

ALBUQUERQUE: What if...

A White Paper on the Future of the Q's Downtown

What if...

Words that spark imaginations...or cause deep consternation.

Those were the words that the Albuquerque Convention & Visitors Bureau posed to us late in 2007. “What if” Albuquerque got serious about reclaiming its position as one of the top convention destinations in the West? “What if” it built an Event Center downtown? “What if” it built enough hotel rooms to once again be a competitive choice for professional meeting planners across the country? What would Albuquerque look like, feel like and be?

And, “What If” the City didn’t. What then? What would an Albuquerque that was no longer a major convention destination look like? What if there wasn’t a compelling reason to come downtown for regional and national sporting and entertainment events? What other reasons for visiting the destination would have to be developed and marketed?

With over a decade of experience in consulting the Destination Marketing field (and first hand experience in developing a public assembly facility in a failing downtown), Zeitgeist Consulting was asked to paint a picture of what the City of Albuquerque might look like in either of these two scenarios.

Our first step was to meet with CVB management to better understand what the customer was saying, both verbally and with their wallets, about Albuquerque as a destination. We then met with a wide range of community stakeholders to hear their first-hand observations of how the business of downtown has changed from those halcyon days of the early 1990s, when convention business was a staple and a driving force in the urban core.

We poured over economic indicators to identify future probabilities. We researched the experiences of other destinations that have seen a decrease in convention business...and learned how they attempted to reinvent themselves to an ever evolving and more sophisticated client.

And, finally, we looked into our version of a “crystal ball” by estimating how an increased number of visitors downtown would affect the City at large. And, by estimating how further losses of these visitors downtown would impact the City.

To be sure, it is an imperfect “science,” this “what if” game we play. But, if other destinations’ experiences can be modeled to give us insight into what might be for Albuquerque’s future, it is a game worth playing.

To those that would attempt to take the following suggestions to the bank, know that this is *not* a feasibility study. Instead, these are a couple paintings in a gallery, side by side, for your consideration.

Bill Geist
Zeitgeist Consulting
8 May 2008

Executive Summary

Visitors to Albuquerque and Bernalillo County infused \$1.7 billion into the local economy in 2006, supporting 26,500 full-time jobs at all levels of compensation and generating \$30 million in local tax revenue. Tourism is a major economic driver of the Albuquerque economy.

In the 1990s, Albuquerque was widely recognized as one of the top convention destinations in the West. Over time, a number of industry trends have conspired to position Albuquerque as a less desirable convention destination than many competitive cities. While the reasons behind these trends are many, the primary cause of the downturn in meetings and conventions downtown, as recorded by the Albuquerque CVB, has been the lack of a sufficient inventory of sleeping rooms with walking distance of the Convention Center.

As the Downtown struggles to retain businesses and vibrancy, the question before the City of Albuquerque is how to breathe life into the central core. Among the proposals being discussed is the development of an Event Center and a Headquarter Hotel.

This analysis envisions what the City of Albuquerque will look like if the City invests in facilities like the Event Center and a Headquarter Hotel...and what it will resemble if it does not.

Far from the inevitable boom or gloom scenario, the City has options...and opportunities. Rated as one of the top “must-see” destinations in the world by a major online distributor of travel, Albuquerque will always be an attraction for visitors from around the world. The question is, what kind of visitors?

Albuquerque has two potential paths. One is the more traditional, based upon competitive destinations across the country that have found success with the convention and event market. The other, more experimental path eschews the conventional direction that most destinations pursue in favor of enhancing the allure of the community as a leisure travel destination.

Both hold great promise for the City. And, although this is a comparative study, they are by no means mutually exclusive. In fact, a recent article in the trade publication *Meetings & Conventions* recently quoted Robert Canton, Director of Sports, Conventions and Tourism Services for PriceWaterhouse Coopers that, “cities that make the best convention destinations are places

that can draw visitors on their own. Destination amenities are just as important as convention centers as far as development goes. “

If case studies from around the country can be the proof, the bold investment of City dollars into an Event Center and/or Convention Center Hotel will have a significant impact on the City of Albuquerque. With very few exceptions, cities that invest in significant infrastructure upgrades in their convention and downtown product inventory experience subsequent private sector development that attracts even more resident and visitor traffic.

Among the impacts Albuquerque can expect with the addition of an Event Center and / or Convention Center Headquarter Hotel:

- **Occupancy rates and revenue generating opportunities at the Albuquerque Convention Center would increase.**
- **Restaurant business would increase and entrepreneurs would see the opportunity to open new eateries to capitalize on the opportunity.**
- **Existing nightspots would diversify and new clubs would open.**
- **Retail sales would increase downtown.**
- **The Cultural and Arts Community would benefit from higher sales.**
- **Homelessness and vagrancy would decrease.**
- **Residential Living would increase downtown.**
- **Traditional Economic Development efforts would be bolstered.**

Should the City elect to not realize the opportunity of the Convention Hotel / Event Center proposal, it can pursue a different direction toward destination greatness.

Cleveland OH is probably the best example of an American city that reclaimed its downtown through a non-convention center centric focus. Unlike Indianapolis, which consciously made conventions and events its focus, Cleveland targeted leisure visitors and residents as it invested in developing a former shipyards into an

entertainment district (known as The Flats) and supported museum development (the Rock and Roll Hall of Fame and the Great Lakes Science Center) to draw developers back to its downtown.

To be sure, this strategy is a bit more organic in that it will take more time to achieve. Smaller investments by government can be expected to elicit a corresponding response from the private sector. The advantage in this strategy is that it requires less initial investment and avoids the potential failure of a significant development project. The disadvantage is that such a strategy takes longer to build a critical mass.

While achieving the result of a reinvigorated downtown will likely result with the construction of one or both of the Event Center / Hotel initiatives, the path towards achieving that goal will require additional steps if the Event Center / Hotel projects are not pursued:

- **The City will need to further invest in a transportation system to move Convention visitors around the destination.**
- **The Convention Center will need to shift its focus towards consumer shows, trade shows, local events and sporting events.**
- **The City must move to create incentives for visitor-oriented businesses to locate downtown and on Central Avenue.**
- **The City should redesign the Civic Plaza into a greener, more entertaining space.**

The City's music, culture and arts community will need to become more aggressive in its product development and programming.

- **The Destination will need to capitalize on its image as an Event-driven Destination.**
- **Central Avenue must move quickly to own its "Route 66-ness."**
- **The ACVB will need to expand its marketing to embrace a more regional approach**
- **The ACVB will need to invest more of its limited resources into marketing and PR.**

We said that Albuquerque has two potential paths. There is, of course, a third option...and that is to do nothing.

Albuquerque is too sensational a destination to choose such a path. Whether it chooses the conventional, more expensive route of developing an Event Center / Hotel to achieve rapid results or pursues a more organic route toward growth is up to City leadership. Either path will enhance downtown and, thus, the lure of the destination. As with most things, it all comes down to the question of price and speed.

There are two paths before the City of Albuquerque. The third path simply is not and cannot be an option.

Situational Analysis

Visitors to Albuquerque and Bernalillo County infused \$1.7 billion into the local economy in 2006. Using expenditure estimates from the Travel Industry Association of America, that translates to over \$272 million visitor dollars spent in hotels, \$391 million in restaurants, \$204 million in recreation and entertainment and \$136 million in retail goods. This level of visitor spending supports 26,500 full-time jobs at all levels of compensation and generates \$30 million in local tax revenue. That's \$30 million for which local government didn't need to recover in increased local taxes on residents...or to mitigate by reducing services and amenities.

While many visitors to Albuquerque come for leisure pursuits, sports and recreation or to see friends and relatives, others come for business reasons. And, some come for meetings and conventions held in and around Albuquerque.

Several areas within the destination are thriving with new development, adding to an already rich product line. However, despite the best efforts of the Downtown Action Team, the core of the city has lost much of the vibrancy it enjoyed years ago. Part of the decline has to do with the defection of a number of corporations to other office complexes and other cities. This loss of workers in the downtown area five days a week has a direct impact on the profitability of dining, retail and nightlife establishments, as well as on the attractiveness of a downtown residential lifestyle.

But, it's not just the office vacancy rate that is impacting business downtown. The Albuquerque Convention Center, while dramatically improving its event occupancy over the past three years, is not drawing the number of *visitors* to the downtown that it once did. In 1994, bookings for future meetings to be held at the Convention Center produced over 130,000 overnight guest rooms filled in City hotels. Last year, Convention Center-related bookings generated 52,000 room nights, representing an estimated \$30 million decrease in visitor spending from levels seen in 1994.

Clearly, there are fewer people downtown, which strikes at the heart of existing businesses and causes developers to think twice about investing. It's a chicken and egg dilemma. To invest in downtown on the chance that more people will visit...or wait for more people to visit before one invests?

When a situation like this develops, it falls to the city to step in and provide a reassurance to private sector developers that they won't be making a mistake...and that the city is serious about its downtown and will not abandon them.

Every successful city has a vibrant downtown. It's what causes a city to be unique. It's every city's "front door." It's the one section of a city that virtually every visitor wants to see before they depart for home. It's also the section of town that CEOs, developers and site selection professionals want to see before they make their decision to locate or relocate their business.

SUPPORTING THE CONVENTION CENTER

For decades, community Convention Centers have served as magnets for large meetings and events. While some of the events held in these facilities are local in nature, today's community leaders know that a high-performance Convention Center is one that attracts large numbers of attendees from outside the community. For, it is these out-of-town guests who fill hotel rooms, restaurants and retail shops in numbers that local patrons could never achieve.

While some community Convention Centers can break-even (or even turn a slight profit) by hosting only consumer shows and local events, government realizes its greatest Return-on-Investment to the broader economy occurs when these facilities are filled with out-of-town guests instead of local residents. Visitors to a community tend to spend more money than residents and, the money they spend is new to the local economy. That's why the most successful communities crave convention business over local utilization of their Convention Centers.

There has been a significant amount of industry and economic analysis regarding the ebb and flow of the Meetings and Convention market. One of the most debated studies was a 2005 Brookings Institute report by longtime convention center critic Haywood Sanders in which he suggested that the meetings market was in decline and, therefore, building Convention Centers was bad public policy. While his underlying message to community leaders to proceed with caution was well founded, he based much of his thesis on data from the 2001-2003 recession, during which travel was hit particularly hard.

Since 2004, the meetings and convention market has roared back and now eclipses the record levels seen in the late 1990s. In its Preliminary Analysis of Convention Center Hotel Development, HVS Consulting suggested that the convention and meetings market would grow in line with the nation's economy.

However, while the number and size of meetings have increased, today's convention market is a very different creature than the industry in which Albuquerque was so successful in the early 1990s.

We believe the reasons for this sea change can be summed up in two words: increased competition. And, that competition comes from three distinct directions.

1) Facility Competition. The 1990s saw a significant number of communities enter the Convention Center arena for the very first time. While there was a core of destinations that built their Centers in the 1980s, there was an explosive "me too" run of communities trying to catch up to destinations like Albuquerque in the final years of the last century. And, the first decade of this century has seen a large number of the Convention Centers that were built in the '80s expand and renovate.

Simply put, there is more and better product out there than ever before...providing far more options to today's meeting and event planner. It is truly a "buyer's market."

2) Destinalional Competition. With the increase in Convention Centers, the number of Destination Marketing Organizations competing with one another for this meeting business has correspondingly expanded. During the 1990s, cities like Mobile, Madison and Myrtle Beach (and countless others) entered the market with first-time Centers...and their respective Convention & Visitors Bureaus responded by increasing their presence in the convention sales and marketing field. Where there were once a modest number of Destination Marketing Organizations competing for the attention of event planners, that number increased dramatically in the 1990s and the early years of this decade.

3) Private Sector Competition. Probably the most disruptive competition in the meetings & convention market has come from private sector hotel developers that have seen the opportunity to carve out the small to medium size conventions segment of the industry for themselves. One of the best examples of this entrepreneurial maneuver can be found in Albuquerque's Embassy

Suites. John Q. Hammons has been one of the leaders in the movement of private sector hotel developers to build self-contained convention hotels across the country.

As the vast majority of meetings and conventions require 300 Room Nights per night or less, developers like Hammons have seized upon the opportunity to build self-contained convention facilities in which space, rooms and catering are all under one roof. For the planners in charge of such meetings, what could be better? One contract. One location.

And, many of these convention hotels can be very aggressive in the pricing of their meeting space, knowing that the real profit centers are in sleeping rooms and catering. This is where Convention Centers are at a disadvantage, as their profit center is traditionally in hall rental and catering. Assuming that the sleeping room cost will be absorbed by the attendee, that means the planner will usually benefit from holding an event at a convention hotel, if they can fit their group into the limited space of the facility.

Then, there is the build-up of gaming resorts around the country. These new facilities can be even more competitive than the Hammons-style convention hotel because they possess an additional profit center in their gaming revenues. They can also offer other amenities, such as name entertainment and golf within the package, making the staging of a meeting or convention even more attractive.

Albuquerque is no stranger to this growing trend, as the Sandia Resort and Casino is competing for convention business by offering 50,000 sq. ft. of meeting space, with Isleta poised to open a casino hotel resort property with 30,000 sq. ft. of meeting space and 201 sleeping rooms.

In turn, even the casino hotel strategy is being turned on its head by The Gaylord Entertainment Company, developers of four convention hotels that defy the imagination. The Gaylord Opryland in Nashville boasts 600,000 square feet of meeting and trade show space and 2,881 sleeping rooms. The Gaylord Palms in Kissimmee offers 400,000 sq. ft and 1,406 guest rooms. The Gaylord Texan in Grapevine has 400,000 sq. ft of space and 1,511 rooms. And the brand new Gaylord National, just outside Washington DC boasts 470,000 sq. ft. of space and 2,000 sleeping rooms. Compare that to the 600,000 sq. ft. of space at the Albuquerque Convention Center with less than 650 committable rooms within walking distance...and that only by utilizing three separate hotels.

Gaylord Hotels can handle virtually any convention and offer most meeting planners the ability to sign one contract that takes care of everything from space to rooms and from catering to entertainment. And, as they continue to open new product around the country, they make the process even easier...and that one contract can now cover the next four years in four fabulous destinations at four state-of-the-art facilities. What planner could ask for more?

Whether it the John Q. Hammons-style or that of Gaylord Hotels, the reality for today's Destination Marketing professional is that the private sector is moving rapidly to make the traditional public sector Convention Center obsolete.

If there is any good news from this picture, it's that Gaylord Hotels has only built four of these mega-convention resorts and there is a finite number of groups that can fill the dates available. The bad news is the 350-room, 40,000 sq. ft. Convention Hotel can be found in virtually every first and second tier destination in the country. Thus, the 300 attendee convention will almost always lean toward using these properties for the sheer ease of it all.

This new reality means that today's Convention Centers are no longer able to as effectively compete for the small to medium convention business as they did in the 1990s. Thus, Convention Centers and their CVBs are now faced with pursuing larger events for which the all-under-one-roof approach isn't an option.

This presents a destination infrastructure challenge, as the meeting planner is still in search of the path of least resistance. If a planner must utilize a Convention Center, they will search for the destination with the most committable hotel rooms within easy walking distance of the Center. Thus, a destination that can offer 1,000 sleeping rooms in three hotels within two blocks of its Convention Center will often beat out a destination that would need to use 7 hotels within two miles of the Center to reach the same threshold (as is the case in Albuquerque).

It is a radically different environment from the years in which Albuquerque was one of an elite number of western cities with large convention facilities and enough rooms in the City to satisfy a less sophisticated (and less demanding) meeting planner. Today, professional planners have experienced the ease of an all-in-one facility...and they are increasingly drawn to these options. And, for most planners, Albuquerque isn't easy for groups requiring more than a few hundred hotel rooms.

Indeed, according to records from the Albuquerque CVB, the number one reason that planners choose another destination over Albuquerque is the lack of sufficient hotel rooms downtown. And, these records do not reflect business that was lost to the community before the bid process took place because the planner excluded Albuquerque from ever receiving a Request for Proposal.

And, it's not just Albuquerque. A recent study by Strategic Advisory Group for Portland OR found that national event planners cite "Clean and Safe Streets" as the most important consideration for choosing a destination (75%) with an adjacent Headquarter Hotel close behind (68%), followed by the availability of overflow rooms (64%) and distance to the Center (59%). Possibly more telling were the answers to what one factor could be a deal-breaker. While 88% of planners responded that cost and affordability issues could dissuade them from selecting a destination, 73% said the same about the lack of hotel rooms in close proximity to the Convention Center.

In the 6 years since the Albuquerque Convention & Visitors Bureau began tracking the value of Lost Business, \$439.8 million in prospective Convention Center business that had considered Albuquerque as a possible site, chose another destination. \$193.5 million of that business abandoned Albuquerque because of an insufficient inventory of rooms within walking distance.

If the ACVB could recapture just 20% of the Convention Center related business lost due to lack of hotel inventory in a single year, the City would see an increase in convention related spending of roughly \$6.5 million. This doesn't begin to count the impact of events that could, for the first time, consider Albuquerque if it were to have sufficient hotel inventory.

Of course, recapturing *any* of this lost business depends upon developing enough adjacent hotel room inventory to effectively compete against destinations with thousands of rooms within walking distance of their convention centers.

Portland OR has elected to do just that, engaging a feasibility firm to investigate the opportunity to build a 600-room full-service headquarter hotel adjacent to its 1 million square foot Oregon Convention Center. The proposed facility is expected to be managed by Starwood Hotels and Resorts under the Westin flag. In a normalized year of operations, 60,000 room nights of business

previously lost on an annual basis are expected to be generated with the addition of the new Headquarter Hotel.

As is the situation in Albuquerque, Portland's Destination Marketing Organization reports that 28% of its lost Convention Center business was due to the lack of a Headquarter Hotel and 30% of event planners elected to book elsewhere because of an insufficient number of hotel rooms within walking distance of the Convention Center. One study of Portland's lost business estimated that the value of these events averages 250,000 lost room nights per year.

If just 20% of Portland's lost business could be captured with the addition of a Headquarter Hotel, it is estimated that over 46,000 room nights could be captured by the market.

In its 2007 feasibility study, HVS noted that, besides the previous lost business that Visit Portland would be able to book with this new hotel, it is likely that many event planners never expressed enough interest in the destination because they knew there was insufficient room capacity for their events. Thus, HVS estimates a considerably higher number of room nights could well have been forfeited due to a weak inventory of nearby hotels.

Indeed, the ACVB reports an increasing number of meeting and event planners that, when contacted, tell the Bureau not to even bother submitting a bid. The Bureau hasn't tracked the impact of these events because it wasn't even given a chance to win the business. And, future bookings for 2009, 2010 and 2011 events are off, according to ACVB figures.

Fort Worth is in the final phases of construction of a 607 room Omni Hotel across the street from its Convention Center. The City has agreed to invest \$31 million into the \$115 million facility and provide \$18.5 million in tax breaks, along with securing and additional \$19 million in tax breaks from the County and State. The Omni is expected to open this December. At the same time, a 430 room Sheraton Hotel and Spa is set to open one block from the Convention Center later this year, thanks in large part to a \$21 million tax break from the City.

Palm Springs is hoping to lure first class hotels to the City by approving a blanket deal to allow developers to keep half of the Room Tax collected from their hotels for twenty years, up to a maximum of \$50 million. The move was made late last year in an attempt to keep two hotel projects, The \$130 million Mondrian and the 490-room Hard Rock Hotel, from pulling amid the sagging lending environment. Defending the plan, the City's Economic Development Director said that these hotels are crucial to the success of the Convention Center, which needs additional room inventory to maximize its recent \$34 million renovation. Referring to the Room Tax, he said "Half a loaf is still a lot better to the City than no loaf."

Tucson is a destination that is of significant concern to a number of stakeholders with whom we talked. Once an after-thought when looking at Albuquerque's competitive set, the planned renovation of Tucson's downtown will place this Southwestern metropolis in a position that will further challenge Albuquerque's ability to compete for convention business.

After years of debate, the City is moving closer to building a 12,500-seat Arena, expanding their Convention Center to 330,000 sq. ft. and building a 700-room Headquarter Hotel, to be operated by Starwood Hotels as a Sheraton. Originally scheduled to open in stages in 2010 and 2011, the TIF-supported initiative is awaiting final approval...but that hasn't stopped private sector investors from already building downtown entertainment venues and condo developments in anticipation of the impact this project will have on the downtown. In addition, a museum campus is being designed to draw the heritage and cultural organizations together in close proximity to the convention and entertainment campus that will re-energize downtown.

The recent economic downturn has caused the project timeline to slow, causing cost estimates to begin to climb. This, in turn, has resulted in the City having to scramble to identify additional sources of funding to cover the widening gap. As this vicious circle continues to plague Tucson's plans, it is an example to other cities that to hesitate costs money.

Baltimore used public revenue bonds to cover the \$302 million price tag of the soon to be completed 752-room Hilton Baltimore. **Washington DC** is investing \$170 million in subsidies for its Convention Center Hotel. **St. Louis** bonded \$95 million for its Convention Center Hotel in 1990. And, when its Convention Center was underperforming in the late 1990s, the City of **Wichita** built an attached 303-room Hyatt. Today, they're considering whether to do it again, talking about a second 300-room tower.

CATALYZING DOWNTOWN REVITALIZATION

Also being discussed is the concept of a multi-purpose Event Center that could host major sporting, civic and entertainment events, as well as provide additional space for the adjacent Convention Center. Seating estimates have run the gamut from 10,000 to 17,000 seats, with the appropriate number of seats probably somewhere in the middle.

With the exception of the availability of additional space for a few assembly-driven convention clients, an Event Center is less of a tourism magnet than a community enhancement for residents. Especially in the case of Albuquerque, where a reported 75% of the State population lives within an hour's drive, an Event Center is not expected to draw a lot of overnight visitors to the destination.

However, such projects in struggling downtowns can often serve as the catalyst for a rapid influx of private sector development. Developers know that urban downtowns are the new magnets that draw young professionals, empty-nest boomers and members of "the creative class." All they need is to see that the City is committed to its downtown to know that their investment will not go unsupported by government.

Proclaiming a dedication for downtown isn't enough. Nor is beefing up police patrols in troubled neighborhoods or funding streetscape enhancements. Private sector developers put their money where their mouth is every day. To build credibility with the private sector, the public sector must do the same. And, the investment needs to be big and bold to capture their imagination.

That is certainly the tale from **Indianapolis**, possibly the most dramatically successful of all downtown revitalizations in the past half century...and it is still in full-swing, almost forty years after the metamorphosis began.

In 1970, City and County leaders merged the two governments into what was called Unigov, expanding the City's tax base while eliminating duplicative cost centers. It was in the early days of Unigov that a conscious decision was made that the Meetings and Convention Industry would be a key economic driver in the City's future. And, every Mayor and City Council since that time have embraced Tourism as a primary strategy for downtown redevelopment.

1972 saw the Indianapolis Convention Center open with 100,000 sq. ft. of space. A lone hotel sat a few blocks away. Shortly, other hotels followed, including the Hyatt Regency. In 1984, a 400,000 sq. ft. Convention Center expansion included the construction of the 58,000-seat Hoosier Dome, designed with the express intent of landing an NFL franchise. That same year, the Baltimore Colts signed a deal to move their team to Indianapolis. More hotels located in the central city.

Its meetings and convention market expanding rapidly, the City upgraded and expanded its Convention Center again in 1993 with a new ballroom and more breakout space. This time, the private sector responded with an expansion of retail and attractions. The following year, the City invested \$20 million to extend and upgrade the Central Canal as a focal point for residents and visitors.

In 1995, the \$320 million Circle Center Mall and Entertainment Complex opened. Connected by skywalks to the Convention Center and downtown hotels, its success has been primarily driven by visitors. In 1996, the City opened its AAA baseball park. Shortly after, work began on a site to relocate the Indianapolis Zoo downtown.

The Convention Center expanded again in 2000 with more meeting and exhibit space, which was immediately absorbed by meeting planners, spurring the development of another 1500 hotel rooms downtown. Today, work is underway to replace the football arena with a new multi-use stadium and entertainment facility, estimated to cost around \$675 million. The venue is expected to be completed by the 2008 football season. And the Marriott Corporation is preparing to invest \$425 million into a new four hotel, 1,568 room complex...bringing the number of rooms connected to the Convention Center to 4,500 by 2011.

The downtown mantra, as anybody who has been to Indianapolis can attest, is "Compact, Connected & Convenient." And successful. Every major investment made by government resulted in subsequent development by the private sector.

There are other stories as well. Despite being the home of the State Capitol and a 40,000-student University, **Madison WI's** Capitol Square looked like a gap-toothed sailor in 1990. Virtually every other storefront was soaped over or boarded up. Of the handful of dining spots in the downtown that remained from its heyday in the 1960s, only three or four stayed open for the dinner crowd. Retail had all but abandoned downtown for the malls on the outskirts of the city.

In the late 1970s, Madison's Mayor had driven the renovation of an old movie house into the City's Performing Arts Center, which resulted in an uptick in businesses moving into the surrounding blocks, especially the iconic State Street. Back for another run in 1990, he proposed building a Convention Center designed by Frank Lloyd Wright.

The City researched similar destinations that had built downtown convention facilities and arenas in the 1980s and found that, on average, \$52 million of private sector development could be expected to follow the siting of a public assembly facility.

In a recent study by a noted economist, that number is closer to \$500 million of private sector investment in Madison's downtown. And, the central city is once again the magnet of the cultural and entertainment industry in the City. \$1 million condos are not unusual. Office Vacancy rates are sensationally low.

And, property taxes from the downtown now serve to keep residential property taxes from escalating out of control. That wasn't the case in 1990, when property tax receipts from the downtown were increasing at 2% a year while those from the residential periphery of the City were increasing by 12-14% a year.

Most observers point to Madison's Frank Lloyd Wright-designed Convention Center as the catalyst to everything that City has become in the past decade.

And, in **Omaha**, a 340,000 sq. ft. Convention Center and the 18,000-seat Qwest Arena was part of a \$2 billion downtown revitalization plan that was completed in 2003. During construction of the Center and Arena, the City realized the need to develop additional hotel rooms across the street and built a 450-room 4-Diamond Hilton. The addition to the infrastructure brought the number of sleeping rooms within walking distance to the Center to 1,400.

However, in the current super-heated business travel market, the Hilton views itself as more of a business hotel than a convention hotel. While most cities would object to their own hotel operators developing a business plan that runs counter to the Convention Center's need for adjacent room blocks, the City is actually benefiting from the Hilton's success in business travel.

As a business hotel, the Hilton is commanding \$200+ room rates on a fairly regular basis, considerably more per room than many convention attendees would be comfortable paying. At the same time, the Arena's runaway success in hosting national sporting events and concerts generates enough revenue that declining Convention Center business isn't as much of a concern as it might be.

Like Albuquerque, the Omaha CVB reports the most common reason for lost convention business is lack of a sufficient, adjacent hotel room block. For, not only does the Hilton not actively pursue Convention Center business, neither does the 249-room Embassy Suites. This often reduces the block to roughly 700 rooms, of which the remaining hotels are fairly judicious about committing too many for Convention Center bids.

Of course, when this cycle and level of business travel declines (as it did in 2001-2003), these hotels may rethink their strategies. But, for now, Omaha's business travel market and vibrant Old Market district couldn't be hotter.

We bring up the Omaha experience for two reasons. First, the City realized the importance of a Headquarter Hotel to the success of its Convention Center. So much so, it built the hotel itself. That market conditions shifted and the City's hotel now capitalizes on the corporate business travel market is possible because the Qwest Arena is so profitable.

And that's the other reason we include Omaha's story. Since September 2007, the Qwest Arena has hosted Elton John, Bob Dylan, John Mellencamp, Brad Paisley, Van Halen, Bruce Springsteen, the Blue Man Group, Santana and Michael Buble. The summer schedule includes the Police, Tom Petty, Dave Matthews and Celine Dion. In the past three years, they've hosted U2, the Rolling Stones, Kenny Chesney, Prince, Alan Jackson, Paul McCartney and the Eagles, just to name a few. Those who market the Qwest Arena say that their success in the concert business is due in large part to their location.

First, Omaha is a 750,000 person metro with nothing its size within a three hour drive. More importantly, however, is its *position* on the intersection of Interstate 80 and Interstate 29. Any tour coming out of the Cleveland / Detroit / Chicago area going west to play Denver routes through Omaha. The same thing happens for acts playing Kansas City and heading north.

Albuquerque is in an almost identical situation. The metro population is almost identical...and the closest city of size is even farther of a drive. And Albuquerque's position at the intersection of Interstate 40 and Interstate 25 is even more compelling for tours attempting to make the most out of their routing. The City is a perfect choice for major acts playing Kansas City, Denver, Phoenix, San Diego or Los Angeles.

This isn't meant to suggest that an 18,000 seat Event Center in Albuquerque would automatically draw the same level or number of touring acts. But, one would be hard pressed to find a reason why it couldn't, given the Omaha experience.

Does it happen in every city every time? No, there are a few examples where arenas and convention centers have had virtually no impact on revitalization efforts. But, those examples are usually found in cities where the Convention Center or Event Center was placed in a section of town that was not related to its downtown.

Portland OR is one such city. As noted earlier in this report, instead of building the Oregon Convention Center adjacent to downtown, community leaders attempted to jump start a failing section of the City across the river with the project. Sadly, the expected redevelopment around the Center (including an expected Headquarter Hotel) never happened. Even the recent expansion of the Convention Center failed to lure developers across the river. This year, Portland is debating whether to subsidize a Headquarters Hotel to provide the necessary room block to effectively compete with their rivals in the convention industry.

What if Albuquerque Invests in its Downtown

While the discussions about downtown redevelopment that we heard generally combined the concepts of a Headquarter Hotel and an Event Center into one project, these two initiatives will likely have two very different impacts on the central City. If the strategy is successful, the Convention Center hotel will bring a significantly higher number of out-of-town visitors to downtown for extended periods of time. An Event Center will bring regional residents into the downtown for the day in which an event is scheduled.

The spending patterns of these two sets of consumers are very different from one another. But both will infuse life into the downtown.

THE CONVENTION CENTER HOTEL

If a 600+ room Headquarters Hotel is built adjacent to the Convention Center *and* the destination is able to regain its position as a top consideration for professional meeting planners of groups needing 500 to 1000 adjacent sleeping rooms, we expect the following impacts:

Occupancy rates and revenue generating opportunities at the Albuquerque Convention Center would increase...resulting in a decrease in the amount of local tax revenues the City would need to expend to subsidize the Center's operations.

As the primary role of a Public Assembly Facility is to attract business and visitor spending to a destination, Convention Centers are not expected to break even or turn a profit. In the vast majority of cities, they serve as "loss leaders." That reality doesn't mean that governmental leaders don't wish that their Convention Centers broke even; they just don't *expect* such an outcome.

The Albuquerque Convention Center subsidy currently runs between \$700,000 and \$1.5 million annually. The Convention Center would only require an additional 7 to 10 conventions per year for the facility to become "revenue neutral." Given the availability of rooms with the addition of a new Headquarter Hotel, the ACC just might become one of those rare facilities that achieves break-even status, saving the City the money it currently invests as subsidy.

Restaurant business would increase and entrepreneurs would see the opportunity to open new eateries to capitalize on the opportunity. One restaurateur in Nob Hill told us that on days when the Convention Center is full, his gross sales for the day average \$1000 higher than on nonevent days. And his establishment is hardly within walking distance of the Convention Center.

As noted earlier, if the Albuquerque Convention Center could recapture just 20% of the business that elects to go elsewhere due to insufficient room inventory, \$6.5 million in new attendee spending could be realized. \$1.5 million of that additional money flowing through town would be spent in Albuquerque restaurants. And while some will be naturally spent outside of the downtown, the lion's share will stay in the central city as new eateries pop up to capture their piece of the available revenue.

Possibly more than any other type of entrepreneurial enterprise, the influx of restaurants into a neighborhood can shift the ambiance of that district. Those close to the downtown are voicing concerns that Central Avenue is becoming too associated with nightspots that cater to young adults and the college crowd. Additional convention business downtown should power the shift that many residents desire.

Existing nightspots would diversify and new clubs would open. We don't believe there are too many bars on Central, just that they set the tone for the district. If more restaurants were to move into the area, they would serve to balance out the mix of businesses open at night. And, with more restaurant patrons on the streets after 8, we would imagine that at least one or two of the bars would shift its focus to cater to a Gen X and Boomer clientele. This type of blending is what makes Austin's Sixth Avenue so appealing to so many. While it's all about the music on Sixth, it is the diversity that makes the street a destination.

With more choices, more event attendees would venture out of their hotels at night. And, with more choices, more residents would, too. A vibrant meetings industry serves to encourage entrepreneurs to provide new businesses that locals can enjoy as much as the visitor.

In some convention destinations, club owners have seized upon the idea of hiring soloists or unplugged acts to play from 6:30 to 8:30 to capture convention attendees and Boomer locals. Shutting the music down at 8:30 gives this crowd time to head back home or to hotels in time for the late night crowd to filter in for some decidedly louder musical fare.

Retail sales would increase downtown. One high-end downtown retailer tracks his business carefully and told us that 25% of his business comes from visitors to the City that are staying at the Hyatt for a meeting. Another 15% of his business comes from Convention Center attendees. Clearly, if the Convention Center were able to add another 30-40 event days of major conventions, the foot traffic downtown would increase significantly...as would his sales.

And, according to those we spoke to from Old Town, the bump wouldn't just occur downtown. As noted previously, Old Town merchants say they have seen a drop in business since the days when the Convention Center was attracting more events.

The Cultural and Arts Community would benefit from higher sales. Whether it is art to hold and admire or performance art to be experienced, more people downtown mean more opportunities for the arts community to prosper. We would certainly hope that the City would also capitalize on the increased number of both visitors and residents on the streets by becoming more aggressive in booking acts into the KiMo Theatre, as more acts means even more residents coming downtown.

Homelessness and vagrancy would decrease. We understand that this is a fairly bold statement. But, with more activity downtown, the homeless would not be as obvious to the visitor's eye, as they would not be the only ones on the street.

More importantly, however, increased visitation to Albuquerque will generate more entry level jobs in the hospitality field that will provide an opportunity for those who want to break free from the cycle of homelessness to get a job and an apartment. It is one of the best parts of an economic development strategy that focuses on tourism, as it provides opportunity for those in the community that most need a hand.

Residential Living would increase downtown. Young Professionals and Empty-Nest Boomers are increasingly abandoning suburban and rural living for the lure of downtowns. Albuquerque has experienced some of this trend over the past few years with new condo development popping up around Central avenue, but a number of these units are not selling as well as expected.

Aside from the effects of the current downturn in the housing market, many point to the lack of amenities downtown such as not enough dining and nightlife diversity. They also point to the "bar time" noise and fights at 2am on many nights.

As noted in this discussion, placing hundreds of visitors on downtown streets on 30-50 more days per year will prompt an increase in the number and diversity of dining and nightlife options being provided by the private sector. This will shift the ambiance of the area away from drunkenness and vagrancy and provide the kind of neighborhood lifestyle that will lure more residents downtown. And, it will be these residents that will patronize these establishments on the days that the convention attendees have departed for home.

Traditional Economic Development efforts would be bolstered.

In our discussions with the Economic Development leaders in the community, we sensed a degree of dismay that Albuquerque doesn't have the name recognition that is necessary into today's competitive development field. While high rankings as a Creative Class City, Fittest City, Arts Destination, Green City, Pro-Business Climate and Best Cities for Jobs (just to name a few) are plentiful, they haven't translated into the top-of-mind awareness that Development officials believe they need. That, they say, comes from Owners, CEOs and Site Selectors actually experiencing Albuquerque.

More convention business exposes more people to the City. The Economic Development professionals we met understand this connection well and say that a robust convention industry is an important requirement in their ongoing efforts to bring new employers to the region.

THE EVENT CENTER

Turning to the Events Center, many of the impacts will be the same...yet different. Attendees to meetings and conventions tend to come from outside the region and stay for two or three days (and sometimes longer). Those attracted to events at the Event Center tend to come from within a one hundred mile radius and most often return home the same day.

Thus, the spending habits of the two groups are different. While not always consistent among each group, convention attendees lean toward higher end experiences in dining, retail and nightlife. Event patrons are often more drawn to bar and grill type establishments and tend to spend their disposable retail dollar at the event venue. But, as we said, both can have a significant impact on a downtown.

Restaurant business would increase and entrepreneurs would see the opportunity to open new eateries to capitalize on the opportunity. That restaurateur in Nob Hill that told us that his gross sales for a day when there is action at the Convention Center averages \$1000 higher than on nonevent days? Imagine his

business when 15,000 people converge on downtown for a concert or sporting event. While not everyone coming to events like this may need to eat out (as do convention attendees) experiences in most cities with arenas point to a healthy pre and post-event level of business after sporting events.

Existing nightspots would diversify and new clubs would open. Again, the post-sporting event and concert crowd often wants to extend the evening. If the Event Center could capture the kind of business that Omaha's Qwest Center has experienced, that would equate to 6 or 7 events per month in which the downtown experiences an influx of 8,000-15,000 people. If just 10% of those attending the events chose to extend the evening, that's over 1000 people downtown each event.

Homelessness and vagrancy would decrease. Just as more Conventions would increase the number of available entry-level jobs in the community, adding additional days in which thousands of people would converge on the downtown would add even more opportunities to the mix.

Residential Living would increase downtown. The ability to walk to a national sporting event or major concert act? Just another reason to move downtown. And, as noted before, a vibrant Event Center calendar can be expected to encourage the development of even more dining and nightlife options, making the downtown more diverse...and more livable.

Traditional Economic Development efforts would be bolstered. One of the most common struggles for those in the Economic Development field is convincing new and existing employers that there is a Quality of Life for ownership and management. Used to life in bigger metropolitan areas, many may believe that they would fight to retain and attract top workforce talent to Albuquerque.

However, coupled with the scenic beauty, outdoor recreational opportunities and diverse culture that makes the City so attractive, easy access to the biggest touring acts and national sports events is just one more attribute that elevates Albuquerque's positioning for corporate location and relocation.

The opportunity to follow the lead of so many great American cities that have revitalized their downtowns with Convention Center and Event Center projects clearly exists. Unless Albuquerque's private sector development community is very different from their peers around the country, they're waiting for a sign from the City. These two projects would qualify for most as that sign.

What if Albuquerque Chooses Not to Pursue an Event Center / Hotel

Without a bold move to prove the City's dedication to its downtown, many developers will continue to have trepidation about locating in the central core. If meeting and convention business at the Convention Center declines in the wake of fiercer competition and shifting industry expectations on the part of meeting planners, many downtown businesses will continue to see declining sales.

Indeed, one downtown restaurateur we spoke with confided that, if he didn't see any movement by the City on the Event Center or Headquarter Hotel projects by the time the Bowling Congress is completed, he would likely close his doors downtown. He said that he would be willing to hang on a little longer if he saw a light at the end of the tunnel. However, business has gotten so hit and miss that his hope is just about exhausted.

Of course, if there was a meaningful resurgence in office occupancy downtown, daytime (and possibly early evening) populations downtown would increase, providing area businesses and opportunity to make up some of the loss in convention attendee business. However, this seems unlikely in the short term as downtown office vacancy levels are already higher than the citywide average and an additional 244,000 sq. ft. of new space is expected to come online in the City this year.

So, if the Headquarter Hotel and the Event Center are not in the cards, what does Albuquerque's future look like?

Less diversity of dining and nightlife options downtown. Fewer retailers willing to "tough it out," downtown and moving their businesses to other sections of town. An increasingly singular look for downtown that becomes more about bars than diversity. Central Avenue becomes even more unsafe, driving away the new urbanists who have purchased living space there.

A City that struggles even more with downtown crime and vagrancy. The possibility that the annual subsidy of the Convention Center could go higher (although we believe in SMG's ability to shift its business model to avoid that scenario, if necessary).

However, it's not just the subsidy of the Convention Center that should concern the City. If the downtown hotels falter, room tax revenues used to pay of Convention Center bonds and market the destination will drop. And, while Room Tax revenues have increased steadily since 2002, the chance of a recession means fewer business travelers for these hotels, resulting in lower room rates, lower occupancy and an increased need for convention attendees to fill the void.

If hotel occupancy and profitability drop, so too does the value of the property, which impacts property tax revenues upon which the City depends. With fewer visitors in town, Gross Receipts Tax revenues will drop, as well.

And, if the recession deepens, the lack of convention business to cover the anticipated slow down of business travel will result in fewer jobs available to Albuquerque residents.

Not a picture of hope.

Albuquerque's Alternate Path

There *can be* a Plan B. It won't have the immediate and significant impact of announcing the go-ahead for the Event Center / Hotel initiative...but we're not about to say that all is lost for downtown Albuquerque, either.

Cleveland OH is probably the best example of an American city that reclaimed its downtown through a non-convention center centric focus. Unlike Indianapolis, which consciously made conventions and events its focus, Cleveland targeted leisure visitors and residents as it invested in developing a former shipyards into an entertainment district (known as The Flats) and supported museum development (the Rock and Roll Hall of Fame and the Great Lakes Science Center) to draw developers back to its downtown.

To be sure, this strategy is a bit more organic in that it will take more time to achieve. Smaller investments by government can be expected to elicit a corresponding response from the private sector. The advantage in this strategy is that it requires less initial investment and avoids the potential failure of a significant development project. The disadvantage is that such a strategy takes longer to build a critical mass.

While not as common as the Indianapolis-style direction, the Cleveland example could serve as model for Albuquerque. Cleveland continues to struggle with an underperforming Convention Center...but its downtown appeal to visitors and residents remains high.

Albuquerque is a fabulous destination. It will just have to become a *different* kind of destination if it decides to walk away from being a convention destination. And here's how we see that playing out:

First, **the destination will need to establish that it will no longer aggressively pursue the large convention market.** The ACVB's efforts in the 300-room night to 1000-room night convention (at peak) are increasingly experiencing resistance from professional meeting planners that prefer a more compact solution to their events. **Convention-centric hotel properties will need to shift their business models** to focus on their own efforts to fill their space and work with the ACVB to uncover new niche markets.

The ACVB should continue to focus on securing City-wide conventions and events of the size that meeting planners expect to be forced to house their attendees all over any destination that they choose. In this market, Albuquerque continues to be competitive. However, **the City will need to further invest in a transportation system to move these visitors around the destination** quickly, safely and effortlessly with a minimum of waiting time.

The Convention Center will need to shift its focus towards consumer shows, trade shows, local events and sporting events. The number of hotel rooms that will be generated by this move will decrease markedly, but SMG will likely be able to play this strategy without causing the annual City subsidy to increase.

The City will need to renegotiate its contract with the ACVB to reflect this change in destination marketing strategy away from convention bookings and room nights. **The ACVB and City will need to develop measures that more accurately reflect the new role of the Bureau** as an agency dedicated to increasing awareness, appreciation and interest in visiting Albuquerque as a leisure destination. Among the potential measures that can be used to gauge success against mission would be increased interest in the destination, increased intent to travel, increased subscriptions to ACVB promotional newsletters, blogs and podcasts, increased requests for assistance in planning visits and others. These are, to be sure, “softer” measures than tracking room nights but more accurately reflect what the Bureau’s new role will become: positioning (rather than selling) the City and the region as a premier travel destination.

The City must move to create incentives for visitor-oriented businesses to locate downtown and on Central Avenue. Just as the Convention Center and ACVB have had to provide incentives to lure meeting planners past the hassle of meeting in the City, the City will have to make it easier for entrepreneurs to locate downtown than in other areas of the City.

The City should redesign the Civic Plaza into a greener, more entertaining space for community and visitor interaction. From Farmers Markets to free outdoor concerts with name entertainment, the Civic Plaza, if programmed properly, could become a magnet for visitors and residents alike.

The City's music, culture and arts community will need to become more aggressive in its product development and programming. If Albuquerque is to compete as a cultural destination, it needs increased product development and enhanced cross-promotional coordination between groups to create a cultural brand identity for the destination.

The Destination needs to capitalize on its image as an Event-driven Destination. There are very few destinations for which consumers instantly equate the city name with an event. New Orleans is connected with Mardi Gras. Milwaukee with Summerfest. Newport with its Jazz Festival. And...there are not many others, except Albuquerque's Ballon Festival. As the community is already known in this light, there exists the opportunity to develop a series of events so that potential visitors believe there is always something going on in the Q. Milwaukee has used its Summerfest as the cornerstone for such a strategy. Every weekend features a different ethnic festival on the Summerfest grounds when the event isn't in the midst of its 10-day run. Travelers now know that any weekend they visit, they'll be some kind of festival on the lakeshore.

Central Avenue must move quickly to own its "Route 66-ness." No other major destination in the country has yet effectively maximized the international allure of the Mother Road. And, Albuquerque is in a perfect position to do so.

The ACVB will need to expand its marketing to embrace a more regional approach, especially reaching out to include the Native American product that has been and is being developed. While some might fear that such a move would result in economic leakage of visitors to the City, a recent study by the University of New Mexico's Economics Department Head Philip Ganderton revealed that the recent surge in Native American Casino and Hotel development did not cause hotel occupancy to decrease. In fact, the Average Daily Rate that Albuquerque hotels could charge actually increased, leading Ganderton to suggest that the presence of these resorts and casinos has actually helped make Albuquerque a more attractive destination.

The ACVB will need to invest more of its limited resources into marketing and PR, shifting its focus from selling to brand building. To pursue the leisure travel market, it's all about "buzz." The ACVB needs to position the destination as a "must-see-before-I-die" kind of place. Indeed, Orbitz.com has already named Albuquerque as such, saying it is one of 5 destinations that everyone should see in the next five years. Evocative advertising in niche publications, aggressive public relations work with national and international media and a deeper incursion into social media marketing to become more believable will all be facets of a strategy that focuses on creating a buzz about Albuquerque.

The Next Steps

When my father retired and was looking to buy his first personal computer, he bought a Mac. When I asked why, he showed me one of those AOL discs that used to show up every week in the mail.

He pointed to the installation instructions. To install on a Windows machine there were 5 steps. To install on a Mac, the disc read, "Insert Disc. Press Go." He chose the simpler alternative. Just as meeting planners do. Just as leisure travelers do. Just as local residents do.

Just as Albuquerque is doing with its downtown. The path of least resistance is to do nothing. Of course, the community leaders we talked to said that doing nothing is unacceptable. So, what next?

Aside from how to pay for it, the next easiest option is to build the Headquarter Hotel and Event Center. In virtually every destination we reviewed, a bold redevelopment initiative like that almost always results in a private sector investment response. Indianapolis, Denver and Madison are just a few of the communities that saw this dynamic transform their downtowns from vacant to vibrant.

The hardest, in terms of effort and coordination, will be our suggestions for a "Plan B." At the same time, this strategy may be easier to fund as it won't take hundreds of millions of dollars to achieve.

Or will it? In some cases, government finds it easier to fund major projects well into nine figures by utilizing bond markets than to invest ten million dollars of general revenue funds to upgrade the look and feel of its downtown.

To achieve the visitation levels that a Convention Center Hotel would create, Albuquerque will need to work twice as hard, should it choose to reinvent itself as a leisure destination. The ACVB will also need to be funded at a significantly higher level to be effective in cutting through the marketing clutter out there.

From a Destination Marketing Organization standpoint, it is more effective to market to one person who can agree to bring 1000 visitors than to convince all 1000 visitors to come to Albuquerque individually. If the City chooses to pursue this path, additional marketing dollars and more effective leveraging with destination

partners will need to be employed to capture consumer awareness in the marketplace.

The choice is up to the City. Go big and send a signal to the private sector...or commit to reinventing the downtown through developing destination-defining events, infrastructure upgrades and an increase in marketing dollars.

Both strategies will advance the destination. Plan B will just take longer...and time is not a luxury in today's competitive environment.

ZEITGEIST CONSULTING has worked with more Destination Marketing Organizations than any other firm of its kind. Since 1995, founder Bill Geist has been at the forefront of industry trends and tactics, assisting destinations across North America to be more effective, successful and accountable.

Geist is the author of “Destination Leadership for Boards” (now in its second edition) and a contributor to “Fundamentals of Destination Marketing.” He is the founder and host of the industry’s distance learning series DMOU.com and a frequent speaker on trends, technology and marketing at tourism industry events worldwide.