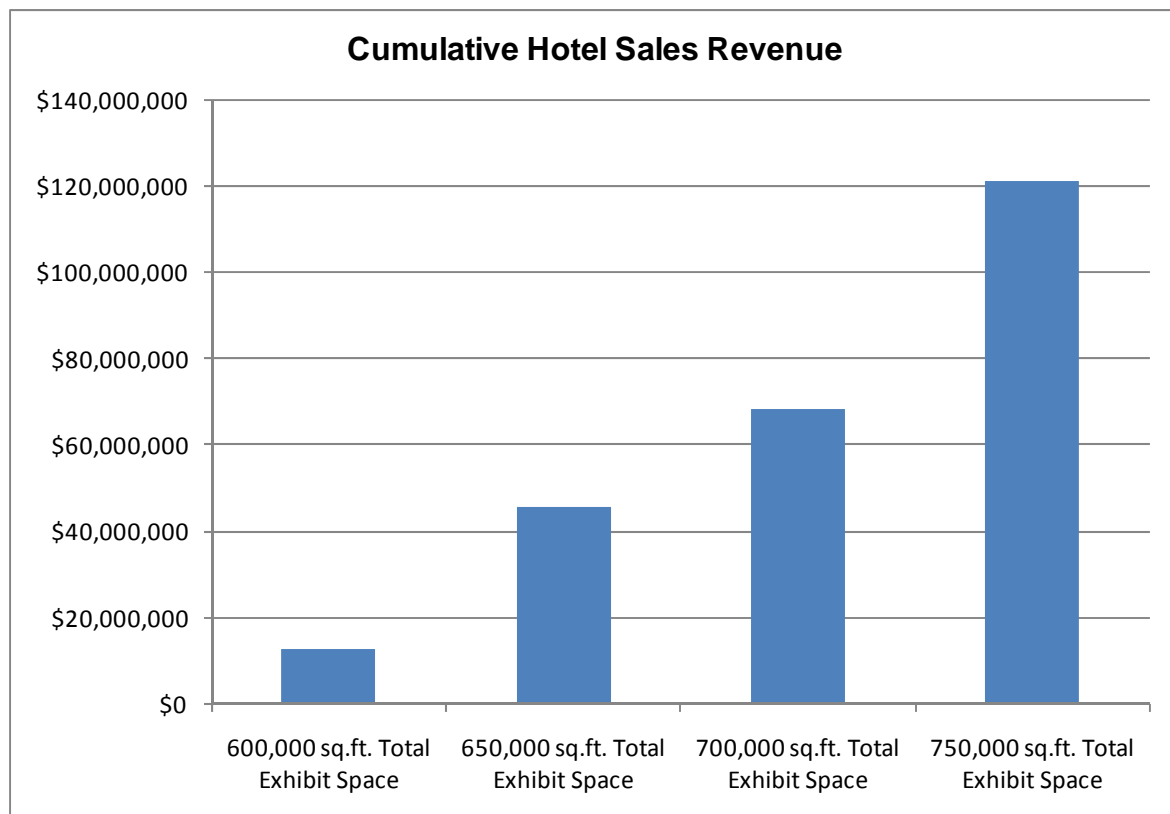
Exhibit hall ROI in **Table 22** and **Figure 20** is much less linear than the meeting room pattern. An expansion that adds a mere 74,300 square feet of space in order to offer a total of 600,000 square feet is probably not worth doing at all because it only captures 10% of the economic impact.

**Table 22: ROI Analysis of Exhibit Hall Expansion Options**

Exhibit Space Options Analyzed	Portion of Room Nights in Sample in Each Category	Indicated Share of Annual Attendance Captured	Measures of Return on Investment (Value of Expanding from One Option to the Next)		
			Hotel Room Sales Revenue	Restaurant & Retail Sales	City Share of Hotel & Retail Sales Tax
0 The Existing Total of 525,700 Sq.Ft.	0	0			
1 Plus 74,300 for a Total of 600,000 Sq.Ft.	10.3%	25,427	\$12,471,343	\$7,913,593	\$1,388,627
2 Plus 50,000 for a Total of 650,000 Sq.Ft.	27.3%	67,393	\$33,055,113	\$20,974,863	\$3,680,535
3 Plus 50,000 for a Total of 700,000 Sq.Ft.	18.9%	46,657	\$22,884,309	\$14,521,059	\$2,548,063
4 Plus 50,000 for a Total of 750,000 Sq.Ft.	43.5%	107,385	\$52,670,235	\$33,421,485	\$5,864,590
<b>Totals for Full Baseline Expansion Program</b>	<b>100.0%</b>	<b>246,861</b>	<b>\$121,081,000</b>	<b>\$76,831,000</b>	<b>\$13,481,815</b>

Source: AECOM survey and analysis.

**Figure 20: Increase in Hotel Room Sales Due to Incremental Investments in Exhibit Space Expansion**



There is a more significant market response when the threshold of 650,000 square feet is reached. The biggest “bang for the buck” in exhibit space development, however, is in the last increment that allows the SDCC to offer 3/4ths of a million square feet. This is consistent with the way meeting executives tend to talk in round numbers about the amounts of space they desire for their future planning.



## VI. Appendices:

### Appendix I: Meeting Executive Discussion Guide



#### **INTERVIEW GUIDE For Potential Users of an Expanded SDCC**

---

*As you may know, the City of San Diego is formulating plans for an expansion of the San Diego Convention Center. To assist in efforts to gain perspective and insight from current and potential groups, San Diego Convention Center Corporation (SDCCC) has retained an independent consulting firm, AECOM, formerly Economics Research Associates, to conduct a series of brief interviews with meeting executives to analyze the market support for a potential expansion and to assist with the programming, size and layout of the expansion.*

*Through this interview we would like to get your reaction to the draft expansion programming plans and to understand the opportunities for your organization to use the expanded facility. The information you supply will be used in two ways. First, it will be amalgamated with over 100 additional interviews to produce data relative to demand and utilization of the proposed expanded space. This information will be used in the public discussion regarding the expansion. Responses provided by your organization will not be directly attributed; however, your organization will appear among a comprehensive list of all organizations contacted for this research with your permission. Second, the information provided in this interview will be supplied to SDCCC management for their confidential use and follow-up directly with you.*

*The current expansion plans call for locating the expansion adjacent to the current facility. The additional space will be contiguous and interconnected with the existing building on every level, significantly expanding the size of the exhibit space, meeting space and ballroom and pre-function space currently available.*

*This interview should take no more than 10 minutes.*

*Before beginning the interview in earnest, make sure we know:*

- *Name of Interviewee:*
- *Name of the organization:*
- *Contact Information:*

*(To the interviewer: for reference, the current facility includes approximately:*

- *525,700 sq.ft. of prime, contiguous exhibit space,*
- *90,000 sq.ft. of flexible space in the Sails Pavilion,*
- *204,000 sq.ft. of meeting space, with 72 breakout rooms, including two 40,000 sq.ft. ballrooms,*
- *284,500 sq.ft. of prefunction and support spaces, and*
- *184,500 sq.ft. of outdoor terrace space.*



1. Has your organization met in the San Diego Convention Center since 2001?
  - a. If yes: How many times? Was your most recent meeting successful? Why do you like San Diego? What is good about the existing facility? What could be improved?
  - b. If no: What is keeping you from San Diego? Probe into whether it is related to the facility, size, date availability, etc. Is there some fatal flaw with San Diego as a destination for your group?
  
2. Is your organization currently scheduled to meet in San Diego in the future in the existing facilities? If not, why? (e.g., have you outgrown the SDCC?) What other reasons allow you or prevent you from meeting in San Diego? If yes, if the currently facility is not expanded, is your organization at risk of outgrowing the facility? If yes, can you project a time that this might occur?
  
3. Does your group rotate meeting locations? In what way? What is your historical Western Region rotation frequency?
  
4. What are the preferred dates for your group's conference and meeting agenda? Are your dates flexible?
  
5. Please tell us some additional information about your group:
  - a. How many total attendees/delegates do you typically have?
  - b. How many peak hotel rooms does your event require?
  - c. How many total hotel room-nights do you book?
  - d. How many exhibitors does your event typically have?
  - e. How many event days do you have? How many move-in days? Move-out days?
  - f. How many gross square feet of exhibit space does your meeting typically require?
    - How many meeting/breakout rooms? And how many total square feet?
    - Ballroom? Size?
  
6. The following questions are focused on your current expectations and the anticipated needs of your organization over the next 5 years.



- a. First, can you share what your experience has been in terms of space needs and attendance at your meeting over the last two recession years?
  - b. Do you anticipate growth in attendance in the next 5 years? By what % rate per year?
  - c. Do you anticipate growth in the number of exhibitors at your meeting in the next 5 years? By what % rate per year?
  - d. Is the need for break out/meeting rooms growing at a different rate from exhibit space need? If so, by what % rate per year?
7. If we could build the ideal facility for your group in San Diego, what would its total size be?
- a. \_\_\_\_\_ Gross Sq. Ft. of exhibit space.
  - b. \_\_\_\_\_ Number of break out/meeting rooms.
  - c. \_\_\_\_\_ Sq.Ft. devoted to break out/meeting rooms.
  - d. \_\_\_\_\_ Sq.Ft. in a single large ballroom space.
  - e. \_\_\_\_\_ Any other features, amenities, or facility requests?
  - f. \_\_\_\_\_ Which of these types of space is most important to your group?  
Which should have the highest priority in the expanded convention center?
  - g. \_\_\_\_\_ What is the minimum amount of expansion that would still make San Diego a viable location?
8. Does the current hotel inventory and room block meet your needs?
9. Now to be as realistic as possible, we believe that the following configuration would be possible in an expanded facility:
- A total of 750,000 square feet of exhibit space comprised of 525,000 sq. ft. of contiguous space and an additional 225,000 sq. ft. of exhibit space ½ a level up from the current exhibit space and connected by escalators, stairs, and elevators.
  - 300,000 sq. ft. of meeting/breakout space,
  - Two 40,000 sq. ft. ballrooms and an additional ballroom of up to 80,000 sq. ft.
  - A variety of pre-function and support spaces, and with
  - Freight loading at below-grade level



How would the presence of such an expanded facility affect your future interest and ability to meet in San Diego? (Open ended discussion.) Specific follow-up questions could include the following:

- a. (For groups reporting large sizes) Would your group be able to meet entirely within an expanded facility of 750,000 sq feet of exhibit space?
  - b. (For groups reporting sizes of 225,000 sq. ft. of exhibit need or less) Would your group be able and willing to meet entirely within the newly constructed expansion space? Note that in concept this would create 365 new dates of availability for your size group.
  - c. Would the expanded facility make San Diego a likely future destination by expanding its size and available dates?
  - d. Is your organization confirmed to meet in San Diego at some point in the future? If so, would you consider confirming additional future events if space were available for your organization to do so?
10. May we use your name and organization in a comprehensive list of respondents for this research?
- a.  Yes
  - b.  No.
11. (To the interviewer: if there were any specific strong statements made such as "Our 2014 meeting will be our last in San Diego unless the center is expanded," then ask: ) May we quote you in our public report on that?

Thank you so much for your time.

## **Appendix II: Contacted User Groups**

The following user groups granted ERA's request for an interview. The answers attributable to each of the groups have not been identified to provide the groups with confidentiality.

**Table 23: User Groups Interviewed by AECOM**

Interview Number	Name of Organization	Name of Interviewee	Willing to be Quoted? Y/N
1	American Society of Military Comptrollers	Steve Marlin	Yes
2	American Society of Neuro Radiology	Laura Tannehill	Yes
3	North American Spine Society	Jennifer Krsanac	Yes
4	American Diabetes Association	Germaine Schaefer	Yes
5	American Pet Products Association	Bob Vetere	Yes
6	School Nutrition Association	Mike Taylor	Yes
7	American College of Cardiology	Sue Hamilton	Yes
8	American Physical Therapy Association	Alison McIntyre	Yes
9	American Osteopathic Association	Gregg Lapin	Yes
10	Risk and Insurance Management Society (RIMS)	Salvatore Chiarelli	Yes
11	American Society for Microbiology	Stacey Trey	Yes
12	IMN Solutions	Ardyce Myhre	Yes
13	Association Management Center, American Academy of Hospice and Palliative Medicine	Vanessa Mobley	Yes
14	National school Boards Association	Robin Preston	Yes
15	Biotechnology Industry Association	Robbi Lycett	Yes
16	CONFIDENTIAL	CONFIDENTIAL (NG)	No
17	CONFIDENTIAL	CONFIDENTIAL (TA)	No
18	CONFIDENTIAL	CONFIDENTIAL (KS)	No
19	American Association of Blood Banks	Shelley Renn	Yes
20	American Society of Echocardiology	Rob San Druck	Yes
21	Association Connecting Electronics Industries	F	Yes
22	US General Services Administration	John Bassett	Yes
23	TMS	Dan Steighner	Yes
24	National Cattleman's Beef Association	Debbie Kaylor	Yes
25	National Indian Gaming Association Annual Conference	Laura Hylden	Yes
26	Golf Industry	Bonnie Stephenson	Yes
27	Produce Marketing Association	Kent Allaway	Yes
28	Blackboard Incorporated	Maria Monica Santos	Yes
29	The Endocrine Society	Beth Streilitz	No
30	American association of Orthodontists	DJ Haman	Yes
31	The National Postal Forum	Maureen Hite	Yes
32	Healthcare Information and Management Systems Society	Karen Malone	No
33	San Diego International Auto Show	Dean Mansfield	Yes
34	Taking Control of Your Diabetes	Michelle Day	Yes
35	San Diego Home Improvement and Landscaping Show	Richard Walters	Yes
36	Assmibly of God Youth Convention	Ryan Smithson	Yes
37	Society of Gynecologic Oncologists	Jenna Cummins	Yes
38	American College of Rheumatology	Ronald Olejko	Yes
39	American Urological Association	Janet Skorepa	Yes
40	Society of Critical Care Medicine	Pam Dallstream	Yes
41	Teradata User's Group	Karen Ritzinger	Yes
42	American Institute of Architects	Chris Gibbs	No
43	Oracle Application Users Group	Alexandra O'Keefe	No
44	American Public Transportation Association	Lenay Gore	No
45	Infectious Disease Society of America	Sandra Harwood	Yes
46	Firehouse World Exposition and Conference	Sue Palmer	Yes
47	Franchise World Headquarters	Joel Whitten	Yes
48	National Safety Council	Nancy Gavin	Yes
49	American Society of Nephrology	Cele Fogarty	Yes
50	American Society of Plastic Surgery	Jack Fritz	Yes