



Convention Center Committee Final Report

Introduction

In 2014 the Metropolitan Entertainment & Convention Authority (MECA) Board of Directors formed a special Convention Center Committee to specifically examine convention business at CenturyLink Center Omaha (CLCO). The Committee was tasked with studying industry conditions, CLCO's current performance, and to assess the ability of MECA and the Omaha Convention & Visitors Bureau (OCVB) to sustain, grow and attract new convention business to Omaha.

The Committee included past and present city officials and members of MECA's Board of Directors. Chaired by MECA Board Member Willy Theisen, the Committee included Dana Markel, former Executive Director of the OCVB; David Brown, President and CEO of the Greater Omaha Chamber of Commerce; MECA Board member Jay Noddle; and MECA President and CEO Roger Dixon.

The Committee focused its efforts on understanding current trends, competition, and challenges associated with the convention industry. OCVB staff, MECA senior staff and industry experts provided in-depth education for Committee members, and the Committee spent considerable time reviewing reports provided by Crossroads Consulting Services.

The following summarizes the Convention Center Committee's findings and recommendations.

I. Findings

Market Overview

According to a recent market analysis by Crossroads Consulting Services, the amount of convention/meetings space available nationwide has experienced tremendous growth leading to a more competitive buyer's market. There are an increased number of hotels and larger convention centers vying for more moderately sized group business, which means in order to stay competitive, Omaha's convention center may need to research pricing concessions in order to draw new and/or repeat convention and tradeshow business in the future.

Industry experts suggest that facilities located in destinations offering attractive packages in terms of overall destination appeal, hotel supply, accessibility and facility costs have been better able to maintain, grow and diversify their business in challenging economic times.

It is important to understand that convention centers are typically built and operated to attract events that generate economic impact to the community and often do not always have positive financial performance for the facility. CLCO is one of few profitable convention centers in the country. It averaged \$532,000 in operating income over the last five fiscal years which is uncommon for similar venues.

Hotel demand in Omaha and lodging tax collections have steadily increased over the last 10 years. The total hotel tax in the City of Omaha is 18.16%. This includes a 5% lodging tax and a 5.5% occupation tax that the City of Omaha imposes on all hotel stays. Despite the U.S. recession and the negative impact on meeting and leisure travel from 2007 to 2011, Omaha's lodging tax collections continue to trend upward, suggesting Omaha offers an attractive destination package for business, convention and leisure travelers.

CLCO's convention center generates approximately 50,000-60,000 room nights annually.

Market Competition

When it comes to attracting conventions to a particular market, the level of financial incentives offered by cities often tips the scales in favor of one market over another. For example, it is a common practice in the industry for a convention to receive a subsidy, hotel room rebates, and/or financial concessions for certain event services or transportation costs based upon the relative return on investment a group will generate for the city. The truth is that most competing convention centers intentionally operate at a loss for the purpose of enabling the taxing authorities to generate substantial tax receipts. Omaha has lost conventions due to its

inability to offer competitive incentive packages. Given that Omaha is in direct competition with cities which are able to offer incentives, it will likely need to do the same in order to draw new and/or repeat business in the future. The resulting overall economic impact upon Omaha will be measurable and positive.

Omaha's Convention Center

Before Century Link Center Omaha opened in 2003, Omaha was rarely mentioned by meeting planners as a convention destination. This has evolved over the years and Omaha is now often in the running for large conventions. According to a 2013 Goss & Associates economic impact report, CLCO attracted 4.2 million convention center attendees in the first 10 years. The report also showed that Century Link Center Omaha has generated nearly \$5 billion in economic benefit for Omaha since opening.

Furthermore, lost business reports show that more group business is interested in meeting in Omaha. However, space and date availability have been the primary reasons a convention has decided to go elsewhere. During the fall peak season time, date availability is somewhat limited due to a few community events CLCO hosts which attract local and outside attendees. However, MECA remains supportive of and committed to hosting these important community events at CLCO.

The "Sales" Process

The convention facilities are leased under the following priority:

1. National and regional conventions. The OCVB manages this marketing process with assistance from MECA. National and regional conventions typically book 3 to 5 years in advance. For example, today the OCVB is working on convention opportunities for 2018 and beyond.; and
2. As it becomes known what dates will be occupied by national or regional conventions, MECA then works to fill the remaining dates with local events. Local events typically book 1 to 2 years ahead of time.

The CLCO convention center averaged 282 event days and over 339,000 in total attendance over the last five fiscal years. Conventions and tradeshow have accounted for 31% of business.

Competitive facilities offer significantly more exhibit and meeting space allowing them to host simultaneous events of varying sizes. At the present time, there are no definite plans to increase exhibit hall and/or meeting space at the CLCO.

Convention Quality

Maintaining the facility and its convention center will be very important. The quality of the facility is key to the success of the convention business and surrounding hotels, especially the 600-room adjacent Hilton that is owned by the City. CLCO is now twelve years old, and keeping it looking fresh must be a priority in the years to come in order to compete successfully and retain and attract new conventions and meeting business.

Magic of More Hotel Rooms

The planned development of a new, full-service hotel across the street from CLCO is promising news as it increased the total of full-service rooms adjacent to CLCO to nearly a 1,000. Omaha offers significantly fewer hotel rooms within walking distance of the convention center than its competitors and many convention planners prefer or require adjacent full-service hotel rooms. The planned 335-room full-service Marriott Hotel in the Capitol District will substantially enhance Omaha's convention center package.

Strong relationships with current clients and meeting planners from around the country are increasingly important in securing future business. Attending industry tradeshow with the OCVB to keep Omaha in front of key decision makers is essential to continue to attract new conventions to Omaha.

II. Recommendations

The partnership between the OCVB and the MECA sales staff is strong and will continue to be very important to the success of the CLCO convention center. The Committee offers the following recommendations to enable increased sales and improved competitiveness:

- 1) Identify measures of financial success for the City of Omaha and the convention center and negotiate convention contracts with financial benefits to both.
 - a. Consider the following parameters when negotiating a new piece of business:
 - i. Month of year
 - ii. Day of week
 - iii. Amount of space required
 - iv. Number of hotel rooms needed
 - v. Two year history of previous host city production
 - vi. Potential for repeat business
 - vii. Food and beverage needs
 - viii. Level of influence to generate new leads

- 2) Utilize an incentive fund within the OCVB to enable staff to bid against other cities. This fund can be utilized for the following:
 - a. Convention shuttle/transportation costs
 - b. Bid Fee or direct convention subsidy
 - c. Assist groups on area meeting room rental
 - d. Off premise event
 - e. Additional labor expense

- 3) Define a return on investment expectation for the OCVB's incentive fund to ensure the dollars generate a sufficient return to the City of Omaha.
 - a. The OCVB Director of Sales will consult with the Convention Center Vice President of Sales & Marketing to determine appropriate allocations from the fund based upon projected 'new net' revenue.
 - b. Utilize a ROI formula developed by the City of Omaha Finance Department to guide the use of the proceeds by the OCVB.
 - c. Evaluate previous city historical data.

- 4) Develop an annual joint convention sales and marketing plan for the OCVB and convention center sales staffs.
 - a. Set joint goals for the OCVB and convention center sales staffs
 - b. Designate key market segments
 - c. Evaluate and schedule national meeting planner trade show participation
 - d. Schedule regular sales team meetings to discuss successes, prospects and negotiations.
 - e. Define the unique responsibilities of each sales person
 - f. Forecast convention center revenue and hotel usage
 - g. Develop common definition of citywide conventions

III. Conclusion

The above recommendations and other factors will be taken into account as management develops its strategic plan with guidance from the Internal Governance Committee.

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