

# San Jose Convention Center

## RENOVATION AND EXPANSION ECONOMIC FEASIBILITY ANALYSIS

August 6, 2002

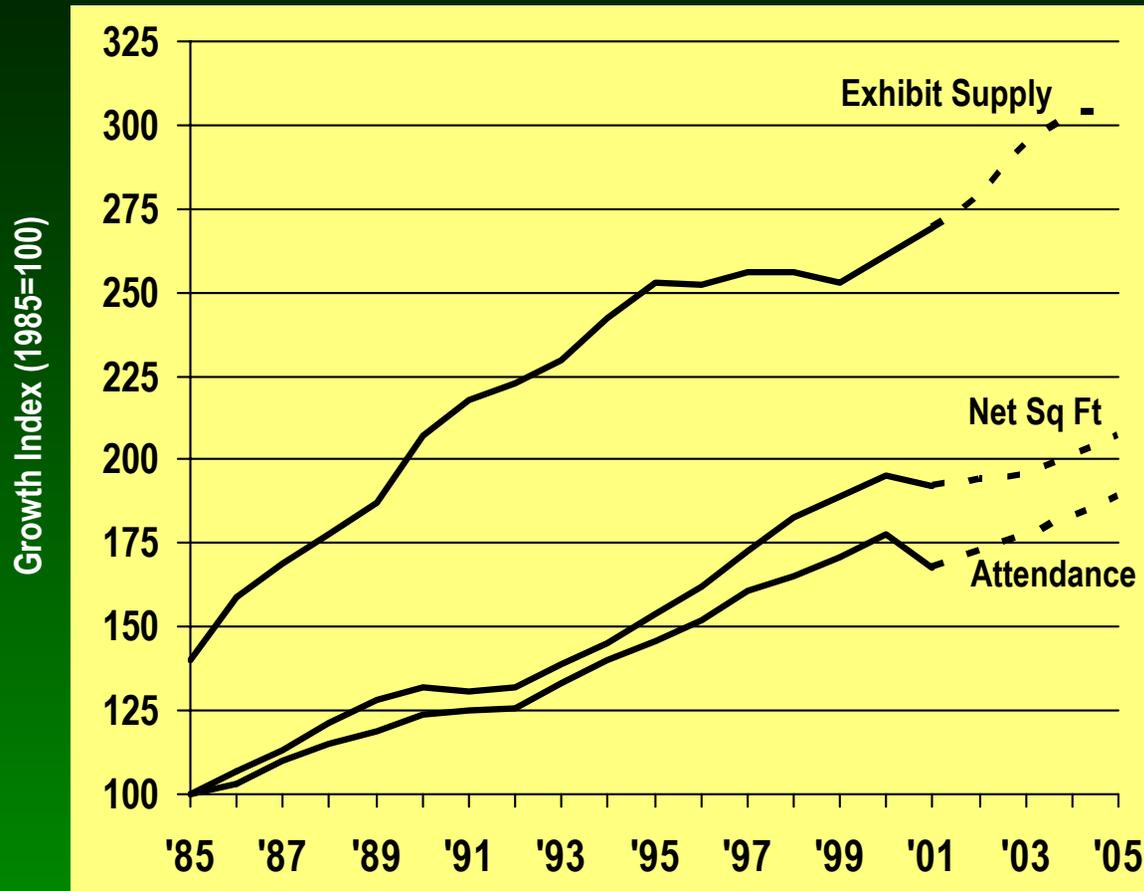
# Discussion Topics

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- Market Demand Assessment
- Market Requirements
- Program Budget
- Funding Plan
- Economic Benefits Summary
- Next Steps

# Industry Trends

## Supply and Demand Growth Index



### Growth Rates:

	<u>2001</u>	<u>Last 5 Yrs</u>	<u>Last 10 Yrs</u>
SUPPLY: Exhibit SF	3.0%	1.4%	2.2%
DEMAND:			
NSF - All TS	-1.3%	3.5%	3.9%
NSF - TS 200	-1.5%	3.3%	3.9%
Attendance - All TS	-5.8%	2.0%	3.7%
Attendance - TS 200	-4.5%	1.2%	3.4%

Projections: Supply growth based on known projects under development. Demand growth assumes 2003 recovery to 2000 levels, 3% thereafter.

Source: Tradeshow Week; Major Exhibit Hall Directory.

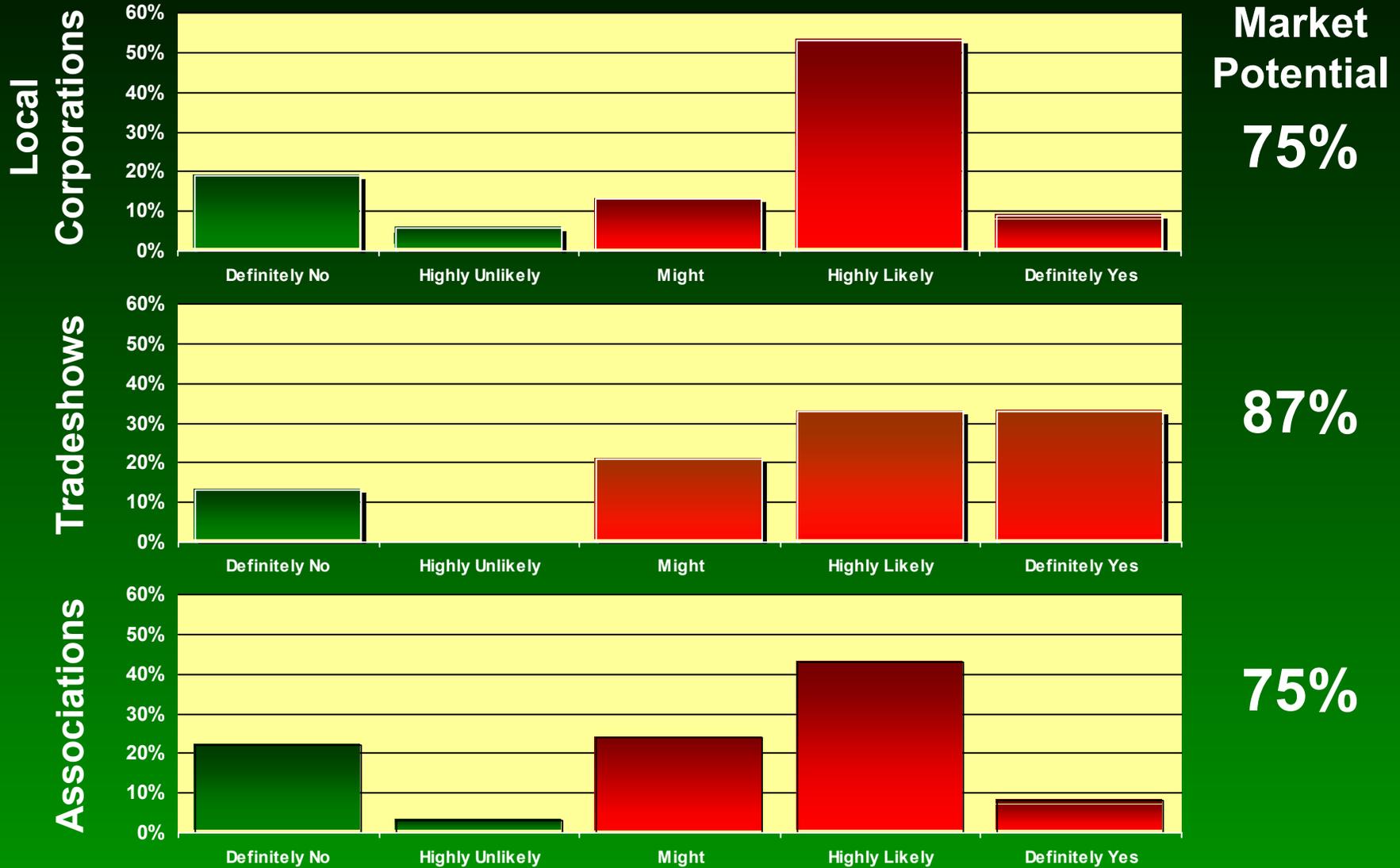
Projected

# Target Market Survey

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	<u># of Companies</u>	<u># of Meetings</u>	<u>Attendance</u>	<u>Avg. Event Attendance</u>
Local Corporations	28	604	169k	280
Tradeshows	16	88	162k	1,800
Associations	<u>34</u>	<u>431</u>	<u>58k</u>	135
<b>TOTAL</b>	<b>78</b>	<b>1,123</b>	<b>389k</b>	

# Level of Interest



# Market Requirements

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## ■ Facility

- 300k exhibit SF to accommodate simultaneous events
- 60/30k Sr./Jr. ballroom SF to accommodate general sessions and banquet requirements
- 70k breakout meeting SF to accommodate simultaneous events

## ■ Hotel

- Room rate expectations are consistent with hotels
- There is sufficient existing hotel room supply to meet room block requirements



# Facility Program Assumptions

<i>Square Feet</i>	Existing Facility	Renovated	Expanded	Total
<b>Function Space:</b>				
Exhibition Halls	143,000	165,000	135,000	300,000
Ballroom	22,000	0	60,000	60,000
Jr. Ballroom	0	0	30,000	30,000
Meeting Breakouts	<u>27,500</u>	<u>22,000</u>	<u>48,000</u>	<u>70,000</u>
Subtotal	192,500	187,000	273,000	460,000
<b>Support Space</b>	572,400	522,100	472,000	994,100
Parking	<u>426,100</u>	<u>426,100</u>	<u>757,000</u>	<u>1,183,100</u>
<b>Total</b>	1,191,000	1,135,200	1,502,000	2,637,200
<b>Parking Spaces</b>	1,200			2,900

# Program Budget

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- \$370 million
  - Expansion & renovation program
  - Public circulation and support
  - Parking
  - Hard & soft costs
  - Public art
  - City's "green building" guidelines
  - Escalation & contingency
  - Estimated by HDC Associates; Reviewed by Devcon Construction

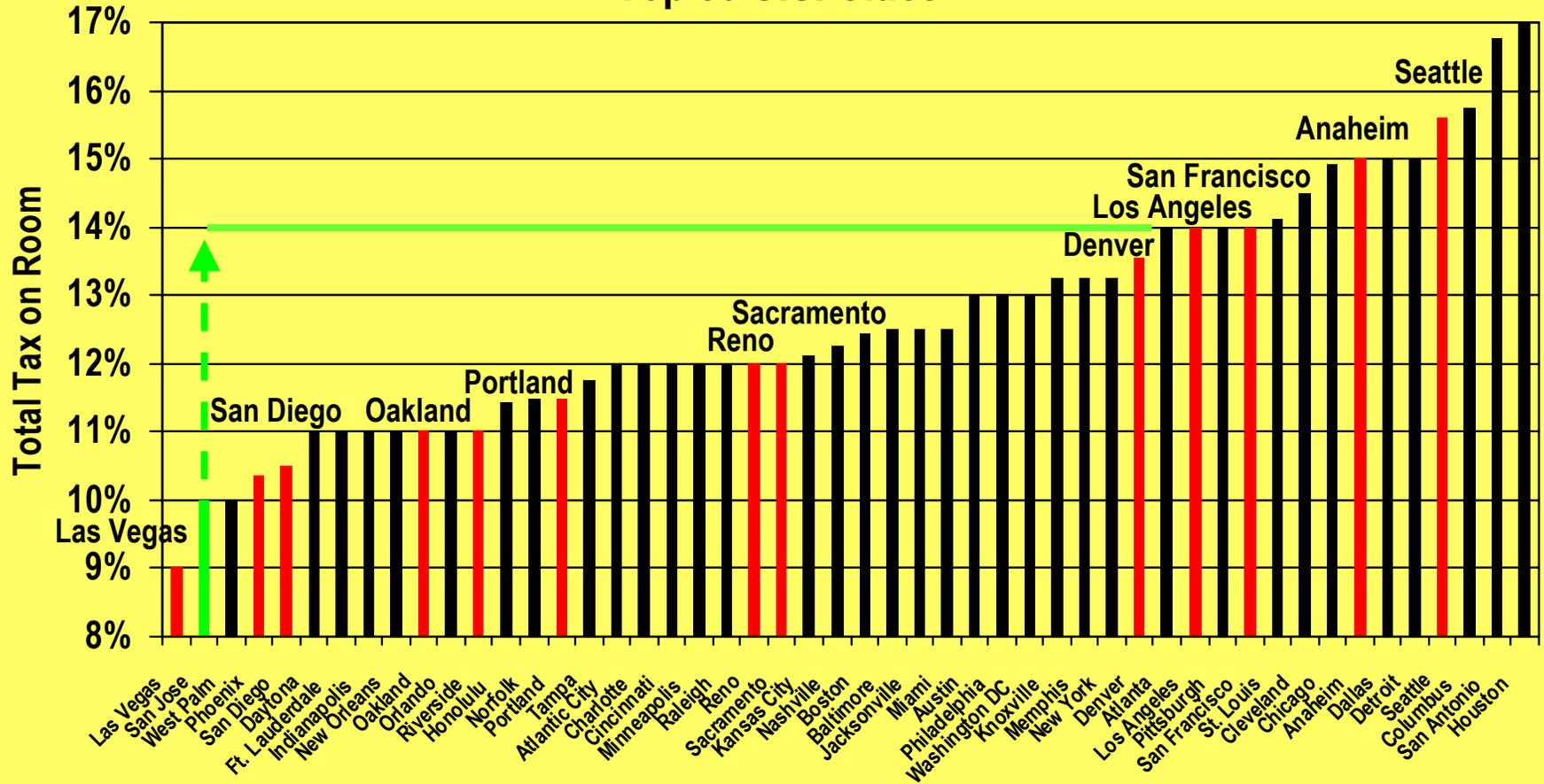
# Funding Plan

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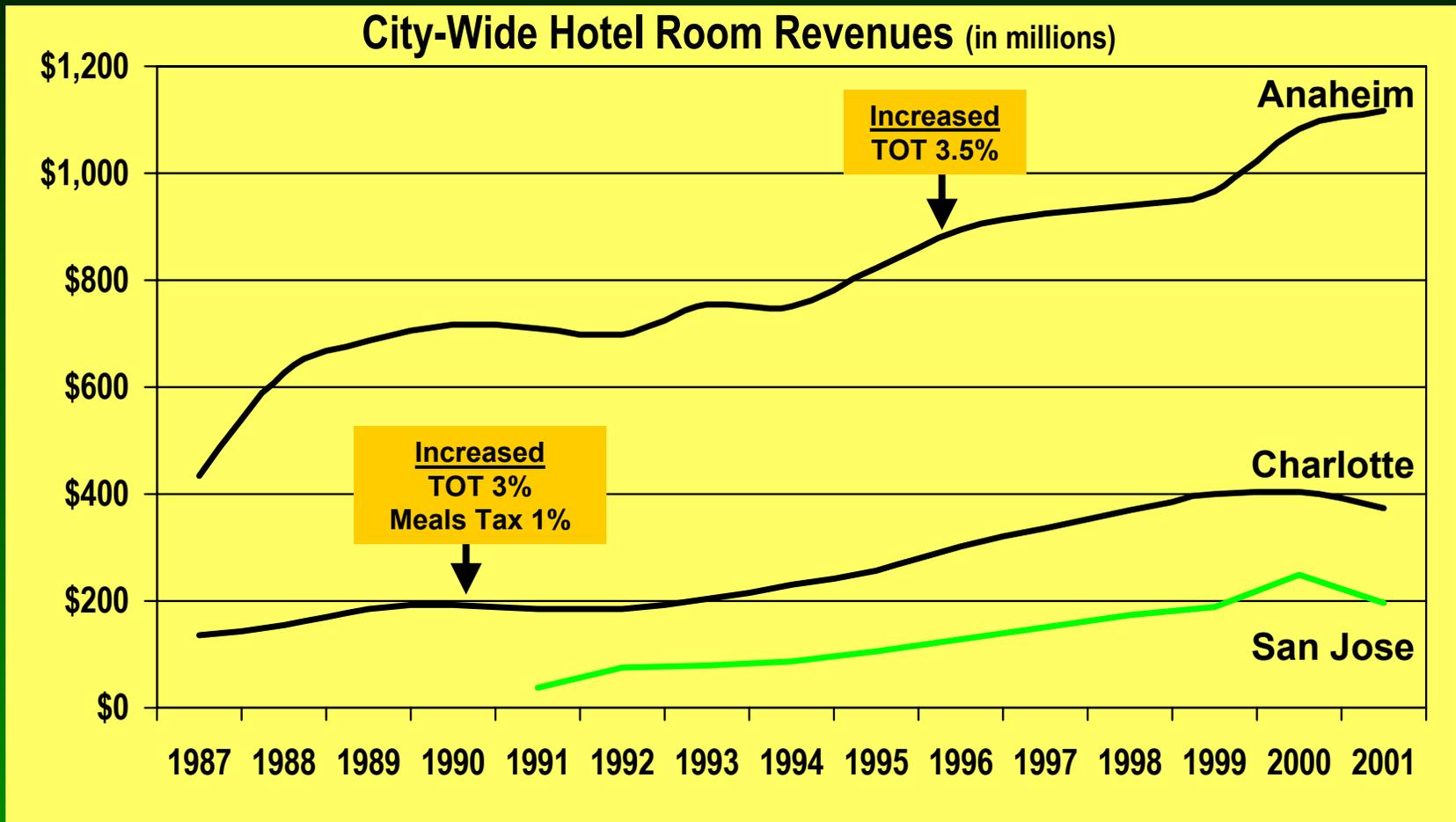
- 4% Increase of Transient Occupancy Tax
  - Based on conservative projections
    - 1992 – 2000 +11.6% (compound average growth rate)
    - 2000 – 2001 +29.8%
    - 2001 – 2002 -37.0%
    - 2002 – 2031 +4.1% (compound average growth rate)
  - Accommodates bond reserves, construction period interest, and issuance costs
  - Today's interest rates plus 100 basis points
  - Implement tax January 2003

# Comparable TOT Rates

Top 50 U.S. Cities



# Impact of TOT Increases



# Expansion Economic Benefits

**Delegate**  
**\$261/day**

**Event Organizer**  
**\$25/day**

**Exhibitor**  
**\$94/day**



- **Supports Merchants**
- **Creates Jobs**
- **Generates Personal Income**
- **Generates Fiscal Resources**
  - **City**
  - **County**
  - **State**

# Expansion Economic Benefits

<i>Over 30 Years</i>	<i>Existing</i>	<i>Increase</i>	<i>Expanded</i>
Direct Spending (IACVB)	\$4.6b	\$3.4b	\$8.0b
Indirect & Induced (IMPLAN)	2.3b	1.7b	4.0b
<b>Total</b>	<b><u><u>\$6.9b</u></u></b>	<b><u><u>\$5.1b</u></u></b>	<b><u><u>\$12.0b</u></u></b>
Annual Jobs	2,230	1,670	3,900
Salaries and Wages	\$2.4b	\$1.8b	\$4.2b
<b>Fiscal Benefits</b>			
City of San Jose	\$304m	\$228m	\$532m
Santa Clara County	35m	27m	62m
State of California	433m	324m	757m
Other	91m	68m	159m
	<b><u><u>\$863m</u></u></b>	<b><u><u>\$647m</u></u></b>	<b><u><u>\$1,510m</u></u></b>

# Costs versus Benefits

## Costs

### Development Cost:

Existing Facility	\$131m
Program Expansion	370m
	<u>\$501m</u>

*Excludes financing costs.*

## Benefits

### Fiscal Benefits (30 years)

City of San Jose	\$532m
- TOT	\$427m
- Sales Tax	83m
- Airport PFC	22m
Other	978m
	<u>\$1,510m</u>

Spending	\$12b
Jobs	3,900
Personal Income	\$4.1b

Construction Jobs	2,400
Construction Pers. Income	\$96m

# Next Steps

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- Ballot Measure
- Community Input
- Assess Operations and Maintenance Costs
- Implement Tax
- Select Design Team
- Environmental Review Process
  - Including Formal Public Comments