


TO: Mayor and City Council

FROM: Mark Tester, Director, Austin Convention Center 

DATE: February 6, 2017

RE: Response to Council Resolution 20151112-033

In response to Council Resolution 20151112-033 (Resolution), which directed the City Manager to explore options for implementation of the Austin Convention Center's Long-Range Master Plan (Plan) and to consider and bring forth to the City Council Economic Opportunity Committee (EOC) information related to issues outlined in the Resolution, the Austin Convention Center Department (ACCD) has compiled the information attached herein.

ACCD worked with several additional industry experts, consultants, and other stakeholders to compile the responsive information. Highlights of the information include additional indicators of convention and exhibition industry viability, analysis of facility needs, financing options, and discussion of allowable Plan program components.

We believe the accompanying information and discussion points provide a supportive basis for the Plan's recommendations for expansion of the Austin Convention Center.

In addition to the reports that were provided to both the EOC and the full Council in 2015, including Volumes I and II of the Plan and the Urban Land Institute Technical Assistance Panel Report, we hope you find this information useful.

A presentation to the City Council is set for tomorrow, February 7, 2017, to provide an update on the work we have done to date regarding this topic. We also presented Austin Convention Center expansion information to the Visitor Impact Task Force on January 31, 2017, as they continue to move through the topics included in their scope of work, and will provide any requested information to facilitate their work.

We are ultimately seeking support and adoption of the Plan as a long-term planning vehicle. To that end, if you need additional information from us before then, or would like us to meet with you to discuss this information, please don't hesitate to contact me at 512-404-4040.

xc: Elaine Hart, Interim City Manager
Mark Washington, Assistant City Manager



AUSTIN
CONVENTION CENTER

AUSTIN CONVENTION CENTER'S

LONG RANGE MASTER PLAN RESPONSES

AUSTIN CITY COUNCIL RESOLUTION 20151112-033
CURRENT AS OF DECEMBER 2016

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EXECUTIVE SUMMARY

Since opening in 1992 and an expansion in 2002, current demand for meeting and exhibit space in downtown Austin vastly exceeds the supply. The Austin Convention Center (ACC) is booked at maximum operational capacity—and forced to turn down nearly one-half of the requests for future bookings due to a lack of space or availability.

From an economic development perspective, the City could consider supporting both the expansion of the ACC and the revitalization of the Travis County Exposition Center. Both are vital assets that attract visitors and promote tourism, but because of the tremendous impact on our local economy and job opportunities for local residents, the ACC expansion should be the first priority.

An expanded convention center would provide the following estimated incremental economic impact to the City:

- \$1.5 billion more in total economic impact
- \$17.7 million more in Austin Convention Center net operating income
- \$9.6 million more in City General Fund revenue

Cost/Financing

Currently, approximately $\frac{3}{4}$ of the funding for the Austin Convention Center comes from Hotel Occupancy Tax (HOT) revenue; the other $\frac{1}{4}$ is from operational revenue. In other words, the center is funded by visitors to Austin and does not rely on income from the City.

The preliminary estimated cost for a convention center expansion is between \$400 and \$600 million. Depending upon financing concepts utilized, an additional 2% hotel occupancy tax to fund an expansion could create the opportunity to broaden the initiative to include other enhancements to related initiatives such as Waller Creek, Brush Square and other nearby community assets.

Over the life of the bonds, it is expected that the venue/two-percent HOT revenue would cover the cost of the expansion.

Community Benefits

Plans for an expanded convention center include flexible spaces to be available for community groups, among other amenities specifically included for local residents. Preliminary plans include retail, restaurants and other small businesses, as well as live music, that would provide opportunities for employment and venues for local residents to enjoy. Depending on the financing concept utilized, historic properties, currently adjacent to the ACC, may also be used as additional space for arts and community engagement.

Preliminary designs include an open street-level space that invites pedestrian traffic through the facility. Sidewalks, bike paths and transit improvements could also be part of the final development plans.

The convention and tourism industry does not impact median home prices in Austin. Furthermore, without the tourism industry, each Austin household Travis County would pay an additional \$1,080 in taxes.

Traffic and Parking

The full design of the expansion project will have traffic mitigation as an essential focus. Additional parking, which would also be open to local residents, could be part of the expansion plan.

Workforce Development

The Austin Convention Center Department (ACCD) is working to further develop workforce training and retention methods to create additional opportunities for our workforce.

Public Involvement

Convention center staff, together with the City's Public Information Office, have conducted a town hall meeting and presented information about a possible expansion to various stakeholders and community groups. Public involvement will continue to be an important component of planning going forward.

RESOLUTION NO. 20151112-033

WHEREAS, the Austin Convention Center, which was last expanded in 2002, has seen steady, positive growth, and is experiencing lost business due to lack of availability and facility limitations; and

WHEREAS, the Austin Convention Center completed a 2014 Council-approved planning process to develop the Austin Convention Center's Long-Range Master Plan ("Plan") led by Gensler, the consultant team; and

WHEREAS, the Gensler team approach included stakeholder involvement and in-depth facility and financial assessments; and

WHEREAS, the Plan recommended by Gensler was reviewed by the Urban Land Institute's Technical Assistance Panel, pursuant to Resolution No. 20141211-218; and

WHEREAS, the Urban Land Institute's Technical Assistance Panel supports the Gensler recommendations as described in the Plan; and

WHEREAS, the City Council recognizes that the recommendations included in the Plan will require on-going collaboration with key stakeholders, as well as require future City Council action approving land acquisition, financing plans consisting of funding from Hotel Occupancy Tax and Austin Convention Center revenue but not property taxes, and construction activities as recommended in the Plan; **NOW, THEREFORE**,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:

The City Council directs the City Manager to explore options for implementation of the Austin Convention Center's Long-Range Master Plan, attached as Exhibit "A".

BE IT FURTHER RESOLVED:

The City Manager is also hereby directed to consider and bring forth to the City Council Economic Opportunity Committee recommendations on the following related issues prior to any further Council action related to implementation of the Master Plan;

1. Assessment of the long term viability of the convention and exhibition industry, given further, comprehensive analysis of current industry data, historical trends, and projections, including the projected market demand for Austin Convention Center space.
2. Assessment of other facility needs in Austin, including sports, music, and other facilities eligible for venue tax funding, and the impact of the Master Plan's conceptual finance plan on the capacity to fund other potential eligible projects through the venue tax.
3. Opportunity costs of dedicating future Hotel Occupancy Tax revenue for funding the proposed Master Plan in lieu of other potentially eligible uses, including parks, cultural centers, special events and associated event costs, entertainment and cultural districts, other music industry needs as identified in the Austin Music Census, historic preservation, and transportation projects and programs.
4. Analysis of the Convention Center operations, use of Hotel Occupancy Tax revenue, and venue taxes in other major Texas cities.
5. Assessment of the potential impact of convention and tourism industry growth on Austin's median home price and median rents, including analysis of peer cities that have recently expanded their convention center.
6. Options for provision of a "Community Room" within the Austin Convention Center complex to allow for low-cost or no-cost use of

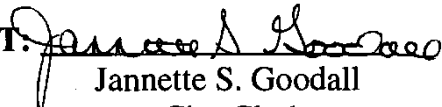
meeting space by community-based and nonprofit groups, with certain exceptions provided to Food and Beverage requirements to enhance the ability of all groups to utilize Convention Center space.

7. Options for provision of local business opportunities within the Convention Center complex, including:
 - a. Opportunities for owners of property potentially to be acquired for the convention center to participate in a public/private equity interest in retail space developed as part of the convention center complex.
 - b. Preferential opportunities for rental of retail space by local Austin businesses participating in a small business incubation and mentorship program.
 - c. Other opportunities for provision of unique, local retail and restaurant offerings within the Convention Center that are attractive and accessible to both convention attendees and Austin community.
 - d. Opportunities for provision low-cost or no-cost space within the Convention Center complex to address the needs of the local Austin music industry, including, but not limited to, an Austin Music Hub as described in the Austin Music Census.
8. Use of open space and other facilities developed as part of the Convention Center expansion for free and meaningful community events and programs of interest to the Austin community, potentially including:
 - a. Cultural celebrations, musical offerings, and performing arts programs that are compelling to Austin and its diverse community.
 - b. Opportunities for free community participation in convention sessions related to technical, vocational, and other pressing issues.

9. Addition and enhancement of publicly accessible open spaces and green spaces within the convention center complex area, including:
 - a. Enhancement of Brush Square in coordination with the State of Texas.
 - b. Enhancement of Palm Park/Palm School in coordination with Travis County.
 - c. Incorporation of other green space initiatives in coordination with the Waller Creek Conservancy.
 - d. Incorporation of unique open spaces, plazas, and water features to provide attractive outdoor venues for pedestrians and community gatherings.
10. Opportunities to improve walkability and downtown mobility, including incorporation of sidewalks, bike paths, planned transit improvements.
11. Plans for comprehensive assessment and mitigation of the potential impacts of the Convention Center expansion to downtown auto traffic, including the timing and scope of planned traffic impact analyses. Traffic Impact Analysis should include:
 - a. Analysis of the impact of various location options for the hotel tower proposed as part of the non-contiguous expansion of the Convention Center.
 - b. Analysis of the proposed expansion's volumetric (in addition to peak) traffic impacts predicted or modeled along the entire length of Cesar Chavez from MoPAC to east of I-35, including the impact of proposed improvements to MoPAC included in the CAMPO 2040 Plan.

12. Opportunities to integrate workforce development and training programs for employees in the convention and hospitality industries in order to facilitate pathways toward living wage careers.
13. Plans for continued engagement of the City Council and Austin Community to ensure that the Convention Center expansion is designed as an aesthetically pleasing enhancement which incorporates features that would be meaningful for both the activities of the Convention Center and the overall Austin Community.
14. Analyze the financing plan in the likelihood that the venue tax will cover the cost of the expansion of the Convention Center.

ADOPTED: November 12, 2015

ATTEST: 
Jannette S. Goodall
City Clerk

INTRODUCTION

The following document, drafted by Austin Convention Center Department staff in consultation with industry experts, consultants and other relevant stakeholders, is intended to provide a full response to Austin City Council Resolution 20151112-033. Staff is seeking an approval from Council of Austin Convention Center's Long-Range Plan (Plan), which is intended to serve as a long-term planning vehicle. If Council adopts the Plan, future action on related expansion items would still be required. Those items include land acquisition, any related bond issuance or other financing mechanism used and other activities, such as design, traffic impact analysis and construction.

BACKGROUND

It is important to note several critical dates and Council action taken in recent years, which have led us to where we are today in the contemplation of a convention center expansion. Those milestones include:

March 27, 2014

Request for Council Action (20140327-018) authorized a contract with M. Arthur Gensler, Jr. & Associates, Inc. to develop a Long-Range Master Plan for the Austin Convention Center Department.

December 11, 2014

Council Resolution (20141211-218) directed the City Manager to:

- Engage the Urban Land Institutes's (ULI) Technical Assistance Panel to review the draft plan, conduct stakeholder interviews, make recommendations regarding the expansion and report back to City Council.
- ULI agreed with the Plan's conclusion that expansion is necessary and the recommended option of a west, non-contiguous expansion.
- Additionally, ULI recommended:
 - ◊ Including design elements that create a district attractive to visitors and Austinites; inclusion of street-level cultural venues, retail and restaurants.
 - ◊ Increasing the hotel occupancy tax (HOT) to 17% to fund the development and purchase land now.

August 24, 2015

Briefing presentation to the Council's Economic Opportunity Committee (EOC) with follow-up item for committee consideration on October 12, 2015.

November 12, 2015

Council approved Resolution (20151112-033) directing City Manager to:

- Explore options for implementation of the Austin Convention Center's Long-Range Master Plan.

- Bring forth to the City Council EOC recommendations related to the 14 identified issues described in the resolution prior to any further Council action.

FOLLOWING SECTIONS

Please find in the following sections responses to each of the 14 Council-identified issues for staff research and response. Each issue involves some element of potential convention center expansion.

Resolution Item 1 – Assess long-term viability of the convention and exhibition industry and project market demand for Austin Convention Center space.

Summary statement: Since opening in 1992 and an expansion in 2002, current demand for meeting and exhibit space in downtown Austin vastly exceeds the supply. The center is booked at maximum operational capacity—and forced to turn down nearly one-half of the requests for future bookings due to a lack of space or availability.

When evaluating the long-term viability of the convention and exhibition industry and market demand for space, many factors come into play. For much of our analysis in this area that supports the information included in the Plan, we have relied on the work of our consultant Steven Hacker, as well as other industry resources and actual reporting of our activity. The full Hacker Report may be found in the appendix to this document.

The consultants who authored the Plan based on thorough research, analysis and survey results, found the following:

- Austin’s key demographic and socio-economic characteristics are indicative of a highly attractive market that is growing, based on strong population growth, a diversified economy and tourism infrastructure.
- Based on results of both a survey of current, past and potential Austin Convention Center facility users and a destination research study from Smith Travel Research, significant interest in Austin as an event destination exists. From the user survey:
 - ◊ Austin rated highest in destination appeal (4.44 out of 5.00) compared to Denver (3.38), San Antonio (3.82), San Diego (3.93) and Nashville (3.21).
 - ◊ The “destination appeal” category ranked highest (4.46 out of 5.00) out of 12 categories regarding Austin as a convention/trade show destination.
- Surveys confirm the need for additional facilities and identify the major factor holding back the growth of the convention industry in Austin is a lack of available facilities.
 - ◊ 53.3% of respondents indicated additional space would allow expansion of their current events and/or ability for more of their events.
- Austin Convention Center is experiencing lost business due to lack of facility availability and inadequate size, accounting for 34% of estimated total room nights lost from 2010-2022 (more than 114,000 room nights per year). (This situation has continued to increase since the Plan publication, and is currently 50%).
- The recommended expansion option is projected to recover 75 to 80% of lost business – highest recovery of any option considered.

The estimated economic impact resulting from the recommended expansion from both the Plan and ACCD staff analysis indicates:

- Stabilized annual projections based on recommended expansion include the incremental impact as follows:
 - ◊ \$1.5 billion more in total economic impact.
 - ◊ \$336 million more in market-wide room revenue.
 - ◊ \$17.7 million more in ACCD net operating income.
 - ◊ \$9.6 million more in City General Fund revenue.

To further support the Plan, staff has identified several points for consideration.

- Average annual market growth of the convention and tradeshow organization industry from 2010-2015 was 5.44%. Projected annual market growth from 2015-2020 is 3.30%.
- The continued growth of Austin's economy ensures a strong local draw for conventions and tradeshows.
 - ◊ Professional groups continue to need to meet and hold conferences
- The continued growth of the Texas economy ensures a large regional draw for conventions and tradeshows.
- The addition of the Dell Medical School increases Austin's presence in the medical convention market, which can be incredibly lucrative.
- The technology sector will continue to look at Austin to host corporate events.
- The continued growth of Austin-Bergstrom International Airport will assist with continued growth of the convention and meeting industry.
- Center expansion will allow Austin to retain Texas state-association business.
- Expansion will allow the Austin Convention Center to retain key local and consumer events.

Additional supporting information includes:

Austin Convention Center's impact to hospitality industry is bigger than room night generation.

- Events held at the convention center provide business to hotels, restaurants, and other hospitality businesses during the week, when leisure travel doesn't, allowing business to employ more/full-time employees.
 - ◊ 70% of 2016 Austin Convention Center events occurred during the week
- Business/convention travel spurs leisure travel that otherwise would not exist. A recent report indicated:
 - ◊ 60% of travelers have taken business trips that include leisure travel as well, and
 - ◊ 55% of those travelers bring family members with them.
- Business/convention travelers spend more than leisure travelers on average:
 - ◊ One study indicated business travelers spend approximately 6% more than leisure travelers
- Austin Convention Center room night estimates are conservative and do not include those room nights booked around (at block hotel but not booked through established channels) or outside (not at block hotel) room blocks (i.e. regularly underestimated).
 - ◊ One study indicated an average of 34.1% of rooms were booked outside the block.
 - ◊ Another study indicated up to 15% of rooms were booked around the block.

Supporting information found in the Hacker Report includes the following in regard to the long-term viability of the convention and exhibit industry:

- Meetings, and especially the nation's tradeshows, have weathered downturns due to economic cycles, acts of God, war and pestilence.
- Center for Exhibition Industry Research economists forecast that robust growth will continue for the tradeshow industry at least through 2018 and very likely well beyond, even though there will be additional and normal setbacks.

- While exhibiting companies generally cut back their exhibit space during difficult economic times, they almost never completely abandon participating in key tradeshow.
- Events are not immune to recessions, but have recovered from each of the 19 post-World War II recessions robustly and generally before other industries.
- Even during times of economic struggle, and national or international instability, the business of buying and selling products and services must go on.

Hacker concludes:

- No evidence suggests that the demographic shifts that are occurring, the continuing introduction of new technologies, or changes in business attitudes will impede the continued growth of the convention and exhibition industry.
- Substantial evidence suggests that meetings and tradeshow will continue to grow and thrive.

Resolution Item 2 – Assessment of other facility needs in Austin, and impact of Plan on other eligible projects.

Summary statement: The City could consider supporting both the expansion of the Austin Convention Center and the revitalization of the Travis County Exposition Center. Both are vital assets that attract visitors and promote tourism, but the convention center expansion should be the first priority.

As convention center staff researched the issues raised by Council at the end of 2015, it was discovered that, in addition to the financing concept included in the Plan, another viable financing concept utilizing HOT exists to fund expansion. Both concepts and their impacts on other eligible projects are discussed in the following sections. One concept is authorized by Chapter 334 of the Texas Local Government Code, while the other is authorized by Chapter 351 of the Texas Tax Code. The funding concepts are further illustrated in the appendix to this document. It is important to note that the impact of the Plan on other eligible projects is dependent on the financing strategy selected, as some concept variations allow for the funding of these other projects.

Background

The scope of the proposed Plan focuses on the convention center expansion. Additional information was obtained through conversations with University of Texas at Austin personnel regarding the future of the Frank Erwin Center and a review of the recently completed consultant's draft report regarding the Travis County Exposition Center (TCEC).

The Plan focuses on HOT collections as the primary funding model for convention center expansion. The Plan also recommends pursuing the same model that was used for the 2002 convention center expansion. However, it is important to note that the second funding model discussed below was identified after the Plan was published.

The preliminary estimated cost for convention center expansion is between \$400 and \$600 million.

Potential Concepts for Financing Expansion

1. The first concept is outlined in Chapter 334 of Texas state law. Legal uses of this tax assessment of HOT include convention center facilities or related improvements, arenas, coliseums, stadiums or tourism development along an inland waterway.

For perspective, the City of Austin has established two venue projects in the past: a two-percent HOT venue for the Austin Convention Center/Waller Creek Tunnel and a five-percent vehicle rental for the Town Lake Venue (Palmer Events Center and related improvements adjacent to Butler Park). Both venues will expire when the debt is retired, currently scheduled for 2029.

In terms of potential eligible uses, the following have been identified:

Convention Center

Need demonstrated through the Plan, subsequent staff research, and the Hacker Report. Of all eligible uses of venue financing, it is the highest driver of economic impact and generation of local taxes.

Arena

- University of Texas (UT) (replacement for Erwin Center) – No timetable determined for new arena for UT athletics and University use. Site proposed for convention center expansion could not accommodate arena facility. UT has issued its Texas Athletics Master Plan addressing the Erwin Center, found at http://texassports_com.s3.amazonaws.com/documents/2016/5/26/Final_UT_Austin_Texas_Athletics_Master_Plan_March_2016.pdf?id=5142
- Travis County Exposition Center (TCEC) – (Includes an arena component). The City of Austin and Travis County jointly hired Hunden Strategic Partners to create a Market and Feasibility Study for the TCEC. The report can be found at ftp://ftp.ci.austin.tx.us/PARDPlanningCIP/Walter_E_Long_RFQ_Documents/Travis%20County%20Expo%20Center%20Market%20Study%20Report.pdf. TCEC is located on parkland, making it currently ineligible to utilize Venue HOT.

* It is widely known that arenas and stadiums do not generate the revenue needed to fully fund the construction and operations, nor do they generate the same level of HOT as convention centers.

Coliseum

No identified project.

Stadium

No identified project

Tourism development along an inland waterway

No eligible projects have been identified.

Specifics of the Ch. 334 financing concept:

- Requires the refund or redefinition of the current venue.
- Requires voter approval for authorization.
- All convention center revenue sources would be pledged to financing.
- Venue could include related improvements.
- Venue tax would expire 30 years after approval.
- HOT would remain at 15 percent.

2. As mentioned, a second financing concept was discovered through the convention center staff's due diligence over the last several months. This particular concept is covered in Ch. 351 of the Texas Tax Code, which gives eligible cities the authorization to increase the hotel occupancy tax to nine percent. Ch. 351 restricts the use of the additional two percent HOT to expansion of an existing convention center.

Additional specifics of the Ch. 351 financing concept:

- Approved by Austin City Council and would not require voter approval.
- HOT would increase by two percent from 15% to 17% and would remain at that level until current Austin Convention Center/Waller Creek Tunnel Venue Project Fund is retired.
- All convention center revenue sources would be pledged to expansion.
- The additional two percent Ch. 351 HOT would end at debt retirement.
- This concept allows the City to pursue another venue after current convention center venue is retired.

- Debt capacity is increased under this concept, allowing for additional eligible components of expansion of a convention center complex to be included in the overall program.
- This concept includes a potential for a certain level of annual funding available for an expanded allocation to the cultural arts and the tourism and promotion activities.

In addition, the Hacker report includes the following points regarding funding additional potential eligible projects:

- Projects that might receive funding from the hotel occupancy tax should be carefully evaluated to determine exactly what role such projects currently play, or might play, in promoting and attracting visitors to Austin.
- Discussion around funding other eligible projects through the HOT must focus on the concept of creating a convention center district.
- A first and crucially important consideration should be the significant expansion of downtown parking.
- It is essential for the city to support both the expansion of the ACC and the revitalization of the Travis County Exposition Center. Both are vital assets that attract visitors and promote tourism, but the ACC expansion should be the first priority.
- Austin's HOT rate is in the mid-range of rates of the cities in its competitive set. An adjustment, either temporary or permanent, to the rate may provide the funding necessary to achieve a defining vision of a convention center district.

Resolution Item 3 – Opportunity costs of funding the Plan; other potential uses of HOT revenues.

Summary statement: Depending upon financing concepts utilized, an additional 2% hotel occupancy tax to fund an expansion could create the opportunity to broaden the initiative to include other enhancements to related initiatives such as the Waller Creek project.

As part of this response, convention center staff, in concert with its consultants, evaluated other potential uses of HOT revenues. It has been determined that certain uses included in the resolution would be eligible for a venue HOT financing approach. However, funding capacity within the financing concepts places constraints on what a project could include.

Utilizing an additional two-percent Ch. 351 HOT to fund the expansion, which by law can only be used for this purpose, creates the opportunity to include additional convention center expansion complex program components, as well as the opportunity to utilize a two percent Ch. 334 HOT Venue for other eligible uses in the near future.

Further explanation of Ch. 334 and 351 financing concepts:

Ch. 334 HOT (2% Venue Project Fund)

- City of Austin (COA) utilized Austin Convention Center/Waller Creek Tunnel Venue Project Fund as model for 2002 expansion.
- Venue does allow for eligible related area improvements, but will be constrained by debt capacity limitations.
- All HOT collections generated in Venue can only be spent within Venue.
- A pledge of all ACC revenues, including its current Chapter 351 HOT collections allocation, would be needed to maximize funding capacity needed for expansion project.
- Without additional pledged revenues, funding capacity within the two-percent Venue would be approximately \$200-300 million.

Ch. 351 HOT (Current 7% assessment; Opportunity to increase to 9% for expansion)

- Any use of Chapter 351 HOT must be used to directly promote tourism and the convention and hotel industry, currently allocated by City Code as follows:
 - ◊ 4.5% - Convention Center operations/debt service – pledged to bonds until 2029
 - ◊ 1.45% - Advertising/promotional activities – performed by agreement with Austin Convention and Visitors Bureau (ACVB), and historic preservation – performed in part through an agreement with ACVB
 - ◊ 1.05% - Promotion of arts, managed by Economic Development Department
- The City of Austin is an eligible municipality that can increase HOT by two percent to a maximum amount of nine percent; however, the only legal use of the additional tax is convention center-related expansion/improvements.
 - ◊ HOT collections would be increased to 17% until 2002 Venue Project Fund is retired.
 - ◊ Once 2002 Venue Project Fund is retired, COA can pursue new Venue Project Fund.

- ◊ The increase in HOT for convention center expansion could allow for the inclusion of additional expansion area enhancements (i.e. Waller Creek and/or Brush Square areas).
- A maximum of 15% of the Chapter 351 HOT Assessment can be spent on any allowable use related to the arts, which is the City's current allocation of 1.05%.
 - ◊ Many uses included in the resolution are arts-related.
 - ◊ No increase in the allocation of HOT to the arts would be permitted, unless Council approves the Ch. 351 funding model for expansion, at which point additional funding for art-related eligible activities could be included as part of the Flow of Funds within the financing arrangement.
- Current allocation in City Code provides for eligible historic preservation.
 - ◊ Currently managed in part by ACVB.
 - ◊ Historic sites in the vicinity of the convention center could be incorporated into the expansion complex.
- Eligible uses for transportation systems.
 - ◊ HOT can only be used for a transportation system that transports tourists from hotels to the commercial center, convention center, other hotels and tourist attractions.
 - ◊ Cannot be used for a transportation system that serves the general public.

Resolution Item 4a – Analysis of Convention Center Operations

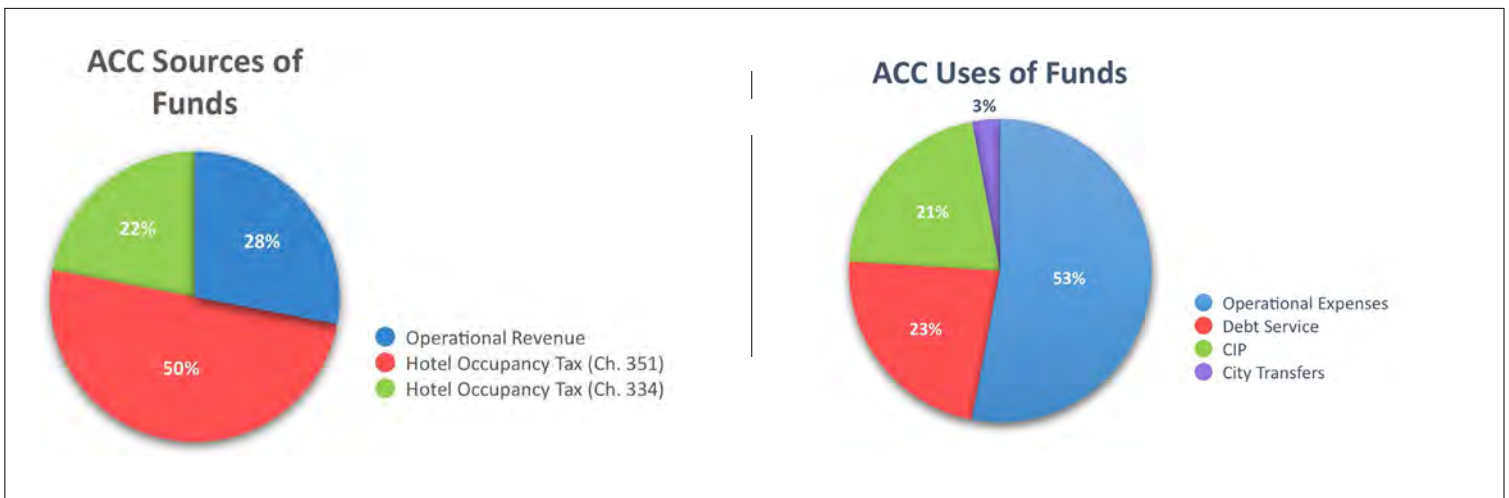
Summary statement: Approximately $\frac{3}{4}$ of the funding for the Austin Convention Center comes from HOT revenue; the other $\frac{1}{4}$ is from operational revenue. In other words, the center is funded by visitors to Austin and does not rely on additional revenue from the city.

While all of Austin's major Texas competitors utilize Hotel Occupancy Tax collections to fund and operate their convention facilities, each of the five destinations (Austin, San Antonio, Houston, Dallas and Fort Worth) have very different models, making simple comparisons difficult.

In 2013, for example, owners of Dallas hotels with more than 100 rooms formed a Tourism Public Improvement District (TPID), a special two-percent assessment on all sold hotel rooms, which is then used to help market and attract conventions and meetings to Dallas. Up to 50% of the TPID revenue is earmarked to go to the Kay Bailey Hutchinson Convention Center to buy down or cover completely rental fees or other incentives needed to help Dallas win as a host site.

Below is a graphic of the Austin Convention Center Operations. The charts depict:

- Austin Convention Center facility FY16 Sources and Uses of Funds
- FY 2016 Budget for Austin Convention Center and the related Venue only (excluding Palmer Events Center) is \$79.4 million



Resolution Item 4b – Analysis of Convention Center Operations

Summary statement: Each Texas city employs different business models for their convention center operations and use of HOT, making simple comparisons difficult.

HOT uses/allocation comparison among Texas cities

The table below indicates the % allocation of HOT amount for major Texas cities. It is important to reiterate that making simple comparisons is not appropriate for in-depth analysis without additional information and consideration about the different business models employed by each city, which can vary significantly.

	Austin	Fort Worth ^{1,7,8}	Dallas ⁵	Houston ^{2,3,4}	San Antonio ⁶	Average
Rate Assessed	15.00%	15.00%	15.00%	17.00%	16.75%	15.75%
State	6%	6%	6%	6%	6%	6.00%
County	0%	0%	0%	2%	1.75%	0.75%
Sports Authority	0%	0%	0%	2%	0%	0.40%
Tourism Public Improvement District (TPID) ⁹	0%	0%	2%	0%	0%	0.40%
City (combined Chapter 351 and 334)	9%	9%	7%	7%	9%	8.20%
Convention Center Expansion Venue Debt Service (Ch. 334)	2.00%	2.00%	0.00%	0.00%	2.00%	1.20%
Convention Center (Ch. 351)	4.50%	3.71%	4.72%	4.00%	2.42%	3.87%
CVB (Ch. 351)	1.45%	3.29%	2.10%	1.65%	2.32%	2.16%
Arts (Ch. 351)	1.05%	0.00%	0.18%	1.35%	1.02%	0.72%
Other (Ch. 351)	0.00%	0.00%	0.00%	0.00%	1.24%	0.25%
¹ Funds arts with General Fund transfer						
² Sports Authority assessment for venue bonds - allowed for Houston only						
³ County assessment for Dome debt						
⁴ State law allows 19.3% max for Houston cultural arts allocation, but only 15% for others						
⁵ TPID - managed by CVB; 50% for incentives; 45% for marketing; 5% for administration						
⁶ County assessment - combined with 5% County Rental Car Tax for Riverwalk improvements, youth athletic facilities, rodeo, arenas enhancements, performing arts centers						
⁷ Fort Worth assessed the additional 2% to fund its Convention Center expansion through Chapter 351, not Chapter 334						
⁸ Fort Worth's allocation to CVB is 47% up to a certain base with an incremental portion allocated to other uses						
⁹ TPIDs are now available to Austin, Fort Worth and San Antonio per 2015 State Legislation						

One other note: San Antonio just completed its latest expansion project, and Dallas is currently considering an expansion.

Resolution Item 5 – Assessment of impact of convention and tourism industry on median home price.

Summary statement: The convention and tourism industry does not impact median home prices in Austin. Furthermore, without the tourism industry, each Austin household in Travis County would pay an additional \$1,080 in taxes.

Our research indicates that there is no discernible impact of convention and tourism industry on median home prices. We did find information that suggests home prices are impacted by various factors, including:

- Income of potential buyers
- Cost to construct new property to increase supply
- Demand for rental units

It is also important to note that without the overall economic impact of the tourism and visitor industry, each citizen would pay more in taxes, which is currently estimated at \$1,080 for each Austin household in Travis County.

None of ACCD's staff research resulted in finding any analysis of how convention center expansions impact home prices. However, staff did obtain historical median home price information for the comparable cities used in the Plan to perform our own analysis. We analyzed the change in median home price for the five years before and after each city's last expansion (or construction) to determine if there was any identifiable correlation.

The Hacker report also concludes that there is no direct correlation connecting the results of a convention center expansion and the impact on median housing and/or rental costs.

Analysis performed by ACCD staff of Austin is as follows:

Median Home Price Analysis of Austin

City	Austin
Convention Center	ACC
Q2 2015 Median Home Price (for MSA)	271,600
Base Year Analyzed	2002
Average Annual Increase since 1991 (seasonally adjusted)	11.31%
Avg 5 yr incr/decr just prior to expansion/ opening (base year)	11.37%
Avg 5 yr increase just after expansion/ opening (base year)	9.12%

Sources: National Association of Realtors, Federal
Housing Finance Agency

Increase LOWER after base year than before
Austin Convention Center (ACC)

In Austin's case, the increase in median home price after the expansion was less than the increase prior to the expansion.

As shown in the table below, ACCD staff's analysis of change in median home price in peer cities at time of each convention center expansion indicates no discernible correlation. The increase in median home price was lower after expansion than before for three of the cities and was higher after expansion than before in three of the cities.

Median Home Price Analysis of Peer Cities

City Convention Center	San Antonio HBGCC	Houston GRBCC	Dallas Metro GTRCC	Denver CCC	Nashville MCC	San Diego SDCC
Q2 2015 Median Home Price (for MSA)	199,400	221,100	215,200	362,900	208,500	547,800
Base Year Analyzed	2000	2001	2004	2005	2013	2001
Average Annual Increase since 1991 (seasonally adjusted)	6.43%	7.39%	5.26%	11.93%	6.67%	6.75%
Avg 5 yr incr/decr just prior to expansion/opening (base year)	3.12%	7.18%	6.14%	12.25%	-2.37%	10.40%
Avg 5 yr increase just after expansion/opening (base year)	7.11%	6.96%	3.92%	1.41%	n/a ¹	31.47%

¹ 5 years not available yet, but anticipate positive growth over 5 year period. Average 3 year growth is 17.97%

Sources: National Association of Realtors, Federal Housing Finance Agency

Increase LOWER after base year than before

Henry B. Gonzales Convention Center, San Antonio, TX (HBGCC)

George R. Brown Convention Center, Houston, TX (GRBCC)

Gaylord Texan Resort & Convention Center, Grapevine, TX (GTRCC)

Increase HIGHER after base year than before

Colorado Convention Center, Denver, CO (CCC)

Music City Center, Nashville, TN (MCC)

San Diego Convention Center, San Diego, CA (SDCC)

Resolution Item 6 – Options for provision of a Community Room within the Convention Center.

Summary statement: Plans for an expanded convention center include flexible spaces to be available for community groups, among other amenities specifically included for local residents.

***It is important to note that the impact of the Plan on other eligible project components is dependent on the financing strategy selected, as some options could allow for the funding of these other elements.

The creation of a space that could serve the local community could be designed within the new facility. We envision a flexible space that could be open and used as part of the entire area or become a functional space through the use of operable walls. The concept is depicted in the illustration below. All elements of the convention center expansion complex would be determined during the design process that would include significant stakeholder and citizen input.

The specifics regarding this item, if funded by a Ch. 334 Venue HOT financing model, are outlined in the attorney-client-privileged memo of November 15, 2015, (see first paragraph of pg. 4). ACCD staff believes a community room could also be a component of a convention center expansion complex if funded by a Ch. 351 HOT financing model as well.



Resolution Item 7 – Options for local business opportunities with the Convention Center complex, including:

- Opportunities for owners of property potentially to be acquired for the Convention Center to participate in a public/private equity interest in retail space developed as part of the Convention Center complex;
- Preferential opportunities for rental of retail space by local Austin businesses participating in a small-business incubation and mentorship program;
- Other opportunities for the provision of unique, local retail and restaurant offerings within the Convention Center that are attractive and accessible to both convention attendees and the Austin community; and
- Opportunities for provision of low-cost or no-cost space within the convention center complex to address the needs of the local Austin music industry, including, but not limited to, an Austin Music Hub as described in the Austin Music Census.

Summary statement: Preliminary plans include retail, restaurants and other small businesses, as well as live music, that would provide opportunities for employment and venues for local residents to enjoy.

The Plan, along with the ULI Technical Assistance Panel Report, strongly endorses retail, restaurants and other businesses be included in any future expansion. In addition, both plans encourage finding ways to promote and encourage Austin's unique qualities, such as live music and local restaurants and retail. The concept is depicted in the illustration below.

Detailed specifics regarding these items, if funded by a Ch. 334 Venue HOT financing model, are outlined throughout the attorney-client-privileged memo of November 15, 2015, with the first two bullets above found on page 4 of that memo. While the fourth bullet is not specifically discussed in that memo, the discussion would follow the response related to the Community Room element discussed in Item 6.

ACCD staff is committed to identifying the financing model that allows for as many of these components as possible and believes there is opportunity through land-acquisition vehicles and/or public-private partnerships (utilized for land acquisition) to be explored in order to accomplish these goals. All elements of the convention center expansion complex would be determined during the design process that would include significant stakeholder and citizen input.



Resolution Item 8 – Options for open space and other facilities developed as part of the Convention Center expansion for free and meaningful community events and programs of interest to the Austin community.

These could include:

- Cultural celebrations, musical offerings and performing arts programs that are compelling to Austin and its diverse community.
- Opportunities for free community participation in convention sessions related to technical, vocational and other pressing issues.

Summary statement: Depending on the financing concept utilized, an expanded convention center could include incorporating historic properties, currently adjacent to the convention center, as additional space for arts and community engagement.

The expanded convention center can have many options for the local community to enjoy. The concept of a live music stage and adjacent community space can be utilized for a variety of functions. Detailed specifics regarding this item, if funded by a Ch. 334 Venue HOT financing model, are outlined in the attorney-client-privileged memo of November 15, 2015. ACCD staff believes a community room to host community events and programs could also be a component of a convention center expansion complex if funded by a Ch. 351 HOT financing model as well. ACCD staff have also identified a potential expansion complex component utilizing historic properties, currently part of ACC, that could be used as additional space for certain arts and community components. All elements of the convention center expansion complex would be determined during the design process that would include significant stakeholder and citizen input.

In addition, many events offer free or steeply discounted rates for local attendees. Promotion of these events to the local community can occur through social media, convention center digital signage and other media. ACCD is also committed to facilitate promotion and communication of these opportunities through its newly created Community Engagement Services Manager position.

The convention center also will continue to work with future event-holders to identify mutually beneficial opportunities during certain technical, vocational or other relevant events to maximize outreach efforts to ensure the local community is aware of those opportunities.



Resolution Item 9 – Addition and enhancement of publicly accessible open spaces and green spaces within the Convention Center complex area, including:

- Enhancement of Brush Square in coordination with the State of Texas;
- Enhancement of Palm Park/Palm School in coordination with Travis County;
- Incorporation of other green space initiatives in coordination with the Waller Creek Conservancy; and
- Incorporation of unique open spaces, plazas and water features to provide attractive outdoor venues for pedestrians and community gatherings.

Summary statement: Some concepts for funding would allow various improvements to the areas directly adjacent to the convention center, providing additional benefits to local residents.

It is important to note that the impact of the Plan on other eligible projects is dependent on the financing strategy selected, as some options could allow for the funding of these other projects.

The Plan, along with the ULI Technical Assistance Panel Report, strongly endorses improvements to the local area. Detailed specifics regarding this item, if funded by a Ch. 334 Venue HOT financing model, are outlined in the attorney-client-privileged memo of November 15, 2015. ACCD staff believes certain components listed above could be elements of a convention center expansion complex if funded by a Ch. 351 HOT financing model as well.

The rooftop open space concept is depicted in the illustrations below. However, ACCD staff is seeking Council direction and community input to further define and prioritize elements of this program. All elements of the convention center expansion complex would be determined during the design process that would include significant stakeholder and citizen input.





Resolution Item 10 – Opportunities to improve walkability and downtown mobility, including incorporation of sidewalks, bike paths, planned transit improvements.

Summary statement: Preliminary designs include an open street-level space that invites pedestrian traffic through the facility. Sidewalks, bike paths and transit improvements could also be part of the final development plans.

The conceptual design of the recommended convention center expansion option includes non-contiguous space, leaving Trinity open for traffic flow and flexible event space when appropriate. The design also envisions an open, street-level space that invites pedestrian traffic through the facility, aligning with 3rd Street on the west side of the facility. The concepts are depicted in the illustrations below. All elements of the convention center expansion complex would be determined during the design process that would include significant stakeholder and citizen input.

This element is described in attorney-client-privileged communication provided to Council on November 5, 2015 (see second paragraph on page 6).



Resolution Item 11 – Plans for comprehensive assessment and mitigation of the potential impacts of the Convention Center expansion to downtown auto traffic, including the timing and scope of planned traffic impact analyses.

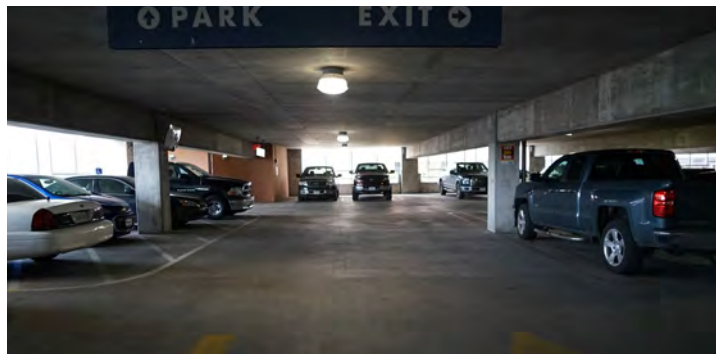
Summary statement: The full design of the expansion project will have traffic mitigation as an essential focus. Additional parking, which would be open to local residents, could be part of the expansion plan.

The Convention Center hired engineering firm and transportation consultant HDR, Inc. to study traffic impacts associated with the proposed expansion. The initial findings of HDR's work have indicated an additional 400 peak-hour cars per day as a result of the expansion. The full report may be found in the appendix to this document.

Additionally, the City Manager has been directed to work with the Downtown Austin Alliance and Capital Metro in this process and to include the relevant city departments (Parks and Recreation, Austin Transportation, Development Services, Economic Development, Public Works, the Convention Center, Office of Real Estate Services, Historic Preservation Office and Austin Fire Department) to provide feedback regarding project boundaries, guiding principles, timeline and phasing, funding needs and opportunities, and potential leadership roles among the various departments and partnering agencies.

Furthermore:

- The full design of the expansion project will have traffic mitigation as an essential focus of each phase.
- A comprehensive assessment and traffic-mitigation strategies would be required as part of the City's development and permitting process. It is too early to do that at this time with any level of certainty, given that design of the project has not begun; however, mitigation of the impact of convention center expansion would include strategic measures, such as:
 - ◊ Location of loading docks and ingress/egress of service yard
 - ◊ Addition of an offsite marshalling yard that is currently being pursued
 - ◊ Utilizing the non-contiguous expansion option to maintain Trinity for traffic flow
 - ◊ Depending on the funding concept, additional parking
- Traffic Impact Analysis
- Development of a hotel tower is moving forward via private developer, regardless of the convention center expansion
- Analysis of the proposed expansion's volumetric (in addition to peak) traffic impacts predicted or modeled along the entire length of Cesar Chavez from Mopac to east of I-35, including the impact of proposed improvements to Mopac included in the Capital Area Metropolitan Planning Organization 2040 Plan



Resolution Item 12 – Opportunities to integrate workforce development and training programs for employees in the convention and hospitality industries in order to facilitate pathways toward living wage careers

Summary statement: The convention center is working to further develop workforce training and retention methods to create additional opportunities for our workforce.

The Convention Center is conducting and completing an analysis identifying barriers for employees in the convention and hospitality industry including strategies for developing training modules and retention methods to create additional opportunities for our workforce.

- Workforce development and training programs for Convention Center employees are currently integrated into operations.
 - ◊ Annual training goals are established.
 - ◊ Regular department-wide training sessions are held to provide development opportunities.
 - ◊ Training is offered by both internal and approved external sources to enhance skills and competencies.
 - ◊ Internships are a part of the annual operations, including the new summer intern program introduced in FY 2016.
- The Convention Center's use of event-related temporary employees provides pathways toward full-time employment
 - ◊ Included in ACCD's temporary worker pool are individuals that are part of the Goodwill program, utilized through a City multi-department contract.
- The Convention Center hosts multiple job fairs at Palmer Events Center each year that reach beyond ACCD's industry.
- ACCD is currently exploring the possibility to purchase a site for a marshalling yard that could include training facilities and job opportunities to further our commitment to employing a diverse workforce and offering pathways to multiple careers within ACCD and the industry.



Resolution Item 13 – Plans for continued engagement of the City Council and Austin Community to ensure that the Convention Center expansion is designed as an aesthetically pleasing enhancement, which incorporates features that would be meaningful for both the activities of the Convention Center and the overall Austin community.

Summary statement: Convention center staff, together with the City’s Public Information office, have conducted a town hall meeting and presented information about a possible expansion to various stakeholders. Public involvement will continue to be an important component of planning going forward.

Convention Center staff places a premium on stakeholder input as it relates to expansion. ACCD’s team, in concert with the City’s Public Information office, is working to develop a comprehensive outreach program to ensure inclusivity. To date, ACCD has participated in a town hall meeting hosted by two City Council Members, as well as conversations, meetings and presentations with a variety of stakeholders, including:

- Downtown resident groups
- Rodeo Austin
- Hotel Community and Employees
- Chambers of Commerce
- Downtown Commission
- University of Texas
- Waller Creek Conservancy
- Downtown Austin Alliance
- Austin Area Urban League

We recognize how important this aspect of our work is and will develop an outreach plan for review by Council. We also recognize that we must cast as wide a net as possible as it relates to stakeholder engagement. All elements of the convention center expansion complex would be determined during the design process that would include significant stakeholder and citizen input.



Resolution Item 14 – Analyze the financing plan and the likelihood that the venue tax will cover the expansion.

It should be noted that the information below applies to either a 2% Venue HOT or a 2% Ch. 351 HOT, funding elements included in the financing options discussed in earlier Resolution items.

Summary statement: Over the life of the bonds, it is expected that the venue/two-percent HOT revenue would cover the cost of the expansion.

- A pledge of multiple revenue streams that don't ultimately have to be tapped for debt service repayment is standard practice to demonstrate debt service coverage ratios and secure the best possible bond rating, resulting in lower rates and debt service requirements.
- Using current estimates, it should be noted that depending on the financing structure, annual debt service might outpace venue/two-percent HOT collections in any given year, but it is not expected that other revenues would ultimately subsidize the funds over the life of the bonds.
- An initial project estimate, based on conceptual figures only, is in the \$400-600 million dollar range.
- At this early stage, project estimates are very preliminary. Until design, project costs cannot be better determined.
- Since 1999, the average annual growth rate of HOT collections is eight percent.
 - ◊ During this time period, the economy has experienced the economic downturn following 9/11 and Enron in 2002-2003, and the great recession of 2008-2009.
- Utilizing a breakeven approach:
 - ◊ Given a \$600-million bond issuance, with an assumed six-percent interest rate and a 30-year term, the total debt service over the life of the bonds is \$1.3 billion.
 - ◊ An average growth rate of a 2% HOT assessment for the next 30 years of 4.545% will provide total venue collections of \$1.3 billion.
- The break-even growth rate is reasonable and could be achieved with multiple economic downturns during that 30-year period.
- Conservative estimates have been utilized in analyzing the debt capacity for the various funding scenarios evaluated.
- PFM Group, the City's Financial Advisors, used revenues based on conservative revenue growth only through 2021, and no growth after that, in their debt capacity analysis.

APPENDIX

Hacker Report

Financing Concepts

Preliminary Traffic Analysis

Presentations

Districts 1 & 3 Town Hall Meeting - August 27, 2016

Visitor Impact Task Force Meeting - January 31, 2017

HACKER REPORT

Review of the Austin Convention Center Long- Range Master Plan

**A Report to the City of Austin
In Response to the Council's
Resolution of November 12, 2015**

Prepared by

Steven Hacker, CAE, CEM, FASAE
Principal
Bravo Management Group

September 1, 2016

Executive Summary

This report addresses the current state of the meetings and events industry in light of plans to expand the Austin Convention Center (ACC). It also responds to a number of issues and questions raised by the Austin City Council that includes:

Decisions by city councils regarding the construction and renovation of a city's convention center are challenging because:

- Most city council members are unfamiliar with the details and dynamics that are unique to the events business.
- The cost and scope of most convention centers are often considerable.
- A convention center will become an important asset for a city only if properly designed and managed.
- Customers perceive successful convention centers as well designed and functional.
- The funding model that supports a city's convention center must align with the vision of the city council for its primary mission.
- It is our opinion that the team charged with authoring the Long-Range Master Plan (Plan) discharged its responsibilities diligently, deliberately and with requisite objectivity.
- We also agree with the recommendations of the Plan.

Key references to the manner in which events and exhibitions are planned and conducted include:

- The events industry consists of several different meeting types that include conferences, seminars, sales and incentive travel events, conventions and exhibitions (trade shows and consumer events).
- The combined economic impact of the exhibitions and meetings industry is enormous and continues to grow larger every year.
- 1.8 million meetings were held in the U.S. in 2009 that served over 205 million attendees, supporting 1.7 million jobs, \$263 billion in spending, contributing \$106 billion to GDP and creating \$25.6 billion in federal, state and local taxes.
- Event planners select venues for their events based upon available dates, space and competitive rental and operational rates.
- Austin has become a destination city that event planners know will increase the attendance of their events in the same way as do Las Vegas, Orlando and New Orleans.
- Competition for events business among cities of all sizes has increased materially in the last twenty years.

- To maximize revenue potential it has become essential that a convention center contains sufficient space, configured appropriately to offer adequate exhibit, ballroom and meeting space, so that at least two and perhaps three or more different events of varying sizes can be setting up, running or dismantling simultaneously.
- The reason why Austin city leaders decided to expand the Austin Convention Center in 1999 was because doing so aligned with the Council's significant financial commitments to grow the visitor industry.
- The annual optimum occupancy rate of a convention center is generally considered to be in the range of 60%-65%.
- The ACC occupancy rate was 61% in Fiscal Year 2015. This offers evidence for the potential to secure additional business given more adequate space and enhanced efficiency in aligning space with prospective client's needs.

Answers to Key Issues Raised by the Austin City Council:

Issue #1 Key Trends:

- Three fundamental forces are fueling the growth of the meetings and events industry:
 - Post-Great Recession business philosophies, attitudes, processes and expectations
 - The rapid advancement of technologies,
 - Demographic changes
- The meetings and events industry is now the largest provider of adult education in the United States. Attendees are keenly aware of just how important meetings are to their professional development. This is certain to place demands for more meeting space on the nation's network of convention, hotels and conference centers.
- According to data reported by the Center for Exhibition Industry Research (CEIR), in 2015 nearly 40 percent of all U.S. tradeshows were hosted not in a convention center but in a hotel.
- Almost half of the exhibitions that took place in Austin in 2015 were between 3,000 and 9,999 net square feet (NSF), the smallest category of tradeshow measured by CEIR.
- Austin hosted only 8 trade shows (5%) representing the largest size category of events, about half of the average size for other larger cities (9%).
- Meetings and events have become recognized as vital components of a company's financial growth and success and a very cost efficient way to get things done. Especially so since the end of the Great Recession.
- The recent the shift from passive learning to active learning has incredibly important implications for convention centers that play host to many of the nation's nearly 2 million meetings each year.
- Event planners now consider a good meeting venue as one that:
 - Offers flexible meeting space

- Provides interactive technology.
 - Offers networking spaces.
- Convention centers that wish to separate themselves from their competitors will discover ways to provide all but the most exotic Wi-Fi connections without additional cost to the conference planner, exhibitors or attendee.
- A city's inventory of hotel rooms in close proximity to the convention center (typically is considered to be not more than one half mile) provides an immensely important competitive advantage.
- The ACC is at a serious competitive disadvantage with convention centers it regularly competes against in the inventory of each of key type of event space.
- Based upon the design of Plan option 3b, we do not believe the non-contiguous space of the proposed ACC expansion will be a substantial detriment.
- The most important element of any trade show is now considered to be its ability to engage attendees with exhibitors no matter how large, or small, an event might be.
- Event planners carefully consider airlift, the number of airplane seats scheduled into and out of a destination, as a key factor when making site decisions for future events.
- Austin is very likely to be one of the few cities that benefits from the turmoil that is resulting from the realignment of air transportation destinations by airlines.
- The presence of more than 700 state associations in the greater Austin area means that ACC must remain sensitive to pricing issues which makes it one of the most competitively priced convention centers in the nation for space, food and beverage and support services.
- With a new medical school at the University of Texas at Austin, the city will become a more sought after medical meetings destination and medical tourism destination.

Issue #2 Master Plan's Ability to Fund Additional Potentially Eligible Projects

- Hotel Occupancy Taxes outside of Texas have been used to fund venues and purposes completely unrelated to tourism promotion.
- Texas state law prohibits the use of hotel occupancy taxes for purposes unrelated to directly supporting and promoting tourism and the convention and hotel industry.
- Projects that might receive funding from the hotel occupancy tax should be carefully evaluated to determine exactly what role such projects currently play, or might play, in promoting and attracting visitors to Austin.
- Discussion about funding other eligible projects through the hotel occupancy tax must focus upon the concept of creating a Convention Center District.
- A first and crucially important consideration should be the significant expansion of downtown parking.

- The additional benefits of constructing substantial additional downtown parking are providing a potentially significant additional source of annual revenue and that such a facility requires minimum upkeep, involves few additional human resources and positions the Austin Convention Center as the provider of an important community enhancement.
- Austin's Hotel Occupancy Tax rate is in the mid-range of rates of the cities in its competitive set. An adjustment, either temporary or permanent, to the rate may provide the funding necessary to achieve a defining vision of a Convention Center District.

Issue #3 Impact of Industry's Growth on Median Home and Apartment Prices

- There is no evidence that supports an explicit correlation between the after effects of an expanded convention center and its impact on the median home price and median rents of a community.

Issue #4 Factors Impacting Future Implementation of Master Plan

- The greatest internal threat to the implementation of the Plan is an inordinate delay in deciding whether or not to expand the Austin Convention Center.
- A material change in city leader's attitudes with regard to the value to the city of continuing to provide adequate financial resources to the Austin Convention Center would negatively impact the Plan.
- A change to the current funding model that might divert the attention of ACC's management away from keeping the attraction of out-of-town visitors as its highest priority
- City Council policy decisions that may create unfavorable perceptions of Austin such as significantly reducing funding to Austin's first responders, failing to adequately address infrastructure issues such as the mitigation of traffic congestion.
- An additional and potentially serious threat might arise if discord between advocates of a revitalized Travis County Exposition Center position that project as a counter weight to the expansion of the ACC. Both facilities must be maintained in the very best condition that the community can afford.
- Further degradation of the nation's transportation and travel infrastructure holds the potential to erode tourism growth for many destinations including Austin.
- Catastrophic acts of nature, pandemics, terrorism, and other disruptions of normal routines, are unlikely to have long-term impacts on the meetings, convention and trade show industry.

Issue #5: The Long-Term Viability of the Convention and Exhibit Industry

- Meetings, and especially the nation's tradeshow, have weathered downturns due to economic cycles, acts of God, war and pestilence.
- CEIR economists forecast that robust growth will continue for the trade show industry at least through 2018 and very likely well beyond even though there are bound to be additional and normal setbacks.
- While exhibiting companies generally cut back their exhibit space during difficult economic times, they almost never completely abandon participating in key trade shows.
- Events are not immune to recessions but have recovered from each of the nineteen post-World War II recessions robustly and generally before other industries.
- Even during times of economic struggle, and national or international instability, the business of buying and selling products and services must go on.

Conclusion

No evidence suggests that despite the demographic shifts that are occurring and the continuing introduction of new technologies, or that changes in business attitudes, will impede the continued growth of the convention and exhibition industry.

To the contrary, substantial evidence suggests that the reverse is true and that meetings and tradeshow will continue to grow and thrive.

Introduction

Among the toughest decisions a city council may be called upon to make are questions concerning the construction, renovation or expansion of a community's convention center.

The purpose of this report is to provide the Austin City Council with insight and context about how good decisions regarding these issues might be made. Members of the Council have raised a number of questions that this report will endeavor to address.

Decisions about building, renovating and expanding a city's convention center tend to be daunting for many reasons. Most city council members are unfamiliar with the intricate details and dynamics that are so unique to the events business. The cost and scope of most convention centers are often among the most expensive projects that a city council could be called upon to consider.

Convention centers can provide a city with an important and unique selling proposition in what has become a very competitive travel and tourism marketplace, but only if the project is designed and managed properly. Attracting marquee events to the community can create enormous economic impact that provides jobs and substantial tax revenue, but only if the convention center is perceived by planners and their clients as an attractive and functional facility.

City council members must also be confident that the funding model that will support its convention center aligns with their own vision for the primary mission of the convention center. For instance, if it is their vision that the convention center's first priority is to bring out-of-town visitors to the city (as is the current Austin model) and that the convention center is reliant upon the hotel occupancy tax, then the goal and the objectives are synchronized. If however, the mission and vision for the convention center is to bring out-of-town visitors to the city and the funding mechanism does not rely upon the hotel occupancy tax but on the revenues generated by the convention center itself, it is likely that the goal, bringing out-of-town visitors to the city, would be materially diluted by the convention center's overriding need to find as many events as possible to deliver its own funding whether or not out-of-town visitors are attracted to the city.

In other words, how the convention center is funded has a material impact upon the likely success the city will achieve in reaching its goals for the convention center.

The 2014 State of Texas Office of the Governor, Economic Development and Tourism Report¹ contains the most recent economic impact attributable to visitors to Austin and reveals continuing and very significant growth of three key metrics: visitor spending, jobs attributable to tourism and local tax revenue generation.

	2013	2014
Visitor Spending	\$5.5 Billion	\$5.7 Billion
Jobs	45,000	48,000
Local Tax Revenue	\$121 Million	\$138 Million

Source: 2014 State of Texas Office of the Governor, Economic Development and Tourism Report

In each instance, the contributions made by visitors to Austin represent significant gains over the results reported in the 2013 edition of the same report. This is clear evidence that Austin is achieving prominent national attention as a destination city --a key qualitative ingredient in the formula needed to support a larger convention center. It also affirms the earlier wisdom of Austin city leaders who envisioned a significant expansion of the visitor industry to the city when key decisions were made in 1997-1999.

Perhaps, most concerning, however, to city council members throughout the nation is knowing that if they materially misjudge any of the essential aspects of a convention center project such as deciding its most suitable location, design, allocation of exhibit space to meeting space, proximity to hotels and of course, the size of the building, can be, at the very least, terribly expensive and, at worst, difficult if not impossible to undo.

Having read the Austin Convention Long-Range Master Plan (Master Plan) of May 2015 several times as part of our research for this report, it is our opinion that the team charged with authoring the plan and its recommendations discharged its responsibilities diligently, deliberately and with requisite objectivity. We will comment and elaborate repeatedly on various key aspects of that proposal in this report.

There is a wealth of experience and data about the construction, renovation and expansion of convention centers that can be gleaned from the experiences of other cities and their convention centers. That real world marketplace experience encompassing dozens of cities of all sizes and in all regions of the nation offers very useful models that illustrate what works and what does not.

It is important to understand and keep in mind that because the events industry is among the last vestiges of American commerce that operates largely beyond the

¹ Texas Tourism Office of the Governor Texas Economic Development & Tourism

grasp of any government control or regulation, a significant reason many believe for its remarkable financial success, the industry is largely self-regulated. This means that important statistical data that might otherwise be collected and reported by government agencies does not exist. Attendance data, for example, is entirely self-reported by event organizers. While most, we would like to believe, report their data, as they believe it to be, no one can state with any real assurance that the information reported is accurate to within appropriate statistical parameters. This is no different than how operating results are reported by other industries that are not stringently regulated. Thus, attendance forecasts and historical reporting is somewhat unreliable and it would be beneficial to discount any third party forecasts of future results or historical data by margins of perhaps 15 to 20 percent in order to offset any inherent inaccuracies or anomalies on the theory that it is always better to err on the side of caution.

This discounting of hotel room night numbers is further necessitated by the changes in how attendees and exhibitors now typically secure their hotel reservations. Whereas formerly virtually all of the hotel rooms associated with any meeting were booked through the event's registration site, Web-based reservations systems like Hotels.com, Expedia, Travelocity and dozens of others today routinely offer heavily discounted hotel rates often at the headquarters hotel of an event. The result is that room nights that formerly were attributed to the event have become much more difficult to identify and typical events may suffer *room night leakage* of as much as 25% or even more. In other words, the industry acknowledges that numbers are representative but not necessarily precise due to so many untraceable purchase options.

Perhaps today a more meaningful yardstick of any convention center's actual performance is the actual revenue it drives against forecasts as well as hotel occupancy tax revenue even though the source of hotel occupancy tax revenues can be difficult to track. It may be worthwhile to engage several studies correlating hotel occupancy tax revenue patterns against hotel occupancies generated to support meetings in the Austin Convention Center (ACC). A sufficiently rigorous series of extrapolations may yield some new analytical tools to more accurately understand the connection between meetings and hotel occupancy taxes.

Lest there be any confusion, however, we are not suggesting that information reported from first party sources such as the ACC or Austin Convention and Visitors Bureau are not accurate. We are concerned principally with third party analysts and consultants who have issued future forecasts for other cities that have proven to be overly optimistic. And this variable notwithstanding, the Austin experience with third party consultant's forecasting has been largely accurate².

² The consultant's report in 1997 indicated that the expanded Austin Convention Center would generate a total of 332,600 room nights at stabilization. Stabilization is a term intended to indicate results at maturity, and a moment in time that can be difficult to define. Data secured from the Austin Convention and Visitors Bureau,

At its meeting of November 12, 2015, the Austin City Council adopted a resolution that addressed a number of specific issues, which we have been retained to address, including:

Economic and Convention Industry Analysis:

- Research and analyze prevailing market conditions as well as other related considerations and assess latest information and trends that are essential to making informed decisions and present comprehensive data on the following:
 - ☐ The formulation of a comprehensive response of current industry data, historical trends, and projections, including the projected market demand for Austin Convention Center space.
 - ☐ The impact of the Master Plan's conceptual finance plan on the capacity to fund other potential eligible projects through the venue tax.
 - ☐ The potential impact of convention and tourism industry growth on Austin's median home price and median rents, including analysis of peer cities that have recently expanded their convention center.
- Identify any factors that could have a material impact on future considerations that will influence the implementation of the Master Plan
- Assessment of the long-term viability of the convention and exhibition industry

Before addressing these issues it is important to first provide some background and the context for understanding how event planners, including those who organize meetings, conventions and exhibitions, make their site decisions.

which is known to be among the most conservative destination management organizations with respect to issuing results metrics, reports 300,932 room nights picked up in 2015. From 2007 when 173, 887 room nights was reported through 2015 there has been a consistent pattern of increasing occupancy despite the impact of the Great Recession.

Meetings and Exhibition Industry Background

How Large is the Industry Convention Centers Serve?

The events industry consists of several different meeting types some of which may be connected to each other while others may be free standing. Meetings generally are defined as conferences and seminars, sales and incentive travel events. They may be sponsored by a variety of organizations including commercial providers of learning and education, corporations that might conduct events for their customers, prospects or staff, and nonprofit associations that commonly conduct events for their members, the media and other stakeholders.

Another type of meeting is a convention that might be sponsored by a nonprofit association or a political party. Typically conventions take place regularly according to a pre-determined pattern such as annually, or in the case of political parties bi-annually, or in the case of national political party conventions, only once every four years. Conventions that are conducted by nonprofit associations often include a trade show that offers attendees the opportunity to visit with exhibitors.

Many tradeshow take place apart from a nonprofit association's annual meeting. According to the Center for Exhibition Industry Research (CEIR), an organization that exists primarily to report the state of the exhibition industry, approximately 45 percent of the tradeshow take place in the United States are produced by for profit companies, usually media and communications corporations. CEIR's 2016 CEIR Census (a report that is conducted every four to five years) reports that 9,400 business-to-business (B2B) tradeshow take place in the United States in 2014. CEIR³ also reports that approximately 285 million net square feet of exhibit space was utilized by these events and that a total of 32.5 million attendees visited these events to visit with 1.3 million exhibiting companies driving trade show revenues of \$9.3 billion. Another 3,000 exhibitions take place in the U.S. each year that are Business-to-Consumer shows (B2C) such as the hundreds of automobile, home and garden, boat, sports, recreational vehicle, vacation and travel, and health and fitness events, to name just a few.

With the exception of periodic studies such as one conducted in 2011 by Pricewaterhousecoopers (PWC) for the Convention Industry Council (CIC), a federation of thirty-three organizations operating in the meetings and events industry, there is no regular census conducted to measure the size and economic impact of the nation's meetings. The PWC study, "Economic Significance of Meetings to the U.S. Economy", however does conclude that there were 1.8 million meetings held in the U.S. in 2009 that served over 205 million attendees, supporting 1.7 million jobs, \$263 billion in spending, contributing \$106 billion to GDP and creating \$25.6 billion in federal, state and local taxes⁴.

³ CEIR 2016 Census

⁴ The Perfect Meeting, Inc. Evanston, Illinois

The combined economic impact of the exhibitions and meetings industry is enormous and continues to grow larger. Apart from the economic role the industry plays in the nation's economy, meetings move business forward by bringing key decision makers face-to-face. They also deliver profits, help win new accounts, serve as education platforms and allow colleagues and partners to come together to innovate and achieve results.

How Event Planners Make Site Decisions: The Role of Space, Dates and Rates

Planners ultimately rely upon a triad of key considerations when contemplating potential venues that might host their event(s). Typically the final decision is based upon space, dates and rates.

Specifically:

- Does the convention center offer space that will be adequate to host the event and is the space appropriate?
- Are the preferred dates available? Most events must usually take place at the same time each year and in accordance to the sponsor's preferred pattern of days of the week. This ensures that key stakeholders such as attendees, exhibitors, sponsors and the media served by a particular exhibition become accustomed to the event taking place at the same time each year.
- What will be the cost of renting the space including all ancillary costs that may be required such as heating and cooling during set-up and dismantle, Wi-Fi and any required in-house services?

The event planner's underlying assumptions also include a number of key issues such as that the destination is considered safe, that costs such as labor will be reasonable, and that attendees and exhibitors will find the venue an interesting and rational choice. Cities that do not meet these typical basic requirements would not likely appear on a planner's list of potential event destinations.

It is also instructive to know that a small number of cities in the United States are considered so desirable by attendee's that event planner's will usually adjust their attendance forecasts when visiting them to reflect an increase over typical attendance. Las Vegas generally will boost event attendance by as much as 15 percent. San Francisco, Boston and New Orleans are also considered unique in this respect. Austin is beginning to attract the same kind of attendee attention, especially among Millennials, many of whom view Austin 's music and cultural scenes as inviting. Desirable destinations often result in attendees adding leisure travel days before and/or after their event, and bringing family with them on their trip, contributing to a more significant economic impact to the destination.

While there may be some flexibility in each of the key decision elements, an event organizer invariably will favor that facility/destination that can meet as many of the planner's needs as possible. A city that might otherwise be considered as an event destination but that does not offer adequate airlift (airplane seats in and out), for example, or a sufficient number of suitable hotel rooms close to the event site⁵ would almost certainly drop off the list of destinations under consideration.

Because the exhibition and events business is viewed by most cities as highly desirable, competition among cities of all sizes has increased materially in the last twenty years. Consequently, planners have many more site choices from which to select today than ever before.

Thus, it becomes essential that a convention center contains sufficient space, configured appropriately to offer adequate exhibit, ballroom and meeting space, so that at least two and perhaps three or more different events of varying sizes can be setting up, running or dismantling their events in a building simultaneously. In this way a city is able to maximize its potential return on investment in the convention center. The challenge, of course, is to properly align the size and design of the convention center to match the needs of the kind of events it wishes to attract to the building. The location and number of loading docks, for example, must be designed to provide concurrent access for different events that may be unloading or reloading their event freight.

If the convention center is too small it results in the loss of business. If the building is too large it is likely to operate below the optimum rate of occupancy (and financial efficiency). In the case of the Austin Convention Center, it is reported⁶ that due to size and occupancy issues, 966 events were lost in the thirteen years commencing in 2010. This represents potentially 4.3 million lost hotel room nights and is evidence that the facility is currently unable to adequately service the demand for occupancy. It is important to consider that while 966 events are reported to have been lost, a variety of reasons are likely to have converged giving rise to the loss of prospective business. In other words, it cannot be stated with any degree of certainty that if the Austin Convention Center had been able to offer adequate space to each of the lost events it would have ultimately booked each of them. The loss of 966 events, however, is substantial enough to conclude that the building currently is too small to adequately serve all prospective occupants.

Cities and their Convention and Visitors Bureaus, also referred to as Destination Management Organizations (DMOs) must focus on those segments of the events market that are likeliest to visit their community in order to maximize their Return

⁵ Proximity to hotels is important because it is more convenient for attendees but also because the cost to event planner's of providing shuttle bus transportation is expensive.

⁶ Master Plan, page 64

on Investment (ROI). At latest count, there are almost 2 million events⁷ that take place in the nation each year and their diversity in size, type and purpose is enormous.

At one end of this enormous spectrum are those few cities that can provide adequate convention and exhibit space and hotel room inventories to host the relatively small number (less than 300) of mega events --- exhibitions of more than 300,000 net square feet of exhibit space⁸. Only Las Vegas (5 million gross square feet of exhibit space in three facilities), Chicago (2.6 million gross square feet of exhibit space at McCormick Place) and Orlando (2 million gross square feet of exhibit space at Orlando Convention Center) are capable of hosting them. At the other end of the spectrum are dozens and dozens of convention centers in second and third tier cities that offer much more modest facilities designed to attract much smaller association, corporate events, consumer and special events.

The Austin Convention Center is poised in the large middle ground. A properly designed phase three expansion of its meeting and exhibits space will position it to attract events that are currently too large for the existing facility, no doubt, many of the 966 events, for example, that have been lost to other venues.

It is instructive to remember that the reason why Austin city leaders decided to expand the Austin Convention Center in 1999 was because doing so aligned with the Council's significant financial commitments to grow the visitor industry at that time.

Related to the expansion of the convention center in 1999 were the relocation of the city's airport from Mueller Field to what is now the Austin Bergstrom International Airport (ABIA), the renovation and conversion of the former Palmer Auditorium that is today the Long Center, considered a world class arts center and the centerpiece of a thriving arts and cultural district, the construction of the Palmer Events Center and Butler Park, as well as the construction of the Hilton Austin Hotel.

In each instance the results of those investments --- the funding of the Long Center exclusively as the result of \$77 million from more than 4,600 donations ranging from \$1 to \$22 million making it possible to host the Austin Ballet, Symphony and Austin Lyric Opera, the growth of air transportation to the city, the addition of the Palmer Events Center and the success of the Austin Hilton Hotel (occupancy in excess of 80%, several self-funded renovations including the planned pedestrian skyway that will connect the hotel and the Austin Convention Center, and numerous performance and excellence awards within the Hilton hotel chain) --- have all

⁷ According to the Meetings Mean Business coalition.

⁸ A convention center that includes 600,000 gross square feet of exhibit space can only host an event of 300,000 net square feet of exhibits. The ratio of 2:1 gross and net square feet takes into account space that cannot be sold such as aisles, common areas, lavatories, etc.

proven to be remarkable and very sound returns on the city's (and citizen's) investments in Austin's future.

The annual optimum occupancy rate of a convention center is generally considered to be in the range of 60%-65%. Unlike most hotels that operate with a substantially higher annual occupancy rate (75%-90%) the unique nature and timing requirements of business events dictates that even the most successful convention centers are unoccupied about 35%-40% of the time. It is difficult to schedule varying size events into a building at maximum efficiency. Also consider that there are periods of the year such as Christmas through New Year's, Labor Day, and the Fourth of July when very few business events take place and it is equally difficult to book business to consumer exhibitions and/or festivals. As reported in the Master Plan, the ACC occupancy rate was 52%⁹ in fiscal year 2013, which has risen to 61% in fiscal year 2015, as reported by ACC staff. This offers further evidence for the potential to secure additional business given more adequate space and enhanced efficiency in aligning space with prospective client's needs¹⁰.

Finally, with the exception of the mega events and most state association events that typically meet only within their home states, most events have now become highly mobile and generally rotate regularly around the nation. They do so because:

- Many desirable convention centers and destinations compete fiercely for their business,
- Rotating around the regions of the nation satisfies the interest of many attendees who wish to attend their annual association events in their own region fairly regularly, and
- Others desire to experience new and different meeting venues that only a changing array of destinations offers.

⁹ Master Plan, page 62

¹⁰ The unique nature of three annual events, SXSW, the Austin City Limits Festival, and the Formula 1 United States Grand Prix, contribute to decreasing the occupancy rate at the Convention Center because virtually all of the hotel accommodations in the city are occupied already for these three keynote events, making it impossible to book any overlapping events in the Convention Center.

Economic and Convention Industry Analysis: Prevailing Market Conditions

We have been asked to address a number of issues including:

Analyzing prevailing market conditions including the latest information and trends with specific reference to:

- 1) The formulation of a comprehensive response of current industry data, historical trends, and projections, including the projected market demand for Austin Convention Center space.*
- 2) The impact of the Master Plan's conceptual finance plan on the capacity to fund other potential eligible projects through the venue tax*
- 3) The potential impact of convention and tourism industry growth on Austin's median home price and median rents, including analysis of peer cities that have recently expanded their convention center.*
- 4) Identify any factors that could have a material impact on future considerations that will influence the implementation of the Master Plan.*
- 5) Assessment of the long-term viability of the convention and exhibition industry.*

Issue #1 Industry Trends and Projections

Many event planners and their stakeholders believe that this is the most exciting and dynamic time for the meetings and events industry in its 100-year modern history. The industry has been ignited by enormous energy, enthusiasm and optimism largely as the result of the dominant role it is playing in so many ways and for many important and durable reasons.

Three fundamental forces are fueling the upward trajectory of the meetings and events industry:

- 1) Modified Post-Great Recession business philosophies, attitudes, processes and expectations
- 2) The rapid advancement of technologies, especially those linked to communications and event operations
- 3) Demographic changes are redefining the nature of the American population (including the advancement of Millennials into positions of influence across all business sectors) and robust immigration especially from Asia and Latin America is now projected to result in population growth by 2060 of 98 million more Americans.¹¹

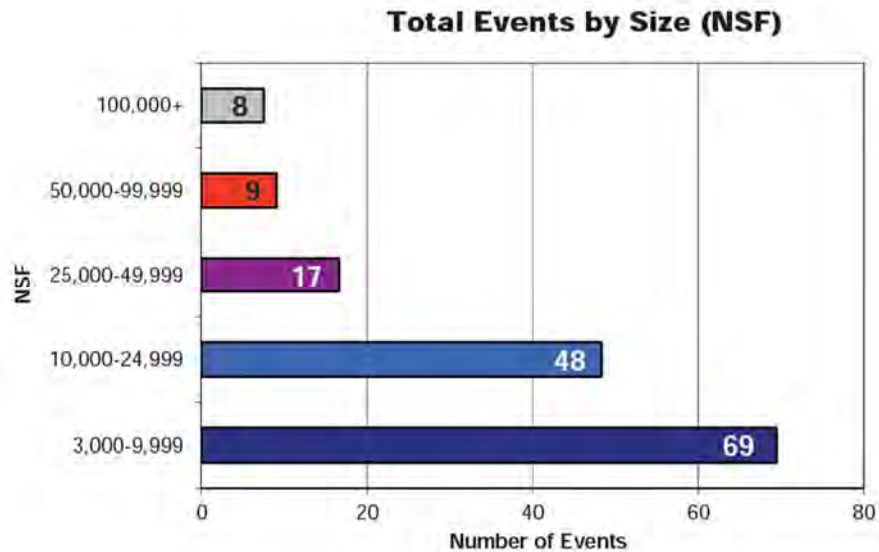
¹¹ U.S Department of Commerce, US Census Bureau

The meetings and events industry is now the largest provider of adult education in the United States. According to the U.S. Department of Education, there are over 5,000 institutions of higher education in the U.S. serving 20 million students. In other words, the nearly two million meetings taking place each year in the nation are addressing the learning needs of more than ten times the number of students, than do the nation's colleges and universities.

Event attendees are keenly aware of just how important meetings are to their professional development. For more than twenty years surveys have consistently disclosed that those who attend meetings and events do so for two primary reasons: education and professional networking and these two powerful forces often overlap. With projected population by 2060 of 417 million, it is almost a certainty that the role of events in providing adult education in the United States will continue to increase and materially so. This trend is also certain to place demands for more meeting space on the nation's network of convention, hotels and conference centers.

According to data reported by the CEIR, in 2015 nearly 40 percent of all U.S. tradeshow were hosted not in a convention center but in a hotel, the vast majority of that space consists of ballrooms and not dedicated exhibit halls. The common and popular misconception about American trade shows is that they are all enormous events requiring hundreds of thousands of square feet of exhibit space and that they must take place in convention centers. In fact, the reality is that most of the nation's trade shows are far more modest and the 40 percent that are currently housed in hotels represent a potential additional source of new convention center occupants. According to the 2016 CEIR Census, in 2015 Austin hosted a total of 151 trade shows (89%) and consumer shows (11%). Of the total, 80 (53%) events took place in the ACC while 67 (44%) were hosted in a hotel and four were hosted elsewhere.

As illustrated below, according to the CEIR 2016 Census, 69 events, or almost half of the events that took place in Austin, consisted of exhibitions between 3,000 and 9,999 net square feet (NSF), which is the smallest category of tradeshow that is included in its Census and Index reports. Forty-eight events fell into the category of 10,000 to 24,999 NSF, 17 events are included in the segment of 25,000-49,999 NSF, 9 events are included in the segment of 50,000-99,999 NSF, and only 8 events exceeded 100,000 NSF. In other words, Austin currently hosts relatively small events presumably due to the restrictions of its current layout and inventory of space. Generally, practical maximum NSF is 50% of the gross square footage of a facility.



Source: CEIR 2016 Census

Comparing Austin's inventory of exhibitions distributed by size against the results of all trade shows included in the CEIR Census discloses that the ACC hosts a larger proportion of small events than might be expected, 46% compared to 41% of the national average for small events. At the other end of the spectrum, of the events Austin hosted in 2015, only 8 (5%) represented the largest size category of event contrasted to the national inventory of 9%.

Distribution of Tradeshows by Event Size in the U.S.

Net Square Feet of Exhibit Space:						
	3,000-9,999	10,000-24,999	25,000-49,999	50,000-99,999	100,000+	All Sizes
Number of Events	4,631	2,964	1,635	1,144	1,053	11,427
Percentage of Events	41%	26%	14%	10%	9%	—
Average Net Square Feet	5,476	15,321	34,201	67,708	244,139	40,352

Source: CEIR 2015 Census

The CEIR data seems to suggest there is considerable opportunity for ACC to host a larger number of large events, those over 100,000 NSF, as well as a greater number of total events, given more adequate exhibit and meeting room space.

It is important to recognize that providing education and networking opportunities are only two of the many reasons why events occur. In addition are such key objectives as gathering business intelligence, planning strategies and tactics, launching new products to market, visiting face-to-face with existing and potential customers, measuring customer's attitudes and changing needs in addition to the fundamental purpose that trade shows exist, bringing buyers and sellers together. These many objectives suggest the continued and robust growth of the number and type of events.

Also indisputable is the substantial impact that the Great Recession (2008-2012) has had on the meetings and events industry. Many events and the organizations that sponsor them are just now emerging from a lengthy and frustrating recovery. Second only to the destruction caused by the Great Depression (1929-1939), the Great Recession has resulted in changes in the ways that many businesses and organizations think about and conduct their business operations. For many, the centerpiece has become assessing the ROI of the many functions they routinely undertake including the obvious such as sales and marketing. Also included, however, are the not so obvious, such as the training of their workforces. This commitment by businesses to carefully measure the value of its investments represents a logical response following a dreadfully disruptive time when wasted resources and foolish initiatives were all-too-common. No longer. Today all enterprises, nonprofit as well as for profit, are much more measured in why and how they spend money. Meetings and events have become recognized as vital components of a company's financial growth and success and a very cost efficient way to get things done.

Fueled partly by the new and more disciplined economics of the post Great Recession environment and also spurred on by the recognition that the maturation of the Internet now means there is a constant and rich source of learning content and data available to anyone who wishes to learn almost anything 24/7. This in turn has triggered a material change in how conferences are being conducted, and this may be the most exciting development of all. The transformation involves the shift from passive learning to active learning. This has incredibly important implications for those facilities, such as convention centers, that play host to the nation's nearly 2 million meetings each year.

Until the end of the last decade, the conventional method of providing conference learning revolved about a traditional classroom setting: classroom seating with attendees all facing forward, a Power Point presentation and a lecturer and students dutifully taking notes and asking questions only when permitted to do so. This is no longer the model for more and more events.

Today, many conference planners are involving attendees, who are keen to be engaged, in the design and operation of conference sessions. This recognizes the importance today, and for the future, of peer-to-peer learning, which experts believe now constitutes 70% of how employees learn¹². It is referred to as the 70-20-10 Rule meaning that an additional 20% of learning takes place by reading or Internet research and that only 10% remains formal learning such as traditional training programs.

What is crucial for host facilities to understand is the need for new meeting space designs and furnishing that facilitate the new mode of learning that is, in turn, redefining how conferences take place. Flexibility is an essential element in space

¹² The Perfect Meeting, Inc. Evanston, Illinois

design and so is the creation of many lounge areas throughout a building --- think about pods--- that allow informal groups to direct their own learning paths.

The International Association of Conference Centres (IACC) recently surveyed 150 meeting planners worldwide to determine what they look for when in a good meeting venue. The consensus of respondents identified three key attributes:

1. Flexibility of meeting space. Planners want to be able to configure an event space in ways that make it more suitable for new types of meeting formats and this flexibility includes visual, audible and physical characteristics.
2. Availability of interactive technology. Nearly eight in ten of the respondents say they need interactive technology that support and facilitate audience collaboration and involvement. High quality broadband Internet access is considered vital.
3. Availability of networking spaces. Planners recognize that younger generations are much more self-driven than were their elders and they want spaces in which to organize their own ad hoc meetings, social activities and even meals.

In response to these emerging trends, Steelcase, the world's largest office environments manufacturer, has introduced its' Node chair, a mobile classroom chair with an adjustable work surface and storage space located beneath the seat. It allows for the rapid deployment by attendees of learning groups without using traditional fixed tables and classroom chairs. While the Steelcase mobile Node chair is expensive (\$289), it requires no facility labor to set up learning environments consistent with the new model of learning and responds precisely to attendees and conference organizer's requirements. It, and seating like it, will likely become a differentiator of venue decisions for many event planners in the future.

Likewise, attendees are now connected to the Internet 24/7, irrespective of the industry or profession in which they operate. Planners and attendees consider access to seamless and rapid connectivity via Wi-Fi throughout a building absolutely vital. Wi-Fi enables connections and has become an essential element in virtually all meetings and events now. Many meetings provide live streaming of key meeting sessions to audiences across the nation and world. Likewise, most events have concurrent social media presence that facilitates communications among those attending and not attending the event. Providing flawless broadband connectivity for most users in a convention center has become a defining asset and should be a part of all building design and operation.

Convention centers that wish to separate themselves from their competitors will discover ways to provide all but the most exotic Wi-Fi connections without additional cost to the conference planner, exhibitors or attendee. It is time to integrate the costs of Wi-Fi into the charge for space rental. The prevailing model that provides low grade Wi-Fi in public spaces and charges the event sponsor or

exhibitor's handsomely for robust broadband connectivity in meeting and exhibit spaces is an archaic and provocative model that event planners uniformly despise and it should be abandoned.

The Boston Convention and Exhibition Center (BCEC) and the Austin Convention Center stand apart from almost all other convention centers in the nation because from inception and design, through initial construction and subsequent renovations, both have emphasized their technology infrastructure and have become iconic among event planners as convention centers with the most sophisticated and user-friendly technology capabilities. In this regard, BCEC and ACC serve as examples of best practices model for all convention centers going forward. This is a solid strategy and should be a key component of future expansion planning.

Two key factors ultimately shape how competitive a convention center can be compared to the other convention centers that reside within its competitive set. The size and ambiance of the convention center is of overriding importance. If the building is too small to host an event it falls immediately out of consideration. If the building has adequate space to host the event but is not large enough to be able to host concurrent events it may be eliminated from consideration because it cannot provide space over the dates required by the event organizer.

The second vital competitive component is a city's inventory of hotel rooms in close proximity to the convention center (typically is considered to be not more than one half mile).

The competitive set of cities/convention centers that routinely compete for event business with Austin include:

	Exhibit Space	Meeting Space	Ballroom Space
Houston	862,000	101,943	31,950
Denver	584,000	100,000	85,000
Nashville	353,140	81,350	70,250
San Diego	615,700	96,110	81,670
San Antonio	513,944	114,133	94,316
Austin	247,000	55,800	63,920
Austin Option 3b totals	447,000	120,800	120,620

Sources: Master Plan, pgs. 53 and 63 and Economic Opportunity Committee Report
Page 1

The Austin Convention Center has been and continues to be at a serious competitive disadvantage with convention centers with whom it regularly competes in each of the key types of event space inventory. Especially acute is the inadequacy of exhibit

space that is further exacerbated by a significant dearth of meeting room space. For most trade shows, meeting room space has become as important as exhibit space because it provides the wherewithal for the event's sponsor to provide the all-important learning and conference components that have become an essential element of most trade and consumer shows.

Corporate events often do not offer a tradeshow, but typically require many meeting rooms so that they can provide their attendees with a wide variety of learning opportunities. The current inventory of meeting room space is, no doubt, inadequate for many larger corporate events.

At the same time, with 8,150 first class hotel rooms already existing or about to open within one half mile of the Austin Convention Center, the city already boasts more than a sufficient number of close by hotel rooms to support more and larger events. Unfortunately, unless the inventory of exhibit space, meeting space and ballroom space is expanded, it is likely that many of the existing hotels in proximity to the Austin Convention Center will be unable to maximize their occupancy rates, a situation that invites instability, such as changing ownership and management.

It is important to note that both the Urban Land Institute Report and the Master Plan itself recommend the adoption of what is labeled as option 3b, the non-contiguous expansion of the Austin Convention Center that would add 200,000 square feet of exhibit space, 65,000 square feet of meeting space and an additional ballroom of 56,700 feet in a free standing structure connected to the existing building with sky bridges. If that were to be the outcome of these considerations, the newly expanded facility would still offer less exhibit space than any of its competitive set except for Nashville, yet its meeting and ballroom space would exceed each of its competitors, except for Denver which just announced plans to add an 80,000 square foot roof-top ballroom.

It is a reconfiguration that plays well into the contemporary model of what many consider to be a very solid ratio of exhibit space to meeting space and ballroom space. The importance of learning sessions supplementing trade shows has arisen only in the last decade or so and has left many convention centers short of meeting and ballroom space. The proposed option 3b expansion addresses this need very well.

Furthermore, as was mentioned earlier, four of every ten trade shows still take place in hotels. Having a campus-like environment as is proposed in option 3b addresses an important obstacle that keeps many hotel-based events from moving up to a convention center ---the fear that their relatively modest sized events will simply be overwhelmed by the enormity of exhibit space that defines many convention centers. Offering two separate and smaller "right-sized" exhibit spaces that are further divisible into smaller sections, provides a level of confidence and comfort that may draw many smaller events to the Austin Convention Center more

effectively than if all of the available exhibit space were combined in one much larger location.

Event planners of hotel-based trade shows often overlook the inherent advantages that a properly sized convention center can offer to them such as 24-hour holds on their event space, no additional charges for labor to install or change room set-ups and generally more time in which to set-up or tear-down their exhibits. The availability of appropriately sized exhibit space may attract substantially more planners who heretofore have been reluctant or unwilling to consider a change of venue.

Because many larger exhibitions are now also subdividing their trade show floors into sections to feature different product types, new product and first time exhibitor sections, the campus-like construction does not present an irreconcilable obstacle to these exhibition types but aligns well with their strategies.

Understandably, most event organizers prefer that exhibit space is contiguous. In fact, most are biased toward those rare venues that offer them exactly the size of exhibit space they require. In practice, however, most planners understand that sometimes contiguous space is not possible and as long as the sites of the exhibit halls are convenient to each other and of like quality and ambiance, their objections recede. Based upon the design of option 3b, we do not believe the non-contiguous space will be a substantial detriment.

While vast size and attendance at one time was thought of as the universal and ideal goal that all exhibitions should strive to achieve, contemporary thinking is quite different in that the most important element of any trade show is now considered its ability to engage attendees with exhibitors no matter how large, or small, an event might be. This change in concept, another legacy of the Great Recession, also plays well into the more intimate size that a campus-like configuration offers. It creates many more opportunities for event organizers to construct their events to achieve optimum engagement.

As mentioned earlier, event planners carefully consider airlift, the number of airplane seats scheduled into and out of a destination, as a key factor when making site decisions for future events. Structural changes in the airline industry prompted largely by the significant consolidation of the nation's air carriers has diminished the appeal of many second and third tier cities to event planners in the last several years. Cities that have lost significant airlift volume since 2011¹³ include Memphis (66%), Milwaukee (45%), Cleveland (47%), Colorado Springs (42%) and Harrisburg, Pennsylvania's capital city (39%). While only Memphis might be considered a direct competitor of Austin for events business, the vast number of events that can no longer consider many of the cities that have suffered significant

¹³ Wall Street Journal, July 15, 2015

air service cutbacks does inure to Austin's benefit, especially given the dramatic increase in Austin's own airlift that has grown by 22 percent and will, no doubt, continue to grow.¹⁴ The diminishment or elimination of many cities from the meetings grid has reduced the available supply of exhibit and meeting space and is driving up demand for more accessible space in cities that provide stable or growing airlift. While many cities were losing substantial airlift, Austin's construction of nine additional gates and additional infrastructure enhancements will raise the airport's capacity from 11 million actual passengers in 2014 to the potential to process 15 million travelers by 2025. In other words, Austin is very likely to be one of the few cities that benefits from the turmoil other cities are suffering.

Enhancing Austin's favorable marketplace standing are several additional and unique factors. The presence of more than 700 state associations in the greater Austin area means that the Austin Convention Center must remain sensitive to the price sensitivity of the nonprofit association community. Likewise, the funding model that the leadership of Austin has defined for the ACC yields resources to ACC that are used to increase its competitiveness by providing rental rate reductions when needed to secure key events. Likewise, the same resources allow ACC to price its food and beverage costs well under many competitors' rates. For example, a gallon of coffee at ACC costs about \$50 while that cost in many competing facilities is now over \$100 per gallon and the subject of a great deal of national discussion. The fact that Texas is a right-to-work state means that labor costs are substantially lower than in many competing jurisdictions and work rules are much less restrictive. This means that exhibitors especially view Texas and Austin as excellent venues in which to exhibit. In fact, Austin has grown from a state meeting destination into a regional and national destination, due to the combination of the Austin Convention Center, Austin's hotel inventory, and Austin's brand as a destination. Another factor affecting ACC's future meetings is the. In order to meet the needs of medical meetings that will be seeking to come to Austin, the Austin Convention Center will need to add both ballroom space and meeting space for breakout sessions.

Summary of Issue #1

- 1. The convention, meetings and trade show industry remains strong**
- 2. With additional meeting, exhibit and ballroom space, ACC will be able to capture both more and larger events**
- 3. Austin is poised to maximize the potential for new business with an expansion of the ACC**

¹⁴ Wall Street Journal, July 23, 2015.

Issue #2 Master Plan's Ability to Fund Additional Potentially Eligible Projects

The distinguishing feature of the Master Plan's conceptual finance plan is that it continues to position the Hotel Occupancy Tax as the financial driver of funding for the convention center and other potentially eligible projects.

We believe this is a sound policy because it aligns precisely with the goal of the Austin City Council's late 1990's position that attracting visitors to the city must be the first priority of the Austin Convention Center.

It is significant to know that Hotel Occupancy Taxes in jurisdictions outside of Texas have commonly been used to fund venues and purposes completely unrelated to visitor attraction or tourism promotion. The most cynical view tends to suggest that taxing visitors is appealing because visitors don't vote. While that may be true, there is also ample evidence to suggest that when Hotel Occupancy Taxes rise to a level perceived by travelers to be unfair they take relief by choosing more inviting destinations to visit. Nowhere was this more evident than in the late 1990s when New York City set its hotel occupancy tax at 20.5 percent triggering a massive backlash by many business travelers. Ultimately, but only after months of very negative media coverage was the tax reduced. Currently, the New York City Hotel Occupancy Tax is 14.75 percent plus \$3.50 per day for rooms costing \$40 a day or more.

Some cities outside of Texas have diverted hotel occupancy taxes to their general funds or to construct facilities as varied as little league parks, softball fields, swimming pools, senior centers and libraries. No doubt, all worthy community projects but completely unrelated to the matter of attracting more visitors by creating facilities that play directly into the calculus of attracting out-of-town visitors to a city.

Texas state law prohibits the use of hotel occupancy taxes for purposes unrelated to directly supporting and promoting tourism and the convention and hotel industry. For most cities in the state, Texas law further requires that funds raised by hotel occupancy taxes be used only in nine ways¹⁵:

1. Visitor information and convention centers.
2. Registration of convention delegates.
3. Advertising and promotion of the city for tourism and hotel activity.
4. Promotions of the arts that directly impact tourism and hotel activity (capped at 15%).
5. Historical restoration and preservation activities that directly promote tourism and hotel activity.
6. Sports related events that generate substantial hotel activity.
7. Sport related facilities that generate substantial hotel activity.

¹⁵ Texas Administrative Code, §§ 351.101(a), (b)

8. Signs to area tourism attractions.
9. Transportation costs to shuttle tourists from area hotels to area attractions.

Within the existing restrictions of Texas law it seems that other potentially eligible projects that might receive funding from the hotel occupancy tax should be carefully evaluated to determine exactly what role such projects currently play, or what future role they might play, in promoting and attracting visitors to Austin.

Any discussion about funding other potential eligible projects through the hotel occupancy tax must focus upon the concept contained in the Master Plan of creating a Convention Center District. Such a district would be created to be easily identifiable, much like the Sixth Street, Second Street, Warehouse, and Rainey Street districts in Austin are already. While that plan contains some preliminary discussion about the benefit of adding additional hotel accommodations, dining, bars, residential and office buildings, we believe a first and crucially important consideration of the Master Plan should be significant expansion of downtown parking. Parking and traffic represent the dual challenges that Austin must address if the city is to enjoy continued expansion of the tourism and travel industry. Constructing additional parking facilities, which is also part of the recommended expansion option of the Master Plan, in conjunction with and adjacent to the expanded Austin Convention Center, not only addresses a chronic and serious downtown issue but it provides the potential for generating significant additional revenue to help support ACC operations and to help fund the related debt service of the facilities.

The City of Arlington (Texas) Convention Center, for example, receives in excess of \$500,000 annually in parking revenue for special events at the Ball Park at Arlington and AT&T Stadium. These events generally take place at times when the Convention Center is dark and provides patrons of the Texas Rangers, Dallas Cowboys and special events with low cost (\$20-\$30 per event) and convenient parking. The Austin Convention Center has the opportunity to replicate this revenue model while at the same time addressing one of the city's most pressing concerns. The additional benefit of constructing substantial additional downtown parking is that such a facility requires minimum upkeep, involves little additional human resources and positions the Austin Convention Center as the provider of an important community enhancement. With adequate funding, such a parking facility could also be expanded to become a multi-faceted transportation hub providing convenient access to ride sharing providers, Pedi cabs, Austin's Bike Share program and taxicabs.

Recent discussions regarding the proposed revitalization of the Travis County Exposition Center provide a unique and potentially significant opportunity to deliver some funding for that project, even though most of the visitors to events that take place in that facility are local and close-in regional visitors and therefore it generates fewer overnight visitors. It inures to the benefit of the entire Austin community to maintain both the Travis County Exposition Center and the ACC in the best conditions possible. Both should be valuable assets to the community, and

while they draw different types of visitors to the city, they both should contribute robustly to the promotion of Austin tourism. However, because the ACC drives significant out-of-town visitors, and thus increases Hotel Occupancy Tax receipts, an expanded ACC should be the city's first priority.

Because the concept of a Convention Center District holds such promise we recommend the convening of a task force to consider the issue in much greater detail and to define with more specificity the individual components and design that a Convention Center District might include.

In general, however, the creation of a Convention Center District offers the potential for an enhanced environment surrounding the convention center as well as a bridge to nearby downtown neighborhoods and attractions including Sixth Street.

While the primary benefit of such a district is to rid the area around the convention center of what many find to be concerning issues such as the absence of robust pedestrian traffic, conflicts with vehicular traffic and a deficiency of tourism-friendly attractions a Convention Center District might also be tasked to undertake a series of initiatives designed to materially contribute to the greater Austin community in a variety of public sector/private initiatives such as providing subsidized incubator space for new restaurant start-ups, an area dedicated to providing a site for food trucks, and perhaps even a facility or two designed to provide job retraining for persons who wish to enter the meetings and events support sector. The overriding virtue however, of any elements that might be included in the Convention Center District, must remain highly focused directly on promoting tourism and the convention, meetings and trade show industry in Austin.

Depending upon the scope of the ultimate design of a Convention Center District, it is important to note that currently Austin's Hotel Occupancy Tax rate lies in the mid-range of rates of the cities in its competitive set, and that an adjustment, either temporary or permanent, to the Hotel Occupancy Tax rate may provide the funding necessary to achieve the defining vision of a Convention Center District.

Current Hotel Occupancy Tax Rates

City	Current Hotel Occupancy Tax Rate
Houston¹⁶	17%
Denver	10.75%
Nashville	15.25% + \$2.00 per night
San Diego	12.5%
San Antonio	16.75%
Austin	15%
Dallas	13% + 2% TPID*

¹⁶ Highest HOT in the U.S.

*TPID – Tourism Public Improvement District
Source: Respective City websites

Summary of Issue #2

- 1. The Master Plan continues to position the Hotel Occupancy Tax as the driver of funding for the ACC.**
- 2. Texas state law prohibits the use of hotel occupancy taxes for purposes unrelated to directly supporting and promoting tourism and the convention and hotel industry.**
- 3. Projects that might potentially receive funding from the Hotel Occupancy Tax should first be carefully evaluated to determine what role they currently, or prospectively, might play in promoting tourism.**
- 4. The ACC expansion should include a bold addition of downtown parking in order to help alleviate one of the city's most pressing challenges.**
- 5. Parking revenues can help to fund the ACC expansion and service the associated debt service.**
- 6. It is essential for the city to support both the expansion of the ACC and the revitalization of the Travis County Exposition Center. Both are vital assets that attract visitors and promote tourism, but the ACC expansion should be the first priority.**
- 7. The importance of a properly conceived and constructed Convention Center District should be the subject of a new and high-level study but should not delay the decision to expand the ACC.**
- 8. The current Hotel Occupancy Tax in Austin is not so onerous as to rule out a rate adjustment.**

Issue #3 Impact of Industry's Growth on Median Home and Apartment Prices

There is no evidence that supports an explicit correlation between the after effects of an expanded convention center and its impact on the median home price and median rents of a community. Typically, what drives changes in home prices and rents in any community are changes and/or redevelopment or development to specific neighborhoods. We have found no extant research that speaks to the influence, if any, of convention center renovations, expansions or construction on housing and rental property pricing in any community.

A relationship does exist, however, in the reverse. The condition of the housing and rental property markets drive the growth of trade shows and consumer shows in the business sector that CEIR identifies as **HM- Building, Construction, Home and Repair**¹⁷.

The 2016 edition of the CEIR Index says in part about the housing market:

“Recent strength for HM exhibitions is projected to continue, with growth of 4.6%, 4.3%, and 4.2% in 2016, 2017 and 2018 respectively. This will push the HM Total index, which equals 100 in 2014, from 110.1 in 2015 to 125.2 in 2018, a 13.7% gain. Over the same years, the overall exhibition industry will expand by a more moderate 8.2%.”

Trade show executives have historically paid a great deal of attention to the state of the nation's housing industry because it has been this industry sector more than most others that in the past was largely responsible for fueling recoveries from economic downturns but has also on several occasions triggered recessions.

Summary of Issue #3

- 1. There is no direct correlation connecting the results of a convention center expansion and the impact on median housing and/or rental costs**

¹⁷ CEIR defines fourteen different industrial sectors for its research and analytic purposes. Residential housing construction resides in the sector labeled HM which also includes the construction and repair of residential housing as well as commercial building.

Issue #4 Factors Impacting Future Implementation of Master Plan

Factors that might have a material impact on the future considerations impacting the implementation of the Master Plan will fall into two distinct silos, issues that are generated internally within the Austin community, and issues that arise externally and might influence the outcome of the Long-Range Plan.

The greatest likely internal threat to the implementation of the Master Plan, in our opinion, is an inordinate delay in deciding whether or not to expand the Austin Convention Center. Arguably any of the potential scenarios that have been identified (except for option 1, No Expansion) would represent a better outcome for Austin than taking no action.

Because the meetings industry is such a dynamic and always evolving business, and because it is so competitive, destinations failing to recognize the need to adapt to changing customer preferences and key socio-economic trends risk falling by the wayside. No better example of this phenomenon exists than the experience of Atlantic City, New Jersey. That city failed twice to recognize major changes in consumer behavior and broader socio-economic trends in the last half century.

The first change occurred in the 1960s when the launch of jet-powered aircraft quickly diminished the allure of the New Jersey shore as a beach destination, a tourism advantage it had enjoyed from the turn of the nineteenth century. With the arrival of rapid and safe air transportation, vacationers opted to abandon Atlantic City and to visit new and far-flung designations like Bermuda, South Florida and California.

More recently, Atlantic City failed to recognize that the expansion of casino gambling to communities throughout the nation would deprive it of what may have proven to be its last real opportunity to recapture tourism momentum. Today, the city is in rapid decline, tottering on the brink of bankruptcy and is in complete disarray.

While Austin is, of course, in no imminent jeopardy of losing its momentum on such a grand scale, the fact remains that the events that may reshape the city's opportunities to host larger and more events are themselves in constant motion. The prototypical larger event that an expanded Austin Convention Center might hope to engage is making site decisions now five or more years in advance: Competition for prime convention center space and dates requires it.

This means that until a decision to expand the ACC is made, the date when a first event might occupy the expanded facility will continue to be pushed further and further out into the future. All the while, competing convention centers such as those in Dallas, San Diego and Denver are likely to expand their own facilities and

enhance their opportunities to host more and larger events. The consequences of delay will be that ACC will have to get in line behind other cities that are keeping up with ever increasing demands for dates and space.

Other internally arising factors that might influence the outcome of the Master Plan might include a material change in city leader's attitudes with regard to the value to the city of continuing to provide adequate financial resources to the Austin Convention Center from the Hotel Occupancy Tax (or alternative sources), a change to the current funding model that might divert the attention of ACC's management away from keeping the attraction of out-of-town visitors as its highest priority; City Council policy decisions that may create unfavorable perceptions of Austin such as significantly reducing funding to Austin's police force and first responders that might give rise to safety concerns, failing to adequately address infrastructure issues such as the mitigation of traffic congestion and similar policy matters that can trickle down to alter the positive view that most visitors now hold of the city.

An additional and potentially serious threat might arise if discord between advocates of a revitalized Travis County Exposition Center position that project as a counter weight to the expansion of the ACC. In truth, both facilities deserve to be maintained in the very best condition that the community can afford. They serve distinctly different constituencies but are vital assets that bring visitors to Austin and Travis County for many different reasons and to attend many different types of events. It must never become a matter of either or but must remain both.

Of most recent vintage are political decisions completely unrelated to the meetings industry that have invited boycotts of events and civil unrest across the nation such as is currently defining discussions of LGBT and abortion rights, as well as immigration policies. Fueled by a voracious media, issues like these can quickly grow out of a community's control and result in very serious impairment of the tourism industry. Unfortunately, there is a growing list of communities across the nations that have lost tourism business as the result of political and social activism.

More likely, however, it is external issues that affect the entire travel and tourism industry that are likeliest to impair or influence the Master Plan. Currently, for example, leaders of the meetings industry are bringing substantial pressure upon federal agencies and the Congress to adequately fund the nation's transportation infrastructure, most especially the air transportation network. If, as a result of federal neglect, the safety of national airways, for example, becomes compromised to the point that travelers conclude it is unsafe to fly, all convention centers and their destinations will be impaired. The same is true if as a result of the failure of the Transportation Safety Administration, lengthy security lines cannot be managed more effectively; many potential travelers are likely to abandon all but the most necessary travel.

The meetings industry has proven itself to be both remarkably durable but also remarkably fragile. Time and time again, the industry has recovered from major

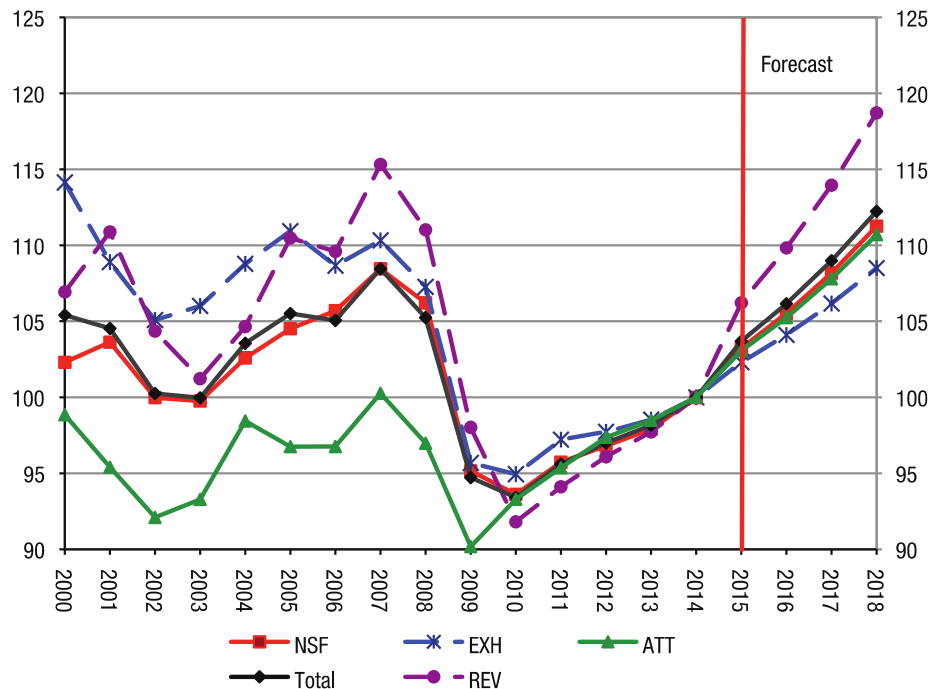
national and international economic disruptions, wars, epidemics and natural disasters. Consider the devastation caused, for instance, by the Northgate (1971) and San Francisco (1989) earthquakes, the terrorist attacks of September 11, 2001 and the impact of the SARS pandemic (2003). All of these circumstances caused an immediate cessation of travel to the affected areas, and in the case of the 9/11 attacks, air transportation and meetings were seriously impaired for months afterward. But, in each instance, the need to meet and travel restored stability and then growth to the meetings industry. No doubt, there will be similar challenges to face in the future but there is no reason to believe that similar rebounds will not take place.

Summary of Issue #4

- 1. The likeliest threat to the implementation of the Master Plan is a delay in the decision of whether to expand the ACC or not.**
- 2. The consequences of not expanding the convention center are the likely loss of existing business and failure to attract new business as the result of the loss of competitive advantages.**
- 3. A change in the funding model for the ACC that is currently in place constitutes another potential threat to the implementation of the Master Plan and the possible diversion of attention by the ACC from its historic key priority that is attracting out-of-town visitors to the city.**
- 4. Political decisions unrelated to the meetings and events industry that may fuel popular backlash and threats of boycotts pose another potential threat.**
- 5. Further degradation of the nation's transportation and travel infrastructure holds the potential to erode tourism growth for many destinations including Austin.**
- 6. Even catastrophic acts of nature, pandemics, and other disruptions of normalcy are unlikely to have long-term impacts on the meetings, convention, and trade show industry.**

Issue #5: The Long-Term Viability of the Convention and Exhibit Industry

As noted earlier, meetings, and especially the nation's tradeshow, have weathered downturns due to economic cycles, acts of God, war and pestilence. This is not to say that the meetings industry is immune to setbacks. It most definitely is not. The chart that follows, however, demonstrates the extraordinary malleability of the exhibition industry.



Source: Center for Exhibition Industry Research

This CEIR chart summarizes the growth and contraction of the tradeshow industry beginning in 2000. Five metrics are measured in this analysis taken from the CEIR Index, a research publication that is issued quarterly and annually. The five metrics include:

- Net square feet of exhibit space sold (Red)
- Number of exhibiting companies (Blue)
- Professional attendance (Green)
- Gross revenue generated (Purple)
- Overall combined results (Black)

There are relationships that remain somewhat consistent over time such as the correlation between the amounts of exhibit space sold (Red) and the number of exhibiting companies (Blue), as well as the relationship between Gross Revenue (Purple), and the overall combined results (Black) in most years. There are also

what appear to be divergences in relationships of the trend lines such as the relatively low numbers of Professional attendance (Green), in the years 2000 through 2010 compared to the other four metrics and the discrepancy between gross revenue and all other metrics that began to develop in 2014.

Why did attendance lag so dramatically between 2000 and 2010? It was during this decade that the Internet developed into a mature communications channel. There was significant consternation within the trade show industry and in the business media speculating that with the arrival of the Internet and such new concepts as virtual trade shows that live events would quickly be displaced. At the same time, a deep but brief recession took place beginning in 2001 and ending in 2003. That recession also took somewhat of a toll on the sale of exhibit space, the number of exhibiting companies and of course, gross revenue.

Beginning in 2008, evidence is clearly apparent that the tradeshow industry, as was the experience of virtually all other business sectors, was seriously damaged by the onset of the Great Recession. In fact, in the entire history of the trade show industry, the decline, which exceeded 15 percent, was completely unprecedented and the duration of the Great Recession was such that recovery was extended over nearly five years. It was only in 2015 that the tradeshow industry rebounded to where it had been in 2001.

What is also very apparent is the upward trajectory of the industry and all of its metrics beginning in 2014. With the second quarter of 2016, in fact, the tradeshow industry has enjoyed twenty-two consecutive calendar quarters of growth. Forecasts for the future suggest that this robust growth will continue at least through 2018 and very likely well beyond even though there are bound to be additional setbacks. To reiterate, because the meetings and exhibition industry has become an integral part of the commerce system, it will continue to grow as the U.S. and global economies continue to expand.

Also quite remarkable is the divergence of gross revenue beginning in 2014 that is now widely outstripping all other metrics. Trade shows are operating more profitably today than ever before in the history of the industry.

Notwithstanding the optimistic forecast of CEIR economists for the near term future, it is a certainty that the economy of the U.S. will again slip into recession as it does approximately every six to eight years. Many suggest the nation is now overdue for an economic reversal. Interestingly, however, a CEIR study of the impact of recessions on the trade show industry over the years since the end of World War II reveals that while trade shows are often early indicators of economic trouble ahead, professional attendance (buyers) recedes, as does the total of exhibit space purchased by exhibiting companies, they are also typically early indicators of recovery. One can see clear evidence of this in the aforementioned chart in both 2002 and 2010 when the two most recent recessions bottomed out. Exhibitors and attendees (buyers) were relatively quick to return to the tradeshow floor.

Moreover, while exhibiting companies almost always cut back their purchases of exhibit space; they almost never completely abandon participating in the trade shows of the industries in which they reside. In fact, one of the unexpected outcomes of the Great Recession was, that while overall professional attendance was in significant decline between 2008 and 2009, those who did attend events during that time were those buyers who possessed buying authority including a very high proportion of C-level executives. Said another way, the Great Recession had the effect of cleansing many trade show floors of attendees who came essentially to look and learn, but who did not have significant authority to make purchases.

All of these factors suggest that even during times of economic struggle, as well as during periods of national or international instability, the business of buying and selling products and services must go on and it is the trade shows of the nation and the world that keep businesses moving forward even in the worst of times.

While there is not a corollary index that exists to measure events other than trade shows, and measurements of the economic impact of meetings occurs rather haphazardly, and only periodically, there is no dispute that the cycles of growth and contraction of meetings closely parallels that of the tradeshow industry. In fact, as was mentioned earlier, often the two types of events take place concurrently.

Summary of Issue #5

- 1. The meetings, conventions and trade show industry has demonstrated remarkable resilience to hardship.**
- 2. Events are not immune to the impacts of recessions but have recovered from each of the post-World War II recessions generally before other industries.**
- 3. Even during times of economic struggle, as well as during periods of national or international instability, the business of buying and selling products and services must go on.**
- 4. Even though there is no index that measures the growth or contraction of events other than trade shows, a close correlation exists between the different types of events.**

Conclusion

What does this mean for the long-term? There is simply no evidence suggesting that despite the demographic shifts that are occurring and the continuing introduction of inventive and novel technologies, or that the changes in corporate and general business attitudes and preferences, will in any way impede the continued growth and vitality of the convention and exhibition industry. In fact, there is substantial evidence suggesting that the reverse is true and that all of these socio-economic forces will only drive meetings and tradeshow to grow and thrive for decades to come.

In summary it can be said with assurance that just as mankind must eat, mankind must meet. This has been proven time and again since the beginning of civilization. In the end, it really is quite that simple.

About Steven Hacker



Following a distinguished forty-year long career as the CEO of several nonprofit associations, Steven Hacker is now the Principal of the Bravo Management Group, an organization that provides strategic, leadership, governance, marketing and event planning expertise to associations, government agencies and event planners around the world.

Hacker spent twenty-one years as the CEO of the International Association of Exhibitions and Events (IAEE), the worldwide trade association of the exhibition and events industry.

Inducted into the Convention Industry Council's Hall of Leaders in 2007, Hacker has been named "One of the 25 Most Influential People in the Events Industry" nine times. Hacker writes a monthly magazine column as "The Association Doctor" in Association News, published by Schneider Publishing of Los Angeles that is read by 80,000 association professionals.

A senior faculty member of IAEE's Certified in Exhibition Management (CEM) professional designation program, Hacker, teaches dozens of courses to exhibition industry professionals throughout the United States and in several nations around the world including China, Mexico, Taiwan, Thailand, Portugal and Korea.

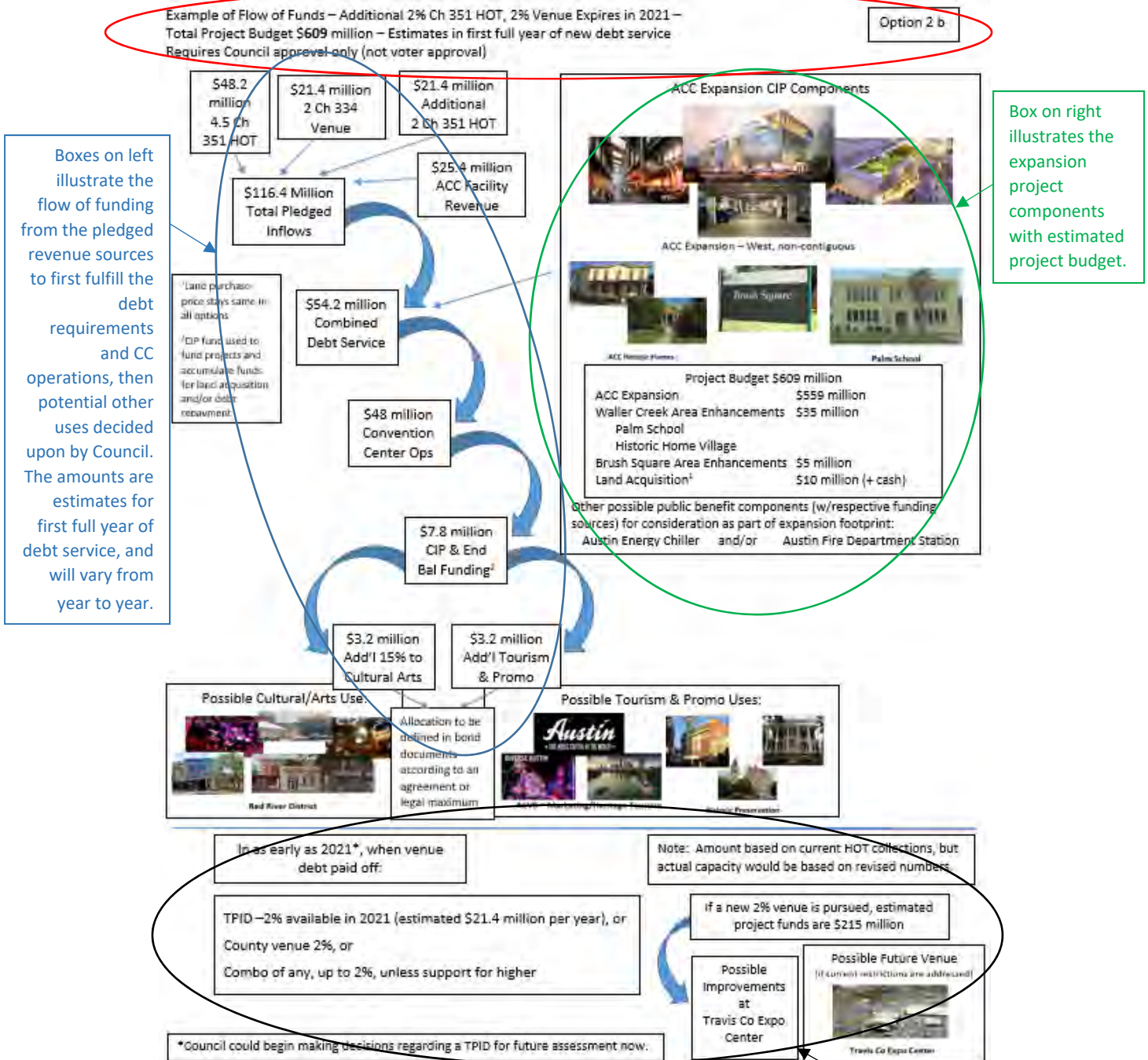
Hacker serves as a member of several Convention and Visitor Bureau advisory boards.

He has earned the Certified Association Executive (CAE) designation, was named a Fellow (FASAE) of the American Society of Association Executives in 1988 and has earned the Certified in Exhibition Management (CEM) professional designation.

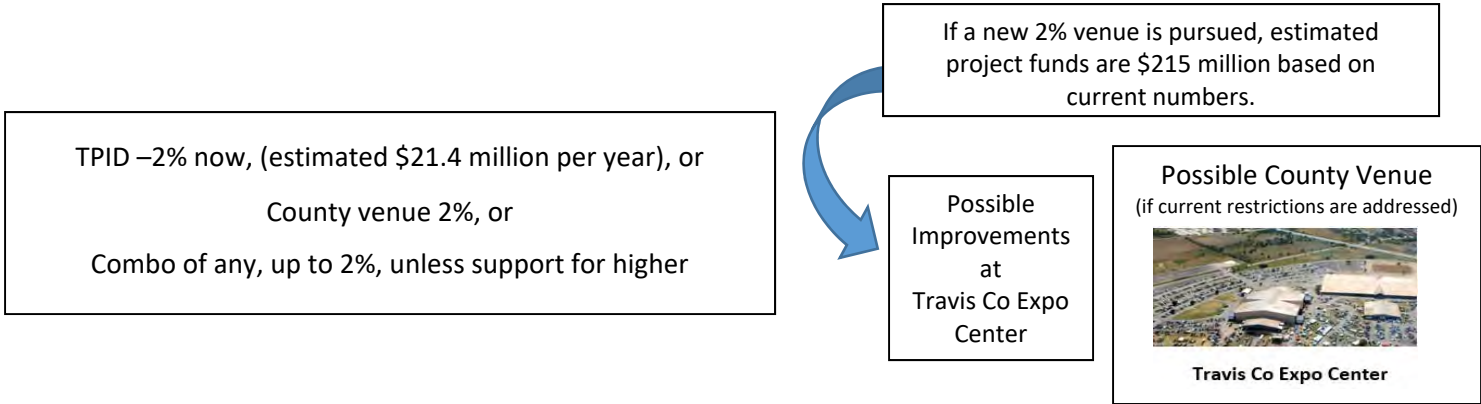
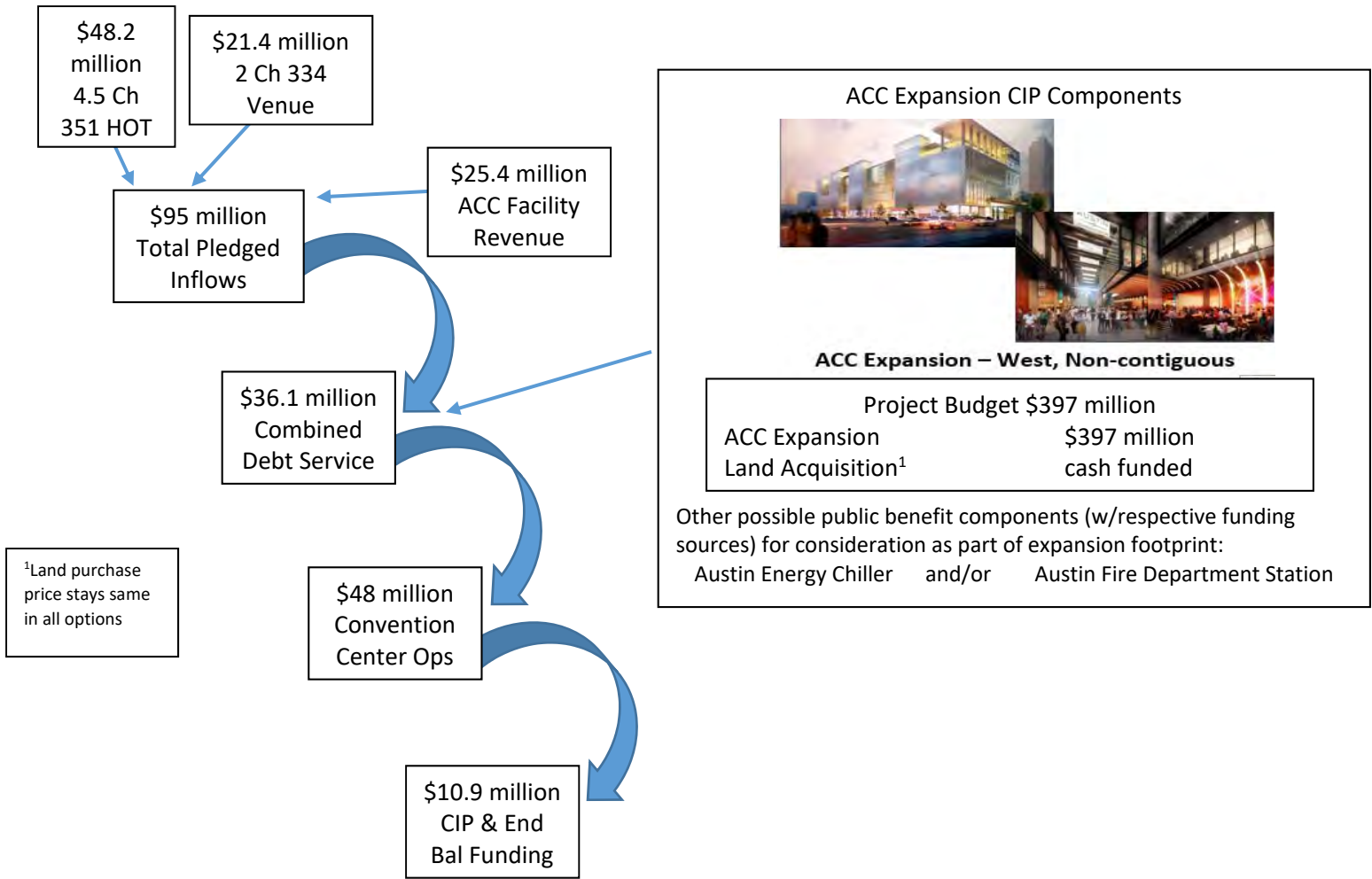
FINANCING CONCEPTS

Explanation of Flow of Fund Illustration Pages

The header explains the structure of the option, in terms of tax rate and type, duration of current venue, project fund capacity, approval requirements.

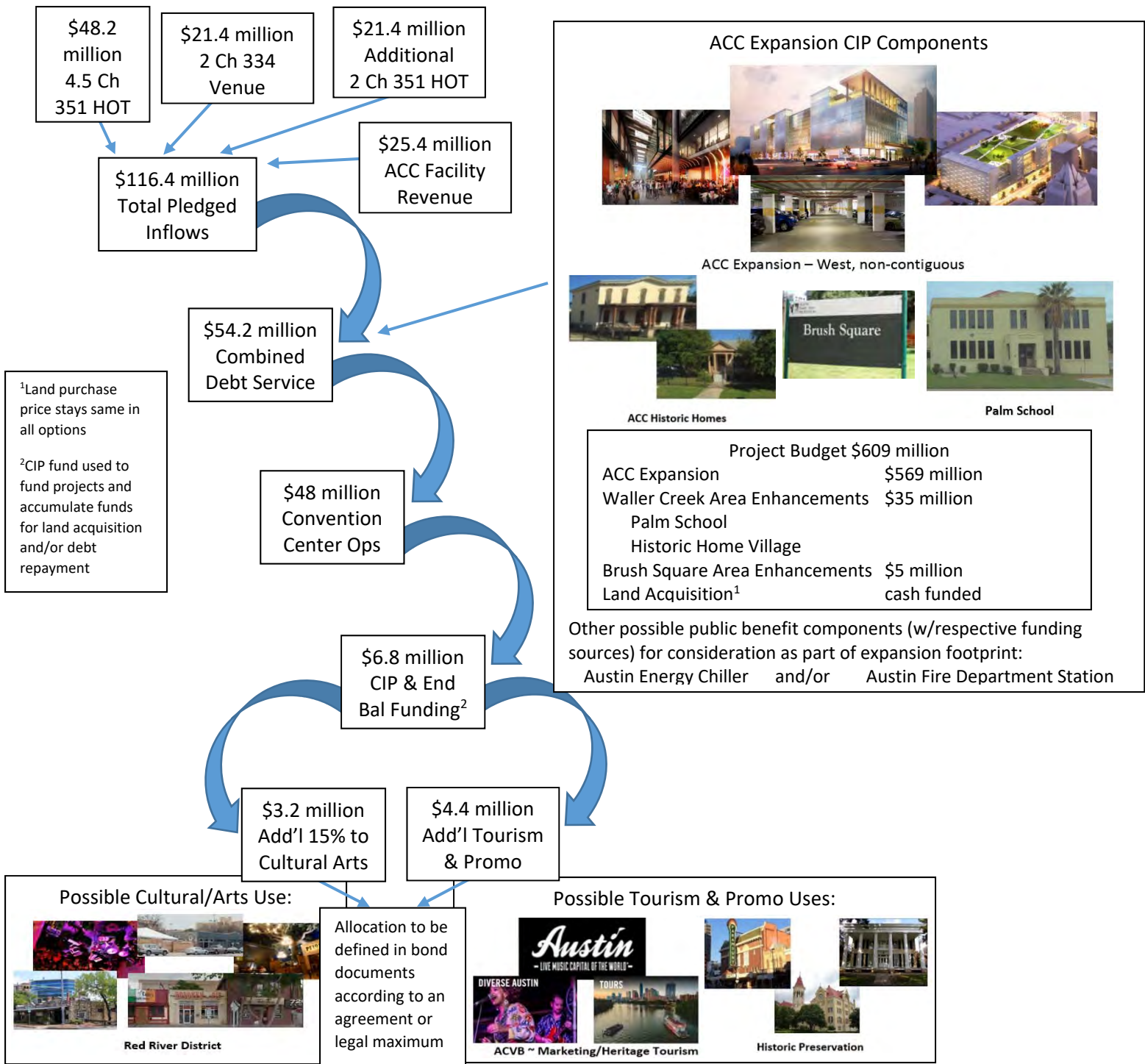


Section at bottom of page illustrates how the option depicted above impacts the options available for a TPID and/or another venue, in terms of timing, rate, estimated dollar amounts.



Example of Flow of Funds – Additional 2% Ch 351 HOT, 2% Venue Expires in 2030 –
 Total Project Budget \$609 million – Estimates in first full year of new debt service
 Requires Council approval only (not voter approval)

Option 2 a



In 2030*, when venue debt paid off:

TPID –2% available in 2030 (estimated \$21.4 million per year), or
 County venue 2%, or
 Combo of any, up to 2%, unless support for higher

*Council could begin making decisions regarding a TPID for future assessment now.

Note: Amount based on current HOT collections, but actual capacity would be based on revised numbers.

If new 2% venue approved, estimated project funds are \$215 million

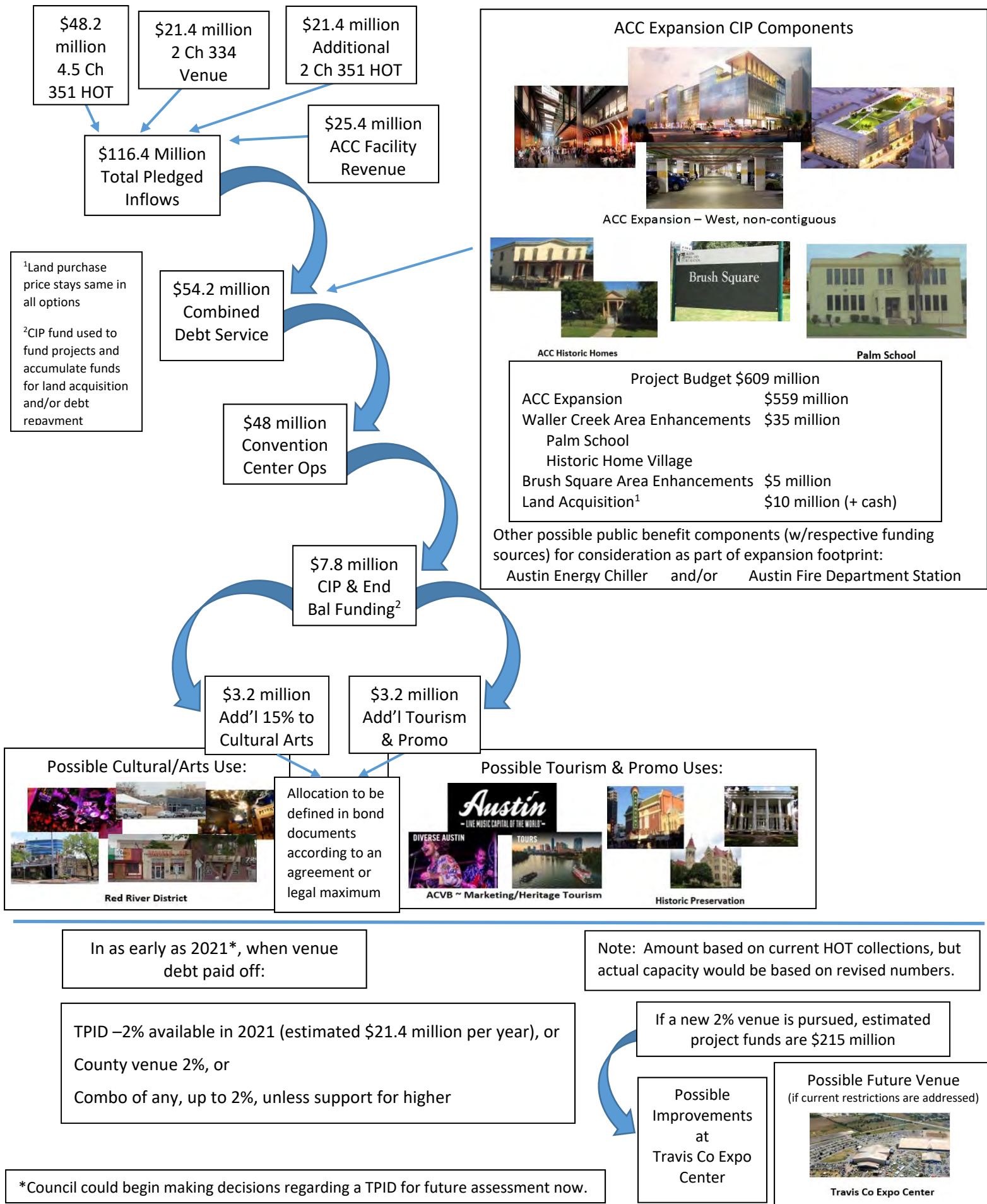
Possible Improvements at Travis Co Expo Center

Possible Future Venue (if current restrictions are addressed)

Travis Co Expo Center

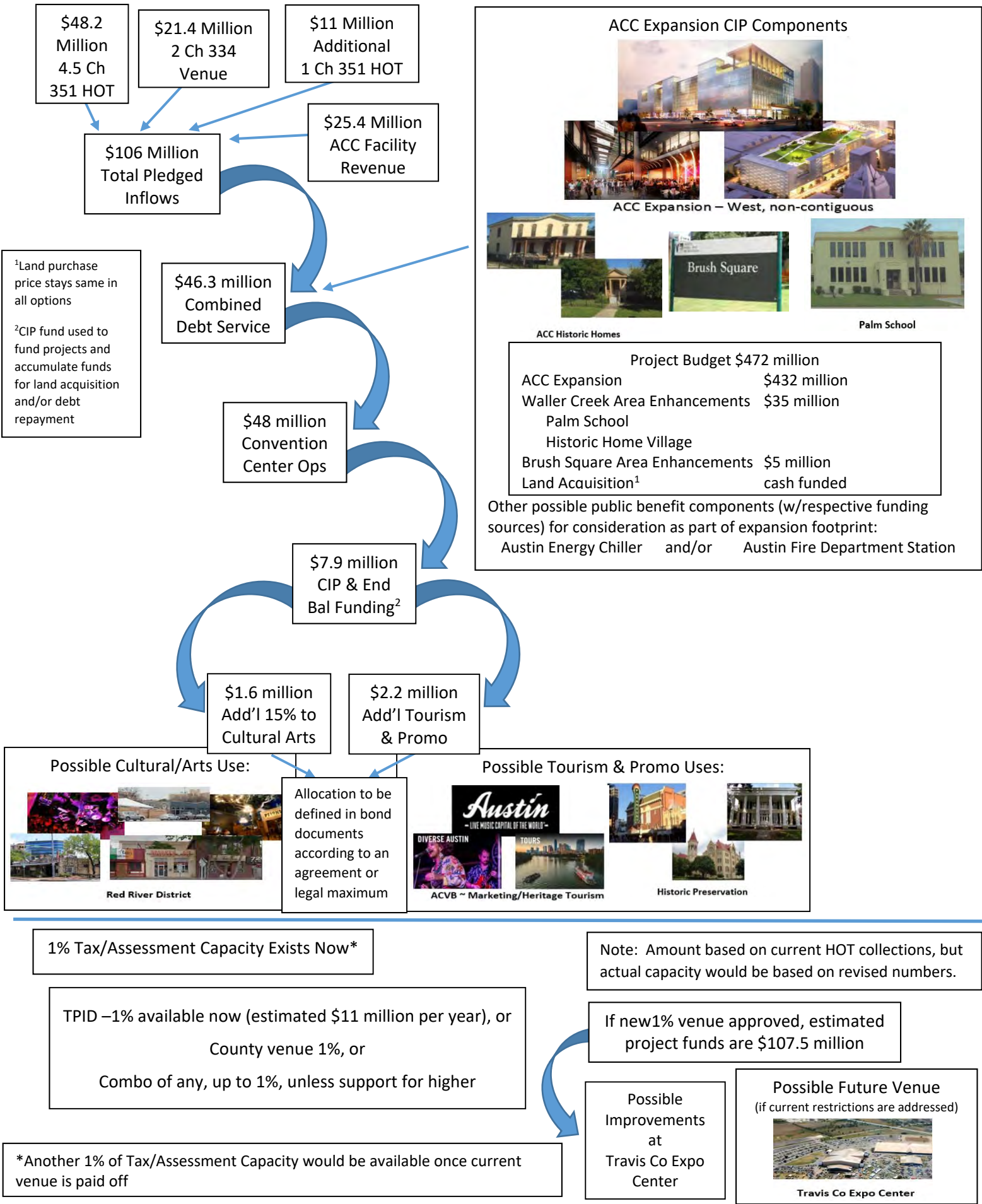
Example of Flow of Funds – Additional 2% Ch 351 HOT, 2% Venue Expires in 2021 –
 Total Project Budget \$609 million – Estimates in first full year of new debt service
 Requires Council approval only (not voter approval)

Option 2 b



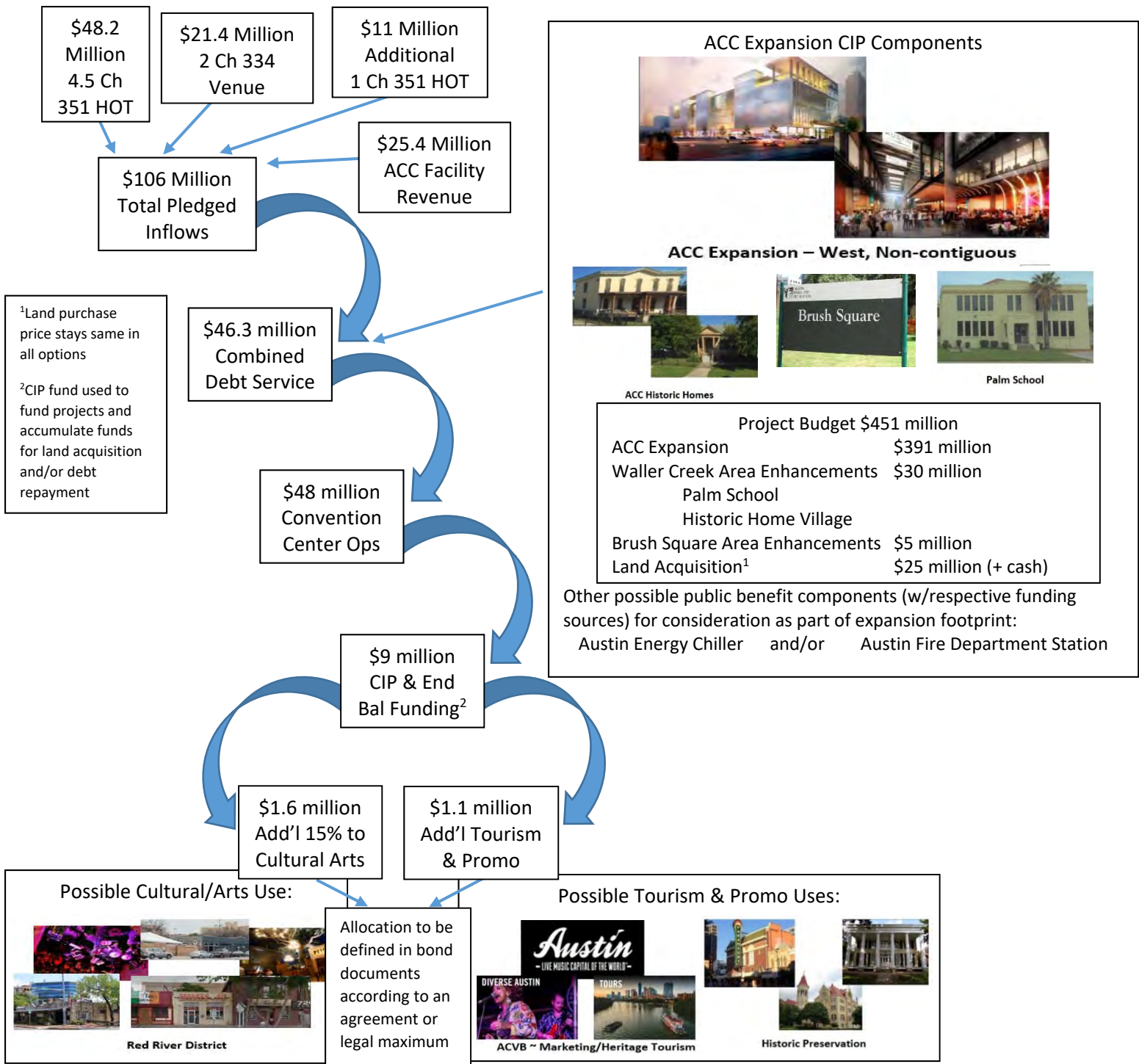
Example of Flow of Funds – Additional 1% Ch 351 HOT, 2% Venue Expires in 2030 –
 Total Project Budget **\$472 million** – Estimates in first full year of new debt service
 Requires Council approval only (not voter approval)

Option 3 a



Example of Flow of Funds – Additional 1% Ch 351 HOT, 2% Venue Expires in 2021 –
 Total Project Budget **\$451 million** – Estimates in first full year of new debt service
 Requires Council approval only (not voter approval)

Option 3 b



1% Tax/Assessment Capacity Exists Now*

TPID –1% available now (estimated \$11 million per year), or
 County venue 1%, or
 Combo of any, up to 1%, unless support for higher

*Another 1% of Tax/Assessment Capacity would be available once current venue is paid off, in as early as 2021.

Note: Amount based on current HOT collections, but actual capacity would be based on revised numbers.

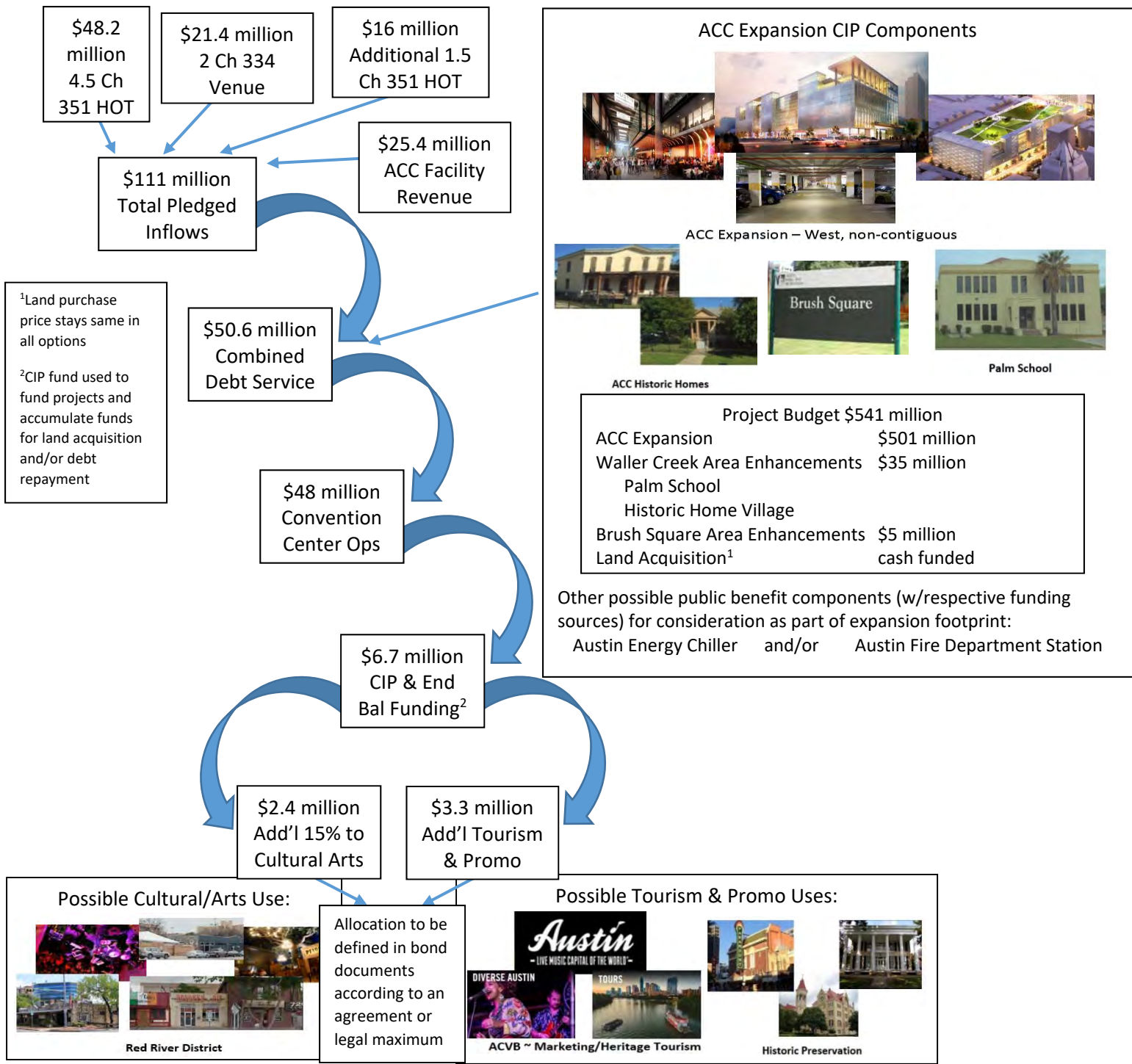
If a new 1% venue is pursued, estimated project funds are \$107.5 million

Possible Improvements at Travis Co Expo Center

Possible Future Venue (if current restrictions are addressed)
 Travis Co Expo Center

Example of Flow of Funds – Additional 1.5% Ch 351 HOT, 2% Venue Expires in 2030 –
 Total Project Budget **\$541 million** – Estimates in first full year of new debt service
 Requires Council approval only (not voter approval)

Option 4 a



0.5% Tax/Assessment Capacity Exists Now*

Note: Amount based on current HOT collections, but actual capacity would be based on revised numbers.

TPID – 0.5% available now (estimated at \$5 million per year), or
 County Venue 0.5%, or
 Combo of any, up to 0.5%, unless support for higher

If new 0.5% Venue approved, estimated project funds are \$53.75 million

*Another 1.5% of Tax/Assessment Capacity would be available once current venue is paid off

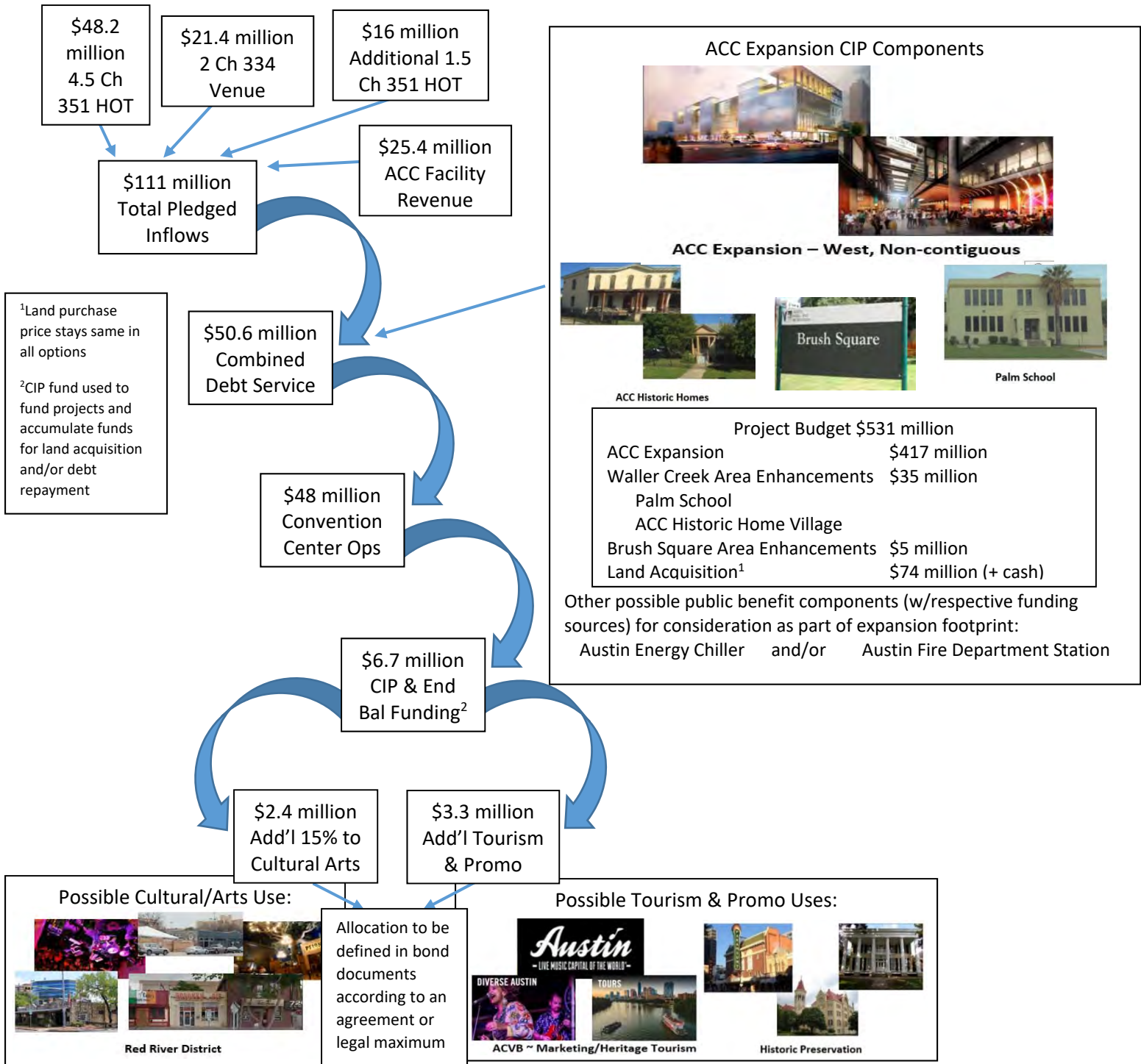
Possible Improvements at Travis Co Expo Center

Possible Future Venue (if current restrictions are addressed)

Travis Co Expo Center

Example of Flow of Funds – Additional 1.5% Ch 351 HOT, 2% Venue Expires in 2021 –
 Total Project Budget **\$531 million** – Estimates in first full year of new debt service
 Requires Council approval only (not voter approval)

Option 4 b



0.5% Tax/Assessment Capacity Exists Now*

TPID – 0.5% available now (estimated at \$5 million per yr), or
 County Venue 0.5%, or
 Combo of any, up to 0.5%, unless support for higher

*Another 1.5% of Tax/Assessment Capacity would be available once current venue is paid off, in as early as 2021.

Note: Amount based on current HOT collections, but actual capacity would be based on revised numbers.

If new 0.5% Venue approved, estimated project funds are \$53.75 million

Possible Improvements at Travis Co Expo Center

Possible Future Venue (if current restrictions are addressed)

Travis Co Expo Center

PRELIMINARY TRAFFIC ANALYSIS



Trip Generation Report

Austin Convention Center Expansion

Austin, Texas

November 22, 2016

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Trip Generation Report

Austin Convention Center Expansion

Austin, Texas
November 22, 2016



Prepared for
City of Austin

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Introduction

The Austin Convention Center is located in downtown Austin, north of Cesar Chavez Street, south of 4th Street, east of Trinity Street, and west of Red River Street, as shown in Figure 1. The Convention Center currently consists of the following facilities:

- 247,000 square feet (SF) of exhibition space
- 63,920 SF of ballroom space
- 55,800 SF of meeting space

The City of Austin is considering an expansion of the Convention Center in order to keep up with the City's growth and to maintain and strengthen the Convention Center's success in drawing events to Austin. The proposed expansion would occur on land obtained by the City to the west of the current Convention Center, across Trinity Street, as shown in Figure 1. Existing retail uses occupy the proposed expansion area. Street-level retail is also proposed to be included in the Convention Center expansion. To provide a conservative analysis, the existing retail trips were assumed to remain under the expansion scenario.

The proposed expanded Convention Center would have the following facilities:

- 447,000 SF of exhibition space (200,000 SF added)
- 120,600 SF of ballroom space (56,680 SF added)
- 120,800 SF of meeting space (65,000 SF added)

The Convention Center is serviced by two Convention Center Garages; one is at 2nd Street, with 1,010 parking spaces, and the other is at 5th street, with 685 parking spaces. The garage locations are shown in Figure 1.

The purpose of this report is to document the number of additional vehicular trips that would be generated by a proposed expansion of the Austin Convention Center.

Methodology and Analysis

Existing Land Use – Expansion Area

The Convention Center Team provided HDR with a list of existing businesses currently located in the area of the proposed expansion. HDR field-verified the land uses of the listed businesses, and then determined square-footage estimates using GIS, aerial imagery, and information from the Travis Central Appraisal District. Methodology and data contained in the Institute of Transportation Engineers Trip Generation, 9th Edition (Ref. 1) was used to estimate the total vehicular trips per day, as well as the peak hour traffic associated with the existing retail uses. Table 1 provides a summary of the unadjusted existing land use trip generation; further detail on the land use information is provided in the appendix.



FIGURE 1
AREA LOCATION MAP

Table 1. Summary of Unadjusted Retail Trip Generation

Land Use	Size	24-Hour Two Way Volume	AM Peak Hour		PM Peak Hour		Saturday Peak Hour	
			Enter	Exit	Enter	Exit	Enter	Exit
High-Turnover Restaurant	62,309 SF	7,923	370	303	368	245	465	412
Quality Restaurant	22,147 SF	1,992	-	-	111	55	141	98
Drinking Place	9,186 SF	-	-	-	69	35	-	-
Single Tenant Office Building	9,193 SF	107	15	2	2	14	-	-
Specialty Retail Center	12,340 SF	547	41	44	12	15	259	259
Existing Retail Total	115,175 SF	10,569	426	349	562	364	865	769

Existing Land Use – Convention Center

The next step in the analysis was to calculate daily and peak hour trips generated by the existing Convention Center. Because convention centers are not a common land use, the Institute of Transportation Engineers Trip Generation does not provide an estimate of traffic production. The methodology of similar convention center studies conducted in Spokane, Niagara Falls, and Washington D.C was researched to provide a basis for the trip generation process (Ref. 2, 3, and 4, respectively). HDR reviewed and analyzed parking and event attendance information provided by the Convention Center Team to estimate the number of attendees and vehicles that a typical event and a maximum-size event, excluding South by Southwest (SXSW), generate. The daily attendance numbers and resulting unadjusted trip generation information are shown in Table 2.

Table 2. Summary of Unadjusted Convention Center Trip Generation

Scenario	Size	24-Hour Two Way Volume	AM Peak Hour		PM Peak Hour		Saturday Peak Hour	
			Enter	Exit	Enter	Exit	Enter	Exit
Existing Convention Center – Maximum Event (excl. SXSW)	8,500 attendees	21,250	8,075	425	425	8,075	425	8,075
Existing Convention Center – Average Event	3,600 attendees	9,000	3,420	180	180	3,420	180	3,420

The Convention Center Team provided parking data for the City garages on 2nd Street and 5th Street, with locations shown in Figure 1. The data provided included a comparison of the vehicles utilizing the garages during Convention Center event days and non-event days. The parking information is summarized in Table 3.

Table 3. Event Parking Information Summary

Description	Daily Vehicles
Non-Event Weekday Usage (26 days per year)	914
Event Weekday Usage (218 days per year)	1,209
Average vehicles added per event	295

Trip Reductions

Many Convention Center event attendees walk, ride transit, or carpool, so reductions were applied to the attendance numbers in order to estimate the number of vehicular trips produced by the event. The methodology of similar convention center studies conducted in Spokane, Niagara Falls, and Washington D.C was researched. These studies, along with engineering judgment, analysis of parking data, and input from Convention Center Team staff, helped to determine suitable trip reduction rates. Further descriptions of reductions are provided below.

Pass-By Capture

Studies have shown that retail land uses will capture between twenty and sixty percent of their traffic as pass-by trips, depending upon their size. Pass-by capture encompasses vehicles whose primary destination is not that of the site, but instead divert to the site from their existing route (i.e. these vehicles are already on the street network in absence of the site). It is well-documented that many other land uses also experience significant pass-by trip capture, such as drive-in banks and restaurants. The amount of trip reduction that each tract may attribute to the pass by phenomenon will depend directly on the type of land use that is developed. Based on information contained in the Institute of Traffic Engineers Trip Generation, pass-by reductions were assumed for the existing retail uses as shown in Table 4.

Table 4. Pass-by Reduction Summary

Description	AM Reduction	PM Reduction	Saturday Reduction
High-Turnover (Sit-Down) Restaurant	0%	43%	0%
Quality Restaurant	0%	44%	0%

Transit Reduction

Individuals destined to and from the Convention Center and adjacent retail sites in the expansion area may use public transportation to attend events and businesses in the area. Event attendees may use shuttles to access the Convention Center. The transit reductions were assumed for the land uses during all peak periods as shown in Table 5.

Table 5. Transit Reduction Summary

Description	Reduction
High-Turnover (Sit-Down) Restaurant	10%
Quality Restaurant	10%
Drinking Place	10%
Single Tenant Office Building	10%
Specialty Retail Center	10%
Convention Center	15%

Pedestrian and Bicycle Reduction

Individuals travelling to and from the Convention Center and adjacent retail sites in the expansion area may walk or bicycle to these destinations. The Convention Center is located downtown in a very walkable location near many hotels, residential, and office uses, and therefore experiences a significant pedestrian and bicycle reduction. Pedestrian and bicycle reductions were assumed for the land uses during all peak periods as shown in Table 6.

Table 6. Pedestrian and Bicycle Reduction Summary

Description	Reduction
High-Turnover (Sit-Down) Restaurant	15%
Quality Restaurant	15%
Drinking Place	15%
Single Tenant Office Building	15%
Specialty Retail Center	15%
Convention Center	60%

Carpool Reduction

Individuals destined to and from events at the Convention Center will carpool, reducing the number of vehicular trips. Similar convention center studies and guidance from the Convention Center Team indicate that the average vehicle occupancy to events at the Convention Center is 2.25 persons per vehicle.

Existing Land Uses - Adjusted Trip Generation

Tables 1 and 2 above show the total unadjusted trips that would be added to the street network in the absence of transit, pedestrian, bicycle, and carpooling trip reductions. In the central business district and for event scenarios at convention centers, these reductions significantly decrease the demand on the street network. With the

documented reductions, Tables 7 and 8 show the estimated number of vehicular trips the existing retail uses and Convention Center, respectively, contribute to the downtown street network.

Table 7. Summary of Adjusted Retail Trip Generation

Land Use	Size	24-Hour Two Way Volume	AM Peak Hour		PM Peak Hour		Saturday Peak Hour	
			Enter	Exit	Enter	Exit	Enter	Exit
High-Turnover Restaurant	62,309 SF	4,664	278	227	157	105	348	309
Quality Restaurant	22,147 SF	837	-	-	47	23	106	74
Drinking Place	9,186 SF	-	-	-	52	27	-	-
Single Tenant Office Building	9,193 SF	80	11	1	2	10	-	-
Specialty Retail Center	12,340 SF	410	30	33	9	11	195	195
Existing Retail Total	115,175 SF	5,992	319	261	267	176	649	578

Table 8. Summary of Adjusted Convention Center Trip Generation

Scenario	Size	24-Hour Two Way Volume	AM Peak Hour		PM Peak Hour		Saturday Peak Hour	
			Enter	Exit	Enter	Exit	Enter	Exit
Existing Convention Center – Maximum Event (excl. SXSW)	8,500 attendees	2,361	897	47	47	897	47	897
Existing Convention Center – Average Event	3,600 attendees	1,000	380	20	20	380	20	380

Determining the number of trips generated by the existing Convention Center was essential in finding the trip generation rate for the proposed expansion of the Convention Center. As shown in Table 8, the equations indicate that approximately 400 vehicles are added to the street network during the AM and PM peak traffic periods during an average event. A review of parking data provided by the Convention Center Team, summarized in Table 3, indicated that an average event added 295 vehicles per day to the City garages on 2nd Street and 5th Street. Considering that some vehicles would use street parking in the area, this number supports the equations developed to estimate the number of vehicle trips generated by the Convention Center.

Expansion Scenario

After the existing Convention Center trip generation was determined, the proposed expansion scenario was analyzed. Floor space is proposed to be added for Convention Center events. It was assumed that both the maximum and average event sizes would double based on the expansion.

The Convention Center was assumed to have the following floor areas after expansion:

- 447,000 SF of exhibition space (200,000 SF added)
- 120,600 SF of ballroom space (56,680 SF added)
- 120,800 SF of meeting space (65,000 SF added)

Street-level retail uses would be included in the expansion. To provide a conservative analysis, the existing retail trips were assumed to remain. The daily attendance numbers and resulting unadjusted trip generation information for the Convention Center, after the proposed expansion, are shown in Table 9. With the documented reductions, Table 10 shows the estimated number of vehicular trips the expanded Convention Center would contribute to the downtown street network.

Table 9. Summary of Unadjusted Expanded Convention Center Trip Generation

Scenario	Size	24-Hour Two Way Volume	AM Peak Hour		PM Peak Hour		Saturday Peak Hour	
			Enter	Exit	Enter	Exit	Enter	Exit
Expanded Convention Center – Maximum Event (excl. SXSW)	17,000 attendees	42,500	16,150	850	850	16,150	850	16,150
Expanded Convention Center – Average Event	7,200 attendees	18,000	6,840	360	360	6,840	360	6,840

Table 10. Summary of Adjusted Expanded Convention Center Trip Generation

Scenario	Size	24-Hour Two Way Volume	AM Peak Hour		PM Peak Hour		Saturday Peak Hour	
			Enter	Exit	Enter	Exit	Enter	Exit
Expanded Convention Center – Maximum Event (excl. SXSW)	17,000 attendees	4,722	1,794	94	94	1,794	94	1,794
Expanded Convention Center – Average Event	7,200 attendees	2,000	760	40	40	760	40	760

Summary and Results

Under the proposed expansion scenario, the number of trips destined to and from the Convention Center would double. This would result in a total of 4,722 and 2,000 vehicle trips per day for a maximum or average-sized event, respectively, as shown in Table 10. Street-level retail uses will be incorporated into the proposed expansion, so the 5,992 adjusted trips generated by the expansion-area retail uses, shown in Table 7, are also assumed to remain on the street network. Table 11 summarizes the total number of trips generated by the expansion-area retail uses and the convention center during an average-sized event. As shown in Table 11, the proposed expansion would add 1,000 vehicle trips per day to the street network during an average-sized event. The appendix provides further detail on existing land uses, as well as trip generation methods and reductions for existing retail uses and the Convention Center.

Table 11. Summary of Adjusted Convention Center and Retail Trip Generation

Scenario	Size	24-Hour Two Way Volume	AM Peak Hour		PM Peak Hour		Saturday Peak Hour	
			Enter	Exit	Enter	Exit	Enter	Exit
Existing Retail Uses Total	115,175 SF	5,992	319	262	266	176	649	577
Existing Convention Center - Average Event	3,600 attendees	1,000	380	20	20	380	20	380
Existing Trips Total		6,992	699	282	286	556	669	957
Proposed Retail Uses Total	115,175 SF	5,992	319	262	266	176	649	577
Expanded Convention Center - Average Event	7,200 attendees	2,000	760	40	40	760	40	760
Proposed Trips Total		7,992	1,079	302	306	936	689	1,337
Difference in Proposed and Existing Trips		1,000	380	20	20	380	20	380

References

1. Institute of Transportation Engineers
2012 Trip Generation Manual, An Informational Report, 9th Edition, Washington D.C.
2. Intermountain Transportation Solutions
2013 Convention Center Phase II Expansion, Trip Generation Confirmation Letter and Impact Fee Estimate, Spokane, Washington
3. NYS Urban Development Corporation
2002 Niagara Falls Convention and Conference Center Civic Project State Environmental SEQRA Environmental Assessment Form, Niagara Falls, New York
4. National Capital Planning Commission Washington Convention Center Authority
1997 Environmental Impact Statement for the New Washington Convention Center, Washington, D.C.

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Appendix A. Technical Addendum

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AUSTIN CONVENTION CENTER
TRIP GENERATION COMPARISON

Summary of Unadjusted Daily and Peak Hour Trip Generation

Land Use	Size	24-Hour Two Way Volume	AM Peak Hour		PM Peak Hour		Saturday Peak Hour	
			Enter	Exit	Enter	Exit	Enter	Exit
High-Turnover (Sit-Down) Restaurant	62,309 SF	7,923	370	303	368	245	465	412
Quality Restaurant	22,147 SF	1,992	-	-	111	55	141	98
Drinking Place	9,186 SF	-	-	-	69	35	-	-
Single Tenant Office Building	9,193 SF	107	15	2	2	14	-	-
Specialty Retail Center	12,340 SF	547	41	44	12	15	259	259
Existing Uses Total	115,175 SF	10,569	426	349	562	364	865	769
Existing Convention Center - Maximum Event Size¹	8,500 attendees	21,250	8,075	425	425	8,075	425	8,075
Existing Convention Center - Average Event Size	3,600 attendees	9,000	3,420	180	180	3,420	180	3,420
Alternative 1 - Convention Expansion - Maximum Event¹	17,000 attendees	42,500	16,150	850	850	16,150	850	16,150
Alternative 1 - Convention Expansion - Average Event	7,200 attendees	18,000	6,840	360	360	6,840	360	6,840
Alternative 2 - Condominiums²	250 DU	1,045	19	82	62	38	38	50

Notes:

- 1) Excludes SXS
- 2) Depicts an example of trip generation based on another possible land use

Summary of Adjusted Daily and Peak Hour Trip Generation

Land Use	Size	24-Hour Two Way Volume	AM Trip Reductions		AM Peak Hour Trips		PM Trip Reductions		PM Peak Hour Trips		Saturday Trip Reductions		Saturday Peak Hour Trips	
			Pass-By %	Transit/Walk %	Enter	Exit	Pass-By %	Transit/Walk %	Enter	Exit	Pass-By %	Transit/Walk %	Enter	Exit
High-Turnover (Sit-Down) Restaurant	62,309 SF	4,664	0%	25%	278	227	43%	25%	157	105	0%	25%	348	309
Quality Restaurant	22,147 SF	837	0%	25%	-	-	44%	25%	47	23	0%	25%	106	74
Drinking Place	9,186 SF	-	0%	25%	-	-	0%	25%	52	27	0%	25%	-	-
Single Tenant Office Building	9,193 SF	80	0%	25%	11	1	0%	25%	2	10	0%	25%	-	-
Specialty Retail Center	9,870 SF	410	0%	25%	30	33	0%	25%	9	11	0%	25%	195	195
Existing Land Uses Total	115,175 SF	5,991			319	261			267	176			649	578
Existing Convention Center - Maximum Event Size¹	8,500 attendees	2,361	0%	75%	897	47	0%	75%	47	897	0%	75%	47	897
Existing Convention Center - Average Event Size	3,600 attendees	1,000	0%	75%	380	20	0%	75%	20	380	0%	75%	20	380
Alternative 1 - Convention Expansion - Maximum Event¹	17,000 attendees	4,722	0%	75%	1,794	94	0%	75%	94	1,794	0%	75%	94	1,794
Alternative 1 - Convention Expansion - Average Event	7,200 attendees	2,000	0%	75%	760	40	0%	75%	40	760	0%	75%	40	760
Alternative 2 - Condominiums²	250 DU	784	0%	25%	14	62	0%	25%	47	29	0%	25%	29	38

Notes:

- 1) Excludes SXS
- 2) Depicts an example of trip generation based on another possible land use

AUSTIN CONVENTION CENTER
TRIP GENERATION COMPARISON

Austin Convention Center Existing Trip Generation Information

Site Information				
Attendance Scenario		Peak attendance ¹		Average Daily Attendance
Land Use		Convention Center		Convention Center
Total Square Footage of Facility		366,720	SF Total	366,720 SF Total
	Convention Area	247,000	SF	247,000 SF
	Ballroom Area	63,920	SF	63,920 SF
	Meeting Area	55,800	SF	55,800 SF
Daily Attendance		8,500 Persons		3,600 Persons
Peak Traffic Period and Analysis Assumptions				
Peak Traffic Periods		AM and PM Weekday Peak		AM and PM Weekday Peak
Daily Convention Attendee Trips ²		2.5 Trips / Person		2.5 Trips / Person
Peak Trip Generation				
Assumed Average Occupancy Per Vehicle ³		2.25	Persons / Vehicle	2.25 Persons / Vehicle
Assumed transit and pedestrian reduction		75%		75%
	Transit/shuttle ⁴	15%		15%
	Walk/Bike ⁵	60%		60%
Daily Unadjusted Automobile Trips generated by event		21,250		9,000
Daily Adjusted Automobile Trips generated by event		2,361	Trips / Day	1,000 Trips / Day
Percent of daily trips occurring during each peak hour ⁶ :				
	AM Peak Hour	40%		40%
	PM Peak Hour	40%		40%
Directional Distribution:				
	AM Entering ⁷	95%		95%
	AM Exiting ⁸	5%		5%
	PM Entering ⁹	5%		5%
	PM Exiting ¹⁰	95%		95%
Total Unadjusted Automobile Trips during each peak:				
	AM Entering	8,075	Trips	3,420 Trips
	AM Exiting	425	Trips	180 Trips
	PM Entering	425	Trips	180 Trips
	PM Exiting	8,075	Trips	3,420 Trips
Total Adjusted Automobile Trips during each peak:				
	AM Entering	897	Trips	380 Trips
	AM Exiting	47	Trips	20 Trips
	PM Entering	47	Trips	20 Trips
	PM Exiting	897	Trips	380 Trips

- Notes:
- 1) Peak attendance for an all-day major event such as the Austin Home and Garden Show or the Austin National College Fair, excluding SXSW
 - 1a) Based on a review of event data for the Austin Convention Center between 2013 and 2015
 - 2) Includes 1 trip to and from the event, and an extra 25% margin for lunch-runs, ticket acquisitions, and employee trips (Sources A,B)
 - 3) Source A uses 1.5, source B uses 2.0, and source C uses 1.93. 2.25 was used based on guidance from the Convention Center Team
 - 4) Source A uses 22%, source B uses 10%, and source C uses 56%
 - 5) Source A uses 55%, source B uses 25%, and source C uses 32%. 60% was used based on guidance from the Convention Center Team
 - 6) I.e., 20% of trips occur during non-peak hours, while 40% occur during each peak
 - 7) Source A uses 95%, source B uses 80%, and source C uses 98%
 - 8) Source A uses 5%, source B uses 20%, and source C uses 2%
 - 9) Source A uses 95%, source B uses 80%, and source C uses 93%
 - 10) Source A uses 5%, source B uses 20%, and source C uses 7%

- Sources:
- A) Convention Center Phase II Expansion, Trip Generation Confirmation Letter and Impact Fee Estimate, Intermountain Transportation Solutions, Spokane, Washington, 2013
 - B) Niagara Falls Convention and Conference Center Civic Project State Environmental SEQRA Environmental Assessment Form, Niagara Falls, New York, 2002 (p. 32)
 - C) Environmental Impact Statement for the New Washington Convention Center, National Capital Planning Commission Washington Convention Center Authority, Washington, D.C., 1997 (p. 4-127)

AUSTIN CONVENTION CENTER
TRIP GENERATION COMPARISON

Austin Convention Center - Adjacent Land Use Summary

Name of Company/Restaurant	Location	Land Use	ITE Code	SF	Notes
Vince Young's Steakhouse	301 San Jacinto Blvd	Quality Restaurant	931	11,844	Only open for dinner
Thomas Printworks	304 E 3rd St	Specialty Retail Center	826	9,870	
Personal Wine	306 E 3rd St	Specialty Retail Center	826	2,467	Open until 5 (Share same space)
The Red Room		Drinking Place	925		Open after 5 (Share same space)
Construction Office	N/A	Single Tenant Office Building	715	493	
Entertainment Venue				3,680	Currently Vacant, known use for SXSW (will not include in TripGen)
Max's Wine Dive Up	207 San Jacinto Blvd	High-Turnover restaurant	932	25,624	Since all are the same Land Use, combined the SF
Mai Thai	207 San Jacinto Blvd	High-Turnover restaurant	932		
Piranha Killer Sushi	207 San Jacinto Blvd	High-Turnover restaurant	932		
Fogo de Chao Brazilian Steakhouse	309 E 3rd St	High-Turnover restaurant	932	10,364	60% of building total SF assumed
World Class Capital Group		Single Tenant Office Building	715	6,909	Real Estate Firm (40% of building total SF assumed)
PF Changs	201 San Jacinto Blvd	High-Turnover restaurant	932	6,947	
Fleming's Prime Steakhouse and Wine Bar	320 E 2nd St	Quality Restaurant	931	10,304	Only open for dinner
Revival Public House	340 E 2nd St	High-Turnover restaurant	932	7,849	Only open for dinner on weekdays, open all day on weekends
Gus's Fried Chicken	117 San Jacinto Blvd	High-Turnover restaurant	932	3,269	
Brass House	115 San Jacinto Blvd	Quality Restaurant/Drinking Place	931/925	6,719	Being Conservative in whichever Land Use generates more trips
Michelada's Café y Cantina	335 E 2nd St	High-Turnover restaurant	932	8,257	2-Stories
Knight Real Estate	307 E 2nd St	Single Tenant Office Building	715	1,790	Building is a Single-Family House

**Austin Convention Center - Adjacent Land Use Summary
Roll Up**

Land Use	ITE Code	SF
High-Turnover Restaurant	932	62,310
Quality Restaurant	931	22,148
Drinking Place	925	9,186
Single Tenant Office Building	715	9,192
Specialty Retail Center (Not including Personal Wine)	826	9,870
Specialty Retail Center (AM ONLY)	826	2,467



FY 2015
Austin Convention Center Department
2nd Street and 5th Street Parking Garage Results

Average Daily Amount of Vehicles in Both Garages		Tab	Notes
365 days	1,192	7	All days
364 days (because no info on Sunday, 9/27/15)	1,196	7	
350 days (without SXSW and 1 day with no information)	1,151	15	
261 days Mon. - Fri.	1,206	13	Mon. - Fri.
251 days Mon. - Fri. (no SXSW days) (includes monthly, EGRSO, and Employees)	1,157	17	
SXSW (Mon. - Friday) (10 days) (including monthly, EGRSO, Employees)	2,440	3	SXSW
SXSW (Mon. - Friday) (10 days) (without monthly, EGRSO, Employees)	1,981	3	
Monthly Parking (Mon. - Fri.)	458	7	Monthly
Monthly, EGRSO, and Employee Parking (Mon. - Friday)	463	8	
103 days (Sat. and Sun. not including Sun. 9/27/15)	1,169	14	Sat. & Sun
104 days (Sat. and Sun.) including Sun. 9/27/15	1,158	14	
99 days (Sat. and Sun. not including Sun. 9/27/16 and 2 SXSW Sat. and 2 SXSW Sun.	1,134	16	
100 days (Sat. and Sun. including 9/27/16) but not the 4 SXSW days	1,110	16	
Non-event (Mon. -Friday) 26 days (included monthly's, EGRSO, and Employees)	914	4	A
Non-event (Mon. -Friday) 26 days (without monthly's, EGRSO, and employees)	451	4	B
Event (Mon. - Fri.) 218 days (including monthlys, EGRSO, Employees)	1,209	8	C
Event (Mon. - Friday) 218 days (including "other non-ACC events" and without monthly's, EGRSO, Employees)	745	8	D
Event (Mon. - Friday) 218 days (without monthly, EGRSO, and employees) with 43 Fridays detailed out	617	8	
Event's 43 Fridays other events only	651	8	
Impact of Events on Mondays - Fridays			
Difference between Event and Non-Event days = C-A	295		
or			
Difference between Event and Non-Event days (without monthly, EGRSO, employees) and with other events taken out on Fridays= D-B	294		
Number of days (Monday - Friday) that either the 2nd or 5th St. garages were filled to capacity. Note: 2 of the 15 days were on Fridays.	15	18	

PRESENTATIONS

AUSTIN

CONVENTION CENTER



City of Austin
Districts 1 & 3
Town Hall Meeting
August 27, 2016

AUSTIN CONVENTION CENTER TOWN HALL

Today's Agenda

- The WHY of Convention Centers
- The WHY of the Master Plan
- Convention Center Expansion Plan
- Mini-Vision Session
- Questions and Answers

THE WHY OF CONVENTION CENTERS

History of Austin Convention Center

- 1992 – Original Convention Center opened
- 1999 – Convention Center Northside expansion started
 - Funded with 2% Hotel Occupancy Tax (HOT)
 - also used to fund part of Waller Creek Tunnel
 - Approximately \$130 million still owed
 - \$16.5 million in annual debt service (no property tax used)
 - 2029 – retirement date of debt and 2% Venue HOT
- 2002 – Northside expansion completed

THE WHY OF CONVENTION CENTERS

The Austin Convention Center is...

- An Enterprise Department of the City of Austin
- A revenue generator and job provider department
- Not funded by property taxes, sales taxes or through transfers from the electric or water utilities

THE WHY OF CONVENTION CENTERS

- Local Travel-Generated Tax revenues
 - Taxes from Hotel Occupancy, Rental Car, Sales, & Property
 - Reported amounts from the State include taxes generated from both visitors and residents/businesses within the tourism industry
 - 2015 Estimated Local Tax Impact of \$192.5 million* – including:
 - \$79.4 million in Hotel Occupancy Tax
 - \$ 8.9 million in Rental Car Tax
 - \$33-38 million in City's General Fund Taxes – Sales & Property

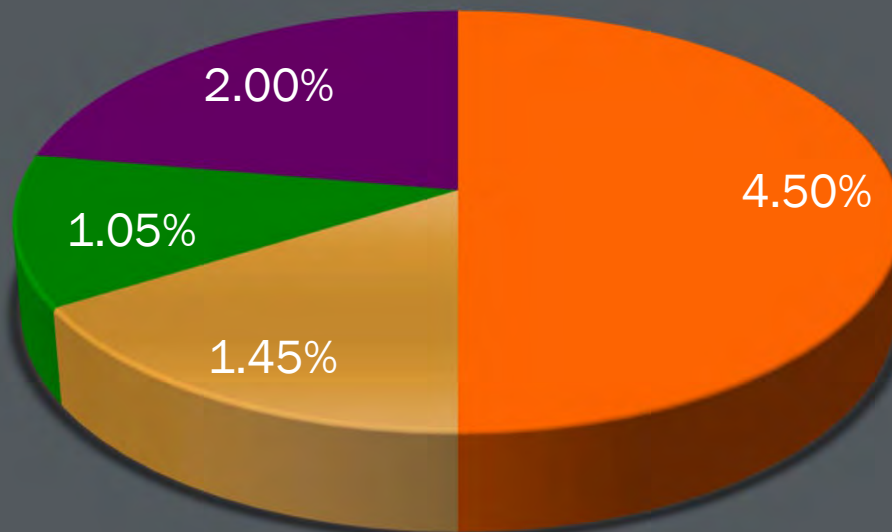
* data from State of Texas Office of Governor, Economic Development and Tourism Estimates, July 2016



THE WHY OF CONVENTION CENTERS

- Hotel Occupancy Tax (HOT) – Closer Look
 - HOT uses governed by Texas State Tax Code, City Code and Bond Covenants

9% HOT Distribution



- ACC Facility/Ops
- ACVB Sales/Marketing
- Cultural Arts
- ACC Venue

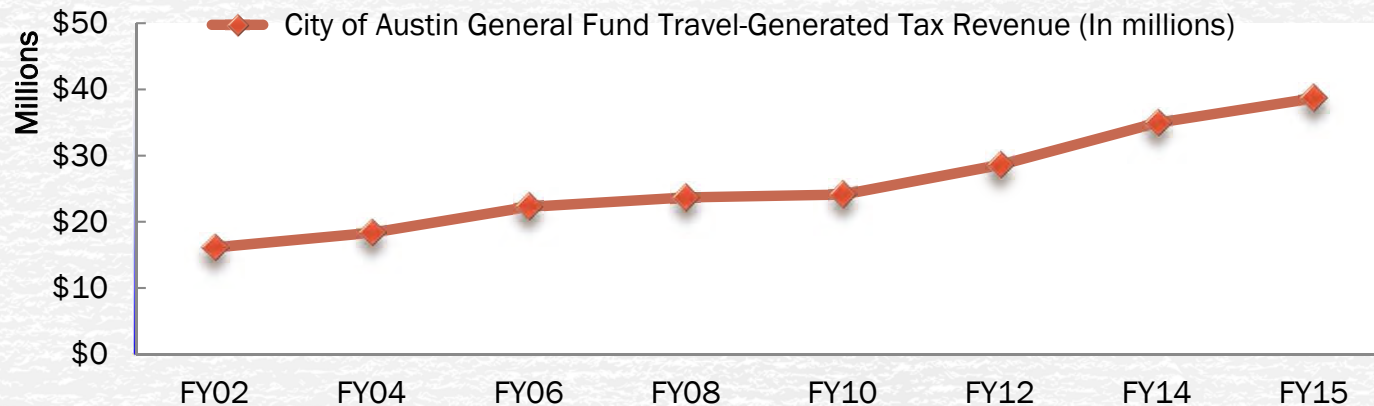
Austin Convention Center = ACC
Austin Convention & Visitors Bureau = ACVB

7 % HOT allocation per City Code, excluding the 2% Venue (governed by separate State law):

- 4.5% ACC = 64.3% of 7 percent
- 1.45% ACVB = 20.7% of 7 percent
- 1.05% Cultural Arts = 15% of 7 percent (max allowed by State law)

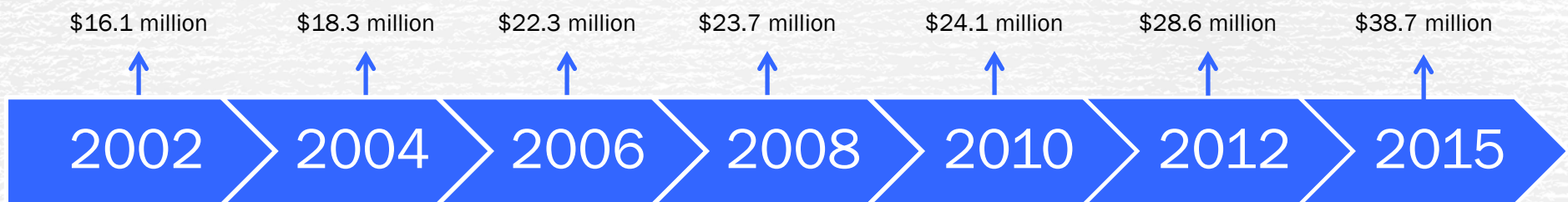
THE WHY OF CONVENTION CENTERS

Contributions to the City's General Fund - Historical Look



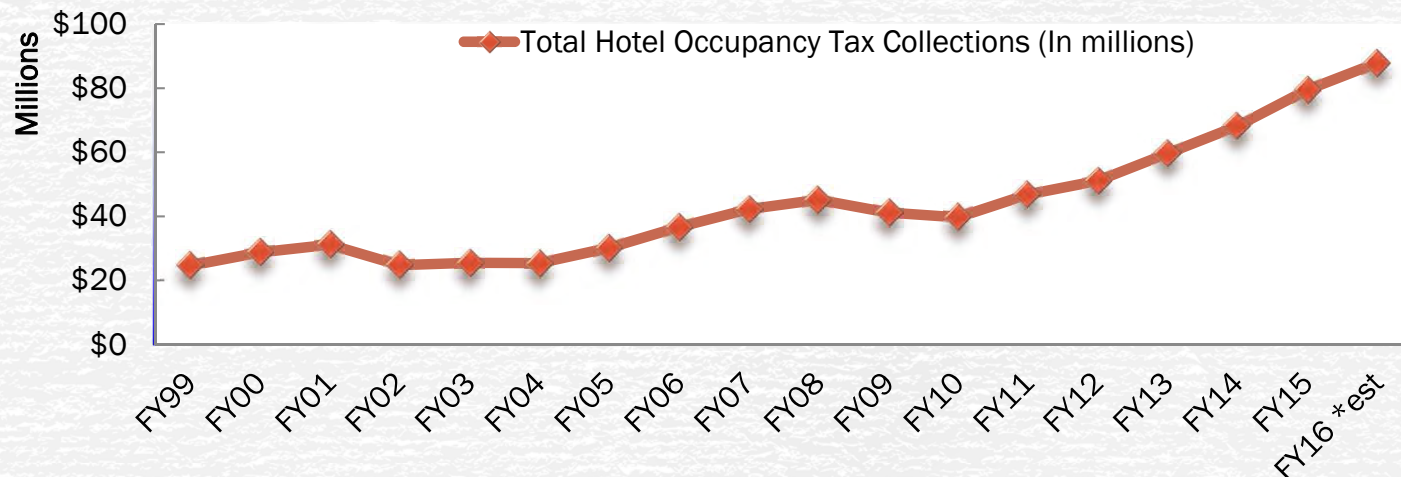
- Average 2-year cycle growth of \$3.1 million, or 14% (2002-2014)
- Average annual growth from 2010-2015 of \$3.4 million, or 11.5%
- 140% increase from 2002 – 2015
- Industry is an economic engine for the City

Estimated City Sales/Property Tax Generated:



THE WHY OF CONVENTION CENTERS

Convention Center's Success – Historical Look



FY99 Total HOT collected = \$24.6 million

Convention Center 2% Venue Tax Assessed

Convention Center Northside Expansion Complete

City-owned Hilton Opens

FY08 Total HOT collected = \$45.2 million

Total Estimated Room Nights of ACC events- 172,000

Circuit of the Americas (COTA) Opens

FY15 Total HOT collected = \$79.4 million

Total Estimated Room Nights of ACC events- 275,000

Current ACC Venue Scheduled Retirement

1999

2002

2004

2008

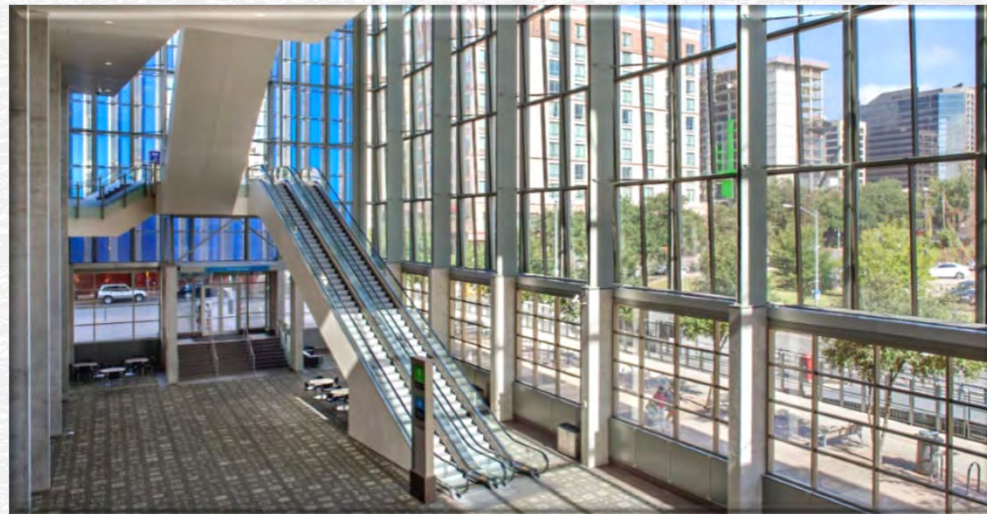
2012

2015

2029

THE WHY OF CONVENTION CENTERS

Austin Convention Center Mission Statement



The central mission of the Austin Convention Center Department is to provide outstanding event facilities and services to our customers so they can have a positive experience.

THE WHY OF CONVENTION CENTERS

Austin Convention Center Facility Information

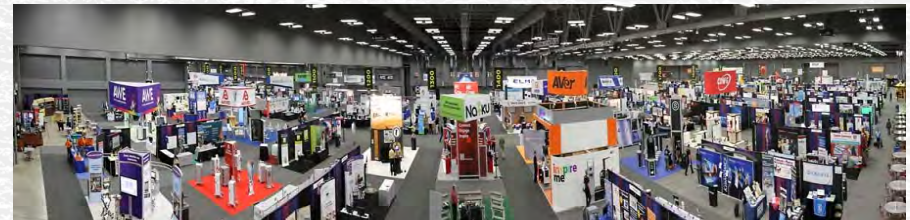
- 881,400 gross square feet and covers six city blocks.
- 368,980 square feet of total meeting and exhibit space.
 - 5 contiguous Exhibit Halls (247,052 sq. ft.)
 - 7 Ballrooms (63,928 sq. ft.- combined)
 - 54 Meeting Rooms (58,000 sq. ft.)
- Service Yard with 17 loading docks
- 24-hour security
- Includes 2 parking garages



THE WHY OF CONVENTION CENTERS

Austin Convention Center Events in Fiscal Year 2016

- Many types of events are held in the facility
 - 116 events held in facility during Fiscal Year 2016
 - 41 Conventions
 - 26 Meetings/Workshops
 - 14 Consumer Shows
 - 12 Conferences
 - 23 Other (trade shows, sporting events, food & beverage, social, exams)



Total Event Attendance: 497,191

Convention Attendance: 272,211

Total Room Nights: 277,821

72% Events Represent Repeat Business

51% Conventions Represent Repeat Business



THE WHY OF CONVENTION CENTERS

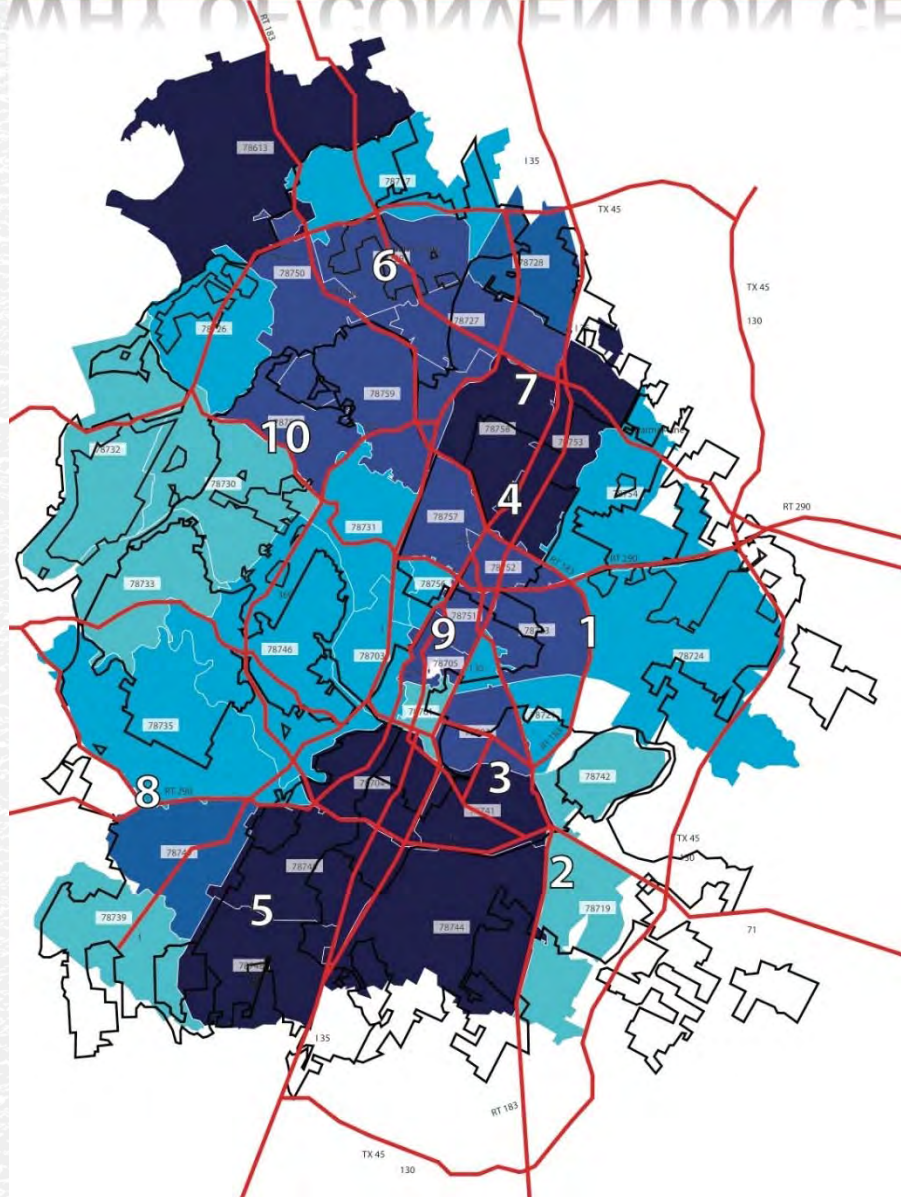
LEISURE AND HOSPITALITY INDUSTRY IN AUSTIN

- The Bureau of Labor Statistics reports that the Leisure and Hospitality industry, which encompasses Tourism & the Convention Center, is the 4th largest industry in terms of employment

Austin area employment (numbers in thousands)	Jun. 2016	Change from Jun. 2015 to Jun. 2016	
		Number	Percent
Total nonfarm	1,000.8	38.4	4.0
Mining, logging, and construction	61.3	6.0	10.8
Manufacturing	55.7	-2.4	-4.1
Trade, transportation, and utilities	172.9	9.2	5.6
Information	27.8	0.4	1.5
Financial activities	55.8	1.9	3.5
Professional and business services	168.9	7.9	4.9
Education and health services	116.9	5.2	4.7
Leisure and hospitality	123.9	5.7	4.8
Other services	42.8	1.8	4.4
Government	174.8	2.7	1.6

Source: U.S. BLS, Current Employment Statistics.

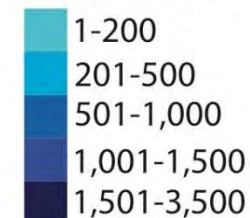
THE WHY OF CONVENTION CENTERS



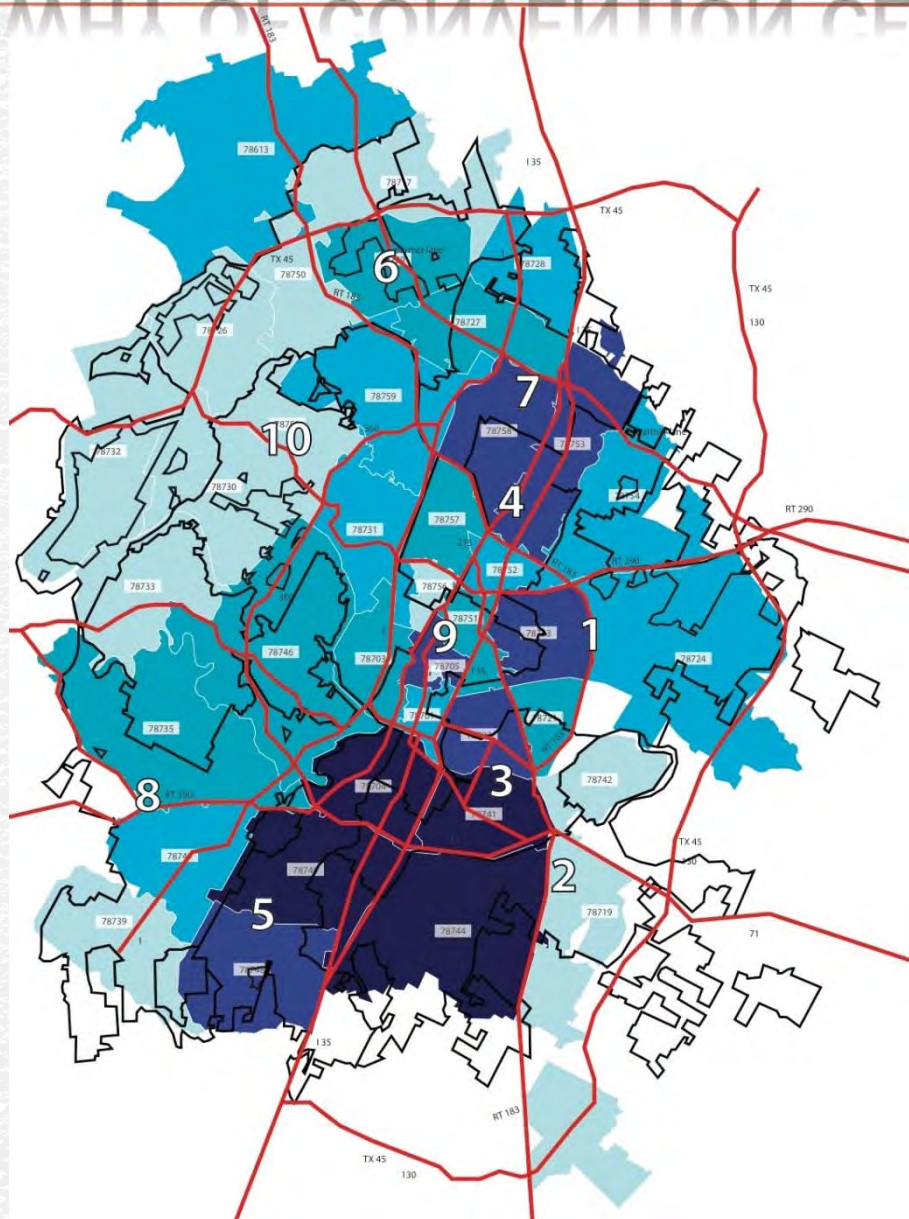
AUSTIN, TEXAS
HOSPITALITY WORKERS BY ZIP CODE,
CITY COUNCIL DISTRICT
Total Number of Employees: 36,577

City of Austin, TX
Hospitality Workers
by Zip Code

Count of Hospitality
Workers: Total



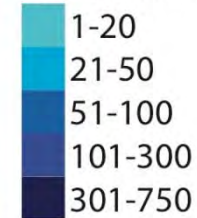
THE WHY OF CONVENTION CENTERS



AUSTIN, TEXAS
HOTEL EMPLOYEES BY ZIP CODE,
CITY COUNCIL DISTRICT
Total Number of Employees: 3,955

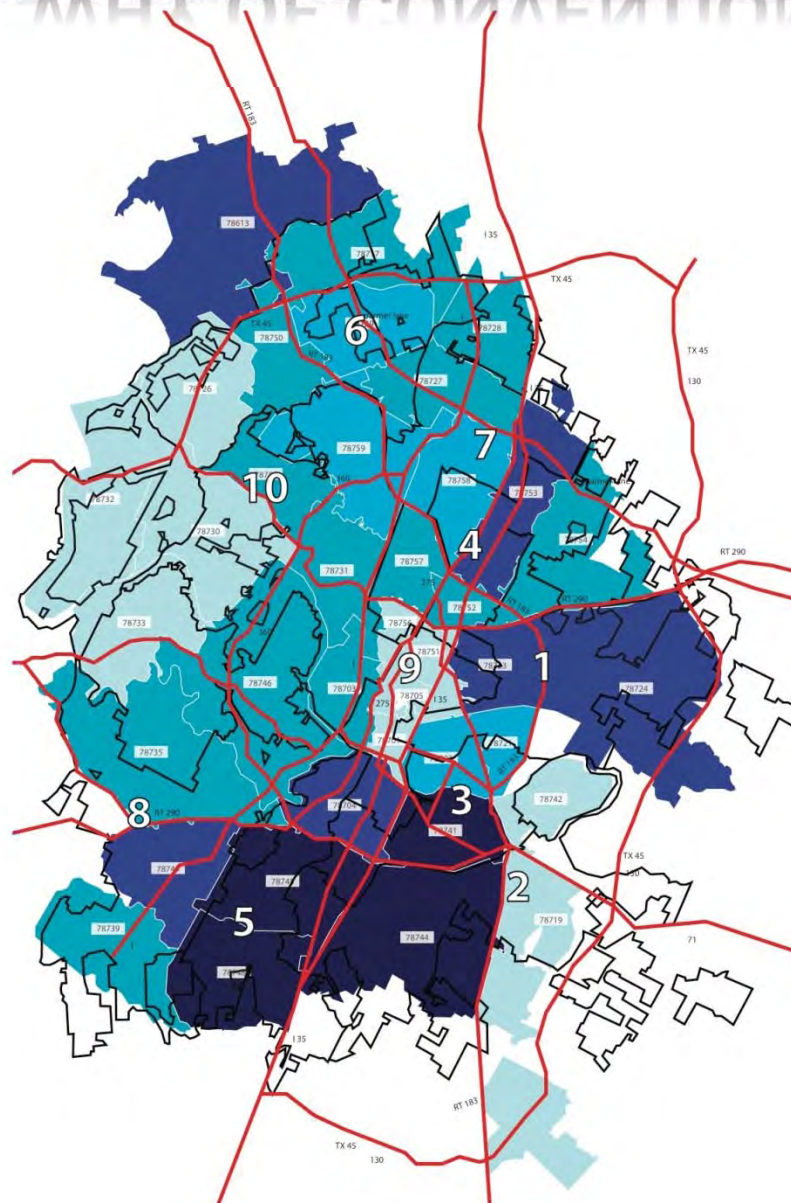
Austin Hotel Employees

Total Number of Employees: Total



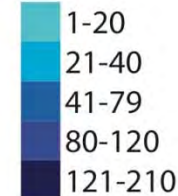
THE WHY OF CONVENTION CENTERS

**CITY OF AUSTIN (COA) RELATED
HOSPITALITY EMPLOYEES BY ZIP CODE,
CITY COUNCIL DISTRICT**
Total Number of Employees: 2,096



City of Austin Related
Hospitality Workforce

ZIP5 Codes
Total:Total



Austin Convention Center and Contractors – 507
Austin Convention & Visitors Bureau (non-City department) – 45
Austin Bergstrom International Airport – 1,544

THE WHY OF CONVENTION CENTERS



THE WHY OF CONVENTION CENTERS

- Austin Convention Center Jobs
 - Offer wide variety of jobs with:
 - Living Wages
 - Upward mobility opportunities
 - Job lines/families that:
 - Don't require college degrees
 - Provide on-the-job training
 - Overtime earning potential
 - Career path/promotional opportunities
 - Jobs in maintenance, event operations/set-up, parking and security are examples
 - Offer temporary employment opportunities as well



THE WHY OF THE MASTER PLAN

Existing Conditions

- Current Hotel Inventory increased by 46% since 2004
- #1 reason Lost Business- No availability/too small
- More walkable rooms than competitors
- Competitors continue to improve/expand

	HBGCC	GRBCC	GTRCC	CCC	MCC	SDCC	ACC
Year Opened	1968	1987	2004	1990	2013	1989	1992
Expansion	Three times Latest 2015	2001	None	2005	None	2001, currently considered	1999

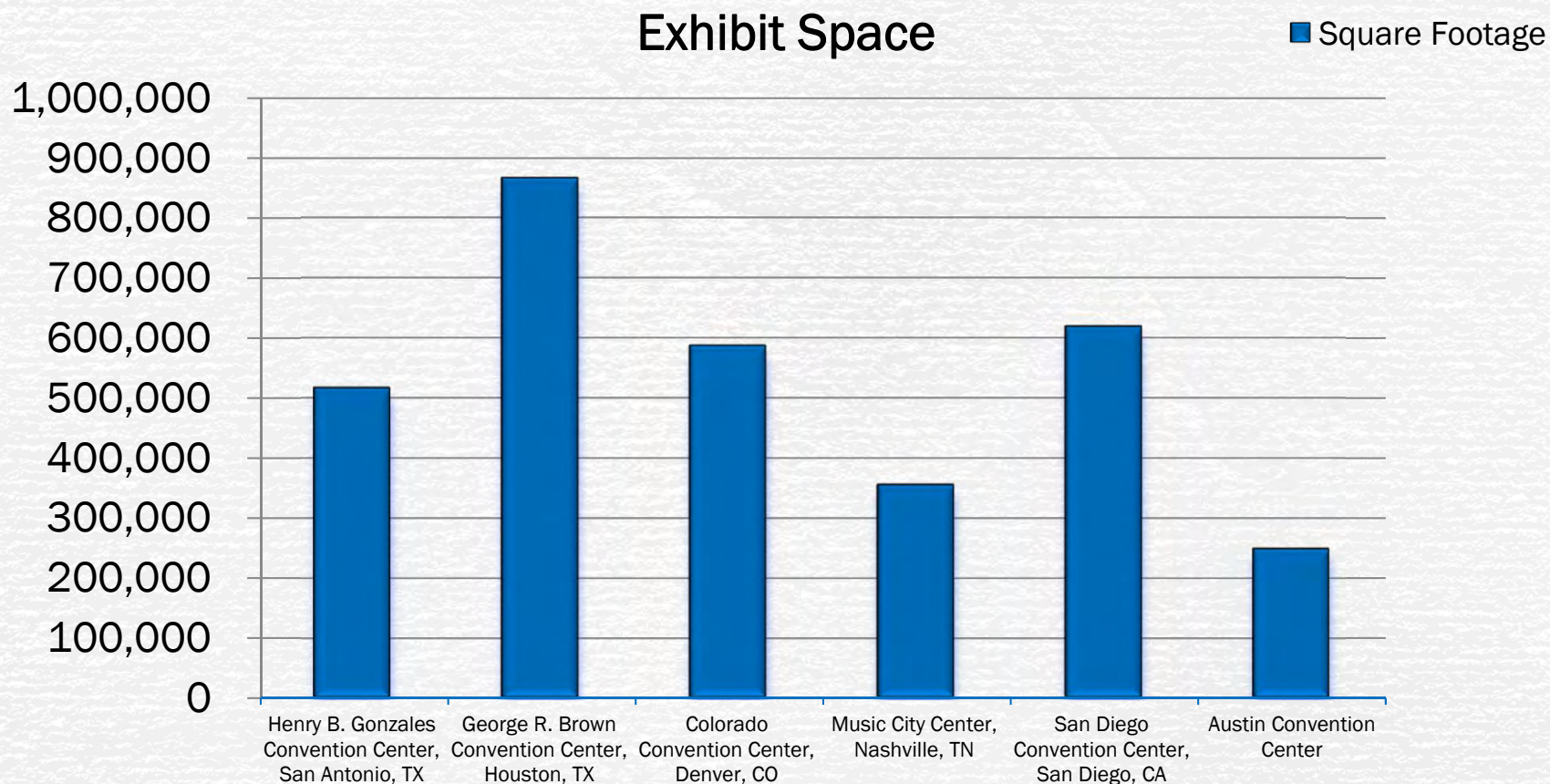
HBGCC – Henry B. Gonzales Convention Center, San Antonio, TX
 GRBCC – George R. Brown Convention Center, Houston, TX
 GTRCC – Gaylord Texan Resort & Convention Center, Grapevine, TX

CCC – Colorado Convention Center, Denver, CO
 SDCC – San Diego Convention Center, San Diego, CA

MCC – Music City Center, Nashville, TN
 ACC – Austin Convention Center

THE WHY OF THE MASTER PLAN

Austin Convention Center Peer City Comparisons



THE WHY OF THE MASTER PLAN

With City Council approval, Convention Center sought industry experts to create plan.

- Gensler, Conventional Wisdom and Johnson Consulting
 - Employed process involving stakeholder input and analysis
 - Held multiple planning sessions and workshops to gather input
 - Participants included City executives & staff, hoteliers, customers and industry stakeholders
 - Developed 6 options for evaluation
 - Ranged from no expansion, to expansion in various directions and relocation
 - Utilized market analysis and stakeholder input to evaluate each option
 - Performed in-depth economic & market analysis of current state & options
 - Thorough, deliberate process spanned 7+ months
 - Arrived at recommendation for expansion with proposed option



"This is to be the roadmap for our future...for implementation."

ACC is...

- Adaptable
- Convenient
- User-Friendly
- Customer-Focused
- Poised To Take The Next Step
- Too Small
- Under-Achiever
- Not Too Competitive
- Difficult To Navigate
- A Challenging Facility

"Where do we fit in the competitive marketplace?"

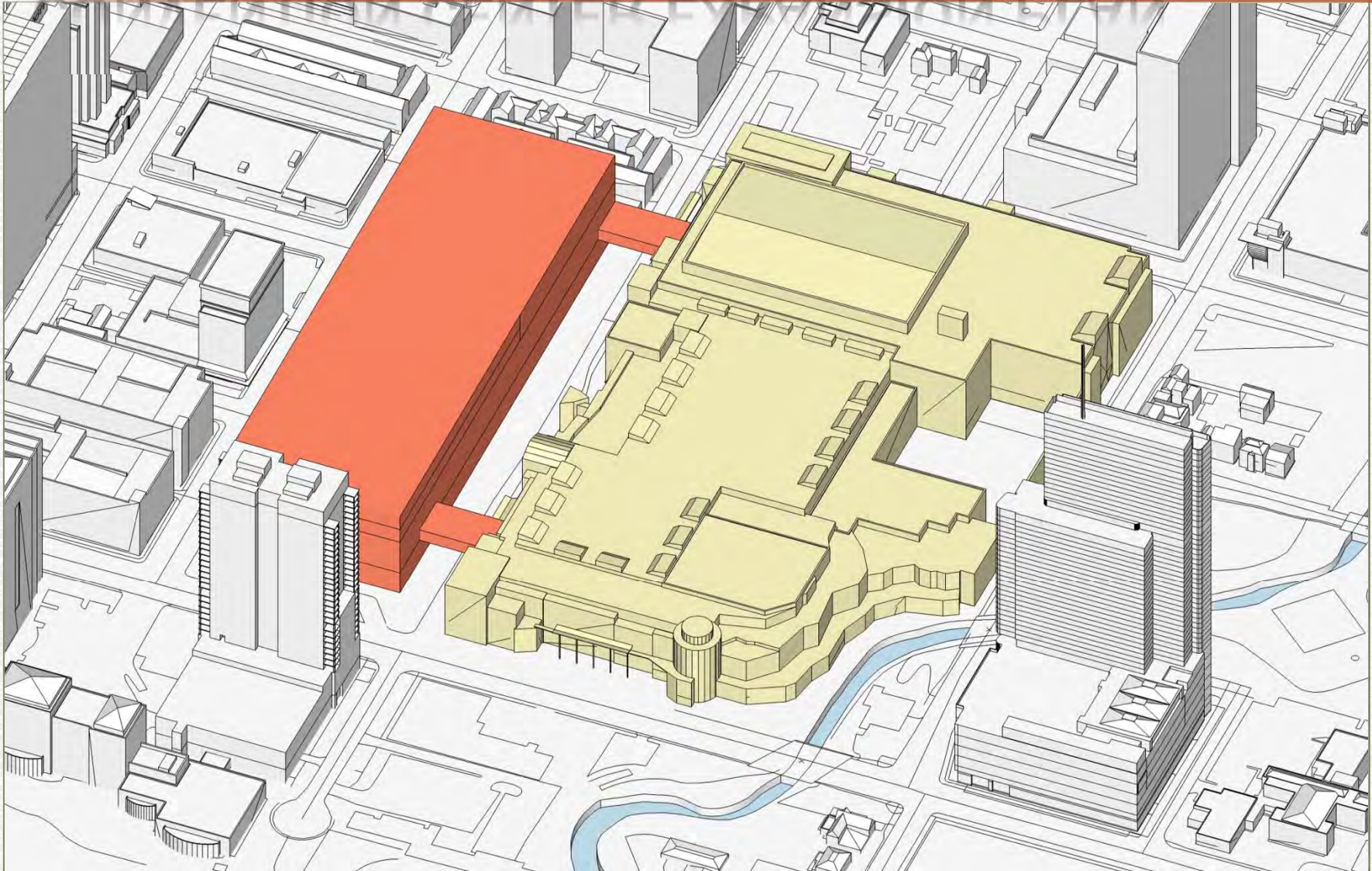


"For 30 years, Meeting Planners have used the same five criteria for selecting cities to host trade shows and conventions..."

1. Convention Center Facilities
2. Hotel Room Supply
3. Transportation
4. Amenities & Attractions
5. Safety & Security

"...to be successful, solve for the weakest link."

CONVENTION CENTER EXPANSION PLAN



CONVENTION CENTER EXPANSION PLAN

- Recommended Option is to expand West – Non-contiguous
- Facility Attributes
 - Add 200,000 SF of exhibit space (total 447k)
 - Add 65,000 SF of meeting space (total 120.8k)
 - Add 56,700 SF of ballroom space (total 120.6k)
 - Additional underground parking and loading dock/service area
- Connectivity Attributes
 - Leave Trinity Street open
 - Provide event access between buildings with overhead walkways/bridges
- Amenity Attributes
 - Include open/green event space on top of new structure
 - Include mixed-use elements onsite (dependent on land-acquisition method)
- “Convention Center District”
 - Identify funding that allows for major improvements in area to create vibrancy in and interaction with immediate area
- Estimated Project Cost - \$400 - 600 million (excluding land acquisition)

CONVENTION CENTER EXPANSION PLAN

Gensler



Phase III Expansion

CONVENTION CENTER EXPANSION PLAN

Gensler



The corner of San Jacinto and Cesar Chavez with streetside restaurants and retail.

CONVENTION CENTER EXPANSION PLAN

Gensler



CONVENTION CENTER EXPANSION PLAN

Gensler



CONVENTION CENTER EXPANSION PLAN





AUSTIN

CONVENTION CENTER





Long-Range Master Plan

~

Proposed Convention Center Expansion

Presentation to
Visitor Impact Task Force

January 31, 2017

- Background
- Community/Stakeholder Engagement
- Opportunities, Other Needs, Impact of Plan
- Financing

- Important Past Action/Milestones
 - **March 27, 2014** – contracted with Gensler to develop Austin Convention Center (ACC) Long-Range Master Plan (Plan)
 - Recommends Convention Center expansion
 - **December 11, 2014** – Council Resolution 20141211-218 – Urban Land Institute review Plan
 - Agrees with Plan
 - Create Convention Center District
 - Consider raising Hotel Occupancy Tax (HOT) to 17%
 - **August 24, 2015** – Presented to Economic Opportunity Committee
 - **November 12, 2015** – Council Resolution 20151112-033

- Of the top factors considered when selecting a convention destination, Austin's Convention Facility was identified as the top priority, or "weakest link", that needs to be addressed in order to remain competitive
 - Austin's facility is the oldest and among the smallest
 - Austin's facility's mix of event space is inhibiting performance
- Maximum practical capacity for a convention facility is 65%
 - At time of Plan (FY13), ACC occupancy was 52%
 - FY16 ACC occupancy was 65%
- Lost business due to lack of ACC availability or inadequate size at time of Plan (FY13) was 34%, and has risen to ~50% in FY16
- Plan considered 5 options, including no expansion, and recommended expansion to the West
- The recommended option forecasts the overall highest/optimal combination of incremental room nights, utilization, revenues of any of the options considered

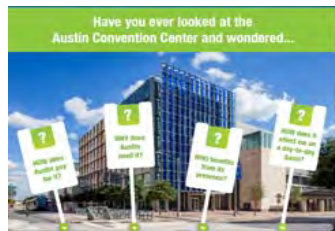
Long-Range Master Plan Council Resolution Update

Summary of ULI Master Plan Review

- Urban Land Institute (ULI) reviewed the Plan and concurred with the consultants' recommendation. More points about ULI and their work include:
 - ULI's mission is to provide leadership in the responsible use of land and in creating and sustaining thriving communities
 - ULI's goal is to bring the finest expertise in the real estate field to bear on complex land use planning and development projects, programs, and policies
 - The recommendation included direction to:
 - Utilize the option to expand to the West of the existing convention center
 - Expand design plan to create a convention center district
 - Include street level venues, retail and restaurant space
 - Increase Hotel Occupancy Tax to 17% to fund full vision
 - Purchase land now

- A comprehensive community engagement plan would be developed and implemented as part of expansion program
- Eventual design will include significant stakeholder/community input
- To date, ACCD has had conversations, meetings, presentations to many:

- Districts 1 & 3 Town Hall
- Downtown resident groups
- Hotel Community & Employees
- Downtown Commission
- Waller Creek Conservancy
- Rodeo Austin
- Chambers of Commerce
- University of Texas
- Downtown Austin Alliance
- Austin Area Urban League



Community engagement will be extensive in expansion complex design

Long-Range Master Plan Council Resolution Update Opportunities, Needs, Impact of Plan

- Putting it all together
 - Community/Stakeholder Input
 - Industry/Convention needs
 - Financing Capabilities
- Provides for possibilities



Palm School



ACC Historic Homes

- Financing concepts define the path

Expansion Funding Concept Determines Opportunities, Impact on Other Projects – Possibilities Exist

What we have heard so far -

- Multi-use / Partnership Elements
 - Facility Components
 - Community Space
 - Open / Walkable Space
 - Restaurant / Retail Space
 - Downtown Fire Station
 - Austin Energy Chiller

What we have heard so far -

- Multi-use / Partnership Elements (continued)
 - Area Improvements
 - Waller Creek Area
 - Palm School
 - Historic Homes on Red River
 - Brush Square Area
- Opportunities for Additional Funding for:
 - Cultural Arts
 - Tourism and Promotion
 - Historic Preservation

What we need -

- Industry / Convention Center Needs
 - Need to keep industry strong
 - 4th largest employment sector - 124k jobs
 - Diversified economy
 - Provides economic impact to small/local business and City's general fund
 - Need to meet is real
 - Adult education is ongoing
 - Need space to meet demand
 - Today's lost business would fill expanded space

How we can get there -

- 2% HOT Venue Financing Concept



- Would require refund/refinance/redefinition of 1999 convention expansion venue
- Requires voter approval
- Debt capacity limits other expansion program elements as part of the venue
- HOT would remain at 15%, leaving option for County venue for an eligible project or Tourism Public Improvement District (TPID)
- All convention center revenue would be pledged
- Once new venue expires, City could pursue another venue
- Venue revenue can only be spent within the Venue

How we can get there -

- Ch. 351 Additional HOT Financing Concept – up to 2%
 - Austin is currently eligible for financing the expansion of an existing convention center through Ch. 351 HOT increase
 - Opportunity to redefine the area, including Waller Creek (Palm School, Historic Homes) and Brush Square as part of expansion program



Palm School



ACC Historic Homes



Expansion Funding Concept Determines Opportunities, Impact on Other Projects – Possibilities Exist

How we can get there -

- Ch. 351 Additional HOT Financing Concept – up to 2%
 - Requires Council approval
 - HOT % increase (up to 2%) determines debt capacity and extent of other expansion program elements included
 - HOT could increase to 17%, max legal limit, until 1999 expansion venue expires
 - Concept will define path and timing of ability to pursue other projects, components
 - All convention center revenue would be pledged
 - This concept includes potential for additional annual funding for cultural arts, tourism/promotion, or other lawful activities



Red River District



ACVB ~ Marketing/Heritage Tourism



Historic Preservation

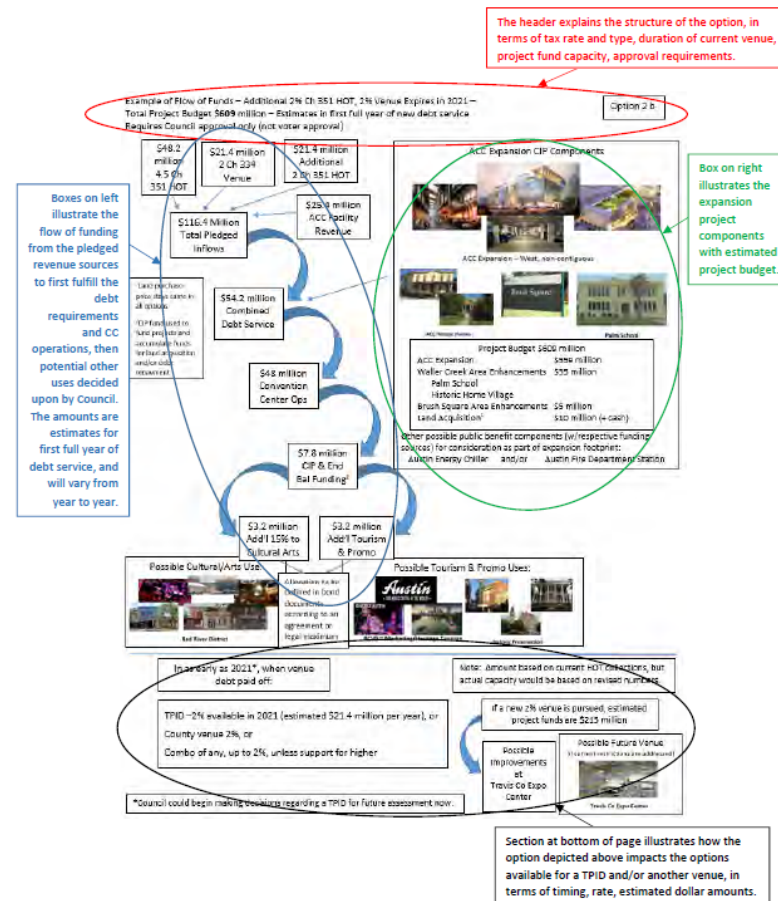
Expansion Funding Concept Determines Opportunities, Impact on Other Projects – Possibilities Exist

- Analyzing feasibility of financing concepts included consultation with City's Financial Services Dept. and PFM Group, the City's Financial Advisor
- Estimating funding capacity considered both concepts – the 2% Venue HOT and the additional 2% Ch. 351 HOT – & other ACC revenue
- PFM Group has used conservative revenue projections to estimate debt capacity for identified scenarios
- PFM has indicated the financial concepts are viable

Long-Range Master Plan Council Resolution Update

Financing Analysis

Explanation of Flow of Fund Illustration Pages

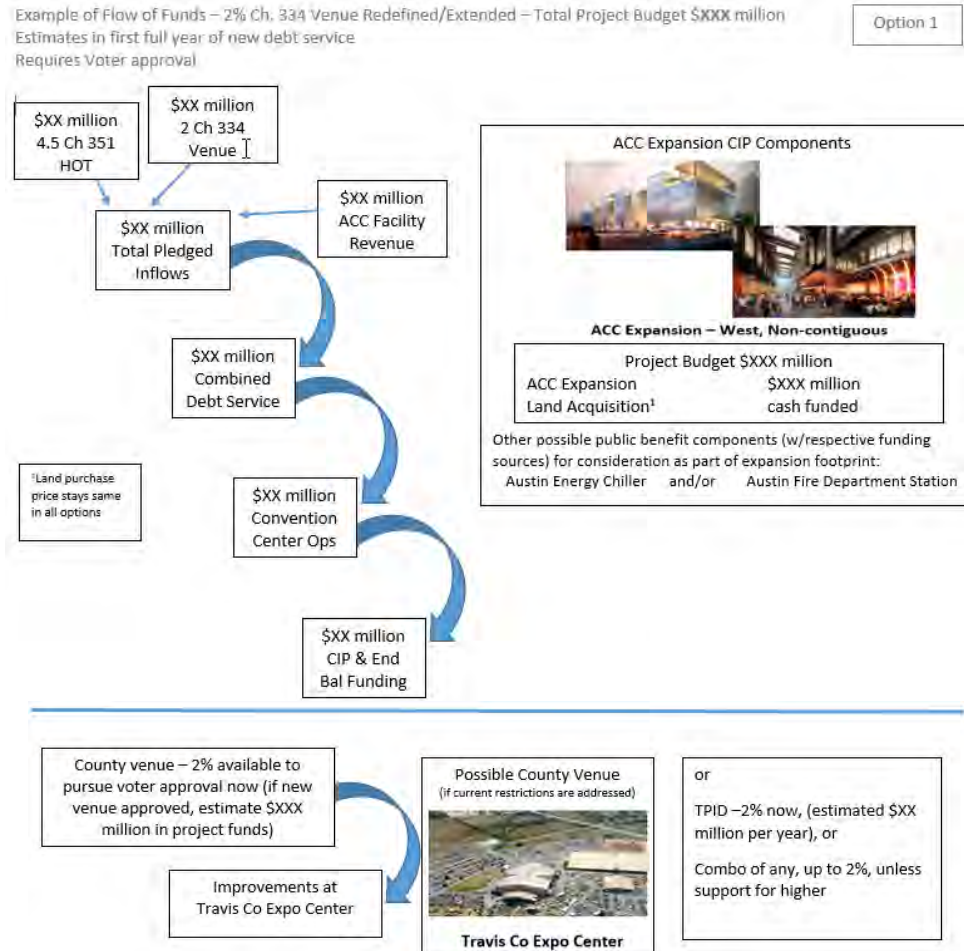


- How to read the financial flow of funds

Financing Options are viable and chosen one will determine expansion complex components

Long-Range Master Plan Council Resolution Update Financing Analysis

- Illustration of 2% Venue HOT option

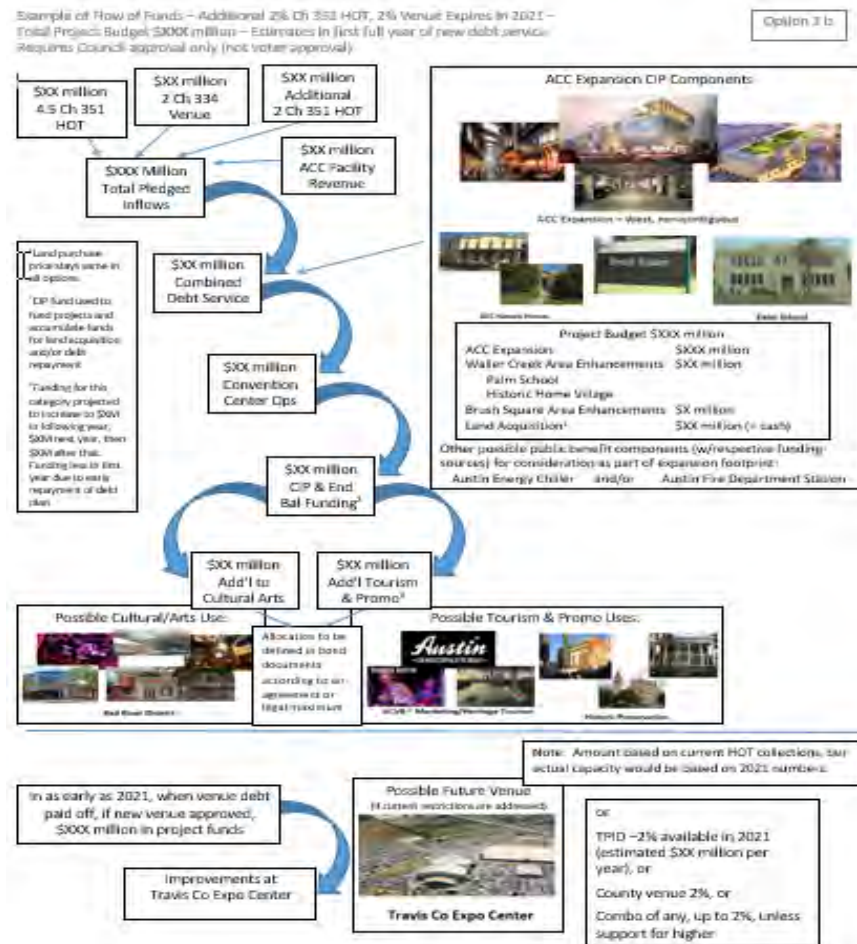


Financing Options are viable and chosen one will determine expansion complex components

Long-Range Master Plan Council Resolution Update

Financing Analysis

- Illustration of one of the Additional Ch. 351 HOT options



Financing Options are viable and chosen one will determine expansion complex components

Questions?