



MARKET DEMAND AND ECONOMIC IMPACT ANALYSIS FOR Potential San Diego Convention Center Expansion

PRESENTED TO THE SAN DIEGO CONVENTION CENTER CORPORATION
AUGUST 28, 2015





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Ms. Carol Wallace
President & CEO
San Diego Convention Center Corporation
111 W. Harbor Drive
San Diego, CA 92101

Dear Ms. Wallace:

Conventions, Sports & Leisure (CSL) has completed a market analysis for additional convention and meeting facilities in San Diego. This report outlines the key findings associated with the analysis of local market conditions, historical San Diego Convention Center (SDCC) operations, industry trends and characteristics, competitive and comparable markets and facilities, and convention center demand characteristics specific to the San Diego market. The research presented herein was conducted in the summer of 2015 and is intended to assist SDCC leadership with respect to key building program elements supported by market demand characteristics unique to San Diego, and the economic implications of such potential future development.

We greatly appreciate the opportunity to work with you and look forward to assisting in any way as you further consider this project.

Very truly yours,

CSL International

CSL International

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Executive Summary

Conventions, Sports & Leisure (CSL) has completed the expansion market analysis for additional convention and meeting facilities in San Diego. This Executive Summary outlines the key findings associated with the analysis of local market conditions, historical San Diego Convention Center (SDCC) operations, industry trends and characteristics, competitive and comparable markets and facilities, and convention center demand characteristics specific to the San Diego market. The research presented in the full report was conducted in the summer of 2015 and is intended to assist SDCC leadership with respect to key building program elements supported by market demand characteristics unique to San Diego, and the financial and economic implications of potential future development options.

At the outset of the study, we worked with project representatives to carefully define two primary SDCC expansion options broadly described as “Contiguous” and “Campus” as described in detail in the report. The contiguous Option 1 would add new space directly connected to the existing SDCC, while the campus Option 2 would add a new facility several blocks from the existing SDCC.

The research conducted as a part of this study includes extensive local stakeholder interviews with entities including key hospitality, Port, political, and other key stakeholders. We have also conducted extensive event planner focus group sessions in Chicago and Washington, D.C., and surveyed over 200 current, past and potential future SDCC customers to provide direct industry input into important planning decisions. The extensive development of space and hotel inventory that is on-going or planned in competitive and comparable facilities has also been considered.

The purpose of this Summary is to provide an outline of our key study findings. The full report should be read in its entirety to gain an understanding of the study methods and project background supporting these findings. Key findings are summarized below.

Research Findings

- Survey and focus group research clearly demonstrate the superiority of the contiguous option for the many full building users currently and previously accommodated at the SDCC. It is highly unlikely that a single large event would use both the existing SDCC and a new venue located several blocks away. Focus group research shows that planners of the very large events don’t consider the two building scenario separated by three-plus blocks to be a walkable campus alternative.
- Given the very high SDCC occupancy levels and the desirability of San Diego as a convention destination, added convention space, either contiguous or in a campus setting, could attract smaller and mid-sized events, provided new headquarter hotel and hospitality development takes place in conjunction with added space. We estimate that approximately 47 percent of the national convention attendee base can be accommodated in up to 225,000 square feet of exhibit space.

- However, survey results show that there is more positive interest in a contiguous option versus the campus model for events that require up to 225,000 square feet of exhibit space. This likely reflects the appeal of the existing waterfront location, and uncertainty as to the walkable environment surrounding the campus option.
- There was very little event planner interest in a campus development option that includes the 225,000 of added exhibit space on two levels.
- The campus model provides somewhat less flexibility in attracting larger events compared to the contiguous option. For example, the contiguous option at approximately 735,000 square feet of contiguous exhibit space could accommodate two overlapping events each requiring 300,000 square feet. However, the existing SDCC can host only one concurrent 300,000 square foot event, and the campus facility at 225,000 square feet isn't large enough to accommodate a second.
- We estimate that approximately 11 percent of the national convention attendee base is reflected in events that require between 525,000 and 700,000 square feet of exhibit space. This segment of the market can be accommodated in the contiguous scenario, but will likely be difficult to accommodate with a campus option. It is reasonable, and probably conservative, to assume that the contiguous option could result in retaining and/or capturing two events annually that require over 525,000 square feet of exhibit space that would otherwise be lost with the campus option. These events could represent well over 100,000 non-local attendee days annually and significant economic impact.
- Under the campus model, it is likely that non-local events using the new space will require use of the new adjacent 1,600-room hotel. Occasions will arise when large national events booked for the SDCC will also seek to use the new headquarter hotel, potentially creating a hotel room availability conflict. It is possible that with added space, broader event demand could be accommodated, including events that tend to be more price sensitive. The high room rates in the San Diego market may make capture of these events more difficult.

Event Impact Consideration

Over the seven year operating history analyzed as part of this study, the SDCC has attracted an average of 39 conventions and tradeshow that require under 225,000 square feet of exhibit space, 20 events that require between 225,000 and 525,000 square feet, and an average of six that require over 525,000 square feet of exhibit space. Total convention and tradeshow event activity has remained fairly consistent over the seven year period analyzed. With the expansion scenarios, event activity could increase in the following ways.

- An increase in small conventions ranging between 11 and 14 events, with the contiguous Option 1 generating slightly higher event levels. While either option can physically accommodate added small convention and tradeshow events, event planner survey research indicates a measurable higher level of positive interest in the contiguous option as opposed to the campus option.

- An increase in mid-sized conventions and tradeshow of between 7 and 8 events. The contiguous option will provide greater flexibility in accommodating events in this category. For example, if one event using 300,000 square feet of exhibit space is being hosted, the contiguous option could also host an additional overlapping event of similar size. However, under the campus option, neither the existing SDCC nor the new center could accommodate a second event at 300,000 square feet.
- An increase of one large convention/tradeshow annually for Option 1, but a decrease of one event in this category for Option 2. Event planner research clearly shows that large events tending to outgrow existing contiguous SDCC space do not view the campus option favorably and several will likely eventually leave the market. There are comparatively few events in this size category, resulting in fairly modest potential event changes.
- The SDCC has hosted a relatively modest number of events categorized as corporate, with an assumed increase in events of four under the contiguous scenario. Most corporate events tend to utilize a modest level of exhibit space, and corporate planners tend to view self-contained options (such as a Gaylord property) more favorably than association event planners. However, the SDCC hosts several full-building corporate events that are at risk without added contiguous exhibit space. We estimate an increase of four corporate events for the campus option as well, however we assume a somewhat lower attendance reflecting a potential loss of larger events in favor of more modest attended events.

The event levels summarized above form a basis for estimates of economic impact generated by the SDCC. These data are then used to assess long term impact-versus-costs for each expansion option.

Room Night, Tax Revenue and Economic Impact Consideration

We have developed various models to translate potential increases in event activity associated with SDCC expansion options into various calculation of economic, fiscal and room night impact. Data are also summarized with respect to construction cost/impact ratios and net present value of future financial impacts. These data are summarized in Exhibit ES-1.

Exhibit ES-1 Impact and Cost Summary

	7-Year SDCC Average	Option 1 (Contiguous)	Option 2 (Campus)
Added Square Footage:			
Exhibit Space		210,000	225,000
Ballroom Space		60,000	80,000
Meeting Space		101,600	80,000
Estimated Construction Costs (1)		\$410,000,000	\$428,000,000
TOTAL IMPACTS			
Total Economic Impacts:			
Direct Spending	\$575,919,000	\$733,051,000	\$637,101,000
Total Output	\$992,407,000	\$1,263,173,000	\$1,097,834,000
Earnings	\$396,735,000	\$504,979,000	\$438,882,000
Employment	10,600	13,500	11,800
Total Fiscal Impacts:			
10.5% City Hotel Tax	\$22,970,000	\$29,237,000	\$25,411,000
2.0% TMD Tax	\$4,375,000	\$5,569,000	\$4,840,000
Total Room Nights and Profit			
Room Nights	926,000	1,212,000	1,050,000
Room Profit	\$138,167,000	\$175,864,000	\$152,845,000
INCREMENTAL IMPACTS			
Incremental Impacts:			
Direct Spending		\$157,132,000	\$61,182,000
Total Output		\$270,766,000	\$105,427,000
Earnings		\$108,244,000	\$42,147,000
Employment		2,900	1,200
Incremental Fiscal Impacts			
10.5% City Hotel Tax		\$6,267,000	\$2,441,000
2.0% TMD Tax		\$1,194,000	\$465,000
Incremental Room Nights and Profit			
Room Nights		286,000	124,000
Room Profit		\$37,697,000	\$14,678,000

NET PRESENT VALUE OF INCREMENTAL TAX REVENUES & PROFIT		
NPV of City Hotel Tax (2)	\$103,760,000	\$40,414,000
NPV of TMD Tax (2)	\$19,768,000	\$7,699,000
NPV of Hotel Profit (3)	\$286,854,000	\$111,692,000

INCREMENTAL IMPACT TO COST RATIOS (4)		
Direct Spending/Cost	0.38	0.15
Output/Cost	0.66	0.26
Earnings/Cost	0.26	0.10
Employment/Cost	7.07	2.93

- (1) Based on CB Urban Development data provided in March of 2015. Option 2 costs do not include site or infrastructure development.
(2) Assumes a three percent discount factor (reflective of public sector cost of capital), 2 percent inflation rate, and a 20-year period starting in 2022.
(3) Assumes a eight percent discount factor (reflective of private sector cost of capital), 2 percent inflation rate, and a 20-year period starting in 2022.
(4) Calculates the various measures of incremental impact divided by estimated construction cost. Employment ratio is multiplied by 1,000,000 for presentation purposes.

A summary of the findings presented in the exhibit are highlighted below.

- The direct spending, total output, earnings and employment are estimated to increase from existing levels by approximately 27 percent for the Option 1 scenario, and 11 percent for the Option 2 scenario. The weight of attracting or losing large conventions and tradeshow significantly impacts these totals.
- The City Hotel Tax generated by the existing SDCC is estimated at approximately \$23 million, increasing to \$29.2 million under Option 1 and \$25.4 million under Option 2. The existing \$4.4 million in TMD tax is estimated to increase to \$5.6 million and \$4.8 million for Options 1 and 2, respectively.
- The room night calculations are based on estimates of total out of town attendees, and not the tracked room night totals recorded by SDCC management. Recent studies indicate that actual room night generation is 25 percent to 35 percent higher than tracked or audited data given significant increases in the propensity to book rooms outside the official block. Estimated room nights are estimated to increase from the current total of 926,000 to 1.21 million for Option 1 and 1.04 million for Option 2. Based on the estimated share of direct spending taking place on hotel sales and assuming a 60 percent rooms department profit margin (generally consistent in the industry), we estimate the rooms department profit generated by current SDCC event activity at \$138.2 million annually. This is estimated to increase to \$176 million under Option 1, and \$153 million under Option 2.
- We have estimated the net present value (NPV) of incremental City Hotel tax, TMD tax and rooms department profit over a 20 year period post-expansion opening. Under Option 1, the City Hotel tax generates an incremental NPV of \$103.8 million, with an incremental NPV of \$19.8 million in TMD tax. The corresponding totals are \$40.4 million (City Hotel Tax) and \$7.7 million (TMD tax) for Option 2.
- The NPV of incremental hotel rooms department profit for Option 1 is estimated at \$287 million, and \$112 million for Option 2.
- The impact ratio calculations are designed to reflect a balance between costs and impact. For example, the incremental direct spending to cost ratio for Option 1 is 0.38, or \$0.38 in incremental annual direct spending for every construction dollar spent. This is higher than the ratio of 0.15 for Option 2, which is somewhat more costly, and generates somewhat less annual impact. The ratios for output, earnings and employment are also all higher for Option 1 versus Option 2

Going Forward

Based on the research conducted, it appears that the contiguous option can (1) provide a higher likelihood of attracting events that require up to 225,000 square feet of exhibit space; (2) expand the market capture of convention and tradeshow attendees by approximately 11 percent; and (3) better accommodate multiple overlapping events.

At the same time, the strength of the San Diego market for mid-sized conventions, as well as the importance of securing additional headquarter hotel inventory, suggests that multiple projects designed to maintain and enhance the competitive position of the San Diego market could be pursued.

These are described below.

- From an impact return perspective, the City should continue to pursue the contiguous option as opposed to a significant investment in a publically-owned convention center located several blocks from the existing SDCC. This is both a more preferred option from the perspective of the event planner, and provides for the greatest flexibility in attracting small, mid-sized and large events.
- The City should also consider some type of support for development of a large privately-led hotel and convention project on or near the site area currently identified for the campus option. While significant public investment in developing a stand-alone convention space may not be as beneficial from a return perspective, some level of public participation in a project that encompasses the proposed 1,600 hotel room hotel and a significant amount of exhibit, meeting and ballroom space could be warranted. This is conditioned on some form of “return” for the City, potentially through a room block agreement for the new hotel that gives SDCC sales and marketing entities some level of control over room inventory for large city-wide conventions booked into the future. This type of room block agreement can help protect against room rates that are beyond customer acceptance, and is a common element in many cities that have participated in headquarter hotel development.

If both projects are pursued, this could help to address needed SDCC space and headquarter hotel inventory in the San Diego market. It also focuses the bulk of public financial participation on a project that has significant support from event planners of varying space needs, while creatively using limited public participation in order to maximize the ability of a new headquarter hotel to support events that have community-wide room night generation and economic impact.

A Note on the Room Block Agreement

Headquarter hotel projects in markets such as Denver, Washington, D.C., Baltimore, Los Angeles and many other markets throughout the country have incorporated both public support in some form, and a room block agreement that protects the public interest in attracting large city-wide conventions. Room block agreements typically contain several important features.

- Block protection – Allows the public sector to access a share of total room inventory (typically in the range of 70 to 75 percent) for future city-wide event bookings. There are limitations to the number of days annually and/or monthly that can be reserved, however these limits should allow for significant future city-sied convention bookings during peak demand periods.

- Hotel Operator Protection – It is important that the agreement not create significant financial burden on the hotel owner/operator. If no city-wide event bookings have been made within a period of approximately 24 months from the current date, the room inventory reverts back to the operator. This allows for a robust sales effort to attract smaller groups that typically book within shorter time periods.
- Rate protection – It is important that room blocks protected for city-wide events not be priced beyond the reach of targeted events. At the same time, pricing cannot create a significant burden on the operator. Some form of maximum rate provision that is set at a reasonable increment above the previous year's group rate is not uncommon.

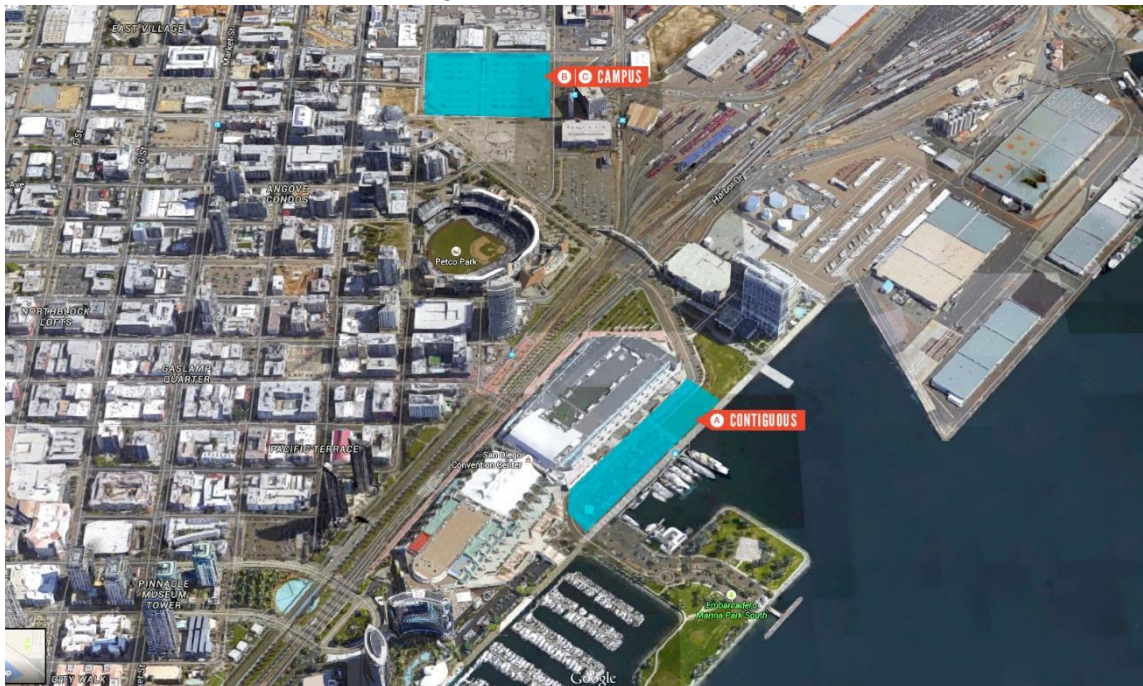
If public participation in some form is pursued for a large headquarter hotel, the specific parameters of a room block agreement that corresponds to the value of any public participation can be negotiated to the particular needs of the key stakeholders.

1.0 Introduction

Conventions, Sports & Leisure (CSL) has completed the expansion market analysis for additional convention and meeting facilities in San Diego. This report outlines the key findings associated with the analysis of local market conditions, historical San Diego Convention Center (SDCC) operations, industry trends and characteristics, competitive and comparable markets and facilities, and convention center demand characteristics specific to the San Diego market. The research presented herein was conducted in the summer of 2015 and is intended to assist SDCC leadership with respect to key building program elements supported by market demand characteristics unique to San Diego, and the financial and economic implications of potential future development options.

At the outset of the study, we have worked with project representatives to carefully define two primary SDCC expansion options broadly described as “Contiguous” and “Campus”. Exhibit 1-1 highlights the location for each option.

Exhibit 1-1
Aerial Overlay of Potential SDCC Expansion Sites



As noted above, the contiguous option is consistent with the most recent planning efforts, while the campus option encompasses added convention space generally located between 12th and 16th street, and K Street and Imperial Avenue. This expansion may require acquisition of land southeast of the intersection of K Street and 14th Street in order to prevent having to develop the new exhibit space on two levels.

The specific square footage totals for each option are described in Exhibit 1-2 below.

Exhibit 1-2
Summary of Sellable Space Levels – Existing SDCC & Proposed Expansion

	Existing SDCC Space	Contiguous Option		Campus Option	
		Added Space	Total Space	Added Space	Total Space
Total Exhibit Space	615,700	210,000	825,700	225,000	840,700
Contiguous Exhibit Space	525,700	210,000	735,700	(1)	525,700
Meeting Space	81,700	101,600	183,300	80,000	161,700
Ballroom Space	118,700	55,000	173,700	80,000	198,700

(1) Campus options does not provide additional contiguous exhibit space.

As presented, the current SDCC provides nearly 525,700 square feet of prime exhibit space, in addition to approximately 90,000 square feet of multi-use exhibit space located in the Sails Pavilion. In addition, the current facility provides 81,700 square feet of meeting space and 118,700 square feet of total ballroom space.

The contiguous expansion option, labeled as Option 1 throughout the remainder of this report, would significantly grow SDCC's overall footprint and would add 210,000 square feet of exhibit space contiguous to the existing first floor space, resulting in 735,700 square feet of contiguous exhibit space. In addition, 101,600 new square feet of supportive meeting space and a 60,000 square foot Grand Ballroom would be added. The Campus expansion option (Option 2) would include 225,000 square feet of exhibit space not contiguous to the existing SDCC. The campus scenario would also include 80,000 square feet of meeting space, and an 80,000 square foot ballroom.

The research and analysis presented throughout the remainder of this report will evaluate the market demand and cost/benefit for the expansion options described above. The study process consisted of detailed research and analysis, including market-specific research derived from the following:

- In-person local market assessments and site tours.
- In-person interviews/meetings with representatives of SDCC management, Port of San Diego, San Diego business and community groups, hotels, labor organizations, downtown organizations, the City of San Diego, neighborhood organizations and related entities. A listing of participants in this interview process is included in Appendix A.
- Focus groups with over 20 past, current and potential customers of the SDCC in Washington D.C. and Chicago. A list is included as Appendix C.
- Analysis of trends in the industry that may impact development of additional space in San Diego.
- Research and analysis of local market conditions that can impact the ability to accommodate events such as hotel inventory, restaurant/entertainment capacity and related conditions.
- Analysis of data from a total of 15 competitive and comparable facilities and markets.
- Analysis of SDCC lost business records maintained by San Diego Convention Center Corporation, and surveys of 18 lost business contacts.
- Surveys of 51 current and past users of the SDCC, in addition to in-depth manager-level interviews with several major clients that have utilized the entire SDCC facility.
- One-hundred twenty five (125) completed interviews with meeting planners of targeted national conventions, tradeshow, conferences and other events.

This report consists of the following primary analysis sections:

- *Local Market Conditions and Lost Business Analysis* – presents analysis of local attributes and hospitality infrastructure, focusing on event space, hotels and other such factors. Our analysis of lost business records (as collected and maintained by the San Diego Convention Center Corporation) is also presented.
- *Historical San Diego Convention Center Operations and Industry Trends Analysis* – provides a review of utilization levels, event mix and related operational characteristics of the SDCC. This chapter also offers insight into recent trends in the industry that may impact development of additional space in San Diego. This detail is important in providing a basis from which to evaluate potential unmet demand for event space in the market.

- *Analysis of Competitive and Comparable Facilities and Markets* – provides a comparison of various physical characteristics and resources of competitive and comparable facilities and their host cities relative to the convention and visitor industry.
- *Market Demand Analysis* – provides the results of detailed surveys of more than 200 current and past SDCC users, lost business contacts and targeted national organization event planners that reflect market potential for additional convention space in San Diego.
- *Cost/Benefit Analysis* – summarizes the relative costs and benefits of the contiguous and campus expansion options studied as part of this analysis.

The research data, information and analysis provided through this study is intended to allow the SDCC and other community constituents to draw their own informed conclusions as to the viability of future development options designed to maintain and enhance the ability to attract conventions and tradeshow to San Diego.

2.0 Local Market Conditions and Lost Business Analysis

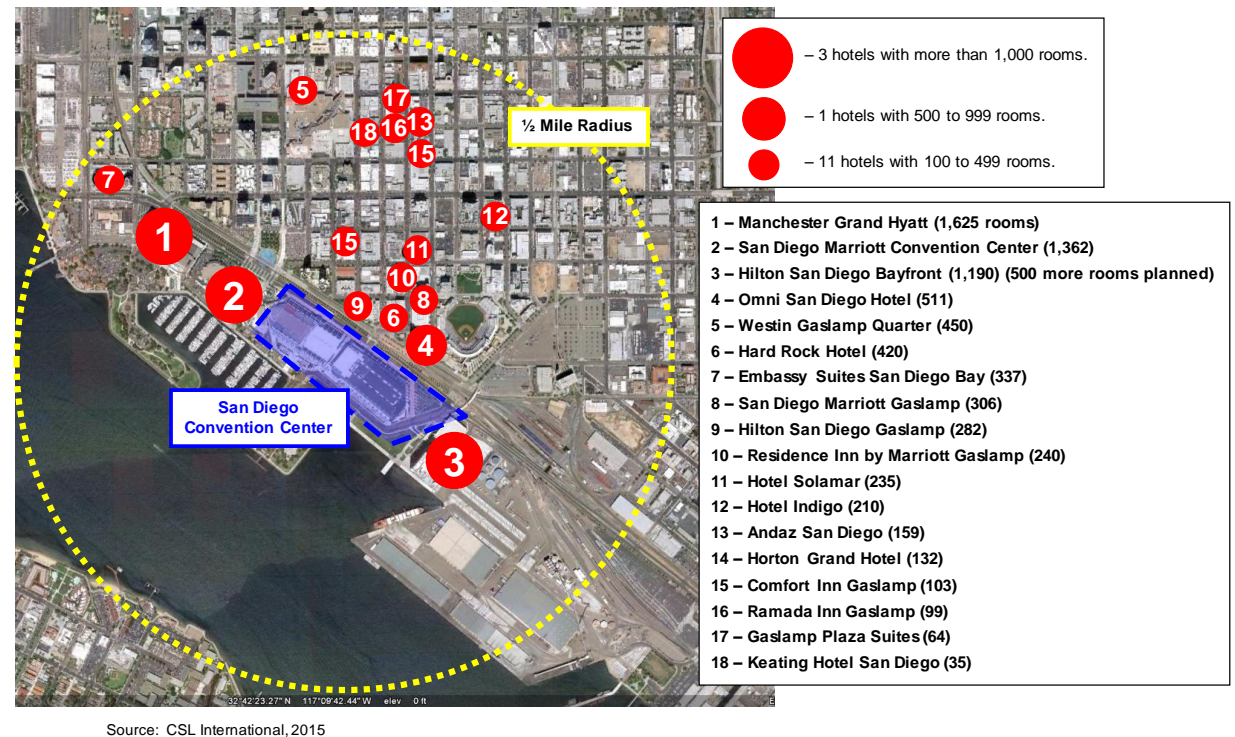
The number of existing event facilities in the local market, as well as the supply and location of local hotel rooms, are important considerations with respect to the ability to attract and accommodate new convention market potential and associated economic and fiscal impacts. The convention, conference and tradeshow market in any community cannot grow beyond the ability of its hotel base to accommodate out-of-state visitors. The hotel room inventory available for events held at the SDCC will continue to influence the ability of the existing SDCC and new space to attract events with significant room night generation. Within this section, we explore the inventory of existing and planned hotel and event facilities in the local market, the performance of the lodging industry, lost business records (as collected and maintained by San Diego Convention Center Corporation) and an overview of the proposed expansion site.

Exhibit 2-1
Summary of Hotel & Event Space Inventory Within One-Half Mile of the SDCC

2.1 Existing and Planned Hotel and Event Facility Inventory

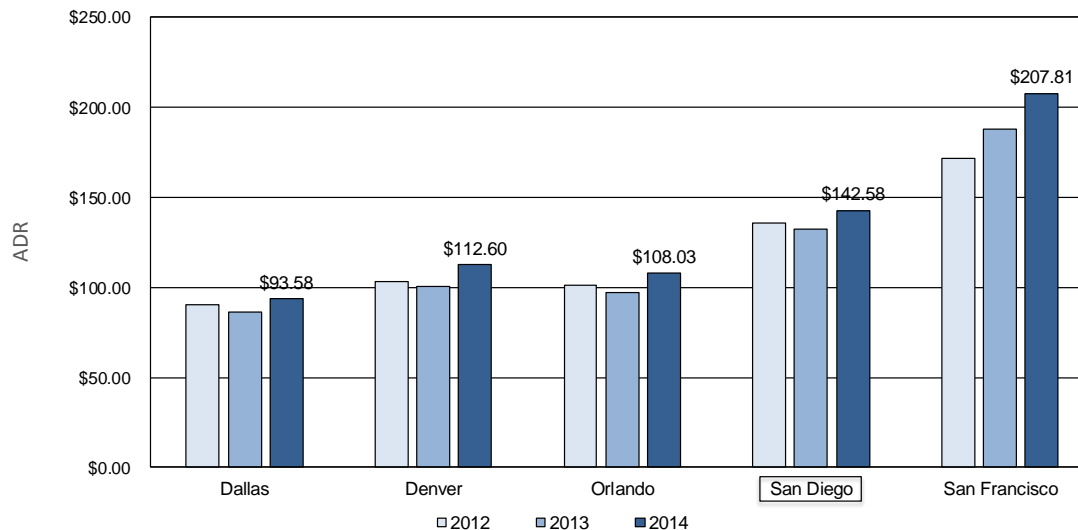
From a meeting planner's perspective, assembling a room block in as few properties as possible is important. As such, the location of a market's existing and planned inventory can be critical in successfully accommodating events with a non-local attendee base.

We have examined downtown San Diego's hotel and event space offerings from a location perspective, as presented in Exhibit 2-1. As shown, there are currently 18 hotel properties located in downtown San Diego within approximately one half mile of the SDCC. Together, these properties combine to provide nearly 9,000 sleeping rooms. Located adjacent to the SDCC, the San Diego Marriott Convention Center and Hilton San Diego Bayfront combine to offer 2,552 total rooms and generally serve as the



primary headquarter hotels for SDCC events. The Manchester Grand Hyatt (approximately one block from the Center) incorporates 1,625 total guestrooms and frequently accommodates demand for guestrooms. As will be shown later in this analysis, the size and proximity of the hotel base to the SDCC ranks favorably among competitive markets. However, there are hotel rate and occupancy challenges that can impact both the type and level of event activity for which the SDCC can compete. Exhibit 2-2 summarizes average daily rate conditions in San Diego in comparison with other notable convention destinations.

Exhibit 2-2
Comparison of Hotel Average Daily Rates



Source: Smith Travel Research, 2015

As noted, hotel rates are relatively high in San Diego. This can make it more difficult to assemble room blocks for large non-local events at rates suitable to secure the event.

Additionally, according to Smith Travel Research, the city of San Diego has run an average hotel occupancy of approximately 72 percent from 2012 through 2014. This relatively high percentage can add difficulty to assembling room blocks for events with many non-local attendees. The potential headquarter hotel development discussed for the site near Petco Park would be important in order for added SDCC space, under any development option, to achieve market potential.

As part of our local market research, we have also reviewed the inventory of in-house flat floor event space at area hotels. There are several existing properties in downtown San Diego that have the ability to accommodate various levels of conventions, meetings, banquets, food/beverage functions, public/consumer shows, conferences and other assembly events. Exhibit 2-3 on the next page lists the Downtown San Diego properties with at least 20,000 square feet of sellable event space.

Exhibit 2-3
Summary of Major San Diego Hotel Event Space

Facility	Total Space	Largest Contiguous Space	Number of Meeting Rooms	# of Hotel Rooms
Marriott Marquis San Diego Marina (1)	125,000	34,700	39	1,362
Manchester Grand Hyatt San Diego	122,300	33,800	42	1,625
Hilton San Diego Bayfront	90,500	32,800	32	1,190
Hard Rock Hotel San Diego	27,200	9,200	15	420
The Westin San Diego Gaslamp Quarter	25,900	9,100	15	450
The Westin San Diego	22,700	5,900	13	436
Omni San Diego	20,300	9,300	15	511

As summarized in the exhibit, several hotels have a very significant amount of event square footage. The top three hotels alone offer a combined 377,800 square feet of event space, more than that of dedicated convention centers in many mid-sized markets.

Of importance is the fact that the largest contiguous space within these properties is relatively small, with the Marriott Marquis offering 34,700 square feet.

(1) - Represents square footage figures after expansion (planned to open in Summer 2016).

At the same time, the SDCC is appropriately focused on larger events with significant space needs and room night generation. This can make it difficult in the market to accommodate events that require contiguous space of between 35,000 and 100,000 square feet of space.

As previously noted, the walkable area surrounding a convention center in terms of its hotel, restaurant and other visitor amenities and attractions has become an increasingly important factor in an event planner's site selection process. In the case of San Diego, the Marina District, Gaslamp Quarter and other areas in proximity to the SDCC (pictured in Exhibit 2-4 on the next page) encompass one of the most active convention, hotel, restaurant and entertainment districts in the country, offering well over 100 food and beverage options.

Exhibit 2-4

2.2 Lost Business Analysis

2.2 Lost Business Analysis

Based on our review of these data, Exhibit 2-5 presents a summary of lost event business (in terms of total room nights), by reason between 2014 and 2024.

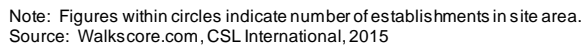
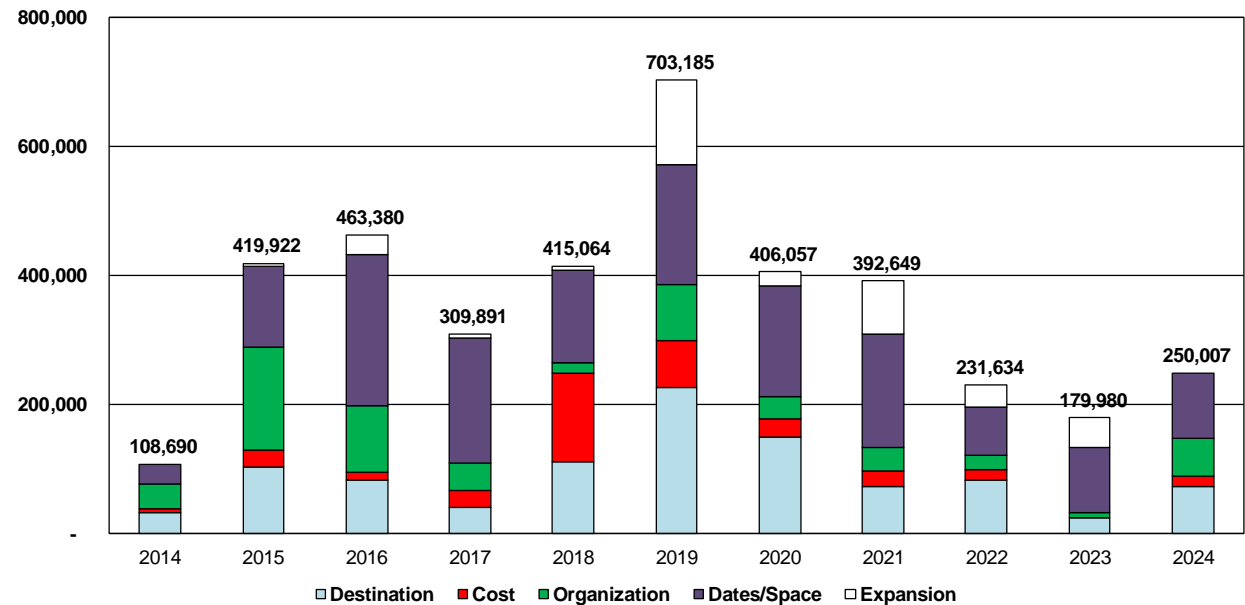


Exhibit 2-5
Summary of Lost Room Nights by Reason (2014 – 2024)

Contracted by the San Diego Convention Center Corporation to sell the SDCC, the SDTA has tracked unbooked events that were planned to occur during the period between 2014 and 2024, representing a total of approximately 3.89 million unbooked room nights. This should not be interpreted as events that would have rotated to San Diego if suitable facility, hotel and other visitor amenity conditions were available. Rather, these data reflect organizations that expressed an interest in San Diego at one point during their event planning process but ultimately selected another destination.



Note: Data presented in calendar year format
Source: CSL International, facility management, 2015.

As shown, issues with space and date availability are cited as the most prominent reason for not booking an event in San Diego, which could indicate unmet demand for the SDCC's facilities. Other reasons given by event planners for not booking the SDCC include references to destination issues (potentially air access, geographic location or lack of members in the area), cost (typically hotel rates), the lack of space that would have been included with a previously proposed expansion (termed as "Expansion" in the exhibit), and an undefined organizational selection for another destination.

SDCC and headquarter hotel investment can help mitigate date, space and event growth issues. Planners of unbooked events with these concerns combine to represent more than 2.3 million room nights over this eleven-year period. It will be more difficult to fully mitigate issues surrounding cost and destination issues.

3.0 Historical San Diego Convention Center Operations and Industry Trends Analysis

The purpose of this chapter is to inventory and analyze key elements of the historical operations of the SDCC. Understanding utilization levels, event mix and other such characteristics of the facility is important to providing a basis from which to evaluate potential unmet demand for event space in the market. We begin with a more detailed review of SDCC space offerings.

3.1 Introduction to SDCC Space Offerings

The San Diego Convention Center originally opened in 1989. In 2001, a major expansion of the SDCC was completed that effectively doubled the available event space, and proposed plans to expand again began in 2008 with attempts to acquire land parcels adjacent to the Center. In 2013, the California Coastal Commission approved a proposed expansion that was later ruled unconstitutional by the California appeals court due to the proposed funding structure. The SDCC provides a total of 816,100 square feet of total sellable space in addition to parking facilities, restaurants and outdoor space. Specific components of the SDCC space are summarized below.

- Exhibit Space – 615,700 square feet of dedicated exhibit space, of which the largest contiguous space is 525,700 square feet.
- Meeting Space – Up to 63 breakout meeting rooms combine to provide a total of approximately 118,700 square feet of space.
- Ballroom Space – Includes 81,700 square feet of ballroom space on Level 3. This figure is divided between two similarly sized ballrooms that feature just under 41,000 square feet of space each.
- Parking – Nearly 2,000 on-site parking spaces.
- Restaurants – Three Starbucks located in Convention Center Lobbies A, C and E in addition to Tides Restaurant located on the west end of the facility near Lobby A.
- Outdoor space – Outdoor terraces overlooking San Diego Bay equipped with tables and benches serve as informal gathering spaces.

A comparison of this space with primary national competitive and comparable venues is presented later in this report.

3.2 Analysis of Historical SDCC Operations

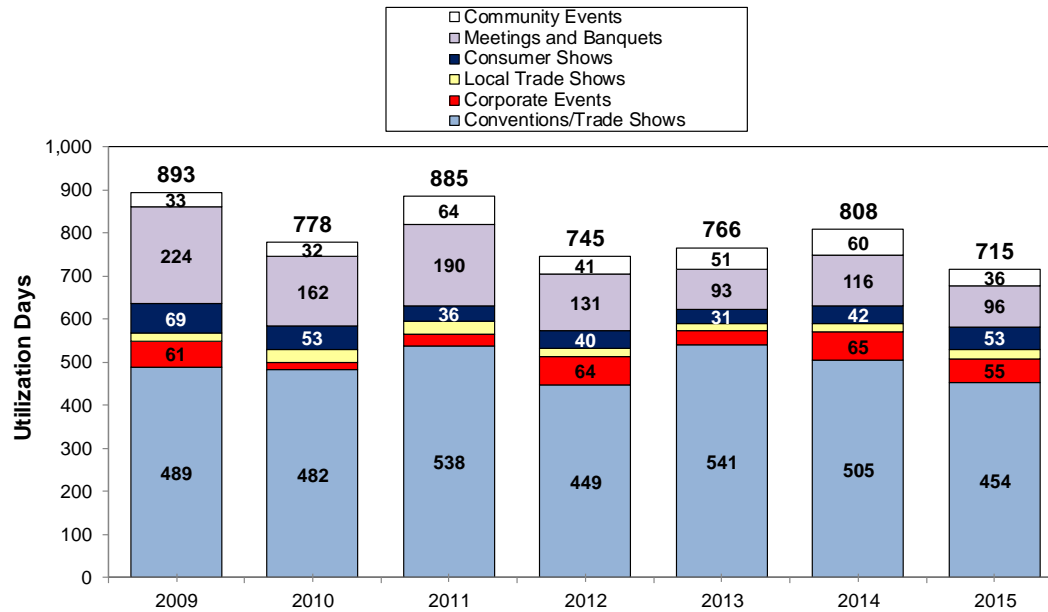
The SDCC hosts a wide variety of both non-local and local events, including conventions, tradeshow, corporate meetings, consumer shows, food and beverage functions, community, government and other events. We have evaluated various measures of usage over the past seven years, focusing on utilization days, event days, attendance, occupancy percentages, and related measures. This analysis helps identify occupancy and other utilization data that can influence estimates of potential future market capture and event activity.

For purposes of this analysis, SDCC usage has been segmented into the following event categories:

- Conventions/Tradeshows
- Corporate Events
- Local Trade Shows
- Consumer Shows
- Meetings and Banquets
- Community Events

Utilization days at the SDCC (which include all move-in, event and move-out days for a convention or tradeshow) have ranged from approximately 715 to 893 over the past seven years. Utilization among meetings and banquet events (which are smaller and tend to generate limited economic impact) has dropped in recent years, likely due to national economic conditions. These data are summarized in the Exhibit 3-1 on the following page.

Exhibit 3-1
Summary of Historical SDCC Utilization Days (2009-2015)



Note (1): Data presented in calendar year format
 Note (2): Data for 2015 represent bookings as of April, 2015
 Source: CSL International, facility management, 2015.

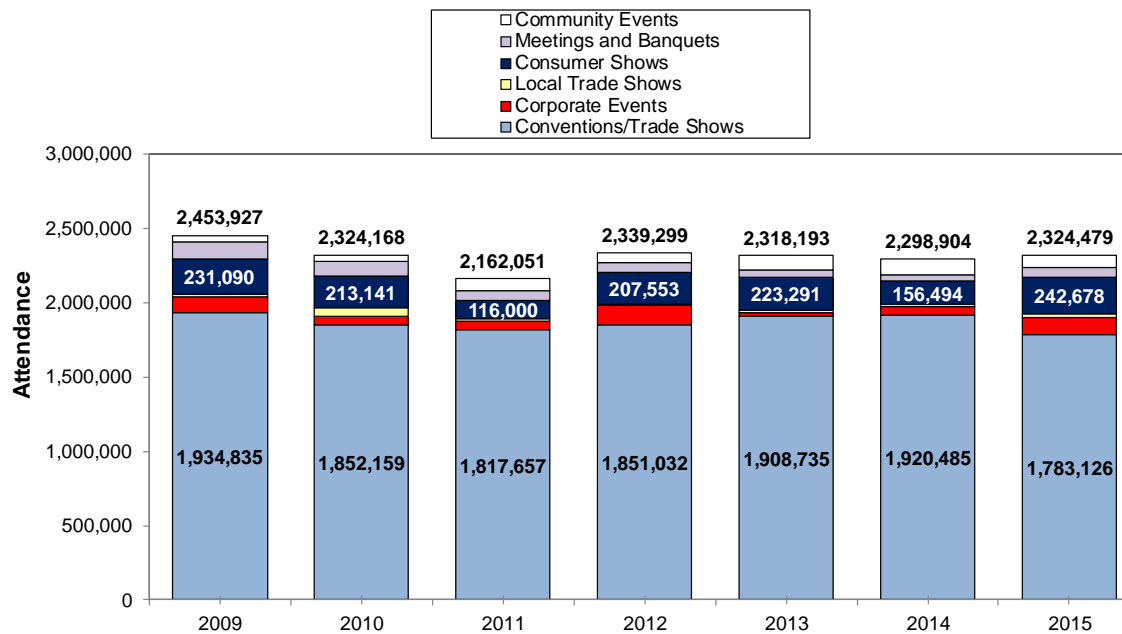
The majority of SDCC utilization day activity is generated from conventions and tradeshow, with a lesser but material level of activity from meetings and banquets.

Other event categories generate comparatively low levels of SDCC utilization.

The historical operations analysis also considers SDCC attendee days. Attendee days differ from registered attendance in that an event that lasts three days with 10,000 attendees is considered to generate 30,000 attendee days. This statistic is useful to consider in that it “normalizes” the ultimate attendee generation across all event types. For example, a one-day event with 1,000 attendees is less influential than a three day event with the same attendance level. The attendee-day measure captures this distinction.

Exhibit 3-2 outlines total attendee days by event type for the seven-year period analyzed among all events utilizing the SDCC.

Exhibit 3-2
SDCC Attendee Days by Event Type (2009 – 2015)



Note (1): Data presented in calendar year format
 Note (2): Data for 2015 represent bookings as of April, 2015
 Source: CSL International, facility management, 2015.

The SDCC experienced its highest attendee day figure over the past seven years in 2009 with an estimated 2,454,000 total event attendee days. Importantly, attendance at the SDCC has held relatively constant over the past six years (ranging from approximately 2,162,000 in 2011 to 2,454,000 in 2009).

This consistency suggest that the SDCC has reached a mature level of event activity, with a need for some type of product enhancement in order to materially increase attendee days and associated room night generation and economic impact.

Non-local conventions and trade shows make up by far the largest portion of SDCC attendee days each year (ranging from 1,783,000 to 1,935,000) representing

between 77 and 84 percent of total SDCC attendance. Lower impact consumer show events have generated only a modest level of event attendance, amounting to between five and ten percent of all attendance at the SDCC.

As noted previously, SDCC utilization days have dropped slightly in recent years, with attendance stability driven by an increase in average attendance per-event. These data indicate that the SDCC has continued to perform well with larger, highly attended events. As with attendance, room night generation from SDCC events has been strong in recent years. SDCC event activity generated a total of approximately 679,000 room nights in 2014, with already just under 689,000 room nights booked for 2015. Based on current bookings, 2016 looks to accelerate this growth pattern, with an estimated 795,000 room nights booked to date. It should be noted that these totals reflect only room nights counted in the official room block. Industry studies suggest that between 25 percent and 35 percent of all event attendees book their room *outside* the official room block. As a result, tracked room nights are a conservative measure of overall room night activity.

It is also important to measure convention center use from the perspective of square footage occupancy. Occupancy levels (measured by dividing the total amount of sold event space by the total amount of sellable space within the facility) can indicate the degree to which usage of the facility has reached a maximum capacity.

At occupancy levels above 60 percent, a center begins to reach full capacity, and above 70 percent occupancy, a facility has exceeded practical maximum capacity and may be turning away a significant amount of business. These assumptions account for the reality that a portion of the facility's total capacity is unsellable due to holidays, maintenance days and inherent booking inefficiencies that result when events cannot be scheduled immediately back-to-back. Occupancy levels below 50 percent may indicate that a center has not attracted sufficient market share necessary to support existing space levels.

In order to assess space utilization as well as to identify the types of activities that are generating significant facility use, Exhibit 3-3 presents a summary of exhibit and ballroom space occupancy between 2009 and 2015 for the SDCC.

Exhibit 3-3 reflects occupancy levels in a “heat map” format for each hall, as well as for ballroom and the Sails Pavilion. Occupancy levels above 60 percent are reflected in red, with mid-level occupancy (50 to 60 percent) in orange and low occupancy (under 50 percent) in yellow.

As shown, the SDCC has a consistently high overall occupancy. Exhibit Hall occupancy has remained at a high and stable rate for at least the past seven years, ranging from a low of 63 percent registered in 2012, to an estimated 71 percent for 2015.

The chart also reflects occupancy percentages for the 3rd floor ballrooms and the Sails Pavilion. Overall ballroom occupancy has ranged between 63 percent in 2010 to 71 percent in 2012 and is at an estimated 72 percent in 2015 based on current bookings (as of April 2015). Convention and tradeshow events have accounted for approximately 60 percent of overall ballroom occupancy at the SDCC. The Sail Pavilion operates at a somewhat lower occupancy level, ranging between 44 percent in 2011 to 67 percent in 2015. Several very large full-building users occupy the Sail Pavilion for exhibits, but express a strong desire for more space contiguous with the Exhibit Hall.

To better understand the type of activity that is driving the SDCC's occupancy figures, Exhibit 3-4 presents the SDCC's annual exhibit space occupancy by event type.

Exhibit 3-3
SDCC Occupancy Heat Map (2009 – 2015)

	Square Footage	2009	2010	2011	2012	2013	2014	2015
Exhibit Hall A	48,613	74%	61%	64%	59%	68%	57%	72%
Exhibit Hall B-1	72,642	70%	67%	74%	65%	74%	60%	77%
Exhibit Hall B-2	36,043	67%	66%	67%	66%	73%	64%	74%
Exhibit Hall C	92,040	63%	67%	62%	69%	65%	65%	68%
Exhibit Hall D	58,725	70%	64%	63%	64%	67%	68%	72%
Exhibit Hall E	43,350	70%	65%	62%	61%	65%	75%	74%
Exhibit Hall F	54,638	72%	64%	65%	61%	65%	72%	71%
Exhibit Hall G	54,808	63%	62%	63%	60%	66%	64%	67%
Exhibit Hall H	64,842	64%	56%	63%	57%	65%	60%	64%
Exhibit Hall	525,701	68%	64%	65%	63%	68%	65%	71%
Ballroom 6	40,955	69%	63%	65%	71%	69%	65%	70%
Ballroom 20	40,706	63%	62%	71%	71%	66%	66%	75%
Sail	90,000	53%	47%	44%	52%	58%	55%	67%
Overall	697,362	66%	61%	62%	62%	66%	64%	71%

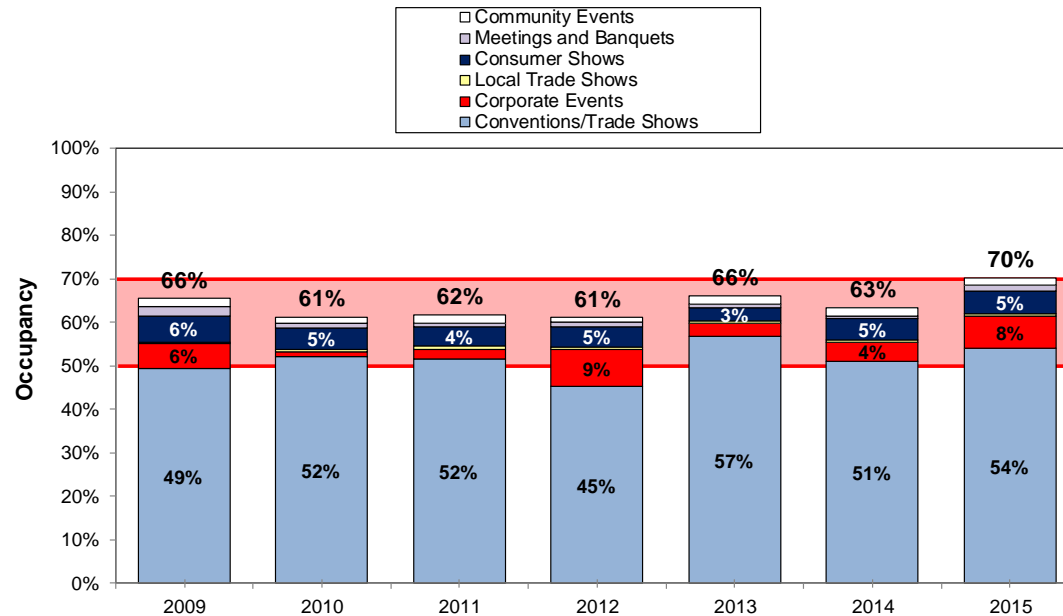
	= High Occupancy (over 60%)
	= Mid-Level Occupancy (50% to 60%)
	= Lower Occupancy (under 50%)

Note (1): Data presented in calendar year format

Note (2): Data for 2015 represent bookings as of April, 2015

Source: CSL International, facility management, 2015.

Exhibit 3-4
SDCC Exhibit Space Occupancy by Event Type (2009 – 2015)



Note (1): Data presented in calendar year format
 Note (2): Data for 2015 represent bookings as of April, 2015
 Source: CSL International, facility management, 2015.

National and international convention and tradeshow event activity has generated by far the largest portion of exhibit space occupancy over the reviewed period, occupying over 50 percent of available exhibit space five out of the last seven years at the SDCC.

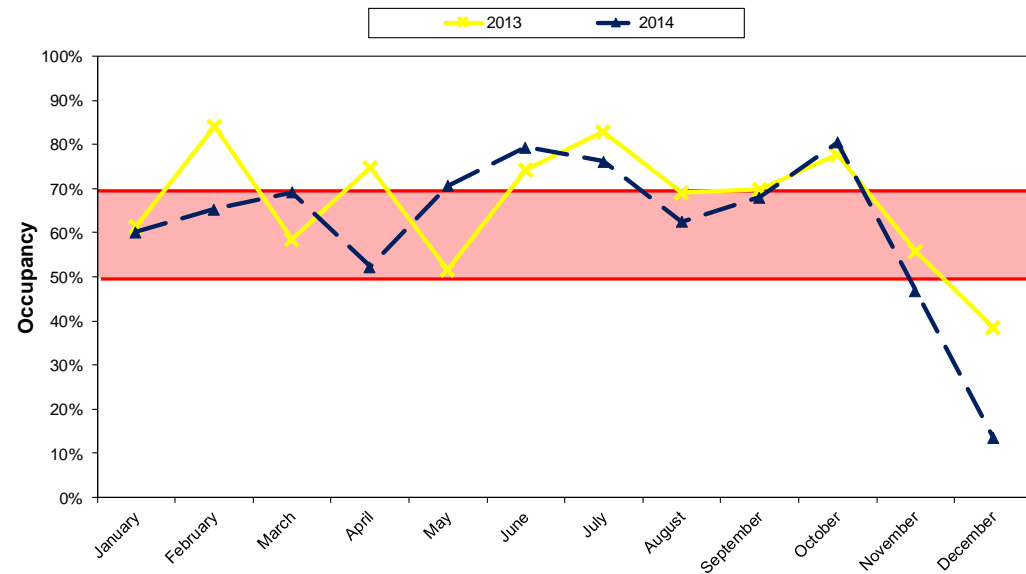
Corporate events have generated between five and nine percentage points of occupancy, while consumer shows have accounted for between three and six percentage points. Local tradeshow, meetings, banquets and community events are not typically large users of exhibit space and have collectively represented two to four percentage points of hall occupancy in recent years.

It is often useful to consider seasonality patterns in occupancy levels in order to assess peak/valley periods that may be impacting annualized performance data. Monthly SDCC occupancy levels for 2013 and 2014 are presented in Exhibit 3-5.

As noted, exhibit space occupancy tends to hover within and over practical capacity from January through May, with a peak of activity from June, July and October, and a gradual drop-off in November and December.

These trends are reflective of national data that support a spring and fall peak to nationally rotating conventions and tradeshows, particularly those produced by associations. However, the high occupancy in the shoulder months of January/February and June through August are unusual in the convention industry, and likely reflect the significant appeal of San Diego as an event destination.

Exhibit 3-5
OCCC Exhibit Space Occupancy Seasonality (2013 - 2014)



Note: Data presented in calendar year format
Source: CSL International, facility management, 2015.

There are a number of events that have or will occupy all available space at the SDCC, and planners of these events have indicated a need for additional space in order to continue to host their event(s) at the Center. Based on data provided by facility management and event planners, such groups include, but are not limited to the following.

Full Facility Users at SDCC (2009-2014)

<u>2009</u>	<u>2010</u>	<u>2011</u>
2009 REALTORS CONFERENCE & EXPO ESRI / ENVIRONMENTAL SYSTEMS RESEARCH INSTITUTE NATIONAL BUSINESS TRAVEL ASSOCIATION/NBTA OFC/NFOEC 2009 SAN DIEGO COMIC CON 2009	ESRI / ENVIRONMENTAL SYSTEMS RESEARCH INSTITUTE GOLF INDUSTRY SHOW OFC/NFOEC 2010 SAN DIEGO COMIC CON 2010 SOCIETY FOR HUMAN RESOURCES MANAGEMENT ANNUAL CONV SOCIETY FOR NEUROSCIENCE	AMERICAN ACADEMY OF ORTHOPAEDIC SURGEONS - ANNUAL AMERICAN DIABETES ASSOCIATION AMERICAN SOCIETY OF HEMATOLOGY ESRI / ENVIRONMENTAL SYSTEMS RESEARCH INSTITUTE SAN DIEGO COMIC CON 2011
<u>2012</u>	<u>2013</u>	<u>2014</u>
CISCO LIVE 2012 ESRI / ENVIRONMENTAL SYSTEMS RESEARCH INSTITUTE INTERNATIONAL ASSN OF CHIEFS OF POLICE ANNUAL CONF ISTE 2012 / INTL SOC FOR TECHNOLOGY IN EDUCATION SAN DIEGO COMIC CON 2012	AMERICAN COLLEGE OF RHEUMATOLOGY ANNUAL MEETING AMERICAN UROLOGICAL ASSOCIATION ANNUAL CONVENTION ASSOCIATION OF PERI-OPERATIVE REGISTERED NURSES ESRI / ENVIRONMENTAL SYSTEMS RESEARCH INSTITUTE GLOBAL BUSINESS TRAVEL ASSN / GBTA CONVENTION SAN DIEGO COMIC CON 2013 SOCIETY FOR NEUROSCIENCE 2013	2014 BIO INTERNATIONAL CONFERENCE AMERICAN ASSOCIATION FOR CANCER RESEARCH ESRI / ENVIRONMENTAL SYSTEMS RESEARCH INSTITUTE SAN DIEGO COMIC CON 2014

The ability to retain these types of events and allow for their increasing space needs is an important consideration when evaluating future convention facility development options.

Of note, nine out of the 32 events shown above are higher impact medical industry-related events. Interviews were conducted with representatives from five of these nine event planning organizations, with telephone and email surveys completed with the other four. All nine organizations reported a positive likelihood of continuing to use the SDCC if a contiguous expansion were to occur, with a unanimous preference for the contiguous expansion option. The five organizations that were directly contacted (American Association for Cancer Research, American Diabetes Association, American Academy of Orthopedic Surgeons, American Society of Hematology, and the American Urological Association) stated that their likelihood of utilizing the SDCC in the future will decrease if the facility forgoes an expansion, again with a strong preference for the contiguous option.

We have also developed an analysis that reflects exhibit space use on a daily basis, highlighting the number of available blocks of dates that could accommodate another SDCC event of either 200,000 or 400,000 square feet. The average length of convention and trade events at the SDCC is eight days, including move in, event and move out days. This event length has been used to identify potential open blocks of dates over calendar year 2014. This analysis is summarized in Exhibit 3-6 below.

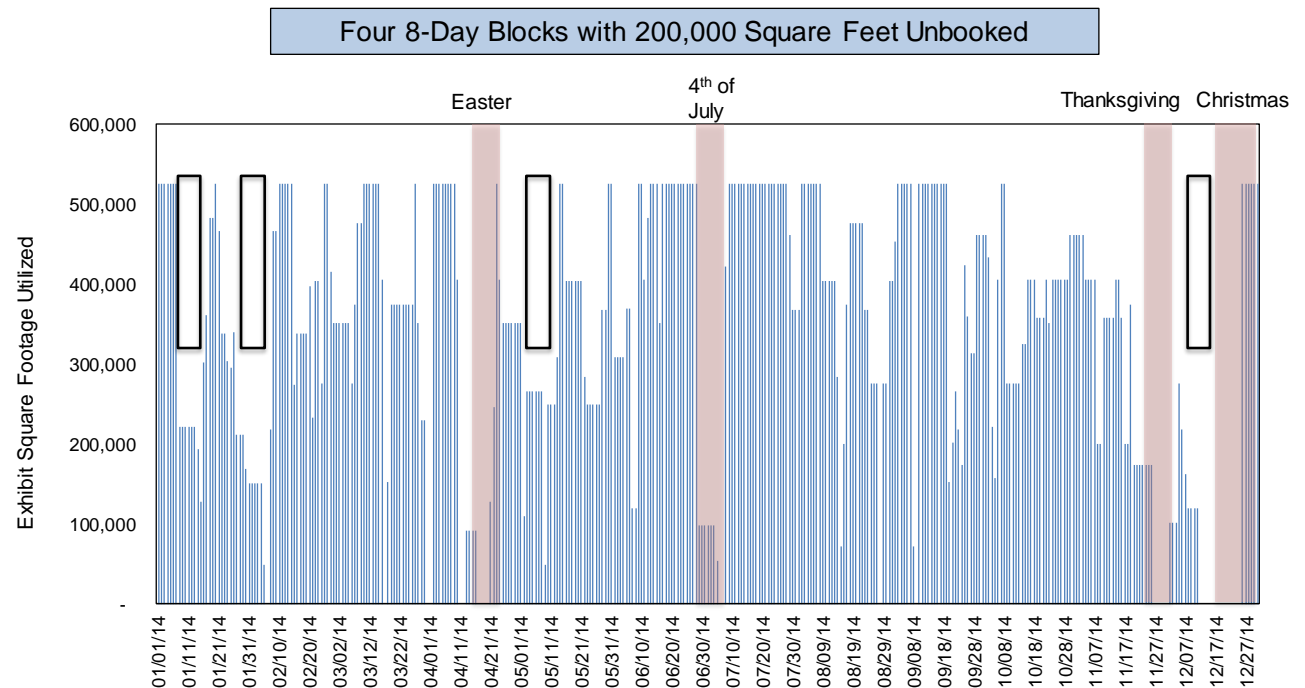
Exhibit 3-6
SDCC Exhibit Space use by Date – Highlighting Added Event Potential

In 2014, excluding major holidays, there were only four blocks of at least eight days with 200,000 square feet of unoccupied SDCC exhibit space.

The exhibit also demonstrates the extent to which all SDCC contiguous exhibit space was occupied for a significant number of days annually.

A similar analysis shows that there was only one eight-day block of SDCC exhibit space in 2014 that could accommodate an additional event requiring up to 400,000 square feet.

The ability to secure added large convention and tradeshow event activity in San Diego will clearly require added exhibit space capacity.



Source: CSL International, facility management, 2015

3.3 Industry Demand Patterns

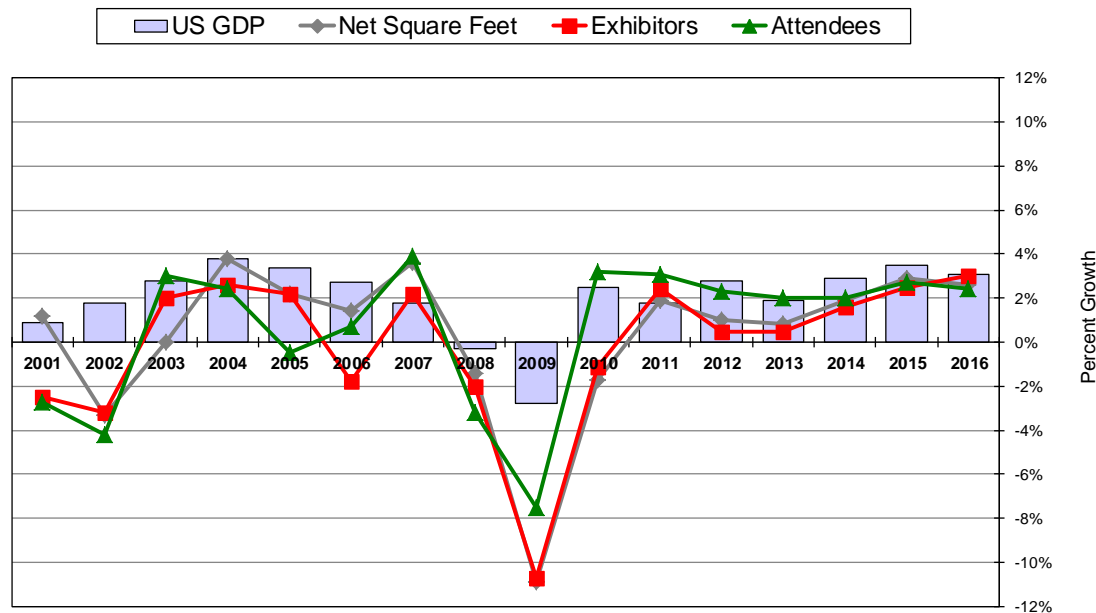
The market success of a convention center can be partially attributed to the characteristics of the industry as a whole. In order to assess the current and future strength of the market with regard to San Diego, it is important to evaluate the industry nationwide. Broad industry changes, characterized by retraction and expansion in convention and tradeshow demand have taken place during the past decade. After significant decreases in industry demand levels during the recession that ended in June of 2009, demand for convention, tradeshow and related public assembly space has grown industry-wide. In this section, various industry demand trends are evaluated in order to help inform estimates of future MBCC event levels.

Nearly all indicators suggest that the national economy is continuing to recover from the great recessions. A large collection of data suggests that the health of the convention, tradeshow and meetings industry, like nearly all industries, has historically been and is currently linked to the strength and fluctuations of the overall U.S. economy. This “linkage” is a fundamental premise of any analysis of future convention and tradeshow industry performance. To address the question of future industry trends, we need to consider how the future performance of the convention industry will respond in these post recessionary times.

The Center for Exhibition Industry Research (CEIR) is a nonprofit organization whose mission is to advance the growth, awareness and value of exhibitions in the United States. The annual CEIR Index Report is developed to provide an objective measure of the annual performance of the exhibition industry. The CEIR Index Report measures year-over-year changes in four key metrics of industry performance:

- Net Square Feet of Exhibit Space Sold
- Number of Exhibiting Companies
- Professional Attendance
- Total Event Gross Revenue

Exhibit 3-7
Trends in Convention & Exhibition Industry Demand



Note: Data for 2014 through 2016 is based on forecasts.
Source: Center for Exhibition Industry Research (CEIR), 2014

The industry's performance within these four metrics was calculated from data provided from over 400 events. The 2014 CEIR Index Report displays and analyzes actual event-specific data from 2001 through 2014 and provides a forecast for 2015 through 2016.

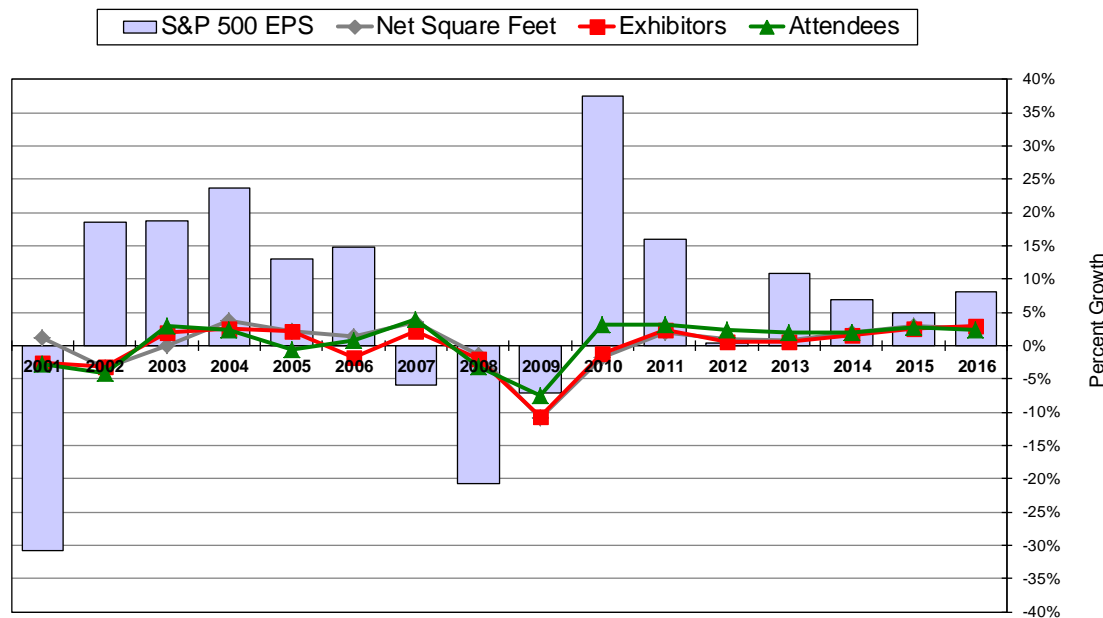
We have prepared a summary of CEIR produced historical and projected performance among three of the four variables listed above, as compared to growth in the U.S. Gross Domestic Product (GDP), for the 16-year period spanning 2001 through 2016.

As shown in Exhibit 3-7, the overall exhibition industry as measured by the CEIR Index experienced a substantial decline in overall performance post 2007. The indices appear to have bottomed out in 2009, during which time the space use showed a 10.9 percent decline and the number of exhibitors fell by an estimated 10.7 percent when compared to 2008.

A significant industry rebound took place starting in 2010 that is projected to continue through at least 2016. Expectations for 2015 call for an overall exhibition industry growth rate of approximately 2.9 percent. This compares to projected growth of 2.7 percent in 2016. The U.S. economy has continued a trend of moderate growth since 2010, with GDP growing at a rate of 2.8 percent in 2012, 1.9 percent in 2013 and 2.9 percent in 2014. Projections for 2015 have the GDP growing at a rate of 3.5 percent, while 3.1 percent growth is estimated in 2016. These data help support the notion of a linkage between the convention and tradeshow industry and the overall national economy.

We have also analyzed linkages between convention and tradeshow industry demand and the overall health of the corporate sector, measured in terms of S&P 500 earnings per share. Exhibit 3-8 summarizes data we have compiled, presented in terms of annual growth percentages (or declines) for the past 14 years, in addition to projected data for future years.

Exhibit 3-8
Convention & Tradeshow Industry Growth versus S&P 500 EPS



Note: Convention and tradeshow data for 2014 through 2016 is based on forecasts.
Sources: Center for Exhibition Industry Research (CEIR), 2014
Standard & Poors, Goldman Sachs, 2015

The convention and tradeshow industry experienced the worst of the economic downturn in 2009, with measures of industry performance falling by between eight and 11 percent when compared to 2008 measures. A significant decline in earnings per share data for the S&P 500 took place one year earlier, falling by an estimated 20 percent in 2008. With respect to the linkage between the convention/tradeshow industry and the overall economy, this comparison further highlights the parallels between the two and is indicative of the phenomenon whereby exhibition industry performance tends to follow a similar, although a slightly lagging pattern to that of the U.S. corporate sector.

For future SDCC planning purposes, it should be assumed that the performance of the overall domestic convention and tradeshow industry will mirror various measures of economic growth.

While recessionary periods tend to erode demand, this erosion reverses upon the subsequent period of recovery. Simply maintaining market capture in a slow-growth period (which will always require facility and amenity investment to remain current with customer trends and competitive pressure) can result in modest annual gains in SDCC utilization. Adding space inventory, given the significantly high occupancy levels for existing SDCC space, has the potential to increase share of market. Event planner ratings of San Diego among competitive and comparable destinations, presented later in this analysis, will show that the destination appears uniquely positioned for added market capture, even in a highly competitive industry.

4.0. Analysis of Competitive and Comparable Facilities and Markets

This chapter provides an analysis of various physical characteristics and resources of both competitive and comparable facilities and communities. The data help place the San Diego Convention Center product within a competitive and comparable market context with respect to facility space, hotel inventory and other related destination features. These data are used to understand how other similar markets are performing within current industry conditions, the level of space and hotel room inventory offered by competitors and other such characteristics. A number of characteristics are considered by association and corporate event planners in determining the ability of a community to attract convention, conference and tradeshow business. Some of the factors analyzed in this section include:

- Exhibit space
- Meeting/ballroom space
- Total sellable space
- Facility space ratios
- Hotel room inventory

As shown in Exhibit 4-1, CSL has compiled a list of 15 competitive and comparable markets and facilities that were identified and reviewed in terms of event space, hotel room inventory and related metrics. These data were analyzed in comparison to the SDCC and downtown San Diego to gauge its competitive position in the broader national facilities market. Importantly, 11 facilities are considering, planning, or undergoing expansion projects. Also of note, a total of five markets are planning or developing additional headquarter hotel properties to support their convention center.

Exhibit 4-1
Competitive & Comparable Facilities & Markets

Facility	City, State
Anaheim Convention Center (1)	Anaheim, CA
Georgia World Congress Center (3)	Atlanta, GA
Boston Convention & Exhibition Center (1,3)	Boston, MA
Dallas Convention Center (1)	Dallas, TX
Colorado Convention Center (1)	Denver, CO
George R. Brown Convention Center (3)	Houston, TX
Las Vegas Convention Center (1)	Las Vegas, NV
Los Angeles Convention Center (1)	Los Angeles, CA
New Orleans Morial Convention Center (1,3)	New Orleans, LA
Orange County Convention Center (1)	Orlando, FL
Phoenix Convention Center	Phoenix, AZ
Henry B. Gonzalez Convention Center (2)	San Antonio, TX
Moscone Center (1)	San Francisco, CA
Washington State Convention Center (1,3)	Seattle, WA
Walter E. Washington Convention Center	Washington, DC

(1) Planning or considering the addition of event space at the Center

(2) Includes space that is either planned or currently under construction.

(3) Planning or considering headquarter hotel development

4.1 Event Space Comparisons

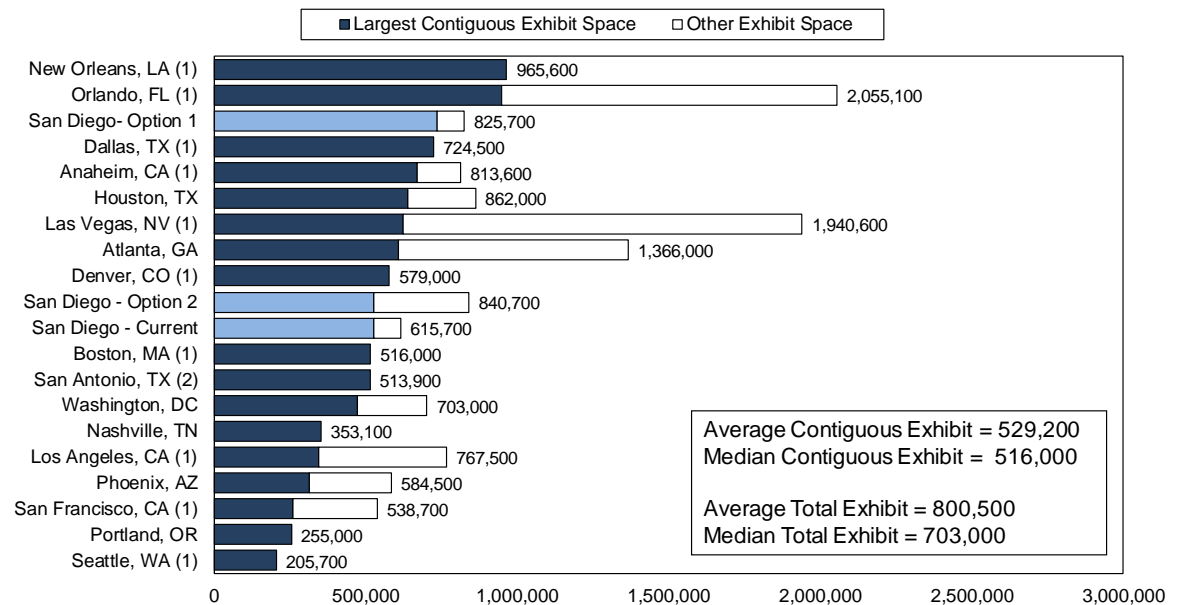
Exhibit Space

Exhibit space refers to the dedicated exhibition area that is typically column-free or with minimal columns, has high ceilings (typically approximately 35 feet in height), utility floor grids (supplying electricity, telecommunications, water, etc.), convenient accessibility to each hall for load-in/load-out and other such amenities. Exhibit 4-2 presents a comparison of exhibit space among the competitive and comparable facility set, highlighting the square footage of both contiguous and total exhibit space offerings within the competitive and comparable facilities presented on the previous page. Figures for San Diego reflect the existing SDCC, as well as the building programs associated with both Option 1 (the contiguous expansion option), and Option 2 (the campus expansion option) presented earlier in this report.

The Orange County Convention Center in Orlando, Florida currently provides just over 2 million square feet of dedicated exhibit space, the most of any reviewed facility. In terms of contiguous space offerings, the New Orleans Morial Convention Center offers the largest single space among the facilities reviewed, with 965,600 square feet. On average, the largest contiguous exhibit space available among the competitive and comparable facilities reviewed is approximately 529,200 square feet, while the total available exhibit space averages approximately 800,500 square feet.

Including the Sails Pavilion, the SDCC currently offers approximately 615,700 total square feet of exhibit space, ranking ninth among the reviewed venues. Exhibit Halls A through H combine to provide 525,700 square

Exhibit 4-2
Summary of Exhibit Space Offerings
Competitive & Comparable Facilities



(1): Planning or considering the addition of event space at the Center

(2): Includes space that is either planned or currently under construction

Option 1: Develop an additional 210,000 square feet of exhibit space contiguous to the existing SDCC, with additional 59,000 in meeting space.

Option 2: Develop approximately 225,000 square feet of exhibit space, 80,000 square foot ballroom, 80,000 sf meeting space in a new structure.

Source: CVB's and industry publications, 2015.

feet of contiguous space, representing the tenth largest single space available. Contiguous space is often important in accommodating larger events; this will have to be considered in weighing SDCC expansion scenarios in terms of their potential market capture and economic impact. This will be further discussed later in this report.

Within the facility set reviewed, several important expansion and improvement projects are being planned or have recently been developed. These include the following:

- Anaheim, CA – Currently constructing a \$180 million expansion of the Anaheim Convention Center that will add 200,000 square feet of sellable space, including 100,000 square feet of column free space. The expansion is planned to open in 2017.
- Boston – a potential expansion of the Boston Convention & Exhibition Center that would add 335,000 square feet of exhibit space, 100,000 square feet of meeting space and 75,000 square foot ballroom.
- Dallas – Currently planning a \$200-\$250 million expansion that would add 120,000 to 150,000 square feet of sellable space, including a 60,000 square foot ballroom.
- Denver – Currently in the process of placing an initiative to extend existing taxes to fund a potential expansion/improvement to the Colorado Convention Center.
- Las Vegas – Planning a 750,000 square foot expansion of the Las Vegas Convention Center to be a part of the \$2.3 billion Las Vegas Global Business District that would include transportation and trade center components.
- Los Angeles – Architects have been retained to design an expansion of the Los Angeles Convention Center.
- Orlando – Recently completed a master plan for a proposed expansion and enhancement of the Orange County Convention Center.
- New Orleans – Currently conducting a feasibility study for a proposed expansion of the New Orleans Morial Convention Center.
- San Antonio – Underway with a \$325 million expansion and improvement of the Henry B. Gonzalez Convention Center that will include 260,000 square feet of additional exhibit space and a 54,000 square foot ballroom with completion expected in 2016.
- San Francisco – Currently constructing a \$500 million expansion of the Moscone Center, with completion expected in 2018. The expansion will add approximately 305,000 square feet of exhibit, ballroom and meeting space, including 80,000 or more square feet of added contiguous exhibit space, and an additional 20,000 square feet of outdoor terrace space.
- Seattle – Planning a \$1.0 billion expansion that would include 250,000 square feet of new exhibit space, 125,000 square feet of meeting space, 60,000 to 80,000 square feet of ballroom space and parking for 1,600 additional vehicles.

The extent to which competitive and comparable markets are investing or planning to invest in convention and hospitality product reflects both the value of the national convention and tradeshow industry, and the importance of continuing to maintain product that reflects evolving industry trends and planner requirements.

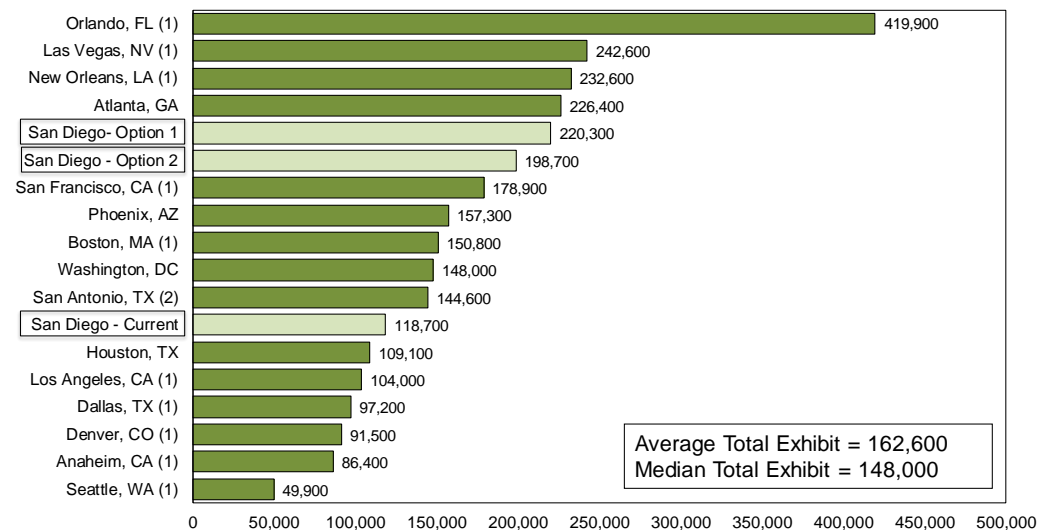
Meeting/Ballroom Space

An adequate supply of quality meeting space has consistently ranked as one of the top criteria in facility/site selection among event planners interviewed by CSL for studies conducted in markets throughout the United States. Exhibit 4-3 compares the total square footage of dedicated meeting space offered at competitive and comparable facilities.

The amount of meeting space at the venues reviewed ranges from a high of approximately 419,900 square feet at the Orange County Convention Center in Orlando, to a low of 49,900 square feet at the Washington State Convention Center in Seattle. On average, the facilities analyzed provide approximately 162,600 square feet of meeting space. The SDCC currently offers approximately 118,700 square feet of meeting space, ranking tenth among competitive and comparable centers—below centers in San Francisco, Phoenix, Boston and San Antonio.

Option 1 would add 101,600 square feet of meeting space to the existing SDCC, while Option 2 would add 80,000 square feet, both moving San Diego to a ranking of fifth. Given the event profile of the SDCC (which often attracts highly meeting intensive medical and technology events), the provision of relatively high levels of meeting space is particularly important.

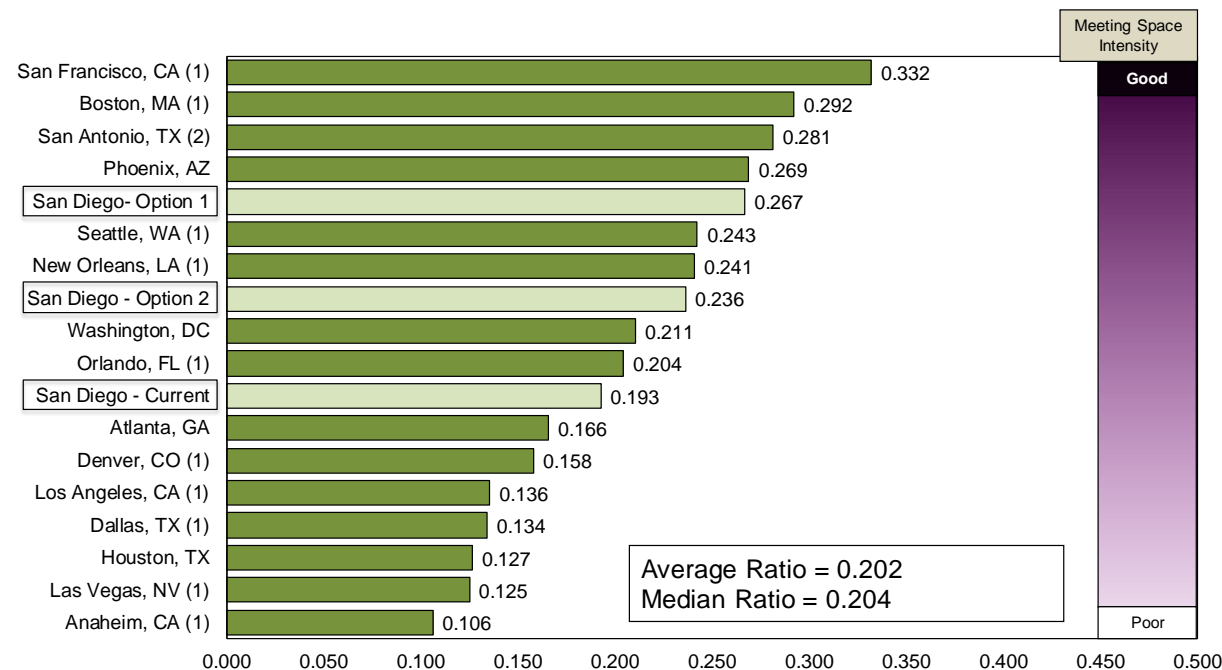
Exhibit 4-3
Summary of Meeting Space Offerings
Competitive & Comparable Facilities



(1): Planning or considering the addition of event space at the Center.
(2): Includes space that is either planned or currently under construction.
Option 1: Develop an additional 210,000 square feet of exhibit space contiguous to the existing SDCC, with additional 101,600 sf meeting space and 60,000 sf ballroom.
Option 2: Develop approximately 225,000 square feet of exhibit space, 80,000 square foot ballroom, 80,000 sf meeting space in a new structure.
Source: CVB's and industry publications, 2015.

In an effort to better understand the magnitude of a facility's supply of meeting space, we have calculated the ratio of meeting to exhibit space at the SDCC and at the competitive/comparable peer facilities reviewed. A high level of meeting space intensity may be indicative of either a high supply of available meeting space within the facility or an undersupply of prime exhibit space. Conversely, a low level of meeting space intensity may point toward either a low level of meeting space supply or a relatively high level of exhibit space. These ratios are summarized in Exhibit 4-4 below.

Exhibit 4-4
Meeting to Exhibit Space Ratios – Competitive & Comparable Facilities



On average, approximately 0.2 square feet of meeting space is available for every square foot of exhibit space among the set of competitive and comparable facilities. The existing SDCC has the 11th highest level of meeting space intensity, with approximately 0.19 square feet of meeting space for every square foot of prime exhibit space.

This suggests an interesting disparity between an only modest meeting space ratio and the high level of medical events hosted at the SDCC. Surveys of medical event planners note that significant hotel meeting space has to be paired with SDCC space, and even this creates a very challenging scenario for accommodating meetings. Any market with a lesser destination appeal than San Diego would likely not so readily overcome meeting space deficiencies.

(1): Planning or considering the addition of event space at the Center

(2): Includes space that is either planned or currently under construction

Option 1: Develop an additional 210,000 square feet of exhibit space contiguous to the existing SDCC, with additional 101,600 sf meeting space and 60,000 sf ballroom.

Option 2: Develop approximately 225,000 square feet of exhibit space, 80,000 square foot ballroom, 80,000 sf meeting space in a new structure.

Source: CVB's and industry publications, 2015.

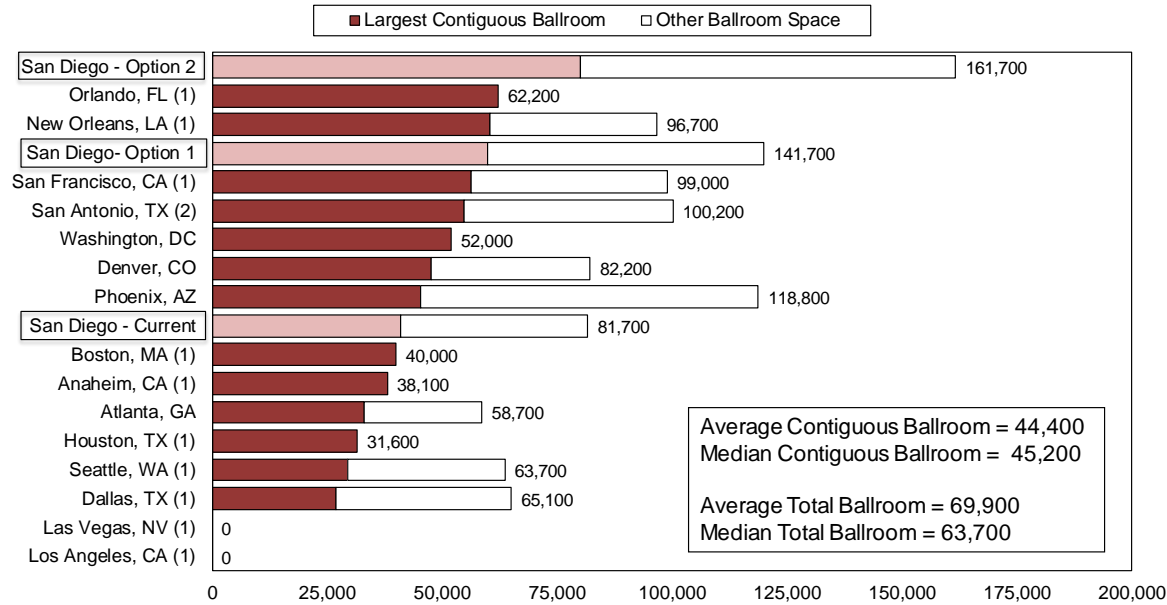
Both of the options being considered for an expanded San Diego Convention Center would increase the facility's moderate meeting space offerings. As noted earlier, Option 2 (campus option) would add 80,000 square feet of meeting space, resulting in a ratio of 0.24 square feet of meeting space for every square foot of exhibit space. Option 1 (contiguous option) provides a slightly higher ratio of meeting to exhibit space, reaching 0.27 square feet of meeting space for every square foot of exhibit space.

The Moscone Center in San Francisco offers the highest such ratio with 0.33 square feet of meeting space per square foot of exhibit space, while the Anaheim Convention Center has the lowest level of meeting space intensity, offering just 0.11 square feet of meeting space for every square foot of exhibit space. We note that architects have been selected to design the addition of 200,000 square feet of flexible meeting/ballroom space at the Anaheim Convention Center.

Ballroom/multi-use space is also important for accommodating food and beverage functions, lectures, general assemblies, product demonstrations, light exhibits and a variety of other uses. Ballroom space is also desirable in that it tends to keep delegates in the convention center during the event as a variety of different functions, such as meals and general sessions, can be conducted under one roof.

Exhibit 4-5 compares both the total ballroom space and the largest amount of contiguous ballroom space offered among the competitive and comparable facilities reviewed.

**Exhibit 4-5
Summary of Ballroom Space Offerings
Competitive & Comparable Facilities**



Note: Average and Median figures do not include those facilities without designated ballroom space.

(1): Planning or considering the addition of event space at the Center

(2): Includes space that is either planned or currently under construction

Option 1: Develop an additional 210,000 square feet of exhibit space contiguous to the existing SDCC, with additional 101,600 sf meeting space and 60,000 sf ballroom.

Option 2: Develop approximately 225,000 square feet of exhibit space, 80,000 square foot ballroom, 80,000 sf meeting space in a new structure.

Source: CVB's and industry publications, 2015.

Following Option 2's "campus" expansion scenario, the San Diego Convention Center would provide the most total ballroom space (with nearly 162,000 square feet) of the competitive and comparable set, with the amount of space essentially split evenly between the existing SDCC and the proposed new center. Of this total, 80,000 square feet is contiguous. Option 1's contiguous expansion scenario includes the development of a 60,000 square foot "Grand Ballroom", which would also improve the SDCC's ranking to first in terms of overall ballroom space, and to third in terms of largest contiguous ballroom space.

Planning efforts for new facilities and those being considered for expansion have recognized the increased demand for ballroom space. For example, the new Music City Center in Nashville provides a

57,500-square foot ballroom, and a 70,000-square foot ballroom is being considered as part of a proposed expansion of the Los Angeles Convention Center. On average, the largest contiguous ballroom space available among the competitive and comparable facilities with designated ballroom space is over 44,000 square feet, while the total available ballroom space averages just over 69,000 square feet.

The SDCC currently provides 81,700 square feet of ballroom space, ranking sixth out of the 16 competitive and comparable facilities with ballroom space. Both Ballroom 6 and Ballroom 20 offer just under 41,000 square feet of contiguous ballroom space, which puts the SDCC's current ranking at eighth within the selected competitive and comparable set in terms of contiguous space.

It is also useful to examine the relationship between a facility's ballroom space and exhibit space to ensure a proper proportion of available event space. The average ratio of ballroom space to exhibit space for the set of competitive and comparable facilities is approximately 0.12. The SDCC currently offers approximately 0.13 square feet of ballroom space for every square foot of exhibit space, which ranks eighth among the 16 facilities reviewed with ballroom space. With the addition of an 80,000-square foot ballroom in an Option 2 expansion scenario, this ranking would improve from eighth to fourth with a ratio of 0.19, while the ratio of 0.17 included with Option 1 would improve the rating to fifth highest in the comparable/competitive set. The Washington State Convention Center in Seattle currently offers the highest level of ballroom space intensity, with a ratio of approximately 0.31, while Orlando's Orange County Convention Center currently features the lowest such ratio, at 0.03. Current center master plans in Orlando include a significant addition of ballroom space.

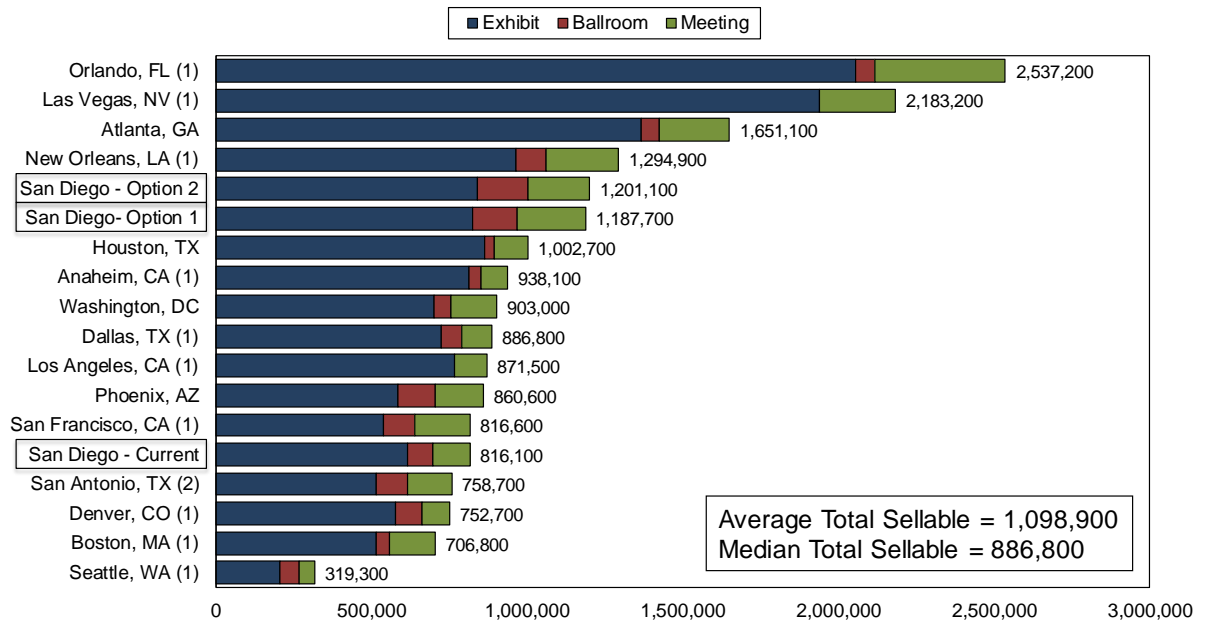
Total Sellable Space

Exhibit 4-6 presents the rankings of all the competitive and comparable facilities analyzed in terms of total sellable space, including all available exhibition, meeting and ballroom space.

The amount of total sellable space offered at the competitive and comparable facilities reviewed varies widely, averaging 1,098,900 square feet. The San Diego Convention Center would offer just under 1.2 million square feet after expansion Option 1 and just over 1.2 million square feet with expansion Option 2.

The 816,100 square feet of total sellable space currently available at the SDCC ranks 12th among the set of facilities reviewed. Under Option 1, 366,600 square feet of additional space would be developed, leading to a fifth place ranking for total sellable space among the

Exhibit 4-6
Summary of Total Sellable Space
Competitive & Comparable Facilities



(1): Planning or considering the addition of event space at the Center

(2): Includes space that is either planned or currently under construction

Option 1: Develop an additional 210,000 square feet of exhibit space contiguous to the existing SDCC, with additional 101,600 sf meeting space and 60,000 sf ballroom.

Option 2: Develop approximately 225,000 square feet of exhibit space, 80,000 square foot ballroom, 80,000 sf meeting space in a new structure.

Source: CVB's and industry publications, 2015.

compared venues. Option 2 would add an estimated 385,000 square feet of sellable space. This also would rank fifth out of the 16 reviewed markets.

4.2 Hotel Room Inventory Comparisons

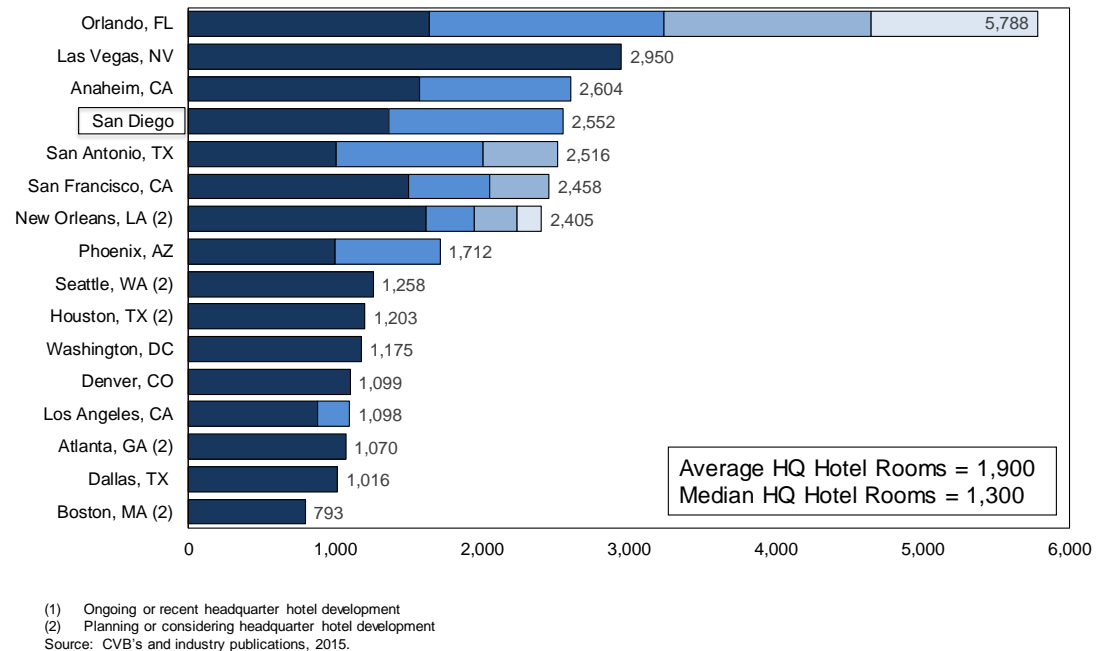
The availability of guest rooms to serve the requirements of the convention industry is a critical factor in the success of a convention center. The inventory of guest rooms in a community is measured in many different ways, including the number of headquarters hotel rooms and the total rooms within one-half mile of the convention center. Exhibit 4-7 details the inventory of guestrooms at headquarter hotel properties serving each market's convention center. In some markets, more than one headquarter property is offered.

Exhibit 4-7
Summary of Headquarter Hotel Offerings
Competitive & Comparable Markets

The San Diego Convention Center is served by the fourth most headquarter hotel rooms, with just under 2,600 total guestrooms combined between the San Diego Marriott Convention Center and the Hilton San Diego Bayfront, which are both adjacent to the SDCC. This does not include the Manchester Grand Hyatt, which if added to the room total for San Diego would result in 4,177 headquarter rooms, ranking second among the competitive and comparable market set.

In recent years, a number of markets have invested in their convention hotel product and many more are currently planning or pursuing major headquarter hotel additions.

Based on conversations with CVB management in each market, we have also measured the inventory of guest rooms within one-half mile of the respective convention centers reviewed. This is an important consideration given that event planners typically prefer to assemble their room block in hotel properties located within a relatively short distance of the event facility. Results are summarized in Exhibit 4-8.



On average, there are approximately 8,200 total guest rooms within one-half mile of each market's primary convention facility. The hotel package surrounding San Francisco's Moscone Center consists of an estimated 18,900 total guest rooms. The current hotel package available within one-half mile to support the SDCC would rank sixth among markets reviewed with just under 9,000 rooms. To assemble a room block of 3,000, approximately three hotel properties are needed.

The one-half mile hotel room inventory figure could increase to nearly 9,500 with the completion of a proposed Hilton Bayfront expansion, improving its ranking among comparable markets from sixth to fifth.

It is also instructive to consider hotel inventory relative to sellable convention center space. Therefore, we have calculated the ratio of available hotel rooms within one-half mile of each convention center reviewed to the facilities' total sellable space, as presented in Exhibit 4-9.

Exhibit 4-8
Summary of Hotel Rooms Within ½ Mile of Convention Center
Competitive & Comparable Markets

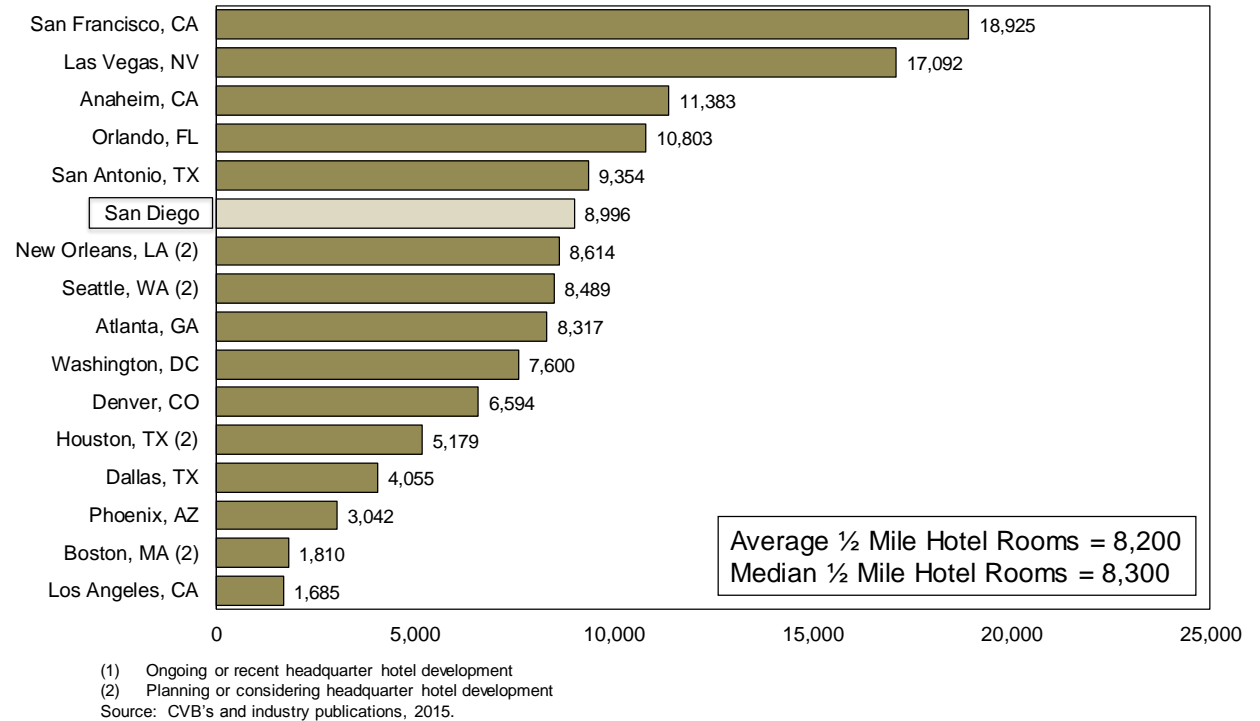
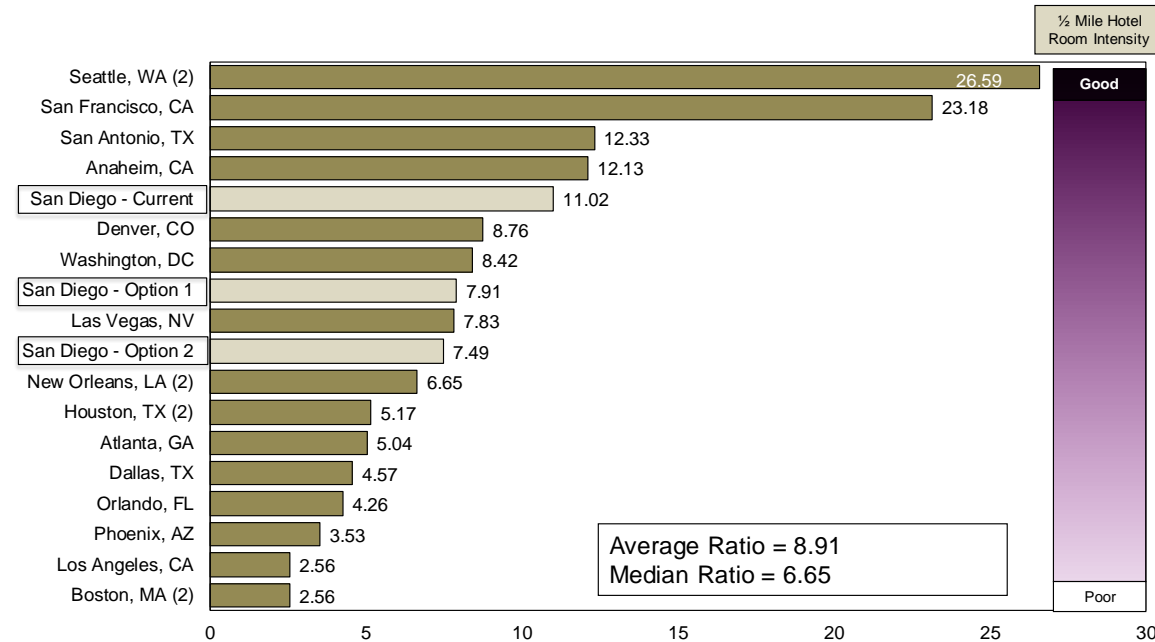


Exhibit 4-9
Summary of One-Half Mile Hotel Room Inventory to Sellable Space Ratios
Competitive and Comparable Markets.



(1) Ongoing or recent headquarter hotel development

(2) Planning or considering headquarter hotel development

Note: Option 1 calculations include proposed 500-room Hilton San Diego Bayfront expansion.

Source: CVB's and industry publications, 2015.

With an estimated 9,000 rooms within one-half mile of the SDCC and 816,000 square feet of total sellable space, San Diego's ratio of 11.0 hotel rooms for every 1,000 square feet of sellable space at the SDCC currently ranks fifth among the competitive and comparable market set (behind Seattle, San Francisco, San Antonio and Anaheim).

If the building program associated with Option 1 were pursued, the total sellable space would approximate 1,183,000 square feet, resulting in a ratio of approximately 8.0 hotel rooms (including the Hilton Bayfront project) for every 1,000 square feet of total sellable space within one-half mile of the SDCC. This would drop the San Diego ranking to seventh among the competitive and comparable markets reviewed. Similarly, the 1,201,000 square feet of sellable space associated with Option 2 would result in a ratio of nearly 7.5 hotel rooms per 1,000 square feet, which would drop the SDCC from fifth to eighth.

This analysis highlights the importance of considering future hotel development in unison with any future SDCC expansion scenario in order to maintain San Diego's competitive advantage as a destination with relatively strong hotel room availability.

5.0 Market Demand Analysis

Convention centers typically host events that vary widely in terms of space needs, attendance levels and hotel room requirements. The size, type and flexibility of the space within many centers, including the SDCC, allows for the accommodation of events ranging from small meetings and banquets to large conventions and tradeshow. To help form a basis for the demand analysis within such a diverse market, detailed surveys were completed with meeting planners in various event segments that represent potential demand for additional convention center space in downtown San Diego. More than 200 such interviews were completed. Data collected are used to estimate potential future event activity for new convention center development, as well as the facility and amenity characteristics necessary to accommodate this potential demand. The research conducted was also used to evaluate community amenity requirements, hotel requirements, current perceptions of San Diego as an event destination and opinions as to the future of the industry overall.

Telephone and Internet-based surveys were completed with representatives of the following types of organizations:

- Targeted national convention and tradeshow event planners – National associations are membership-based organizations that typically have annual conventions that rotate among various cities throughout the United States. These events frequently generate significant levels of non-local attendees and often have sizable requirements in terms of both event space and hotel needs. A complete listing of those contacted is presented in Appendix B of this document.
- Current and past users of SDCC event space – We have surveyed event planners that have in the past or are currently hosting events in San Diego. Given their familiarity with the market, such feedback provides valuable insight with regard to a wide variety of event types.
- Lost Business Contacts – Surveys of event planners that have considered San Diego as a destination, but have chosen an alternate location have also been conducted.
- National medical organizations – Due to the significant amount of economic impact generated by medical-related events, data from event planners for national medical organizations were compiled from our national, current/past and unbooked business SDCC survey results and analyzed in order to summarize the medical event-planning industry's interest in the various SDCC expansion scenarios.
- Focus group analysis – In-depth, manager-level interviews and focus groups were conducted with the major event planning organizations that are current customers or have booked the SDCC in recent years. Two focus groups were conducted in both Chicago and Washington D.C.

5.1 Targeted National Convention and Tradeshow Event Planner Surveys

We have conducted individual telephone surveys with 125 planners of nationally rotating convention and tradeshow events. Both association and corporate events were included in this research effort. The surveys explored a wide variety of event planner opinions, focusing on industry-wide trends as well as convention center planning issues specific to San Diego and the SDCC.

Specific areas of focus for this analysis include the following:

- Expected growth in exhibit, ballroom and meeting space needs for events in both the next two years and five years.
- Event planner rating of San Diego and competitive destinations for hosting events.
- Likelihood of using contiguously expanded San Diego convention facilities in the future.
- Likelihood of using a new SDCC convention facility with 385,000 square feet of space located 2-3 blocks away from the existing SDCC.
- Likelihood of jointly using two separate centers linked by landscaped, potentially covered walkways.
- Reasons for lack of interest in San Diego as an event destination.
- Exhibit, meeting and ballroom space needs.
- Hotel space needs.
- Event attendance and peak room night levels.
- Challenges to the San Diego convention product.
- Center and destination features that are increasing in importance.

Responses to these types of issues provide first-hand, forward looking data as to how the industry is changing in terms of delivering convention and tradeshow content, and how the San Diego market in particular is perceived as an event destination. This research is combined with later presentations of past/current customer survey data, focus group results and careful analysis of customers identified by the San Diego Convention Corporation as “lost business”. Together, this in-depth primary market research forms a very helpful basis for assessing both the level of event planner acceptance for various convention center square footage development options, and for potential event levels associated with each option.

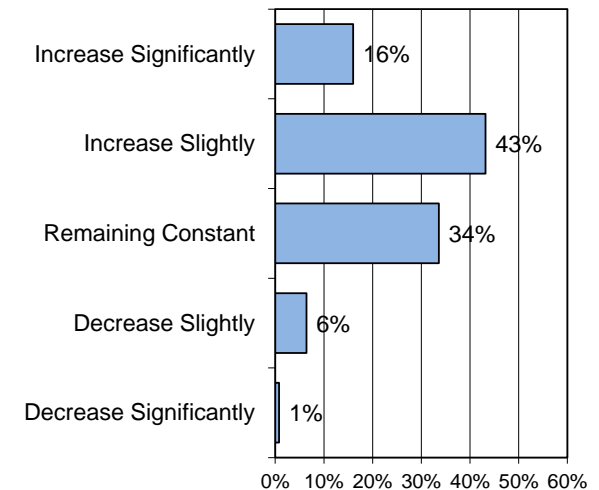
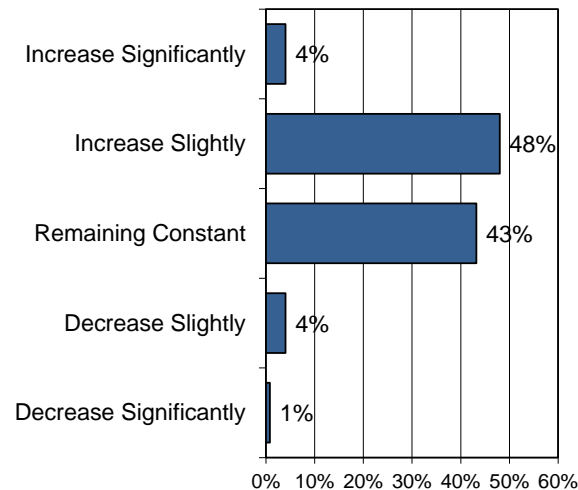
Event Space Growth

Event planners were asked if their event space needs will increase significantly, increase slightly, remain constant, decrease slightly, or decrease significantly within the next two years and within the next five years. Their responses with regard to exhibit space are shown in Exhibit 5-1 below.

Exhibit 5-1
Exhibit Space Requirements Growth

As shown, 52 percent of planners believe their exhibit space needs will increase at least slightly within the next two years, increasing to 59 percent when considering a five year forecast. Notably, 16 percent of event planners think their exhibit space needs will significantly increase within the next five years.

In terms of meeting space, 45 percent of planners indicated that their square footage needs will increase within two years, and 56 percent see future meeting space need increases when forecasting five years out. For ballroom space, 34 percent expected increased square footage needs within two years, increasing to 44 percent when considering a five year period.



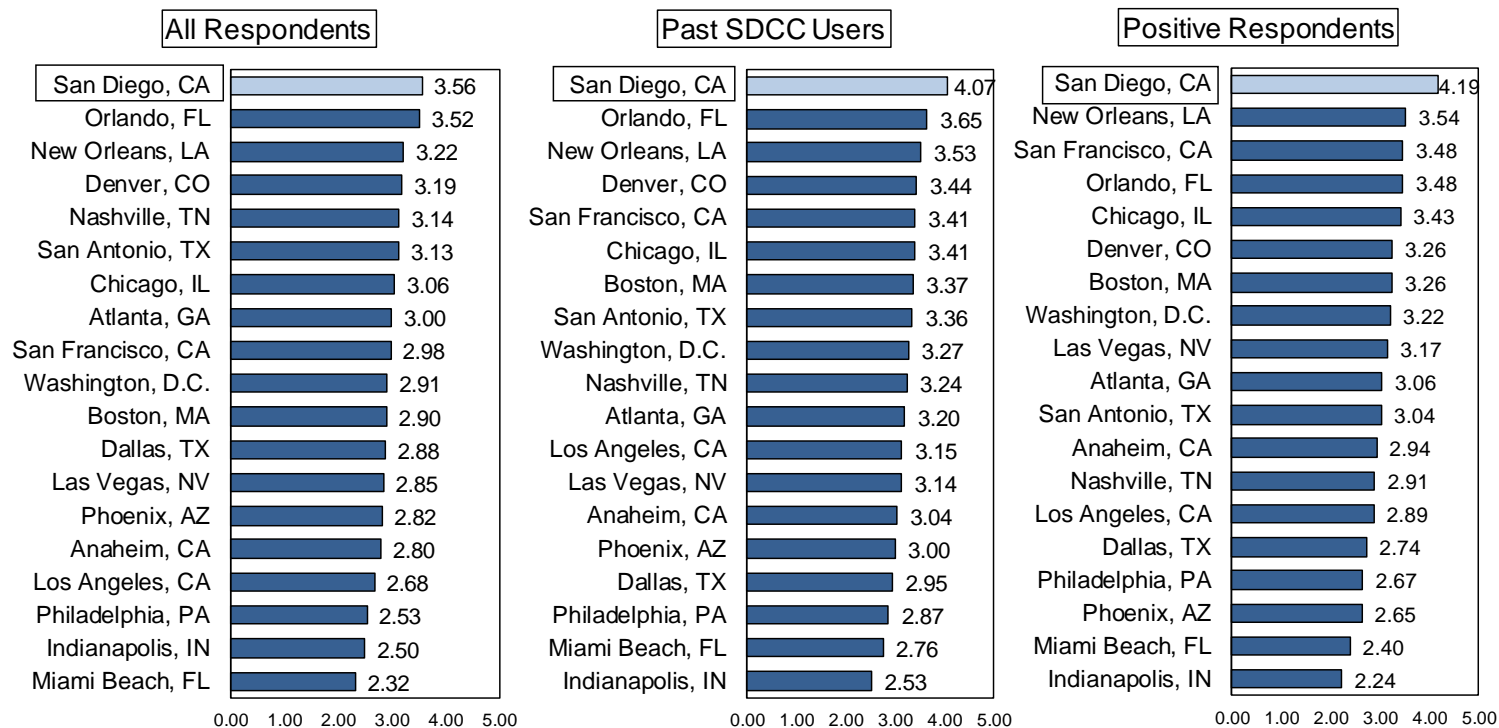
Source: CSL Event Planner Surveys, 2015

These data present a clear picture of a convention and tradeshow market that will experience a fairly steady increase in square footage demand, understanding that significant economic shocks could interrupt this growth pattern. In any industry, continued strategic investment in product development to address future customer needs is important, and the convention and tradeshow industry is no different.

Rating San Diego as an Event Destination

Event planners were asked to rate San Diego along with a sample of competitive and comparable destinations in terms of desirability as a convention destination. A scale of one to five was used, with five representing a very highly desirable destination. The results of this research have been analyzed for all survey respondents, respondents that have used the SDCC in the past, and those planners with at least a possible interest in hosting a future event in San Diego. These data are summarized below in Exhibit 5-2.

Exhibit 5-2
Summary of Event Planner Destination Ratings



Source: CSL National Organization Survey, 2015.

As noted above, the San Diego market ranks first across all categories of event planners, receiving ratings that range between just below 3.6 to nearly 4.2 on a one to five scale from respondents surveyed. Notably, San Diego ranks ahead of competitive destinations such as San Francisco, Anaheim and Los Angeles, and ahead of nationally recognized convention destinations such as Orlando, New Orleans, Chicago and Las Vegas.

These data help quantify the widely held belief that the San Diego market is consistently considered a highly attractive destination for nationally rotating convention and trade events.

Likelihood to Book San Diego Under Various Development Options

Event planners were asked to specify their level of interest in hosting a future event in San Diego under various development/expansion options. Each development option was described to the event planner, after which they were asked to specify if they would definitely, likely, possibly, not likely or definitely not book in San Diego. It is important to note that 56 percent of all respondents have never held an event in San Diego in the past.

Responses were segmented by exhibit space needs, reflecting events that use up to 225,000 square feet of exhibit space (the threshold for the campus option), between 225,000 and 525,000 square feet (the largest contiguous space currently available at the SDCC), and over 525,000 square feet. For the contiguous option (Option 1), the following responses were generated.

Exhibit 5-3
Summary of Interest in San Diego Under Option 1 – Fully Contiguous

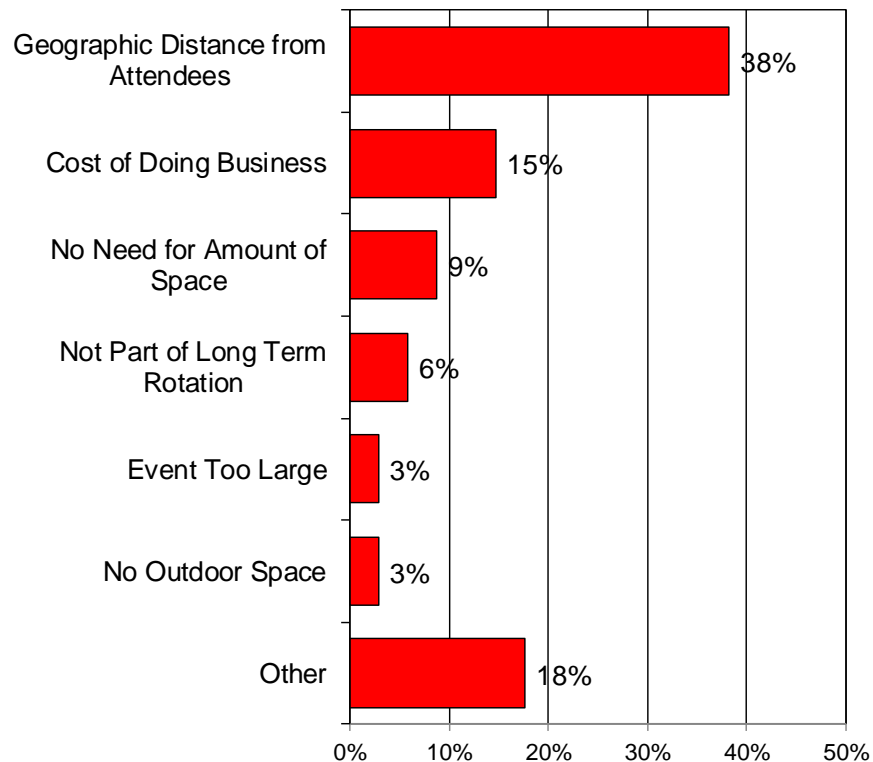
Required Exhibit Space	Likelihood of Using SDCC after Contiguous Expansion		
	0 - 225k Square Feet	225k-525k Square Feet	Over 525k Square Feet
Definitely	22%	29%	25%
Likely	16%	24%	38%
Possibly	36%	14%	13%
Not Likely	20%	24%	25%
Definitely Not	7%	10%	0%

As presented in exhibit 5-3, a combined 38 percent of planners that require under 225,000 square feet of exhibit space would definitely or likely book the SDCC under a contiguous option. This increases to 53 percent for mid-sized events, and to 63 percent for the largest category.

These response rates are very high in comparison to studies we've conducted in other national markets.

We also explored various reasons that event planners express for not likely or definitely book San Diego, as summarized in Exhibit 5-4.

Exhibit 5-4
Summary of Reasons for Not Booking SDCC after Contiguous Expansion -
National Organizations



As summarized, the primary reason for not booking San Diego relates to the SDCC's west coast location and the resulting distance from attendee bases. The cost of hosting an event at the SDCC (likely related in part to hotel rates) was the second most cited reason, followed by the lack of need for the amount of space available at the SDCC. Other issues include the absence of San Diego from a set long term event rotation, a lack of space at the SDCC to accommodate event activity and lack of outdoor event space.

The survey research also focused on interest levels for the campus option (Option 2), which would include approximately 225,000 square feet of exhibit space. A comparison of survey results for the Option 1 and Option 2 plans is presented in the following exhibit.

Exhibit 5-5
Summary of SDCC Interest Levels – Contiguous versus Campus Option's New Facility
(events requiring up to 225,000 square feet of exhibit space)

As shown in Exhibit 5-5, the combined definitely and likely interest in the SDCC drops from 38 percent for the contiguous option to 27 percent for the new facility included in the campus option.

While the San Diego market is very highly rated overall, and the response rates for the campus option are fairly strong, the individual interview and focus group process discussed later in this section tended to highlight a preference for the waterfront location of the existing SDCC. This preference is reflected in the broader survey results.

Definitely
Likely
Possibly
Not Likely
Definitely Not

Option 1 - Contiguous	Option 2 - Campus
22%	9%
16%	18%
36%	38%
20%	25%
7%	10%

We have also asked event planners that require more contiguous space than is currently available at the SDCC to express their interest in both the contiguous and campus options. The results of this research are summarized below in Exhibit 5-6.

Exhibit 5-6
Summary of SDCC Interest Levels – Contiguous versus Campus AND SDCC Option
(events requiring over 525,000 square feet of exhibit space)

Definitely
Likely
Possibly
Not Likely
Definitely Not

Option 1 - Contiguous	Campus AND Existing SDCC
25%	0%
38%	13%
13%	13%
25%	38%
0%	38%

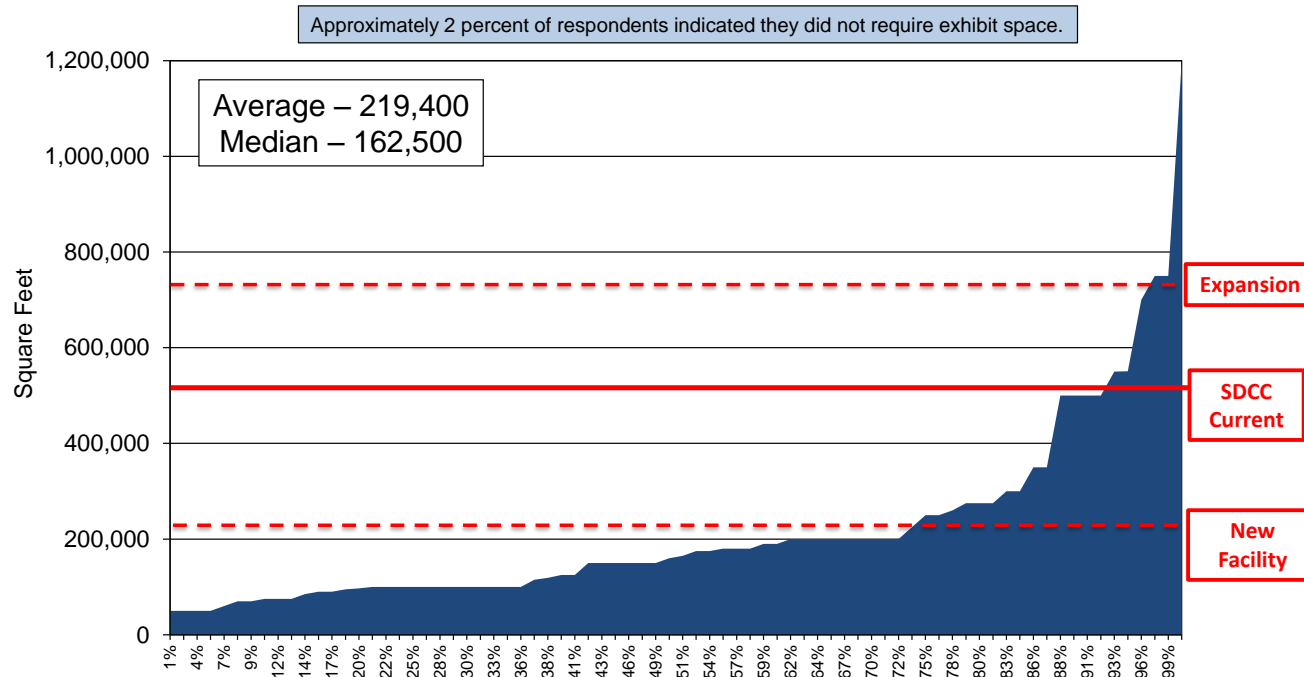
For the larger events, use of a contiguous SDCC is viewed favorably. If the event is required to split their exhibits between the existing SDCC and the new campus center, the interest level drops substantially.

This is not surprising given the importance of maintaining the continuity of the exhibit space in order to satisfy the important exhibitor base, and to prevent "leakage" of attendees away from the event as they move between separate venues.

Market Capture Analysis

The exhibit space requirements of event planners can largely dictate the share of market captured by a center. As part of this analysis, we have used survey results to assess various exhibit space levels and their corresponding ability to accommodate event market share. Market capture scenarios are evaluated under which the SDCC adds between 210,000 and 225,000 square feet of exhibit space (reflective of Option 1 and Option 2). Exhibit 5-7 below presents the market capture analysis considering only events with an interest in San Diego and a requirement of at least 50,000 square feet of exhibit space.

Exhibit 5-7
Exhibit Space Distribution Analysis –
National Organizations



Data include all organizations with a potential interest in the San Diego Convention Center.

Note: SDCC Current, Option 1 and Option 2 event space measurements exclude Sails Pavilion as sellable space.

Expansion: Develop an additional 210,000-225,000 square feet of exhibit space contiguous or non-contiguous to the existing SDCC.

New Facility: Develop approximately 225,000 square feet of exhibit space, 80,000 square foot ballroom, 80,000 sf meeting space in a standalone facility 2-3 blocks away from SDCC.

Source: CSL Interviews, 2015

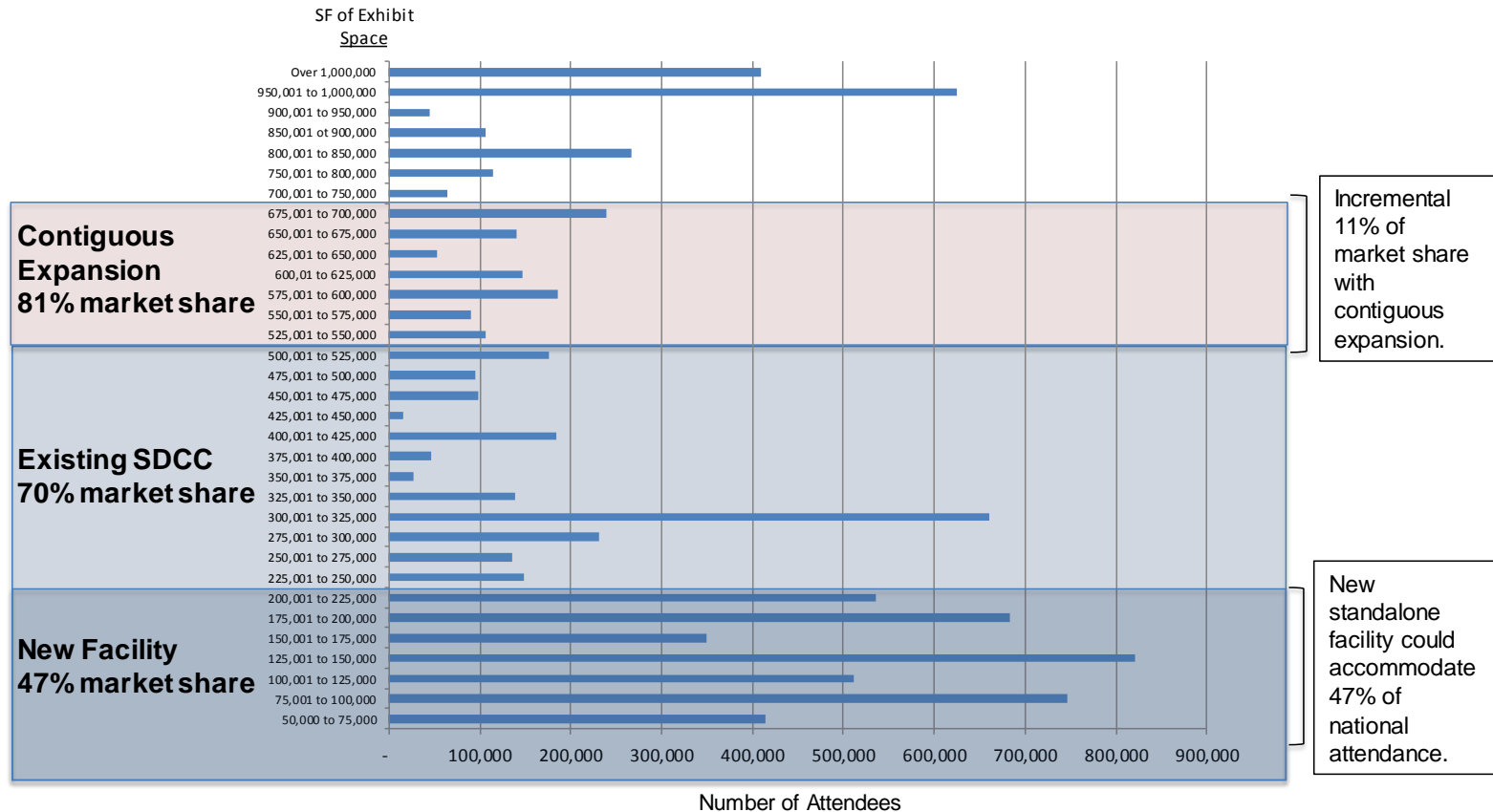
Market capture findings drawn from this analysis include the following.

- An increment of approximately 225,000 square feet of exhibit space as contained in the Option 2 campus plan could physically accommodate approximately 74 percent of the national convention and tradeshow event market.
- The existing SDCC can accommodate approximately 91 percent of this market.
- The contiguous expansion scenario allows for a market capture that reaches 96 percent. As previously noted, reaching this level of capture would require a contiguous option to accommodate events requiring over the existing SDCC capacity.

While event market capture analysis is useful, it does not reflect the difference between events in terms of attendees (and associated economic impact). Smaller sized events tend to have lower attendance levels as compared to the large exhibit space users, and modest increases or decreases in event market capture can lead to significant changes in the number of attendance a market can attract.

We have therefore prepared a market capture analysis focusing on the share of the convention and tradeshow attendee base accommodated at varying levels of exhibit space, as summarized in Exhibit 5-8 on the next page.

Exhibit 5-8
Exhibit Space Market Capture Analysis
National Organizations



Contiguous Expansion: Develop an additional 210,000 square feet of exhibit space contiguous to the existing SDCC.
 New Facility: Develop approximately 225,000 square feet of exhibit space in a standalone facility 2-3 blocks away from SDCC.
 Source: DMAI Mint Database, 2015

The following points can be made in reviewing these data (on next page).

- A facility with up to 225,000 square feet of exhibit space can accommodate 47 percent of the national convention and tradeshow attendee base.
- The existing SDCC can accommodate approximately 70 percent of the current attendee base.
- A contiguous expansion that reaches 700,000 square feet of contiguous space could accommodate 81 percent of the national market, an increment of 11 percentage points over current capture levels.

It is important to also note that there are numerous events that use the entire SDCC exhibit space, including the sub-prime space in Sails Pavilion. Not only does the contiguous expansion allow for the 11 percentage point increment in market capture, it would better secure the future of these large events for future dates in San Diego.

Findings and recommendations presented later in this report take these factors into consideration. Other market capture and event planner preference findings include the following.

- The existing 118,700 square feet of meeting space currently accommodates approximately 77 percent of the potential event market. With the proposed Option 1 expansion, SDCC's total meeting space would increase to 220,300 square feet, raising its market capture of potential national trade shows and conventions to approximately 98 percent. With an Option 2 expansion, combined meeting space between the existing SDCC and the new standalone facility would sum to 198,700 square feet of meeting space, resulting in the ability to accommodate 95 percent of the market.
- The existing contiguous SDCC ballrooms (41,000 square feet each) accommodate approximately 55 percent of the space needs for the convention market particular to San Diego. The 60,000 square foot ballroom included in the contiguous Option 1 expansion would increase this figure to 66 percent. The 80,000 square foot ballroom included in the campus Option 2 would allow for market capture of approximately 84 percent. Given the increment in market capture, efforts should be considered to increase ballroom square footage closer to 80,000 square feet should the contiguous Option 1 be pursued.
- When asked about convention product features important to event success, free WiFi within a convention facility was most frequently mentioned, followed by overall destination walkability and proximity to hotel rooms.
- Primary challenges of San Diego as a convention destination referenced by event planners included the following:
 - ✓ Hotel costs
 - ✓ Proximity to hotel rooms
 - ✓ Issues with airlift

- ✓ Cost of renting facility
- ✓ Non-central geographic location
- ✓ Constraining size of facility
- ✓ Date availability issues
- ✓ Lack of transportation access near the SDCC

National event planners were also asked for suggestions on ways to make a campus expansion scenario work more effectively, regardless of their interest in such an event layout. Their responses, listed in order of frequency, included the following.

- ✓ Include covered walkways between facilities
- ✓ Incorporate directional signage to help attendees find their way
- ✓ Provide shuttles between buildings
- ✓ Add hotel properties in proximity to the new center
- ✓ Add food and shopping options between centers
- ✓ Include moving walkways for attendees
- ✓ Incorporate outdoor gathering space

5.2 Surveys of Current and Past SDCC Customers

We have conducted Internet-based surveys with over 50 planners of convention, conference and tradeshow events previously held at the SDCC. The results of this research provide important insight into convention center capacity and program elements considered important to the current convention industry customer with respect to the San Diego market. Planners of convention and tradeshow events that have been held at the SDCC in the past were asked a set of questions focusing on important building features, areas of desired improvements, likelihood to re-book the destination after a contiguous expansion, and willingness to book a new center (campus option) and/or both the SDCC and a new center. Results of this research are summarized below.

Expected Growth of Event Space Requirements

As with surveys of national event planners, past SDCC users were asked about their expectations for exhibit, ballroom and meeting space growth over the next two and the next five years. Sixty-seven percent of past users expect their exhibit space needs to grow at least slightly over the next five years, and 73 percent expect their meeting space needs to increase over the next five years. These results suggest a higher growth expectation as compared to the national surveys summarized earlier in this chapter. These findings, combined with the very high occupancy percentages for the SDCC, support the importance of added space in order to maintain and enhance market capture.

Interest in Continuing to Host Events in San Diego

Ninety-one percent of planners surveyed would definitely, likely or possibly use a contiguously expanded center; dropping to 47 percent of planners that would use a new campus option center. Interest levels further drop to 28 percent for a scenario in which both a new center and the existing SDCC would be used for a single event. These data suggest an even stronger preference for the contiguous option among past and current SDCC customers than the other national event planners.

Facility Challenges

Fifty-six percent of past users indicated that they believe the SDCC has facility limitations that unfavorably affect their event(s). Forty-eight percent of these respondents cited the SDCC's lack of meeting space as a facility limitation, while 36 percent cited its lack of ballroom space. Twenty-four percent of past/current planners cited a lack of exhibit space as an issue, and 20 percent cited its lack of foyer/circulation space. Sixteen percent cited general date availability issues and eight percent cited its challenging in-facility walkability. These data further highlight the importance of improving the ratio of meeting and ballroom space within the SDCC, as well as the likelihood that added exhibit space will be important to retain large space users.

Destination Challenges

Past event planners were also asked whether or not the destination of San Diego had any limitations that have been challenging for their event(s). Thirty-three percent said that San Diego does have some limitations, with 50 percent of these respondents indicating hotel availability as a deterrent, 39 percent citing airlift to the destination, 22 percent citing the costs of the city and its hotels, and another 22 percent citing the lack of nearby transportation access.

5.3 Surveys of Unbooked Business

Surveys of 18 event planners that have considered San Diego as a destination, but have chosen an alternate location have also been conducted. Primary areas of response are summarized below.

Interest in Hosting Events at the SDCC

Fifty percent of surveyed unbooked event planners would definitely bring their event(s) to a contiguously expanded SDCC (Option 1), while 11 percent and 39 percent stated they would “likely” and “possibly” plan an event at such a facility, respectively. In response to the idea of using a new facility associated with Option 2, 22 percent would definitely book, 17 percent “likely” would book, and 39 percent “possibly” would book.

Facility Challenges

Forty-four percent of planners of unbooked events stated that they believe the SDCC, as a facility, has limitations that unfavorably affect their events. A summary of comments regarding facility challenges that have been made by planners of unbooked are listed below.

- Thirty-eight percent of respondents cited a lack of exhibit space as a challenging feature of the SDCC.
- Twenty-five percent cited SDCC’s date availability issues.
- Thirteen percent cited SDCC’s lack of meeting space.
- Thirteen percent cited the SDCC’s in-facility walkability

Destination Challenges

Only 17 percent of unbooked event planners reported perceived limitations of the San Diego destination. Several comments made regarding these challenges include the following.

- Need more committable hotel rooms near the Convention Center.
- Lack of airlift in comparison with LA or San Francisco.
- Hotel rates and airlift are primary concerns.

5.4 Surveys of National Medical Organizations

Due to the economic impact profile of the typical medical event, it is important to consider the potential to retain existing and capture additional events from this market segment. As previously mentioned, medical-related conventions and tradeshow have represented just under 30 percent of the SDCC's full facility users since 2009. Given the importance of this sector to the utilization and economic impact of the SDCC, data have been compiled from the combined 34 event planners from the medical industry that responded to our national, current/past, and/or unbooked business surveys. CSL has conducted analysis on these events in order to identify unique aspects from this economically significant market segment that may inform future facility development decisions. A listing of the event planning medical organizations included in our analysis is shown below in Exhibit 5-10.

**Exhibit 5-9
National Medical Organizations Surveyed**

National Medical Organizations

Alzheimer's Association	American Society of Transplantation
American Academy of Allergy Asthma & Immunology	American Association of Immunologists
American Academy of Pediatrics	Biomedical Engineering Society
American Academy of Periodontology	Heart Rhythm Society
American Association of Diabetes Educators	International Association for Dental Research
American Association of Neurological Surgeons	International Society for Stem Cell Research
American College of Cardiology	International Society of Arthroscopy, Knee Surgery
American College of Physicians	National Association for Home Care & Hospice (NAHC)
American College of Rheumatology	National Medical Association (NMA)
American College of Sports Medicine	Oncology Nursing Society
American Health Care Association	Radiological Society of North America
American Occupational Therapy Association	Society for Laboratory Automation and Screening
American Society for Bone and Mineral Research	Society for Simulation in Healthcare
American Society for Radiation Oncology	Society of Hospital Medicine
American Society for Reproductive Medicine	Society of Nuclear Medicine and Molecular Imaging
American Society of Hematology	Society of Toxicology
American Society of Nephrology	The American Society for Cell Biology

Some important findings from this market segment are as follows:

- Since 2009, the SDCC has averaged just over 16 medical events per year. These events have averaged just under 31,600 total attendees and 16,100 total room nights per event. These figures are considerably higher than the overall averages of SDCC events, which are approximately 13,200 and 4,100, respectively. They are also higher than the typical convention/trade show held at the SDCC, which average 28,700 attendees and 10,100 room nights per event.
- Like other previously mentioned market segments, medical industry planners think very highly of San Diego as a convention destination, scoring it at an average of 4.19 out of 5, significantly higher than San Francisco and New Orleans, each with an average score of 3.75.
- Survey respondents from this segment showed significant interest in a contiguous expansion of the SDCC, with 97 percent indicating that they would either definitely, likely or possibly bring event activity to the SDCC after an Option 1 expansion. Forty-one percent reported a definite interest, with an additional 38 percent reporting a likelihood to book the SDCC.
- There is moderate potential in potentially attracting national medical events to the new center included in an Option 2 expansion scenario. Medical event planners responded with an overall definitely/likely/possibly response rate of 65 percent, but with only 12 percent indicating a definite interest and 24 percent indicating a likely interest. These totals are measurably lower than the response rates for the contiguous Option 1 plan.
- The idea of using both the existing SDCC and a new standalone facility was met with significant resistance with only six and three percent of medical event planners stated that they would “definitely” or “likely” utilize both centers for a single event, respectively.

5.5 Focus Group Analysis

CSL helped conduct four separate event planner focus groups, two each in Chicago and Washington D.C. The results of this effort are useful in providing highly informed feedback as to the various SDCC development options, as well as other factors that impact the short and long-term viability of the destination for hosting conventions and tradeshow. A listing of focus group participants is included as Appendix C to this report.

A summary of focus group findings is presented throughout the remainder of this chapter. These comments are not necessarily shared by all planners involved in the focus group sessions, but are reflective of comments most often registered.

Campus versus Contiguous

- Some planners of mid-sized events noted that the campus option would be suitable for their event, while others were concerned that a venue off the water would not fully take advantage of the water access in San Diego.
- There is a concern that the adjacencies of the campus facility to Petco Park could cause challenges with event attendee flow. This would be particularly problematic if attendees are moving between the campus option and the SDCC.
- The water views and outdoor reception options at the existing SDCC are part of the convention “brand” of San Diego, and a campus option will not offer this.
- High end medical event attendees will prefer the existing SDCC site. Lower rated events would use the campus option, but many of these events are price sensitive, and hotel rates could preclude their booking in San Diego.
- The expansion project at the Moscone Center in San Francisco will create larger connected exhibit areas which would be preferable to a campus option in San Diego.

Hotel Issues

- If an event books the existing SDCC and uses the new 1,600 room headquarter hotel, the Option 2 campus venue would be left without a sizable adjacent hotel, making it very difficult to book.
- Several planners noted that it is likely that non-local events using the new campus space will require use of the new adjacent 1,600-room hotel. Planners were concerned that occasions will arise when large national events booked for the SDCC will also seek to use the new headquarter hotel, potentially creating a hotel room availability conflict.

What is a Campus?

- A convention center campus is considered by event planners as multiple venues generally adjacent to each other. Option 2 was uniformly not considered a true campus environment. Several planners of large events noted that some form of people mover or shuttle system would be required to move attendees between venues. A rule of thumb was suggested as an expected 50 percent attrition of attendees that have to leave one venue for another. Further, event planners noted that a true campus setting would be car-free, which is not the case with Option 2.

Desired Features in Other Centers and Needed SDCC Upgrades

- Outdoor event space (similar to the space developed outside the Anaheim Convention Center) was cited as a valuable feature.
- The multiple access points on multiple sides of the building into the new Nashville Convention Center were cited as an advantage.
- The existing SDCC lobby space is limited. Any expansion option should address this.
- More customizable food options, potentially using food carts in public areas, should be developed. This should include healthy options and should cater also to the millennial generation.

6.0 Event and Impact Analysis

The purpose of this chapter is to present the analysis of event potential and economic impacts associated with two SDCC expansion and improvement options, as described throughout this report. Option 1 envisions an expansion that is contiguous to the existing SDCC, and Option 2 would consist of a newly developed center several blocks from the existing SDCC. The estimates of performance for each option are based on analysis of historical SDCC operations, market demand results, comparable facility data, industry trends and our experience in conducting convention facility studies throughout the country.

6.1 Event Analysis

The SDCC is viewed as one of the most desirable convention and tradeshow destinations in the country, and the level of historical event activity reflects this. Any material future increase in event activity will likely require added space, given current high exhibit hall occupancy levels. We have evaluated the potential for increased event activity associated with future expansion options, as described below.

- Industry growth – Emerging from the most recent recession, the convention and tradeshow industry has experienced a pattern of modest growth. Long-term data suggest that any increase in industry-wide event activity will be relatively modest. For purposes of this analysis, we have assumed a 2.0 percent annual growth rate in national event activity applied to historical SDCC event activity and a potential opening of an expanded Center around 2022.
- Recaptured national/international events – SDTA tracks lost business due to lack of facility space, dates or hotel inventory. CSL has surveyed a sample of these events in order to assess potential recapture assuming SDCC development of some type takes place.
- Acquired demand – The proposed projects will have the opportunity to leverage very strong San Diego demand levels to attract incremental national and international conventions and tradeshows. This analysis also considers the fact that many competitive and comparable markets are also investing heavily in improving their convention and hospitality product.

A summary of existing SDCC convention, trade and corporate event activity (2009 to 2015), along with estimates of event activity associated with potential future SDCC operations under each of the two development options is presented in Exhibit 6-1. We have not included the various consumer, local trade, meeting and banquet events that do not generate significant economic impact.

Exhibit 6-1 Summary of Past and Potential SDCC Event Activity

	2009	2010	2011	2012	2013	2014	2015	Seven Year Avg.	Option One - Contiguous	Option Two - Campus
Number of Events:										
Small Conventions/Trade Shows (1)	36	33	45	38	44	41	34	39	53	50
Mid-Sized Conventions/Trade Shows (2)	22	22	20	17	18	20	22	20	28	27
Large Conventions/Trade Shows (3)	5	6	5	6	8	6	8	6	7	5
Corporate Events	8	3	4	6	5	9	7	6	10	10
Total Convention, Trade & Corporate	71	64	74	67	75	76	71	71	99	93

(1) events requiring up to 225,000 square feet of exhibit space.

(2) events requiring between 225,000 and 525,000 square feet of exhibit space.

(3) events requiring over 525,000 square feet of exhibit space.

As shown, the SDCC has historically attracted a significant number of 39 conventions and tradeshow events that require under 225,000 square feet of exhibit space, 20 mid-sized events, and an average of six that require over 525,000 square feet of exhibit space. Total convention and tradeshow event activity has remained fairly consistent over the seven year period analyzed. With the various expansion scenarios, event activity could increase in the following ways.

- An increase in small conventions ranging between 11 and 14 events, with the contiguous Option 1 generating slightly higher event levels. While either option can physically accommodate added small convention and tradeshow events, event planner survey research indicates a measurable higher level of positive interest in the contiguous option as opposed to the campus option.
- An increase in mid-sized conventions and tradeshow events of between 7 and 8 events. The contiguous option will provide greater flexibility in accommodating events in this category. For example, if one event using 300,000 square feet of exhibit space is being hosted, the contiguous option could also host an additional overlapping event of similar size. However, under the campus option, neither the existing SDCC nor the new center could accommodate a second event at 300,000 square feet.
- An increase of one large convention/tradeshow annually for Option 1, but a decrease of one event in this category for Option 2. Event planner research clearly shows that large events tending to outgrow existing contiguous SDCC space do not view the campus option favorably and several will likely eventually leave the market. There are comparatively few events in this size category, resulting in fairly modest potential event changes.
- The SDCC has hosted a relatively modest number of events categorized as corporate, with an assumed increase in events of four under the contiguous scenario. Most corporate events tend to utilize a modest level of exhibit space, and corporate planners tend to view self-contained

options (such as a Gaylord property) more favorably than association event planners. However, the SDCC hosts several full-building corporate events that are at risk without added contiguous exhibit space. We estimate an increase of four corporate events for the campus option as well, however we assume a somewhat lower attendance reflecting a potential loss of larger events in favor of more modest attended events.

The event levels summarized above form a basis for estimates of economic impact generated by the SDCC. These data are then used to assess long term impact-versus-costs for each expansion option.

6.2 Economic Impact Analysis

The purpose of this section is to provide an analysis of the potential economic impact that could be generated by attracting events to an expanded SDCC. The following areas have been addressed herein:

- Economic and Fiscal Impact Concepts
- Historical and Future SDCC Economic Impacts
- Impact and Cost Analysis

The annual operations of the SDCC currently provide significant benefits to the city and state in terms of net new spending and associated employment, earnings and tax benefits. The economic impact analysis contained in this section assumes the SDCC expansion options presented previously in this report, and a continued emphasis on attracting and booking events at the SDCC that will serve to maximize economic and fiscal impacts.

Economic and Fiscal Impact Concepts

The impact of the SDCC is maximized when non-local event attendees make purchases in a community while attending an event at the facility. In addition, new spending is generated by the exhibitor base and by the entity producing or hosting the event. It is common in economic impact analysis to aggregate three basic components of spending, as defined below.

Direct effects consist principally of initial purchases made by delegates or attendees at an event who have arrived from out-of-town. This spending typically takes place in local hotels, restaurants, retail establishments and other such businesses.

Indirect effects consist of the re-spending of the initial or direct expenditures. For example, indirect spending is generated when a hotel uses the direct spending dollars received from out-of-town event attendees to pay the hotel's housekeeping staff. The hotel's housekeeping staff then spends their personal income in local grocery stores, retail establishments and other local businesses for various products and services.

Induced effects consist of the positive changes in employment, earnings and tax collections generated by changes in population associated with the direct and indirect expenditures.

Calculation of direct effects or direct spending is based on estimates of event levels, attendees, spending metrics and related variables. This direct spending is applied to economic impact multipliers in order to measure the indirect and induced spending. Combined, the direct, indirect and induced spending is referred to as total output. Stated another way, the initial direct spending of new dollars into an economy begins a series of transactions in which the dollars are cycled through the economy. The re-spending of the dollars is estimated by utilizing the economic multipliers and applying them to the amount of direct, or initial, spending. The multiplier illustrates that spending in a defined economy will lead to additional spending until that dollar has completed its cycle through leakage. Leakage represents the portion of a dollar spent in areas outside the designated economy, such as the taxes paid on purchases of goods and services.

Multipliers are also used to calculate the amount of earnings associated with direct spending, as well as the resulting full and part-time employment impacts. The multiplier effect is estimated in this analysis using a regional economic forecasting model provided by the Minnesota IMPLAN Group, Inc., a private economic modeling company. The IMPLAN system utilizes an input-output matrix with specific data for multipliers based on regional business patterns from across the country. Financial information for the matrix of multipliers is collected from various sources that include, but are not limited to, the U.S. Department of Labor, as well as state sales and tax reports. The system utilizes this data to determine the economic independence of specific geographic regions, as well as the interdependence which exists between industries in those regions. The systems provide total industry output, personal earnings and employment data for approximately 440 industry segments.

Historical and Future SDCC Economic Impacts

One of the primary sources of direct spending involves attracting non-local event attendees to make purchases in area hotels, restaurants and retail establishments. Events attracting attendance largely from within the community, including most public/consumer shows, meetings and banquets generally represent a displacement of spending that would otherwise have taken place in other areas of the community.

The analysis of direct spending related to the SDCC begins with estimating the number of event attendees (both local and non-local) that have been hosted at the SDCC, and that could be attracted as a result of various expansion options.

A sample of this attendee data is presented in Exhibit 6-2. Attendee days reflect both the number of attendees at an event as well as the number of days the event is held. For example, an event with 5,000 attendees staying three days generates 15,000 attendee days. This measure is an integral component of economic impact calculations.

Exhibit 6-2
Summary of Historical and Estimated Future SDCC Attendee Days

	2009	2010	2011	2012	2013	2014	2015	Seven Year Avg.	Option One - Contiguous	Option Two - Campus
Attendee Days:										
Small Conventions/Trade Shows (1)	466,208	420,179	544,599	482,304	447,511	481,164	258,806	442,967	606,998	572,812
Mid-Sized Conventions/Trade Shows (2)	721,502	590,184	463,208	511,904	424,865	611,955	629,320	564,705	784,396	756,454
Large Conventions/Trade Shows (3)	747,125	841,796	809,850	856,824	1,036,359	827,366	895,000	859,189	959,565	696,155
Corporate Events	110,134	57,000	56,185	130,046	24,150	52,840	121,146	78,786	131,310	131,310
Total Convention, Trade & Corporate	2,044,969	1,909,159	1,873,842	1,981,078	1,932,885	1,973,325	1,904,272	1,945,647	2,482,269	2,156,731

(1) events requiring up to 225,000 square feet of exhibit space.

(2) events requiring between 225,000 and 525,000 square feet of exhibit space.

(3) events requiring over 525,000 square feet of exhibit space.

The total attendee days at the SDCC have varied only modestly over the past seven years ranging from approximately 1.9 million and 2.0 million. With estimated event increases, attendee days would increase to between 2.48 million (Option 1) and 2.157 million (Option 2). The majority of these attendee days are generated from non-local attendees of SDCC events.

Estimates of per-day spending by out-of-state delegates and exhibitors are based on data provided by SDCC management. We note that these per-capita spending assumptions are conservative based on other studies we have conducted. The estimates of average spending on a per delegate basis were applied to estimates of potential non-local attendee days

Exhibit 6-3 presents the resulting direct spending associated with the SDCC over the 2009 to 2015 period analyzed, and for the SDCC under the two expansion options.

Exhibit 6-3 Estimated Annual Direct Spending

	2009	2010	2011	2012	2013	2014	2015	Seven Year Avg.	Option One - Contiguous	Option Two - Campus
Direct Spending:										
Hotel	\$223,442,825	\$218,708,061	\$231,471,994	\$239,725,416	\$219,795,050	\$227,642,970	\$251,164,355	\$230,278,667	\$293,107,370	\$254,741,969
Restaurant	116,884,645	114,407,854	121,084,764	125,402,192	114,976,466	119,081,772	131,385,989	120,460,526	153,326,699	133,257,466
Entertainment	38,474,406	37,659,132	39,856,941	41,278,090	37,846,300	39,197,625	43,247,750	39,651,464	50,469,878	43,863,776
Retail	34,656,918	33,922,536	35,902,276	37,182,416	34,091,133	35,308,378	38,956,643	35,717,186	45,462,181	39,511,546
Auto Rental	10,826,660	10,597,243	11,215,704	11,615,614	10,649,911	11,030,173	12,169,874	11,157,883	14,202,174	12,343,223
Other Local Transit	18,035,169	17,653,003	18,683,243	19,349,417	17,740,740	18,374,184	20,272,711	18,586,924	23,658,138	20,561,477
Other Industries	116,502,108	114,033,423	120,688,482	124,991,780	114,600,175	118,692,045	130,955,992	120,066,286	152,824,896	132,821,345
Total Direct Spending	\$558,822,732	\$546,981,253	\$578,903,405	\$599,544,926	\$549,699,774	\$569,327,148	\$628,153,315	\$575,918,936	\$733,051,336	\$637,100,803

As presented in the exhibit, the estimated total annual direct spending associated with the existing SDCC averaged approximately \$576 million over the 2009 to 2015 period. Estimated total annual direct spending associated with the Option 1 SDCC expansion is estimated to increase by approximately 27 percent to \$733 million, or by 11 percent under Option 2 to \$637 million. Note that the effect of adding or subtracting large convention/trade events is significant, with a single event generating slightly over \$30 million in direct spending.

These initial or direct dollars take place primarily in the hotel, restaurant, retail, entertainment and other hospitality-related sectors. As the direct spending flows throughout the local economy, additional rounds of spending, employment and earnings are generated. These impacts can be quantified using impact multipliers as discussed above. The multipliers used in this economic impact analysis as generated by the IMPLAN economic analysis system specifically for the local area are presented below in Exhibit 6-4.

Exhibit 6-4
Economic Impact Multipliers

Industry	Output	Earnings	Employment
Hotel	1.679	0.644	15.144
Restaurant	1.735	0.735	24.419
Entertainment	1.594	0.518	18.539
Retail	1.681	0.636	17.390
Auto Rental	1.753	0.840	17.072
Other Local Transit	1.753	0.840	17.072
Other Industries	1.845	0.764	19.553

Note: Employment multiplier is applied to direct spending divided by 1,000,000.

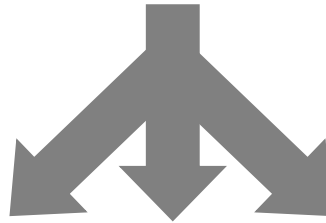
Source: Minnesota IMPLAN Group, 2015

Exhibit 6-5 summarizes the overall economic effects that incorporate these multipliers, as well as event, attendee and spending data associated with the existing SDCC, as well as the two SDCC expansion options.

Exhibit 6-5
Estimated Annual Economic Impacts

Total Direct Spending

Existing SDCC (1)	\$575,919,000
Expanded SDCC – Option 1	\$733,051,000
Expanded SDCC – Option 2	\$637,101,000



Total Output		Earnings		Employment	
Existing SDCC (1)	\$992,407,000	Existing SDCC (1)	\$396,734,000	Existing SDCC (1)	10,600
Expanded SDCC Opt. 1	\$1,263,173,000	Expanded SDCC Opt. 1	\$504,979,000	Expanded SDCC Opt. 1	13,500
Expanded SDCC Opt. 2	\$1,097,834,000	Expanded SDCC Opt. 2	\$438,882,000	Expanded SDCC Opt. 2	11,800

(1) Data represent a 7-year average of SDCC operations spanning 2009 - 2015.

As outlined in the exhibit, the estimated level of annual SDCC-supported total output between 2009 and 2015 approximated \$992 million (total direct and secondary spending), and approximately \$397 million in total earnings. An average of 10,600 annual full and part-time jobs were supported by SDCC activity over the past seven years. With SDCC expansion Option 1, estimated annual impacts in the third year of operations are estimated at \$1.26 billion in total output, \$505 million in earnings, and 13,500 full and part-time jobs. These totals represent an approximate 27 percent increase over existing impact levels. Option 2 impacts are estimated at \$1.1 billion in total output, \$439 million in earnings and 11,800 full and part-time jobs. These Option 2 impacts reflect an approximate 11 percent increase over existing levels.

Impact and Cost Analysis

Based on the impact analysis presented previously on Exhibit 6-5, various calculation of hotel and fiscal impacts, and combining construction cost data provided to us by SDCC management, we have prepared the following cost and impact analysis (Exhibit 6-6).

Exhibit 6-6 Impact and Cost Summary

	7-Year SDCC Average	Option 1 (Contiguous)	Option 2 (Campus)
Added Square Footage:			
Exhibit Space		210,000	225,000
Ballroom Space		60,000	80,000
Meeting Space		101,600	80,000
Estimated Construction Costs (1)		\$410,000,000	\$428,000,000
TOTAL IMPACTS			
Total Economic Impacts:			
Direct Spending	\$575,919,000	\$733,051,000	\$637,101,000
Total Output	\$992,407,000	\$1,263,173,000	\$1,097,834,000
Earnings	\$396,735,000	\$504,979,000	\$438,882,000
Employment	10,600	13,500	11,800
Total Fiscal Impacts:			
10.5% City Hotel Tax	\$22,970,000	\$29,237,000	\$25,411,000
2.0% TMD Tax	\$4,375,000	\$5,569,000	\$4,840,000
Total Room Nights and Profit			
Room Nights	926,000	1,212,000	1,050,000
Room Profit	\$138,167,000	\$175,864,000	\$152,845,000
INCREMENTAL IMPACTS			
Incremental Impacts:			
Direct Spending		\$157,132,000	\$61,182,000
Total Output		\$270,766,000	\$105,427,000
Earnings		\$108,244,000	\$42,147,000
Employment		2,900	1,200
Incremental Fiscal Impacts			
10.5% City Hotel Tax		\$6,267,000	\$2,441,000
2.0% TMD Tax		\$1,194,000	\$465,000
Incremental Room Nights and Profit			
Room Nights		286,000	124,000
Room Profit		\$37,697,000	\$14,678,000
NET PRESENT VALUE OF INCREMENTAL TAX REVENUES & PROFIT			
NPV of City Hotel Tax (2)		\$103,760,000	\$40,414,000
NPV of TMD Tax (2)		\$19,768,000	\$7,699,000
NPV of Hotel Profit (3)		\$286,854,000	\$111,692,000
INCREMENTAL IMPACT TO COST RATIOS (4)			
Direct Spending/Cost		0.38	0.15
Output/Cost		0.66	0.26
Earnings/Cost		0.26	0.10
Employment/Cost		7.07	2.93

- (1) Based on CB Urban Development data provided in March of 2015. Option 2 costs do not include site or infrastructure development.
(2) Assumes a three percent discount factor (reflective of public sector cost of capital), 2 percent inflation rate, and a 20-year period starting in 2022.
(3) Assumes a eight percent discount factor (reflective of private sector cost of capital), 2 percent inflation rate, and a 20-year period starting in 2022.
(4) Calculates the various measures of incremental impact divided by estimated construction cost. Employment ratio is multiplied by 1,000,000 for presentation purposes.

A summary of the findings presented in the exhibit are highlighted below.

- The direct spending, total output, earnings and employment are estimated to increase from existing levels by approximately 27 percent for the Option 1 scenario, and 11 percent for the Option 2 scenario. The weight of attracting or losing large conventions and tradeshow significantly impacts these totals.
- The City Hotel Tax generated by the existing SDCC is estimated at approximately \$23 million, increasing to \$29.2 million under Option 1 and \$25.4 million under Option 2. The existing \$4.4 million in TMD tax is estimated to increase to \$5.6 million and \$4.8 million for Options 1 and 2, respectively.
- The room night calculations are based on estimates of total out of town attendees, and not the tracked room night totals recorded by SDCC management. Recent studies indicate that actual room night generation is 25 percent to 35 percent higher than tracked or audited data given significant increases in the propensity to book rooms outside the official block. Estimated room nights are estimated to increase from the current total of 926,000 to 1.21 million for Option 1 and 1.04 million for Option 2. Based on the estimated share of direct spending taking place on hotel sales and assuming a 60 percent rooms department profit margin (generally consistent in the industry), we estimate the rooms department profit generated by current SDCC event activity at \$138.2 million annually. This is estimated to increase to \$176 million under Option 1, and \$152.8 million under Option 2.
- We have estimated the net present value (NPV) of incremental City Hotel tax, TMD tax and rooms department profit over a 20 year period post-expansion opening. Under Option 1, the City Hotel tax generates an incremental NPV of \$103.8 million, with an incremental NPV of \$19.8 million in TMD tax. The corresponding totals are \$40.4 million (City Hotel Tax) and \$7.7 million (TMD tax) for Option 2.
- The NPV of incremental hotel rooms department profit for Option 1 is estimated at \$287 million, and \$112 million for Option 2.
- The impact ratio calculations are designed to reflect a balance between costs and impact. For example, the incremental direct spending to cost ratio for Option 1 is 0.38, or \$0.38 in incremental annual direct spending for every construction dollar spent. This is higher than the ratio of 0.15 for Option 2, which is somewhat more costly, and generates somewhat less annual impact. The ratios for output, earnings and employment are also all higher for Option 1 versus Option 2.

APPENDIX A:

List of Local Stakeholders Interviewed

Name	Organization
Germaine Schaefer	American Diabetes Association
Janet Skorepa	American Urological Association
Nancy Murgillo	Centerplate
Jerry Sanders	Chamber & Business Leadership Alliance
Reese Jarret	Civic San Diego
Brad Richter	Civic San Diego - VP Planning
Dan McAllister	County of San Diego
Kris Michell	Downtown Partnership
Gary Smith	Downtown Residents Group
Lisa Lem	East Village Association
Robert Kravitz	Embassy Suites San Diego Bay Downtown
Bill Evans	Evans Hotels
Tom Robbins	Freeman
Michael Trimble	Gaslamp Quarter Association
Erick Watson	GES
Peter Lynn	Hilton San Diego Bayfront
Steve Wisner	Hilton San Diego Gaslamp Quarter
Carlos Cota	International Alliance of Theatrical Stage Employees
Johnny Simpson	International Brotherhood of Electrical Workers
Pat Shea	JMI
Richard Barrera	Labor Council
John Schaefer	Manchester Grand Hyatt San Diego
Tuni Kje	Marriott Marquis San Diego Marina
Mike McDowell	Mission Valley Tourism Council
Mr. Dean Mansfield	New Car Dealers Association of San Diego/San Diego International Auto Show
Collen Anderson	Omni San Diego
Matt Kriz	Painters Union
Dan Malcolm	Port of San Diego
Shariar Afshar	Port of San Diego
Randa Coniglio	Port of San Diego
Ms. Fae Desmond	San Diego Comic-Con, Inc.
Namara Mercer	San Diego County Hotel-Motel Association
Mark Cafferty	San Diego Economic Development Council
Faye Wilson	San Diego Theaters
Rabbi Laurie Coskey	SDCCC Board
Julia Slocombe	Smart City
Jaime Vasquez	Teamsters

APPENDIX B:

List of Surveyed National Event Planning Organizations

Participating National Organizations		
Academy of Management	Dish Network	National Council for the Social Studies
Academy of Model Aeronautics	Distributive Education Clubs of America	National Council of Teachers of Mathematics
Ace Hardware Corporation	Diving Equipment and Marketing Association	National Council on Education for the Ceramic Arts
Adobe	Electric Utilities Environmental Association	National Glass Association
Airline Passenger Experience Association	Electrical Apparatus Service Association	National Guard Association of the United States
ALLURED PUBLISHING	End of the Trail Basketball	National Medical Association (NMA)
Alzheimer's Association	Federation of Animal Science Societies	National Rifle Association of America
American Academy of Allergy, Asthma & Immunology	Global Awakening	National Safety Council
American Academy of Pediatrics	Haitian Charismatic Congress	National Scholastic Press Association
American Academy of Periodontology	Harley-Davidson Motor Company	National Soccer Coaches Association of America
American Association of Law Libraries	Health Occupations Students of America	Nerium
American Chemical Society	Hearth Patio & Barbecue Association	Oncology Nursing Society
American College of Rheumatology	Hospitality Financial and Technology Professionals	O'Reilly Automotive
American College of Sports Medicine	iNET Interactive	Organo Gold International
American Football Coaches Association	Infrastructure Resources	Owner Operator Independent Driver Association
American Foundry Society	International Association for Dental Research	Produce Marketing Association
American Health Care Association	International Association of Fire Chiefs	Radiological Society of North America
American Mathematical Society	International Dairy-Deli-Bakery Association	RadioShack Corporation
American Occupational Therapy Association	International Society for Stem Cell Research	Risk and Insurance Management Society
American Oil Chemists Society	International Society of Arboriculture	Robotics Education and Competition Foundation
American Public Transportation Association	International Society of Arthroscopy, Knee Surgery	Romanian Pentecostal Church
American Quilter's Society	International Sportsmen's Expositions	SAP America, Inc.
American Rental Association	IR Events Group	Servpro Industries, Inc
American Society for Bone and Mineral Research	Irrigation Association	Society of Cable Telecommunications Engineers
American Society for Engineering Education	Islamic Society of North America	Society of Nuclear Medicine and Molecular Imaging
American Society for Reproductive Medicine	Kenneth Copeland Ministries	Southern Region Volleyball Association
American Society of Hematology	LEGO KidsFest	Subway Restaurants
American Society of Landscape Architects	LifeWay	The Union for Reform Judaism
American Society of Transplantation	LRP Publications	TMS - The Minerals, Metals & Materials Society
American Traffic Safety Services Association	Major League Soccer	Trade Fair Group
American Volleyball Coaches Association	Modern Language Association of America	Train Show Incorporated
ASIS International	Money Show	Trinity Motivation
Association for Molecular Pathology	Nation of Islam	Union for Reform Judaism
Association of Writers & Writing Programs	National Alliance for Public Charter Schools	UniPro Foodservice, Inc.
Automotive Recyclers Association	National Archery in the Schools Program (NASP)	Unitarian Universalist Association
Benevolent & Protective Order Of Elks - Grand Lodge	National Art Education Association	United Fresh Produce Association
CCA Global Partners	National Association for College Admission Counsel	United Motorcoach Association
Church of the Brethren	National Association for Home Care & Hospice (NAHC)	USA Roller Sports
Coffee Fest	National Association of Realtors	Vacuum Dealers Trade Association (VDTA)
Conference for the Advancement of Mathematics Teaching	National Cattlemens Beef Association	Wild Sheep Foundation
Corrigan Sports Enterprises	National Conference of State Legislatures	World Science Fiction Society
Direct Marketing Association	National Conventions and Trainings	

APPENDIX C:

List of Participants in SDCCC/SDTA Client Focus Groups

June 2, 2015 in Washington D.C.

Participating Organizations

American Association for Clinical Chemistry
American Society of Hematology
ASIS, International
Heart Rhythm Society
Helicopter Association International
Infectious Disease Society of America
International and American Association for Dental Research
National Electrical Contractors Association
National Rural Electric Cooperative Association
The Optical Society
Water Environment Federation

July 21 and 22, 2015 in Chicago, IL

Participating Organizations

American Academy of Orthopaedic Surgeons
American Association of Diabetes Educators
American Association of Oral and Maxillofacial Surgeons
American College of Surgeons
American Osteopathic Association
American Society of Neuroradiology
IPC - Association Connecting Electronic Industries
National Association of Realtors
SmithBucklin
Society for Laboratory Automation and Screening
Society of Thoracic Surgeons