

Destination 2028

DESTINATION STRATEGIC PLAN PRIORITY

1. Meetings and Conventions



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Priority Focus

Meetings and conventions stand to be one of the primary efforts of the DSP with the immediate ability to drive results, provide measurement and plan for strategic development to increase return-on-investment

Municipal leaders and stakeholders recognize the importance of attracting and hosting meetings and conventions throughout the county because of the economic impacts they spur. The 500,000-square-foot Raleigh Convention Center (RCC) is the largest meetings and convention venue in the county. It is also the recipient of the largest investment of interlocal funds for tourism development to date and is one of the largest generators of tourism tax revenues at roughly \$659 million in direct spending into the local economy as of 2018. The RCC is owned and operated by the City of Raleigh.

Given the investments made and the RCC's status as the county's largest meeting venue, JLL analyzed the current and potential use of the building, recognizing that optimizing its use will have a measurable impact on increasing overnight visitation to Wake County. Optimization of the RCC means utilizing the available space in a way that is most advantageous to generate the desired impact into the market while generating revenue for the building. This efficient use of space is detailed throughout this section. This optimization exercise also informed recommendations related to the RCC's renovation and expansion.

In addition to the RCC, there are five meeting districts within the county that are defined based on the surrounding cluster of available major hotels that are capable of hosting in-house meetings (*see box on pages 52-55*). JLL assessed the districts as defined and included them in the Situational Analysis.

Overarching Goal

As meetings and conventions stand to be one of the primary efforts of the DSP with the immediate ability to provide measurement and strategic development ROI, the goal of this priority is to take steps to demonstrate such an impact countywide. The impact the RCC can have on tourism-related taxes, as well as to be a consistent demand generator for new hotel supply is critical. If the recommendations below are adopted, Wake County's meetings efforts will be significantly enhanced.

Raleigh Convention Center Analysis and Future Potential

In an effort to plan for the future, JLL has completed an extensive analysis of the RCC's occupancy, its utilization and the activity level of the joint RCC-GRCVB sales efforts. JLL reviewed data from the GRCVB and RCC's sales teams to determine the current mix of business on the books and future prospects. JLL also broke out the total number of

citywide events (i.e., groups requiring 700 hotel room-nights or more on peak) from the totals to illustrate the mix of business that impacts the city as a whole. The following summarizes the findings of JLL's research.

Calendar Analysis

JLL worked with the RCC to do an in-depth look at the historical usage of the space at the convention center to evaluate the most effective approach to optimizing the overall use going forward. Nationally, convention centers benchmark 70% utilization as “practical capacity.” Because of the nature of selling and booking such a facility, there are inherent inefficiencies and dates that typically do not sell. 70% is an optimized convention center and should be a target goal for the RCC's future.

Redefined Booking Policy

During this process, JLL analyzed the types of events using the RCC and how those events impacted the building's square footage. In completing this analysis, JLL learned that there was a need to update the RCC's booking policy to better track and prioritize events by size before being able to breakdown the utilization. JLL worked with both the RCC and GRCVB leadership and staff to recommend a prioritization schedule for events by size to measure success in the future.

For purposes of this analysis, JLL has prioritized the events by the recommended types below.

Priority	Group Size	F&B Spend	Rental Spend	Booking Window
Priority One (Full Citywide)	1,500 peak + Full Building Users	\$100,000-\$150,000+	BDF Eligible	36+ months
Priority One (Downtown Citywide)	> 700 rooms on peak	\$75,000+	BDF Eligible	36+ months
Priority One (sports/competition)	> 700 rooms on peak	n/a	Rental + BDF Eligible	36+ months
Priority Two	350-700 rooms on peak	\$50,000	Rental + BDF Eligible	18-36 months
Priority Three	100-349 rooms on peak	\$30,000	\$10,000	12-18 months
Priority Four	< 100 rooms on peak	\$75,000	Flexible	Within 12 months
Priority Five	Non- room-generating	\$33,000	Flexible	Within 12 months
Grandfathered (Allocation of protected space and days held for important county and community events)	n/a	n/a	Minimum	Annual
Industry Cluster Events - All Things Open - Internet Summit	> 200 peak rooms proven	\$100,000+	Rental + BDF Eligible	Annual

“BDF” refers to the Business Development Fund

The priorities within the recommended redefined booking policy will guide both the RCC and GRCVB sales staffs for future booking efforts. This streamlined process will guide staff on holding dates and spaces for Priority One Downtown Citywides before booking other smaller events into the RCC. Following the redefined booking policy will support the effort to optimize the center, as well as generate maximum economic impact into the surrounding community by ensuring higher priority (overnight room-generating) events are the priority in the building.

It is also important to understand the unique needs and dynamics of the destination and the RCC when building a booking policy. JLL worked with the joint sales staffs to understand the kinds of flexibility that should be considered and built into such a redefined booking policy. Those recommended considerations included:

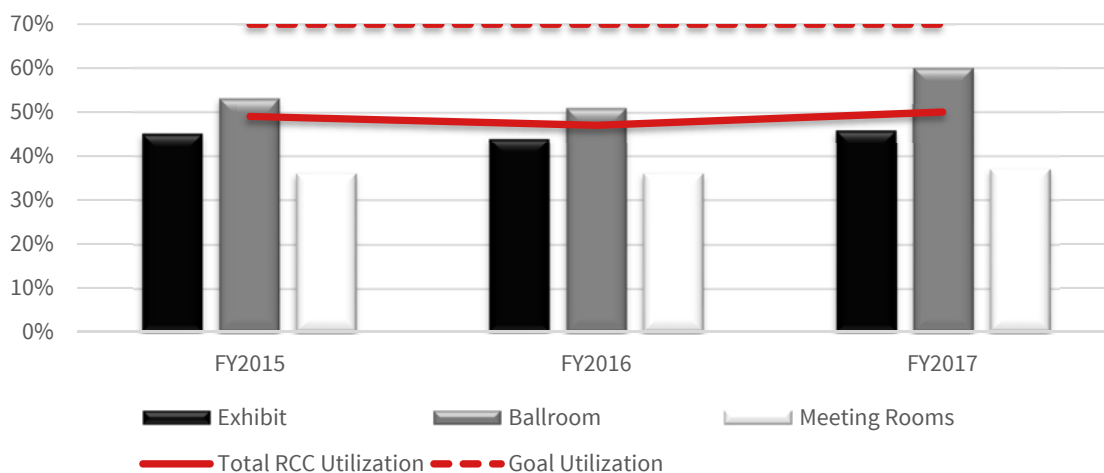
- Once a Priority One (group with over 700 hotel rooms on peak night) is booked, the remaining space should be immediately released for a lower priority to be booked by the RCC sales staff. Because of the nature of the space utilization (detail below), the sales teams will be more efficient in booking the remaining space if the booking window is not held after a first-priority event is secured.
- Seasonality and meeting pattern should be considered regarding the booking window. For example, if the joint sales staffs have an opportunity to book an event that would not qualify as a certain priority because it does not achieve one of the two primary criteria (i.e., hotel room-nights on peak and food and beverage spend), joint sales leadership should have discretion if the pattern is over a time of year that is typically difficult to book, i.e., a 500-rooms-on-peak event only has an estimated spend of \$30,000 in the building but wants to book over the Christmas holiday. This would technically not qualify as Priority Two; however, given the pattern, leadership could make an exception to book within the Priority One window. This would be an opportunity to book a piece of business over a time that is traditionally not filled or is filled with lower-spend, shorter-term local use.
- Total hotel room-nights could be considered in addition to the two primary criteria of peak room-nights and food and beverage spend. This would enable the joint sales staff to analyze a group that either has a longer stay and use of the RCC, generating a similar output to a higher peak room-night group because the group is booked for a longer period of time, thus creating a similar or larger direct economic impact for the destination.

Current RCC Occupancy

JLL analyzed three fiscal years of the RCC meeting and tradeshow space and determined that, on average, the facility's total occupancy is typically around 50% per year. Utilization is defined as the amount of square footage used within the square footage available.

In addition, JLL studied the meeting and exhibit hall occupancy to understand how the spaces were being used. The RCC's ballroom was the most in-demand space across all fiscal years studied, with a three-year average of 55%. The meeting rooms were the lowest utilized spaces (36%), while the exhibit halls were just slightly behind the ballroom at 45%. The RCC's utilization reflects the types of groups that have been booked into the facility.

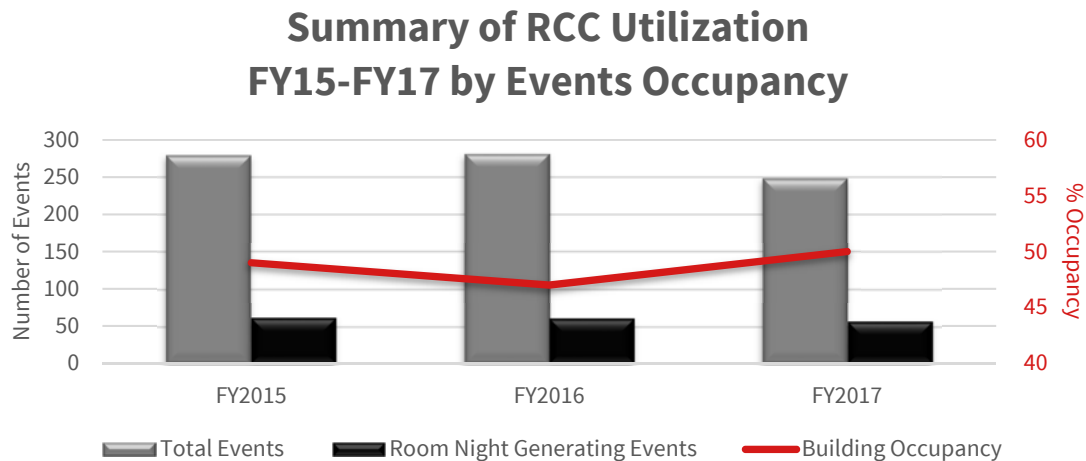
Utilization by Space



Source: RCC

To better understand utilization, JLL took note of how RCC currently codes utilization by geographic market. On average, 68% of all groups booked into the RCC are coded as local, with 22% representing national and state association groups. The remaining 10% are either regional or international. This process revealed that RCC and GRCVB do not use the same geographic or segment codes for groups. Aligning the two systems would ensure coding is the same for a group's geographic and vertical segment. This will provide important data for future analysis and provide insight into group trends booking the RCC. For example, the usage by "local" groups is not necessarily stating that those groups do not have room nights or generate significant impact. "Local" in this case could also be reflective of the response to the economic downturn, which impacted the conventions industry and did not reach pre-2007 figures until 2015, according to Center for Exhibition Industry Research's Index 2016 report. Additionally, HB2 and other local market conditions effect the joint sales team's ability to book business. With the recommended prioritization in place the utilization by group type, as well as room for growth across markets in future years will become clearer.

In fiscal year 2017 (FY2017), RCC hosted 248 events in total, with 57 events being “hotel room-generating” and achieving a total building utilization of 50%. This was the best performing year, in terms of room night generation and total building utilization, in the three fiscal years studied. FY2017 had fewer total events than the two prior fiscal years. This indicates that the space was used most efficiently in FY2017.



Sources: RCC & GRCVB

FY2017 also produced the most usage for the RCC with over 87,000 hotel room-nights. Not only did the joint sales staffs outperform the previous years in terms of utilization and space efficiency, the joint sales teams also drove the most overnight room-generating events into the building, amassing a more powerful direct impact from the RCC into the community. This is a trend in mix-of-business and prioritization that the RCC will need to increase to optimize the existing space, as described in the pages that follow.

Current Event Mix and Layouts

In 2014, PricewaterhouseCoopers studied the practical capacity of convention centers and determined that “industry-wide, the ‘practical’ maximum occupancy rate is approximately 70% and the ‘efficient’ range is considered to be approximately 50 to 60%. Occupancy levels less than 50% generally suggest the existence of marketable opportunities or open dates.”

Considering that the overall RCC occupancy in FY2017 was 50%, including internal use, JLL believes there is an opportunity to optimize the RCC’s current occupancy with a goal of 70%. While the RCC has been busy with over 200 events each year, the other important consideration is the achievable and desirable mix of business. Both the maximum occupancy and optimal mix of business should be determined to set future goals for the RCC, as well as inform future planning for the renovation and expansion of the RCC.

Annual “Grandfathered” Space and Days

The RCC has allocated space and days for potential annual events. These events include high school graduations and other important annual activities. For purposes of this exercise, the space allocation at the RCC for “grandfathered” days includes a total of 23 days. Understanding the amount of time and space that is utilized for a grandfathered event helps create the optimization schedule by accounting for those dates and spaces in advance and essentially removing them from inventory. This secures space for the annual events and allows the joint sales staff to understand what available dates and space are left to sell and book around them each year.

To further understand the characteristics of the events at the RCC and the opportunity to increase efficiencies in the use of space, JLL calculated the average use of the spaces by event Priority. An average of this utilization over the last three fiscal years is shown below:

Priority	Group Size	Average Use Days	Average Exhibit Hall Use	Average Ballroom Use	Average Meeting Room Use
Grandfathered (Allocation of protected space and days held for important county and community events)	n/a	11.5	2	1	4
Priority One (Full Citywide)	> 1,500 rooms on peak	4	2	.8	3.7
Priority One (Downtown Citywide)	700-1,500 rooms on peak	4.1	2.2	2.5	16.3
Priority Two	350-699 rooms on peak	3.9	.8	2.8	16
Priority Three	100-349 rooms on peak	3.3	.3	1.3	8
Industry Cluster Event*	> 200 peak rooms proven	2	1	2.7	17.3
Priority Four	< 99 rooms on peak	2.25	.2	1.8	4
Priority Five	Non- room-night generating	1.63	.4	.7	5.3

Source: RCC

The averages above indicate that the Priority One events, including Priority One Full Citywides, have a high usage of exhibit halls and other spaces and that it is unlikely that two Priority One events could be booked at the same time. The combination of one (1) Priority One and one (1) Priority Two events simultaneously is also challenging, primarily because of the high demand for ballroom space. The most likely alternatives for simultaneous use that can maximize the occupancy are: one (1) Priority One or Full Citywide and one (1) Priority Three event; or two (2) Priority Three events.

Since it was identified that it is unlikely that two (2) Priority One events could fit simultaneously, after a Priority One is confirmed, there may be an opportunity to open-up space earlier for smaller Priority Two or Priority Three events in the RCC booking policy as mentioned above. The alternative lay outs were tested with the RCC sales team to confirm the ability of the center to accommodate the suggested simultaneous events.

Based on the average use of Priority One and Priority Three events, these types of event can run simultaneously. Knowing that this is possible, it is reasonable that the joint sales teams could work together after a Priority One booking to layer-in a Priority Three booking even at an earlier timeframe, knowing that the space remaining would work only for this size group. Using this strategy, the joint sales staffs can deliver more rooms to market and have a greater impact on the destination. Given this, JLL developed the goals for simultaneous use at a less-aggressive rate.

Optimization Process

With a goal of determining the potential areas of growth for the RCC, JLL started with a full calendar year of 365 days and reduced the amount of days available based on the number of “sellable” days in the year. This process accounts for non-sellable days, including holidays, and a factor for destination desirability, which accounts for competition in the market.

In this process, JLL worked with the joint sales staffs to make reasonable reductions in available days based on the history of “dark days” on the calendar. After reducing for holidays and other factors, JLL deduced that there would be roughly 335 sellable days in any calendar year at the RCC. Based on the remaining days available to sell, JLL built an optimized calendar of events.

A secondary impact that emerged in this process is the realization that the number of downtown hotel rooms in close proximity (i.e., within three blocks) of the RCC could not support the projected outcomes. In a typical optimization process, JLL goes through a similar analysis to build the calendar, as described above, and the increased impact on hotel room-night generation is also needed. However, in the RCC’s case, there are not enough full-service hotel rooms in close proximity to the convention center. Hence, JLL reduced the optimized goals to support the available hotel room inventory today.

In addition, JLL created an optimization output for three primary scenarios to include renovation of the RCC and expansion. JLL believes that the demand for an expanded RCC exists and supports the City’s effort to do so in

parallel with new hotel development. As such, projections have been built around what is possible in that expansion scenario.

All scenarios, starting with the original optimization of the current space, follow below. It is also important to note that any increases in conventions projected with the RCC renovation or expansion will also take into consideration the potential to increase the current available hotel room inventory.

As noted above the RCC and GRCVB leadership created a redefined booking policy to guide the sales efforts to focus on business that will have a greater direct impact economically countywide and on the building's fiscal balance. In doing this, the joint sales teams created "priorities" within the booking policy. Priorities 1-4 are all room-night generating events with Priority Five being the short-term, local bookings with no hotel room-nights expected. Priorities 1-4 have set booking timeframes based on the highest overnight room- generating day in the event, as well as a minimum spend on food and beverage in the RCC. As the following pages describe, these priorities are the foundation of how an optimized RCC can be built.

Three scenarios for possible action were created given the outcome of this exercise. It is important to note that full optimization based on the space available at the RCC is not currently possible because of the lack of available hotel inventory in close proximity to the RCC. For the optimization scenario that is possible with today's hotel package there is balance achieved between efficient utilization of the available space with the desired business mix. Business mix is an important component of all of the contemplated optimization scenarios.

Full optimization based on the space available at the RCC is not currently possible because of the lack of available, close proximity, hotel inventory.

Given this, JLL created the following three scenarios as paths to optimizing the RCC currently, given the available hotel room inventory, as well as increasing the impact the future RCC could have if more hotel rooms were available in the market.

■ **Scenario One**

Optimization of the RCC with Today's Available Hotel Package – In this scenario, JLL built an optimal calendar given the hotel package that is available today. What is different in this scenario from the RCC today is the business mix focus. This scenario relies on the recommended redefined booking policy to focus on citywide business. This is the scenario that JLL recommends until additional inventory is committed in the downtown Raleigh market.

■ **Scenario Two**

Optimization of a Renovated RCC with an Increased Hotel Package – In this scenario, more flexible space is created by converting an exhibit hall into a second ballroom (flexible space), since the ballroom is the most in-demand space and creates the most flexibility in types of use in the building. This enables the RCC to host

multiple overnight room-generating groups at once. This scenario also requires additional close proximity hotel rooms be added to within three blocks of the RCC.

■ **Scenario Three**

Expansion of the RCC with an Increased Hotel Package – In this scenario, JLL has contemplated the minimum amount of new flexible space that could be added to the RCC’s footprint to increase its capacity and generate incremental hotel room-nights into the market. As stated above the ballroom is the most in-demand space in the RCC, and at a minimum, that equivalent should be added in an expansion to meet such demands. This would add a full, standalone, second ballroom-sized space and would enable the usage of all three exhibit halls and two ballrooms; this space should be vetted to be as fully flexible as possible. This scenario does not contemplate what is possible in terms of additional meeting rooms or pre-function spaces; this should be determined in greater detail through an architectural study. It is important to note that this scenario also requires additional hotel rooms in close proximity to the RCC. An expansion of the RCC will not be optimized without a suitable addition of hotel rooms added to the downtown Raleigh market.

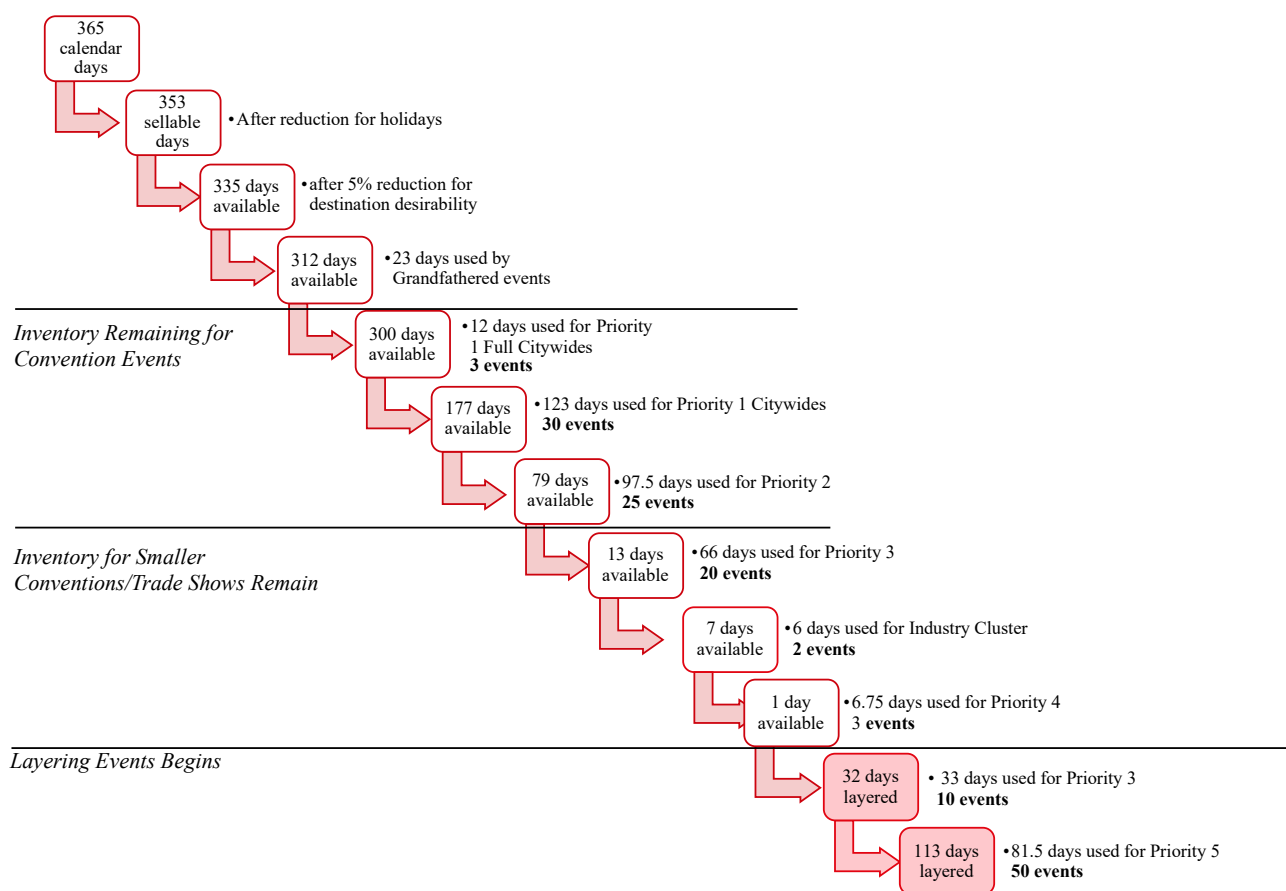
The process for building an optimized calendar has several factors, one of which is a term JLL refers to as “destination desirability.” For purposes of the optimization exercise, destination desirability is defined as a percentage reduction taken from the available days to sell a convention center because of the strong competition in this market. This factor ranges between 2% and over 15% off the available days, depending on the destination. JLL removes those days from the inventory and treats them as dark days, knowing that it is unlikely to fill every day available after major holidays. Given the market size and the amount of dark days in the three-year average, JLL assumes a 5% destination desirability factor for the RCC in the scenarios.

Optimization of the Current RCC

If there were no hotel considerations, optimization of RCC's available days and space could be reflected in the chart below. JLL projected three (3) Priority One Full Citywides, thirty (30) Priority One Downtown Citywides, twenty-five (25) Priority Two events, twenty (20) Priority Three events, two (2) Industry Cluster events, three (3) Priority Four events and ten (10) additional Priority Three events in with the event mix. In addition, there is room for fifty (50) Priority Five events to be layered in the calendar.

As previously noted, achieving the above optimization is not possible given the current lack of hotel inventory. The below level of booking cannot be realized given downtown Raleigh's existing hotel room supply; however, the below illustrates a significant amount of incremental meetings and convention business that could be realized with a complementary inventory of available hotel rooms.

Optimized Booking with Sufficient Hotel Room Inventory

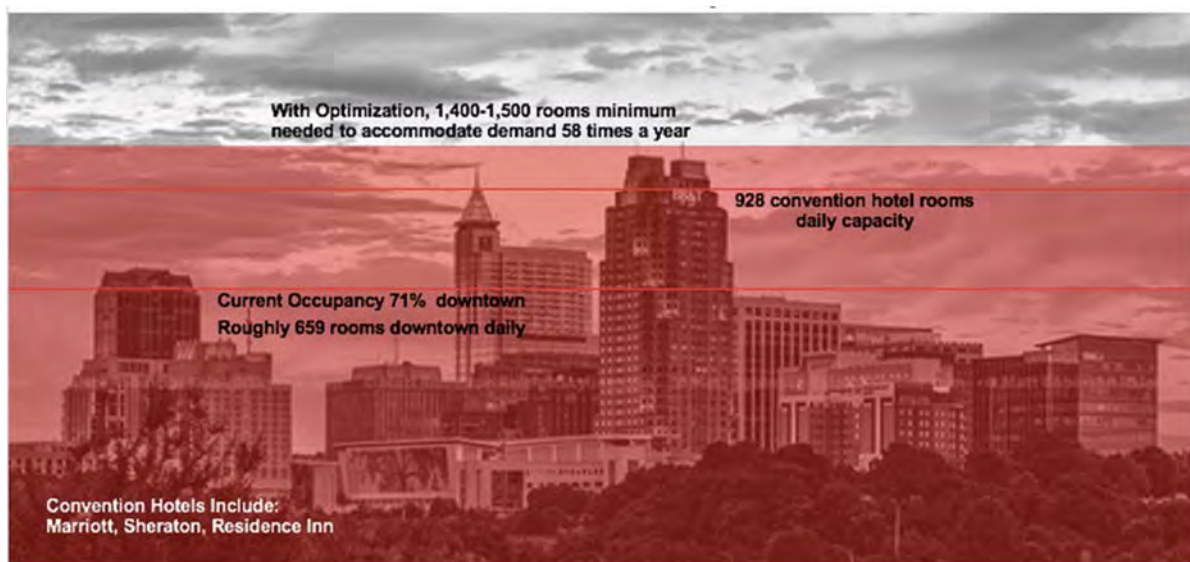


When JLL analyzed the potential output from this exercise, the room-nights generated increased by 106% over the three-year average. However, the projected impact from the RCC would strain the current downtown hotel market's inventory and is not feasible until the hotel situation is addressed.

Hotel Inventory Review

The chart below illustrates the need for additional hotel rooms if the RCC is to enjoy full optimization. On any given day, the downtown market is utilizing 659 of its 928 convention hotel rooms based on the current 71% occupancy rate. If the above optimization schedule was achieved (assuming with 30 citywides per year and an overnight room-generating event total of 96 or a 60% increase), the hotel inventory in close proximity to the RCC would be over capacity. Additional hotel rooms will need to be developed.

Convention Hotel Demand with Optimization



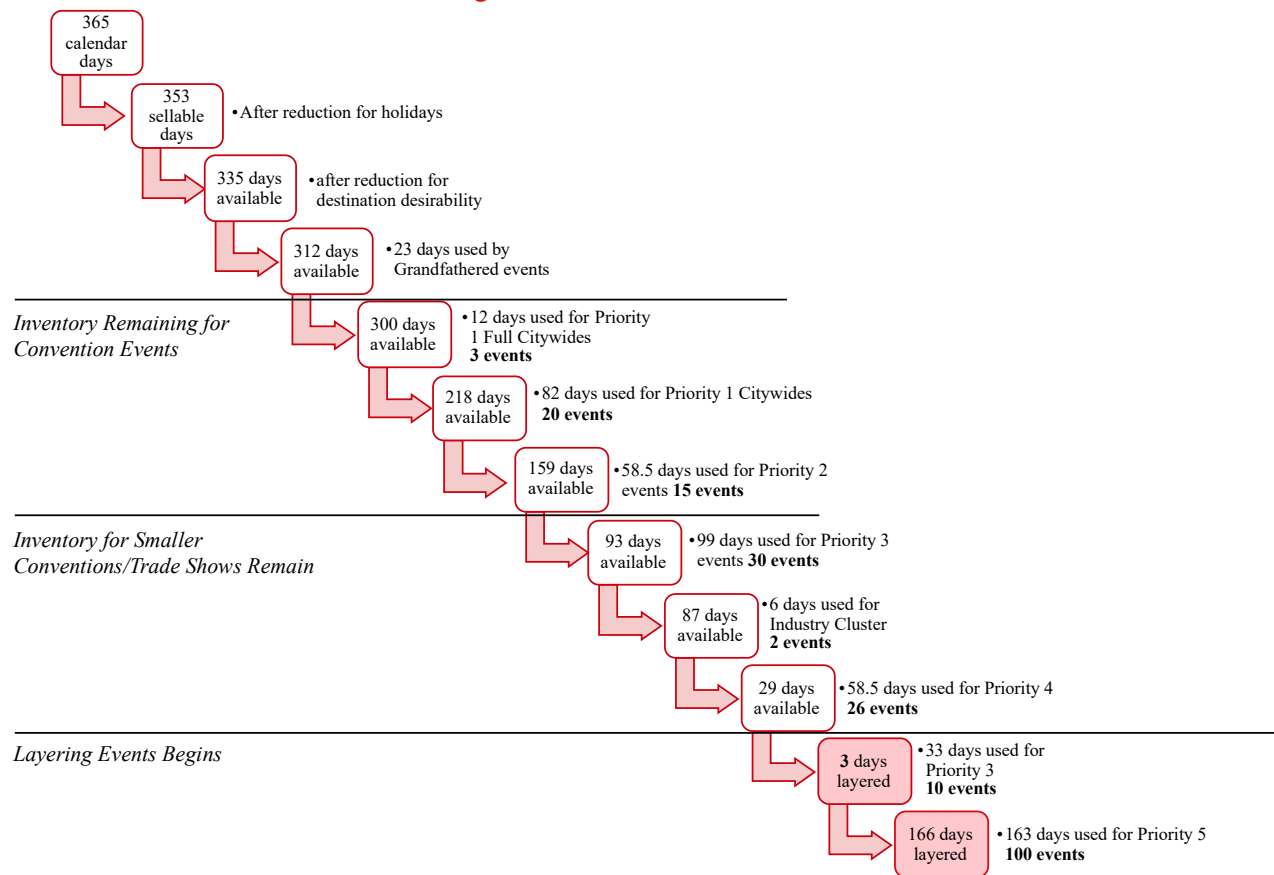
Marriott City Center: 400 rooms, Sheraton: 353 rooms, Residence Inn: 175 rooms

Because of the constraints on the existing hotel inventory, JLL revised the optimization calendar to account for the current hotel availability. This ensures the optimization goals are realistic until the hotel situation is addressed. Potential scenarios for what could be achieved given the status quo and into the future assume an evolution of the space in and around the RCC and are laid out in the following pages.

Scenario One: Optimization of the Current RCC with Today's Available Hotel Package

As illustrated in the out below, JLL assumes the same baseline number of sellable days at 335 per year. JLL projects three (3) Priority One Full Citywides, 20 Priority One Downtown Citywides, 15 Priority Two events, 30 Priority Three events, two (2) Industry Cluster events, 26 Priority Four events and 10 additional Priority Three events layered in with the event mix. In addition, there is room for 100 Priority Five events to be layered in the calendar in the scenario laid out below.

Optimization Based on Current Hotel Package



Because of the constraints of the existing hotel package, *this modified optimization schedule will achieve desired efficiencies in utilization of the spaces; however, the room-night generation and subsequent economic impact will be lessened compared to the original version shown on page 36.*

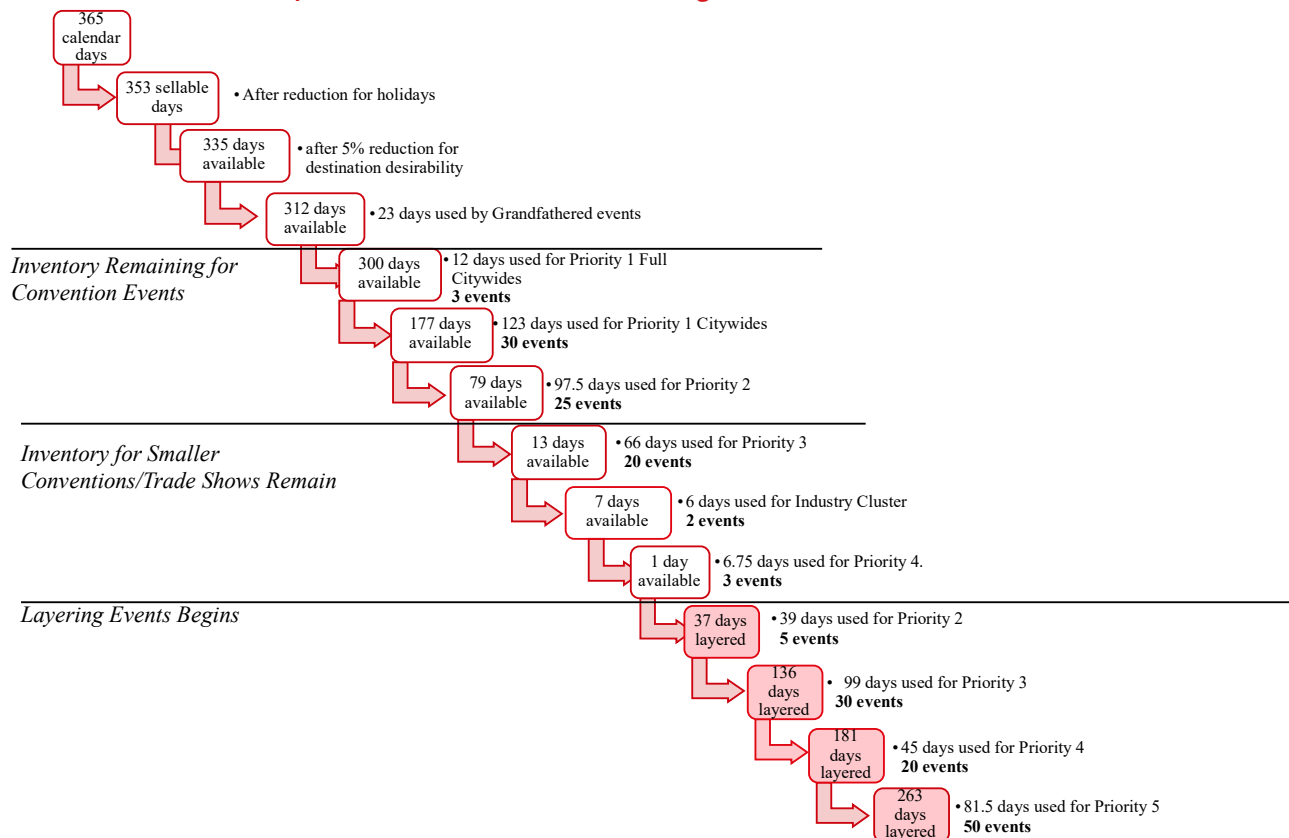
Scenario Two: Optimization of a Renovated RCC with Increased Hotel Package

After projecting usage given the current hotel package and current state of the center, JLL considered how a renovation or expansion of the RCC *and* a complementary increase in hotel rooms could impact optimization. JLL understands the City's interest in a potential expansion and supports exploring the expansion further. There is sufficient demand for an expansion based on the market size, increased airlift and increased ground transportation infrastructure to deliver new and additional conventions to the market.

As noted above, based on historic utilization, the ballroom is the space with highest demand. At a minimum, JLL recommends the City investigate adding flexibility to an existing exhibit hall by renovating the space to function similar to a second ballroom. This is a very popular trend in the convention center industry. The exhibit hall space renovated for increased flexibility would enable the RCC to host a Priority One Full Citywide with a Priority Two event, as well as the ability to host two (2) Priority Two events simultaneously. This kind of conversion anticipates a mix of business including sports groups. To that end, the renovation/conversion should also contemplate retractable bleachers and additional portable courts to support a variety of indoor sporting tournaments and events.

JLL assumes the same baseline number of sellable days at 335 per year. JLL projects three (3) Priority One Full Citywides, thirty (30) Priority One Downtown Citywides, twenty-five (25) Priority Two events, twenty (20) Priority Three events, two (2) Industry Cluster events, three (3) Priority Four events and five (5) additional Priority Two events, thirty (30) additional Priority Three events and twenty (20) additional Priority Four events layered in with the event mix. In addition, there is room for fifty (50) Priority Five events to be layered in the calendar in this scenario.

Optimization Based on RCC Expansion and Increased Hotel Package



JLL recommends that this scenario include increased divisibility, hydraulic lighting and other fixtures that may be needed to add flexibility to utilize one of the exhibit hall spaces as a second ballroom. It is recommended that efforts to plan for and design this phase of optimization begin within the next two years with a feasibility study and be implemented by year-5. This further vetting of design will ensure the ability to book and layer groups and proposed in this scenario.

Scenario Three: Expansion of RCC with Increased Hotel Package

In addition to optimizing the RCC today, JLL suggests consideration of an expansion of the footprint to further grow the impact of the RCC to accommodate ballroom, sports, small networking and other exhibit-hall activities as the third phase of optimization. JLL recommends the City utilize the process that has occurred within the DSP effort: contract with a convention center architect to design an expansion that considers overall flexibility first and including at a minimum one (1) full, additional, ballroom-sized space, as well as additional multipurpose space for breakout and meeting space. JLL recommends that expansion as part of overall optimization be studied by an architect to vet and be implemented by year-8 of the DSP, with plans solidified by year-6.

Summary of Optimization Scenarios

The scenarios for RCC's optimization described above contemplate a phased approach from today's potential through a near future expansion to deliver an impactful result into the market. Under Scenario One (i.e., optimization with the existing hotel package), the RCC's room-night generation would increase by 54% over the current three-year average and reduces the overall number of events. This kind of efficiency should be the goal for RCC use going forward. The trend continues in future years with the addition of hotel capacity and a renovation and expansion. Estimated cost figures for Scenario Two range between \$4-6 million, while expansion costs could range from \$200-\$250 million depending on the final determination of space needed.

The graphic below summarizes the projected output of Scenarios One and Two in terms of room-nights and the business mix within the RCC. Scenario Three will not be projected until the full amount of space in the expanded RCC and number of hotel rooms are determined through a feasibility process with the City. However JLL has confirmed the market demand and believes the impact would be significant.

Summary of Scenario One and Two Output

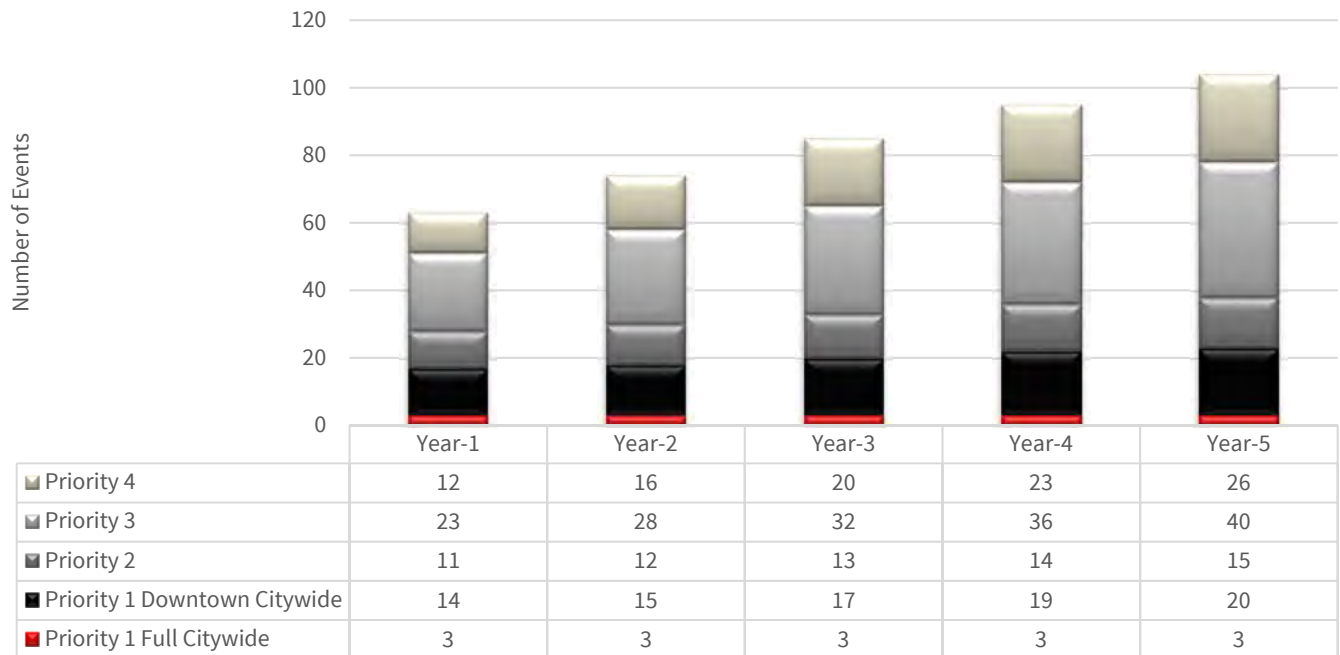
Today			Scenario 1: Optimization of RCC with Today's Available Hotel Package			Scenario 2: Optimization of a Renovated RCC & Increased Hotel Package		
Priority	Number of Events	Room Nights Generated	Priority	Number of Events	Room Nights Generated	Priority	Number of Events	Room Nights Generated
Total	279	72,448	Total	198	111,267	Total	195	175,746
% change	-	-	% change	-29%	+54%	% change	-30%	+143%

RCC Sales Goal Setting – Sales Direction for the Future

Knowing that today's hotel package is limited, JLL recommends setting joint RCC sales goals between the RCC and GRCVB sales staff at the Scenario One level. JLL recommends that the joint sales teams collaborate on the potential goals with GRCVB responsible for events with room-nights 12 to 36+ months from the booking date (Priority One through Priority Four) and that the RCC's sales staff be responsible for events without contracted room nights within 12 months of the booking date (Priority Five).

JLL has prepared a five-year glide path to achieve the optimization goals including targets for each Priority every year. The following chart illustrates the recommended sales goals and glide path from year-one to year-five. Given acceptance of the DSP in August 2018, year-one below begins in fiscal year 2019-2020.

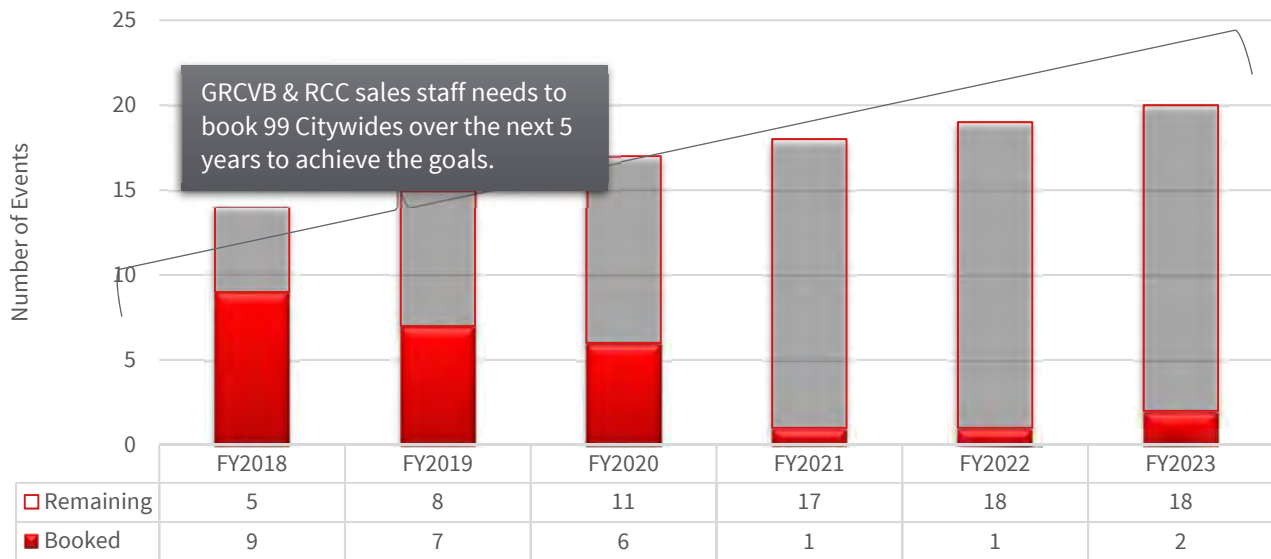
Five-year Glide Path to Goals



The above glide path represents RCC's desired mix of hotel room-night business. Optimization of this scenario, with today's hotel package, grows the overnight room-generating number of events from 60 to 104.

In addition, JLL has broken out a glide path to achieve the Priority One Citywide figure separately to further refine the sales activity needed to achieve such goals. JLL worked with the joint sales staffs to understand what level of Priority One Downtown Citywides are already on the books for future years. The definite Priority One Downtown Citywides booked into future years are laid out against the booking goals in the chart below.

Progress to Priority One Citywides



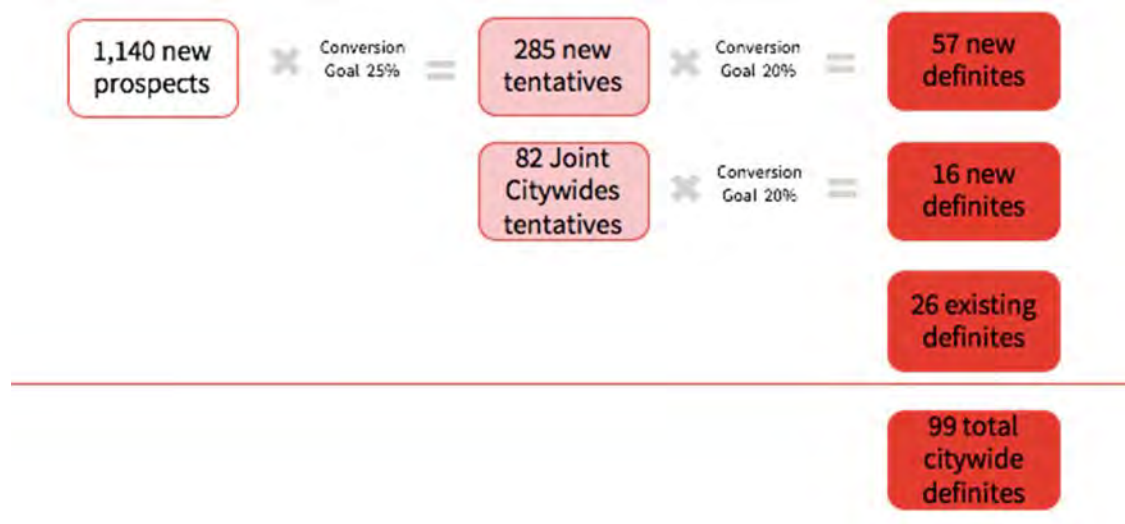
Sales Activity Needed

To achieve the goals shown above in a five-year period, the GRCVB and RCC teams will need to generate enough sales activity to produce the desired results. Sales activity includes prospects, leads, tentatives and definites, known as the “sales funnel.”

JLL recommends that the GRCVB and RCC joint sales teams enhance the prospecting reporting process in the future to include data measurement on key performance indicators (i.e., attendees, hotel room nights, dates). Further engagement in prospecting activity creates a clear understanding of the activity level needed to achieve the multiyear goals. A prospect is defined as a convention or meeting that has been identified by the sales team as in alignment with a set of key performance indicators. A prospect would generally not have space held at the convention center or a lead sent to the hotels. The active tracking and engagement in prospecting activity creates a clear understanding of the activity level needed to achieve the multiyear goals.

At the time of the writing of this report, there are 99 Priority One Downtown Citywides that would need to be booked in the next five years to achieve the booking goals. In that same time frame, there are currently 22 Priority One Citywide events in the system as definites. There are also 82 existing tentatives in the system. The following is an illustration of the sales activity level that will be needed to maximize the RCC through booked and hosted business.

Sales Activity Needed for Optimization



The visual above illustrates the need for the joint sales teams to refine current prospecting efforts to align with the recommended optimization strategies to achieve the proposed booking goals. Using this method, JLL has estimated that the joint sales effort needs 1,140 total prospects for overnight room-generating events to achieve the total booking goal over the next five years.

Currently, GRCVB manages data prospect activity as “traces” in the system against accounts with potential to book the RCC, as well as other in-hotel business. The GRCVB has prospecting efforts currently underway, including individual sales manager goals of 20 defined prospecting calls a month along with other sales activities (e.g., tradeshow, presentations, sales missions, FAMS, professional industry membership organizations, etc.). In 2017, GRCVB had a significantly high level of prospecting activity with over 1,100 active accounts in the system. JLL believes that including detailed meeting profile data will give GRCVB the ability to track progress against these goals.

As mentioned above, JLL recommends that the joint sales teams collaborate on the most effective next steps in achieving the sales activity, with GRCVB responsible for events with room-nights 12 to 36+ months from the booking date (Priority One through Priority Four) and RCC's sales staff being responsible for events within 12 months of the booking date (Priority Five) that do not have contracted room-nights.

Optimization Impact on Tax Collection

When RCC is optimized under the possible scenario with today's hotel package (Scenario One), the City and County's ability to collect hotel and prepared food and beverage (F&B) tax on those rooms and attendees increases by 27%, to a total of over \$1 million annually, as shown below.

Optimization Impact on Tax Collection

RCC Optimization Scenarios Impact on Annual City Tax Collection													
Scenario	Rooms Generated	ADR*	Hotel Room Revenue	Room Tax Levied	Room Tax Collected	Estimated Rooms Attendees**	Estimated Non Room Attendees	Rooms Attendees F&B Spend***	Non Rooms Attendees F&B Spend***	F&B Tax Levied	F&B Tax Collected	Annual Total Tax Collected	% Change Over 3-Year Avg.
3-year avg	82,390	\$ 149	\$ 12,276,110	6%	\$ 736,567	116,590	273,535	\$65	\$35	1%	\$ 171,521	\$ 908,087	-
Scenario 1: Optimization with Today's Available Hotel Package	111,267	\$ 149	\$ 16,578,783	6%	\$ 994,727	157,453.81	147,857	\$65	\$35	1%	\$ 154,095	\$ 1,148,822	27%
Scenario 2: Optimization with a Renovated RCC and Increased Hotel Package	175,746	\$ 149	\$ 26,186,154	6%	\$ 1,571,169	527,238	147,857	\$65	\$35	1%	\$ 394,455	\$ 1,965,624	116%

*GRCVB Source Data

**Attendees per room night ratio 5.3 over 3-year average, reduced in scenarios to 3 as mix of business is projected to change

***Blend of Destinations International and GRCVB Source Data Convention Attendees Spend Per Room Per Day

Optimization Impact on RCC Revenue

When the RCC is optimized within the possible scenario (Scenario One), overnight room-generating events increase by over 50% with the majority of revenue coming from Priority One Downtown Citywides. Overall gross revenue increases by 16% to over \$7.7 million, due to the increase of Priority One events with strong revenue. In addition, the average RCC room-nights output also increases by over 38,000 new, incremental, hotel room-nights. New incremental hotel room-nights in the optimized model would annually generate nearly \$6 million in new hotel rooms revenue and an estimated \$350,000 in associated hotel occupancy tax revenue.

Sales Activity Summary

The development of the five-year glide path for goals has identified many opportunities for the future. These include utilizing the refined RCC booking policy to optimize the RCC space, as well as the need to redefine the prospecting sales activity. In addition, JLL recommends that shared sales management and meeting space software be utilized for the joint sales teams to work more seamlessly together. This would include GRCVB staff receiving "read-only" access, at a minimum, within Ungerboeck (RCC's software system) to review the RCC calendar for date and meeting space availability.

An optimization process is a strategic undertaking, and GRCVB, RCC and City of Raleigh alike need to be aligned in their collective effort to achieve the sales, revenue and direct economic impact goals as a result of such a process.

Importance of Downtown Raleigh Hotel Package

As mentioned above, all the scenarios contemplated, with the exception of Scenario Two, require additional downtown Raleigh hotel inventory. The demand for hotel rooms downtown exists today; with the groups the joint sales teams are pursuing, it can be difficult for the teams to assemble a viable hotel block per the objectives of the event planner. This demand will continue to grow. Growth of significant, new, large conventions cannot be expected or anticipated without parallel growth in the hotel room availability.

Inventory Recommendation

At a minimum, a hotel inventory increase of a singular, full-service hotel with 500 hotel rooms within three walkable blocks of the RCC and a committable block of 60%-65% would be desirable at this time. At this level of commitment, the market would not be materially disrupted, and the room-night generation out of the RCC would keep the occupancy rate stable at the current level of 71%. In addition, if a future expansion is contemplated, an additional 500 rooms would be recommended to accommodate the RCC's larger footprint.

Sixty percent of the meeting planners surveyed believe that today's hotel package around the RCC is less appealing than other competitive markets.

In this process, JLL conducted extensive research, with one of those primary research components being a meeting planner survey (the results of which are included in the appendix). The survey results stressed the importance of the hotel package even further. Meeting planners want a sufficient hotel block to be walkable, with the desired headquarter hotel package being attached or adjacent to the center. 70% of the surveyed respondents stated that attached or adjacent

hotels are "absolutely necessary" or "highly important." Furthermore, 60% of the surveyed respondents stated that today's hotel package around the RCC was "less appealing" than other competitive markets.

In addition, JLL spoke to the GRCVB's Customer Advisory Board (CAB) for Meeting Planners, which also provided feedback on the hotel package. The CAB members expressed the need for increased inventory with a variety in brand. The planners noted that diversity in brand offerings is important to their attendees.

This feedback further emphasizes the importance of a proactive, strategic hotel development strategy as a consideration for optimization and future expansion.

New Hotel Development

Downtown Raleigh's current and projected hotel inventory is constrained relative to the needs of the RCC and the Downtown Convention and Entertainment Campus. As discussed above, the county's ability to increase visitation through the Meetings and Convention channel will be challenging unless the hotel inventory in and adjacent to the Downtown Convention and Entertainment Campus increases. Because the RCC is owned and operated by the City of Raleigh, JLL worked with the City to discuss potential ways it could support hotel development. Discussions were based on JLL's Hotels and Hospitality Group expertise in public-private hotel development (collectively, the group has been involved in the majority of all the public-private hotel deals attached or adjacent to U.S. convention centers since 1999 and has helped municipalities across the country structure public-private hotel deals).

JLL recommends the City of Raleigh become the lead partner in this effort. JLL believes that the City must be involved to spur such needed hotel development and could do so within at least three options: supporting or providing parking capacity; land banking adjacent parcels; and/or developing an incentive package.

- **Parking capacity** - A pain point for many downtown hoteliers and stakeholders is the current limitation on parking on the Downtown Convention and Entertainment Campus. This pain point would increase with the optimization implementation efforts. Additionally, current city regulations require hotels to provide a certain ratio of parking spaces per rooms. The City of Raleigh could be involved in new hotel development by building or paying for the needed hotel garage/lot and alleviating that cost for a potential hotel developer. Additionally, the City may wish to construct a stand-alone parking garage to provide needed parking.
- **Land purchase or lease agreement** - Another area where the City could be involved is land banking of a potential downtown hotel site. The City could purchase available land as it comes on market or utilize land it currently owns and repurpose or position the parcel for hotel development. The City could structure a lease agreement with a hotel developer and operator that would be financially feasible for the developer and operator. All public-private approaches would have a "room block agreement" so that the hotel rooms needed for a priority RCC events could be secured.
- **Traditional incentive package** - A third option for City engagement would be to create a traditional incentive for development. In this case, the City could decide to be the developer and owner of a potential hotel; it is recommended that this be vetted further through the current policy set by the State of North Carolina. There are projects like this that have been very successful and, when done correctly, reap benefits for the municipality. Two highly successful examples of this include the Hilton Americas Houston and the Hilton Columbus. Both are owned by a quasi-governmental authority and were funded and built by public investment.

Suggested Steps to Launch a Public-Private Hotel Partnership

When discussing the potential for being involved in new downtown development, JLL recommended that the City of Raleigh consider taking the below short-term steps. This type of approach effectively engages the hotel development industry, is transparent to stakeholders so that the projected positive impact of City participation in the deal can be documented and measured and produce the most innovative approach.

The effort to attract additional downtown hotels should be conducted concurrently with creating a master plan for the downtown convention and entertainment campus.

1. Develop a “Letter of Interest” request to invite qualified developers to engage in a process to determine the most effective approach to create a successful hotel process. A “Letter of Interest” is not the same as a “request for proposal,” as the intent of the letter is to gauge interest from developers in participating in a project in the near future with the City setting the criteria.
2. Determine the specific approach in developing a public-private partnership that is most advantageous to the City, County and key stakeholders.
3. Invite final qualified designated developers to participate in a competitive process to determine the final direction and the most appropriate private partner.
4. Negotiate a deal to develop a hotel to help support the existing RCC and the plan for renovation and expansion.

Downtown Convention and Entertainment Campus

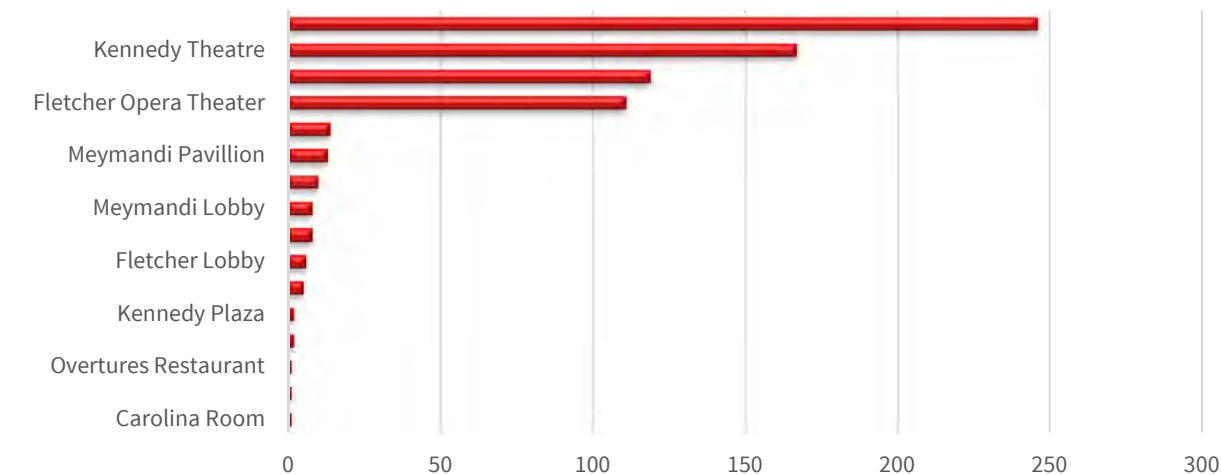
In addition to the RCC, a number of other assets and amenities anchor the downtown core, including the Red Hat Amphitheater (Red Hat), Duke Energy Center for the Performing Arts (DECPA) and the soon-to-be-redeveloped Dorothea Dix Park. These assets, mainly Red Hat Amphitheater and the Duke Energy Center for the Performing Arts, are two additional venues that serve local residents with performances and add to the convention campus. Unique to the venues, both Red Hat and the DECPA have different utilization levels and schedules. As public assets, the community wants to get the most value out of them, and the City wants to ensure it is delivering on that value, while maximizing revenue potentials.



Duke Energy Center for the Performing Arts

The DECPA is home to six companies including the North Carolina Opera, Carolina Ballet, Theatre Raleigh, N.C. Symphony, N.C. Theatre and PineCone. Across all companies, shows and ticketed performances, the DECPA hosted over 400,000 attendees during FY2017. DECPA is the venue for N.C. Theatre, and during the 2018-2019 season, the Theatre is slated to host *Mamma Mia!*, *The King and I*, *Murder for Two*, *Annie*, *In the Heights* and *Jersey Boys*.

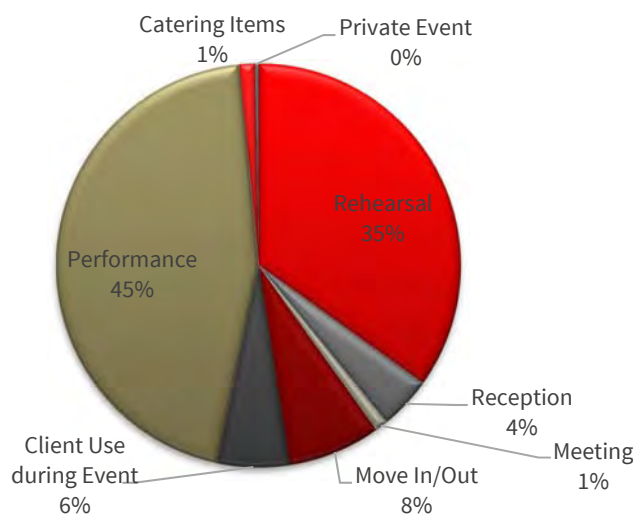
Usage by Space



Source: DECPA

In addition to the Broadway-level shows performed at the DECPA, the venue is bustling with activity with 298 active event days or 82% active occupancy. The venue hosts a total of 322 performances a year across all 16 leasable spaces. The chart below illustrates the number of times a space at the DECPA was utilized during FY2017, with Meymandi Concert Hall, Kennedy Theatre and Memorial Auditorium being the most booked spaces.

Usage by Type



Of the usage illustrated above, 80% of all the usage days were related to performances, with 45% of all usage attributed to shows and the remaining 35% attributed to rehearsals. The additional usage within the DECPA includes other client usage during events, moving-in and -out days, small meetings, receptions, private events and catered events. Combined, these usages make up 23% of DECPA's activity as shown above.

DECPA and RCC

While DECPA is a vibrant and busy cultural arts and performance center, there is room for increased utilization of other spaces downtown. While this is done today, where possible, there is room in conjunction with the RCC and GRCVB convention sales efforts to bring additional events to the DECPA. As an anchor amenity in the downtown core, DECPA is a unique, nontraditional venue for offsite events.

Meeting planners have shown increased interest in planning everything from receptions and networking events to breakout sessions in unique and more intimate spaces. There is opportunity to grow the private event, catering and meeting usage of DECPA through a coordinated sales offering that rounds out the RCC as a campus environment.



In addition, the percentage of space that is used for rehearsal or “non-show days” should also be reviewed to determine future opportunities. This could include a first-class, offsite rehearsal location in the future.

Red Hat Amphitheater

Red Hat Amphitheater has become a highly successful outdoor performance venue within the county. Red Hat, as it is affectionately referred to, is situated adjacent to RCC on the land above the loading docks. Red Hat’s site was originally land banked for a potential convention center expansion and has worked well as a small venue for outdoor concerts.

Red Hat opened in 2010 and has had great success since its opening season. The venue has capacity for approximately 6,000 attendees and hosts roughly 30 shows per season (April-October).

Red Hat and RCC

Red Hat has become a fan- and local favorite over the past several years, and many see it as a major live music asset for the community. While it has played an integral role in adding vibrancy to Raleigh’s downtown core, Red Hat’s utilization was always an interim solution for the longer-term RCC expansion plan. With Dorothea Dix Park’s planning process now underway, there is potential for a similar size and scale venue to be an anchor site within that park. If the effort to develop a potential Red Hat 2.0 within Dorothea Dix Park comes to fruition, the time is right to relocate Red Hat and reconsider expansion of the RCC on this site. If that scenario is not deemed advantageous, a design should be contemplated that combines the entertainment use of Red Hat with the need of additional space at the RCC.

Convention Services

Convention services is a critical aspect of events at the RCC and within the downtown convention and entertainment campus. Assuming success of the RCC optimization and the strategic inclusion of Red Hat and DECPA in the downtown convention and entertainment campus, the impact on convention services needs to be considered. As the leader in service delivery, it is important for GRCVB's convention services managers to continue to work with their partners and vendors to help set the convention center experience apart. There is an opportunity to explore delivering destination management company (DMC) experiences that are currently not offered by the local private-sector and realizing effects of such delivery for clients, which could include revenue. Most importantly the convention services role should be in the following spaces:

- **Workforce development** – Workforce development is a foundational tourism component because of the need for qualified staff especially in front-of-house or customer-facing tourism and hospitality businesses. To cater to the meeting attendee and visitor, the assets and amenities of the county need to be staffed with trained workers, which can be a challenge when resources are scarce. There is potential to grow and revise the nascent countywide certification program. By increasing participation and updating the content as needed, the certification program will create a specific approach to training the tourism workforce and be a marketing tool to attract overnight visitors. The ultimate goal is to have an informed, well-trained workforce that can deliver a high level of service and support repeat visitation.
- **Partnerships to develop unique offsite venues countywide** – An added amenity for meeting planners are offsite venues where a group can have a reception or other event outside of a traditional meeting space. Unique spaces are attractive for offsite events and can include museums, outdoor facilities, sports facilities and others. Convention services could work with partners to help them curate and develop these unique spaces. In the future GRCVB's convention services team should be seen as a resource when applying for interlocal funds, as this capital could also be used to create needed offsite venues.
- **Accessibility** – With the potential for new developments onsite at the RCC and in the convention campus (including hotel development), accessibility is an important consideration. Ensuring that accessibility is a lead item in new projects and developments will continue to enable the services team to deliver to that community.

Convention Services, continued

- **Transportation services** – Traditionally transportation services within a convention services role is about sourcing vendors and arranging these services for clients. The ability to deliver seamless transportation experiences is incredibly valuable to a meeting planner, though there are elements that are typically outside of anyone’s control (e.g., being in traffic or congestion). As the DSP process evolved, JLL learned of new transportation and traffic initiatives being advocated for by the Regional Transportation Alliance (RTA). These efforts to expand roadways and to add hardscaping and landscaping in highly trafficked areas will be a valuable addition to the transportation experience for convention attendees. It is recommended that convention services partner with the RTA on these initiatives while they are still in development to provide insight into what could be valuable from the meeting attendee’s perspective.

These are examples of where convention services play a key role in delivering a seamless experience for meeting attendees. Additional examples of how the services team at GRCVB could support the individual travel experiences are provided in the Individual Leisure priority section of this report.

Current Meeting Districts

Within Wake County there are five existing “meeting districts” that include clusters of full-service and upscale hotels where booking in-hotel group business for small meetings and conferences is viable.

Currently, each of the meeting districts enjoy a level of meeting and convention activity. To increase future meeting flow, JLL recommends that continued focus is contemplated through the recommended hotel development approach; analyzing new meeting space opportunities, as was noted with Cary, should continue going forward. JLL recommends that GRCVB strategize collaboratively with each district on growth in the future.



Wake County Meeting Districts

Airport District

The airport district is a cluster of mostly limited- and select-service properties. This cluster of hotels is closest to Raleigh-Durham International Airport (RDU), making it convenient for fly-in, fly-out meetings. There are three primary full-service hotels with over 2,500 square feet of meeting space in this district including the Courtyard by Marriott Raleigh-Durham Airport - Brier Creek, Four Points by Sheraton Raleigh Durham Airport and Embassy Suites Raleigh-Durham Airport/Brier Creek. These properties can host small corporate meetings and other events requiring group space.

With the continued growth in Wake County's economy and the proximity to Research Triangle Park (RTP), this meeting district is positioned well for in-hotel group business. Also, RDU's total passenger traffic has averaged a 6% growth year-over-year since 1985, with an increase of nearly two million passengers, or 20%, in the last 10 years. RDU's air service growth and steady rise in passenger traffic will continue to be a demand driver overall and will have a specific impact on this district.

In addition to being in close proximity to RDU and to Morrisville, these properties are also close to Brier Creek Commons, a retail and dining area within Raleigh. Having these amenities nearby for meeting and conference attendees will continue to make this district appealing. At the time of this report, there are also four hotels in the pipeline, adding 416 hotel rooms to that district. While these hotels are not planned to have significant meeting space, such a pipeline suggests the district is a vibrant location for small meetings and conferences. The ongoing growth in hotel inventory, coupled with continued development of supporting amenities will make the airport district more appealing for meetings in the future.

Cary District

The Cary District offers a different and varied experience for small meetings and conferences with charming boutiques and unique, luxurious offerings, including The Umstead Hotel and Spa and The Mayton Inn. Combined, these distinct properties offer over 2,500 square feet of meeting space. The Embassy Suites Raleigh-Durham/Research Triangle and Hilton Garden Inn Raleigh-Cary also offer significant meeting space in this district.

In addition to these hotel offerings, the Cary District is situated in the second-most populated municipality in Wake County and the third-most in the Research Triangle Region. Within this bustling community, the district offers meeting and conference attendees much to experience including shopping, extensive dining options and live entertainment at Koka Booth Amphitheatre. Cary is also known for its sports facilities and team centers including the USA Baseball National Training Complex and WakeMed Soccer Park (home to Cary's North Carolina Football Club and North Carolina Courage), where the U.S. National Men's and Women's soccer teams have played.

With all the activity in Cary and the momentum continuing to move development in Cary's downtown district, there is room for growth in this conference and meetings submarket. Throughout the course of the DSP planning process, it became clear that, for long-term meetings and convention success, GRCVB should continue to function as the singular sales and marketing organization for the county and continue to support the growth of Cary as a meetings location. This will be critical for the success of any further development both in the Cary Meeting District and Cary as a whole because of the wholistic approach that delivers concise and consistent messages into the meetings market. There are six hotel projects in the pipeline in Cary, delivering 689 new hotel rooms. GRCVB will play an important role in supporting group bookings into this district.

Cary District, continued

In addition, new venue opportunities are being explored in the county, which is described in the Destination Development section of this plan, that could have a positive impact on the future of Cary's meeting and convention business. The design of this type of facility must consider the potential to book future meetings and conventions in addition to the sports activity. The opportunity to create a larger meetings package in Cary is an important new demand generator in the DSP.

Downtown District

The Downtown District is led by the RCC as the premier and largest meeting and convention space in both the district and the county. As noted, the RCC is the largest countywide asset funded through interlocal funds (at \$221 million in building costs) and has delivered roughly \$659 million in direct spending into the local economy as of 2018, making it one of the most successful investments of interlocal funds. The RCC was analyzed in detail above.

In addition to the full-service hotel inventory included in the RCC analysis above (Sheraton Raleigh, Marriott Raleigh City Center and the Residence Inn Raleigh Downtown) in close proximity to the RCC, the Hampton Inn & Suites Raleigh Downtown/Glenwood South and Holiday Inn Raleigh Downtown also offer meeting space and additional guest rooms for in-hotel business in the district.

Midtown District

The Midtown District is also located in Raleigh and includes walkable shopping and dining areas—Crabtree Valley and North Hills. Within the Crabtree Valley section, there are four primary meeting hotels including the Raleigh Marriott Crabtree Valley, Embassy Suites by Hilton Raleigh Crabtree, Hilton Garden Inn Raleigh/Crabtree Valley, and Holiday Inn Crabtree Valley. These hotels combined offer over 40,000 square feet of meeting space with over 929 sleeping rooms. In addition to the existing properties, there are two main hotels in the pipeline, at the time of this report, that will add 250 rooms to the district, including a new full-service hotel.

Within the North Hills section of the Midtown District, which includes 130 retail, restaurant and bar options, there are two main meeting hotels in the Renaissance Raleigh North Hills and AC Hotel by Marriott Raleigh North Hills. Between the two hotels, there are over 330 hotels rooms and over 10,000 square feet of meeting space. The Hilton North Raleigh/Midtown, while not located inside North Hills, adjoins this complex, adding its 30,000 square feet of meeting space and 333 sleeping rooms into the mix for planners' consideration. In addition, there is at least one new hotel planned within the North Hills complex, as well as additional residential in the pipeline.

Both the Crabtree Valley and North Hills sections of the Midtown District offer a variety of amenities including extensive dining and retail options set inside walkable, mixed-use communities. These amenities make the Midtown District appealing for in-hotel meetings and conferences. The ongoing development and increased focus on entertainment in the retail areas will continued to enhance the attractiveness of the Midtown District.

Raleigh North District

The last of the existing meeting districts is Raleigh North, which includes one full-service hotels, the Holiday Inn Raleigh North-Midtown. There is over 3,296 square feet of meeting space with 130 sleeping rooms here.

The Raleigh North District is very close to the shopping and dining center of North Hills mentioned above for attendees to visit and experience. There are also a few dining options within this district for meeting attendees to experience offsite as well as a plethora of options if attendees venture further into North Raleigh.

Additional Meetings Hotels

West Raleigh is a developing meetings market with two main, full-service meetings hotels. These include the DoubleTree by Hilton Raleigh Brownstone-University and The Stateview Hotel, which is part of the Autograph Collection, on N.C. State's Centennial Campus. The Hyatt Place Raleigh West adds another 3,640 square feet of meeting space with 132 sleeping rooms as a small meetings option within West Raleigh. It is important to consider new hotel developments in markets like this to either include in existing meetings districts or to create new districts.

Takeaways

Meetings and conventions have proven to be a significant demand driver for Wake County and is a clear opportunity for continued ROI from a tourism tax dollar generation standpoint. There is great potential as a countywide tourism demand generator to grow this market's impact over the course of the DSP's implementation, including efforts to optimize and expand the RCC. The ongoing support and development of the district concept as popular meetings locations will also enhance the overall level of meetings and conventions activity for Wake County.