

# *CVB Destination Strategic Plan Refresh/Hotel for RCC*



Raleigh





## **Refresh of RCC Section of Destination Strategic Plan (DSP):**

- Council Interested in Hotel to Support RCC/Downtown
- Tourism/Hospitality Presentation for Council on 9/21/21
- DSP Completed 2018 by CVB; Recommended Refresh
- CVB contracted with JLL to Complete DSP Refresh

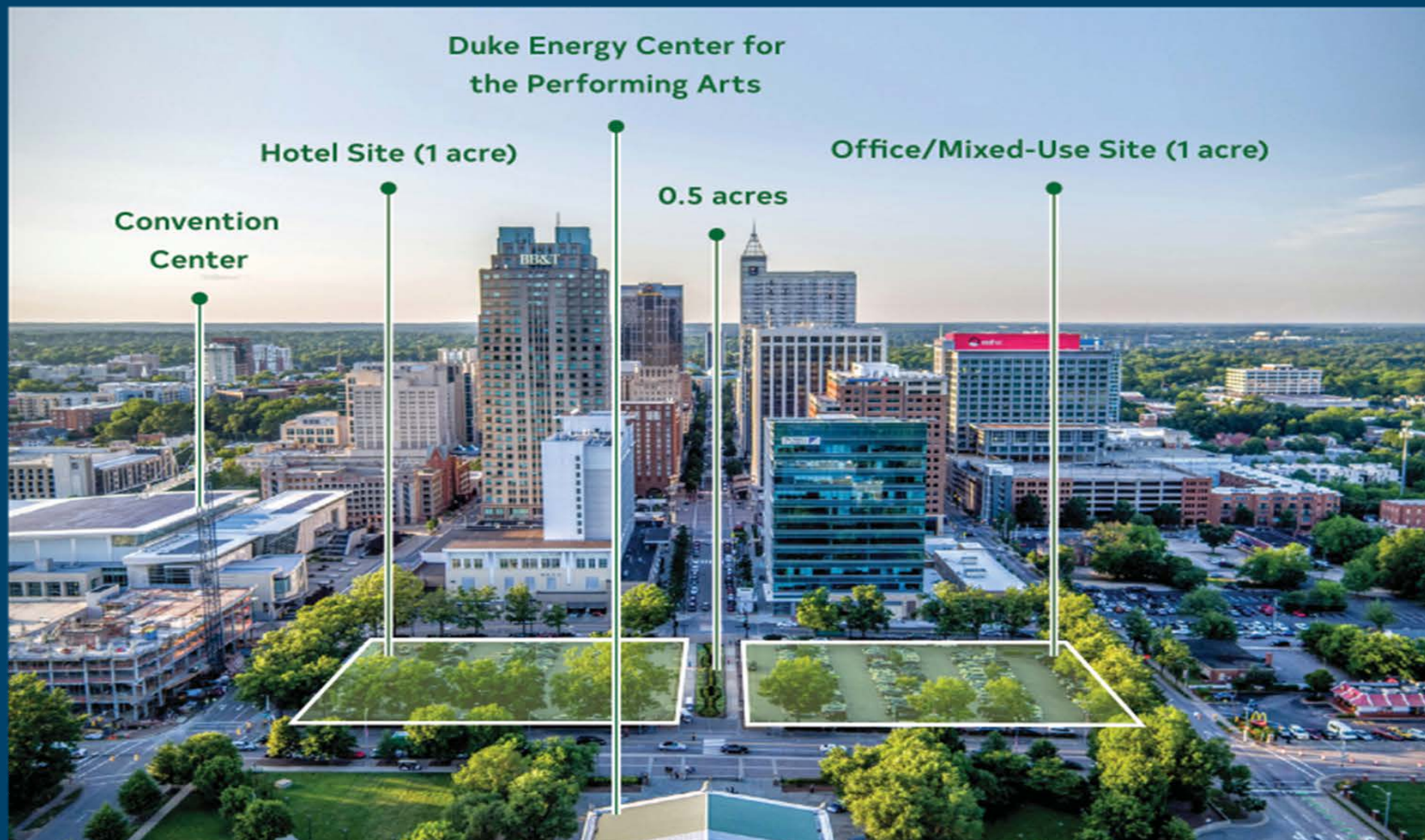


# RFI for Convention Hotel and Downtown Development Project

- City Released Request for Interest (RFI) 1/27/20 for hotel and office/mixed-use towers
- Requested 500+ rooms, full-service hotel; Class A Office/Residential/Retail/Headquarters Site
- Included infrastructure assistance of \$30 M from Interlocal/Hospitality Tax beginning in FY23
- Due to COVID, City canceled Hotel RFI process in early 2020



# Location:





Raleigh

## Hotel/DSP Refresh Status:

- JLL has completed DSP refresh
- Interlocal/Hospitality Tax support for RCC Hotel/Expansion projects:
  - Was pushed out 2 years in 22<sup>nd</sup> amendment (\$30 M for Hotel begins in FY25/\$230 M for Expansion begins in FY30)
- Provide next step recommendation for Council's input and direction

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WAKE COUNTY

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# *Destination Strategic Plan 2028*

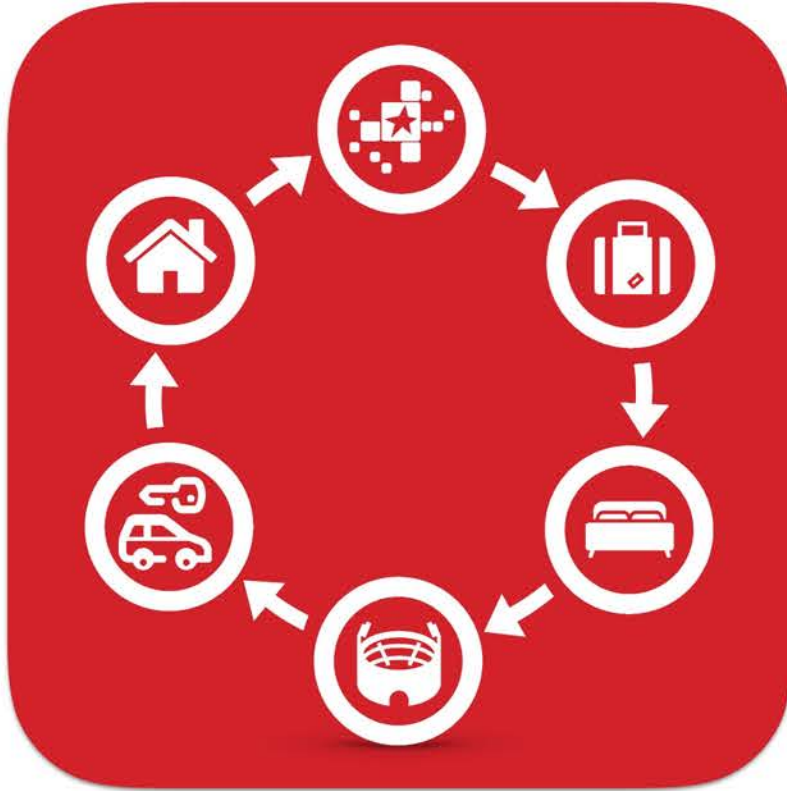
**[visitRaleigh.com/2028](https://visitRaleigh.com/2028)**





# DSP TOP FUNDING PRIORITIES

- New 500+ room, full-service convention center hotel
- Convention Center expansion
- PNC Arena enhancements
- Indoor sports complex



## **APPROVAL FOR FUNDING**

- 21<sup>st</sup> amendment of the interlocal agreement





# REFRESH STEERING COMMITTEE

- Downtown Raleigh Alliance
- Wake County Hospitality Alliance
- Raleigh Convention Center Commission
- Greater Raleigh Convention and Visitors Bureau Board of Directors
- GRCVB staff
- City of Raleigh staff
- Raleigh Convention Center staff

# SUMMARY OF SCENARIO

Source	2021 Actuals	2022 Budget	2022 Projection	2023 Projection	2024 Projection	2025 Projection	2026 Projection	2027 Projection
Occupancy	15.7	17.3	27.7	29.1	30.5	31.7	32.7	33.7
Prepared food and beverage	29.2	28.7	35.7	37.5	39.4	40.9	42.5	44.3
<b>TOTAL</b>	<b>44.9</b>	<b>46.0</b>	<b>63.4</b>	<b>66.6</b>	<b>69.9</b>	<b>72.6</b>	<b>75.2</b>	<b>78.0</b>



# WAKE COUNTY HOSPITALITY TAXES

- With the onset of COVID in March 2020, the 22<sup>nd</sup> amendment lowered expected revenues by \$271 million.
- While the hospitality sector is seeing a rebound, the financial model still shows a revenue loss of \$88 million when compared to the 21<sup>st</sup> amendment (pre-COVID)
  - \$31 million of the revenue loss occurred in FY20 and FY21

Financial Model Revenue Comparisons	Changes to Model
21 <sup>st</sup> Amendment to 22 <sup>nd</sup> Amendment	-\$271M
22 <sup>nd</sup> Amendment to Feb. 2022 Projections	+183M
21 <sup>st</sup> Amendment to Feb. 2022 Projections	-\$88M

# RCC Optimization Refresh

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Stakeholders Update

March 2022



# RCC Refresh Overview and Outcomes

- Review of 2018 RCC Optimization Study
  - ✓ Confirmed RCC Optimization trending in recommended direction
  - ✓ Confirmed GRCVB sales pipeline trending in recommended direction
- Comparable Cities' Convention Space and Hotel Package
  - RCC competitive positioning impacted due to hotel package
  - Lost business and the cost of doing nothing
- Recommendations and Next Steps



# What is Optimization vs. Maximization?

“It has been recognized industry-wide that the ‘practical’ maximum exhibit hall occupancy rate is approximately

*70 percent* and the ‘efficient’ range is considered to be approximately 50 to 60 percent.

Occupancy levels less than 50 percent generally suggest the existence of marketable opportunities or open dates.”

- PricewaterhouseCoopers

# RCC Utilization & Optimization Refresh

- Process
  - Met with RCC & GRCVB sales teams
  - Pulled RCC space usage data for FY18 & FY19
  - Analyze RCC calendar by room for every day it was used
  - Analyze space utilization by event type and market segment
  - Compare FY18 & FY19 with prior DSP outcomes from FY15-FY17
- Goals and Objectives
  - Determine current utilization and building pressure points
  - Refresh “path” to optimized RCC
  - Refresh hotel inventory needs

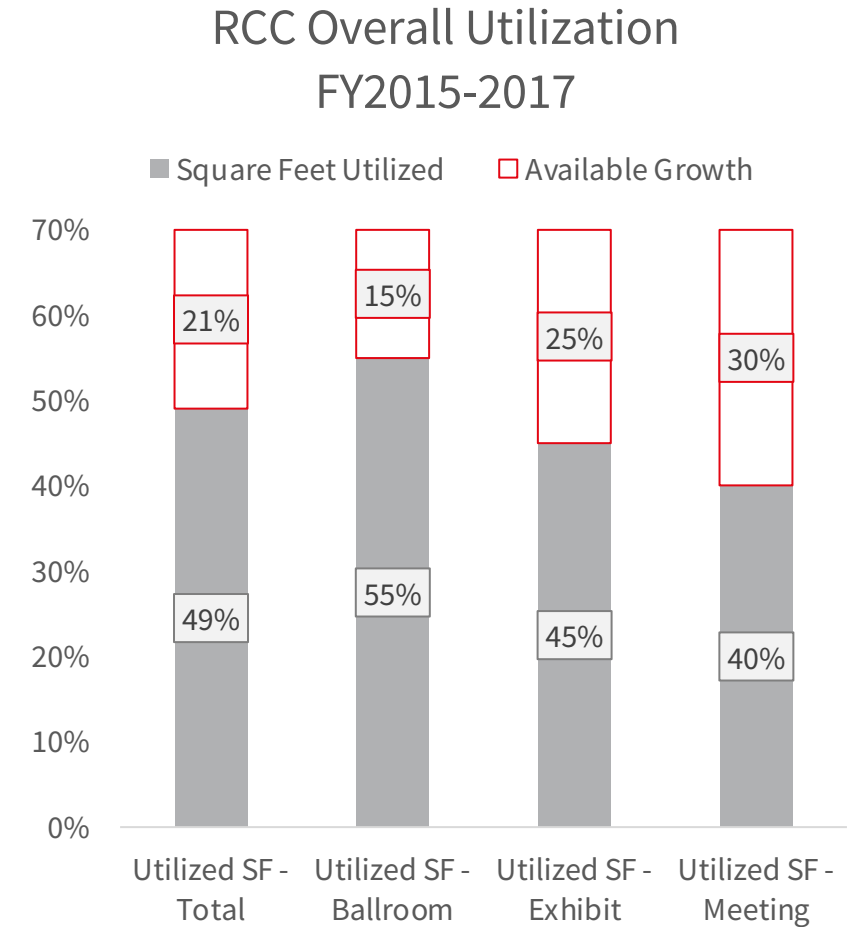
# Data Analysis



# Study Aspect: RCC Utilization



- Prior Three-Year Average
  - 269 annual events
  - 60 annual room night generating events
  - 49% of space utilized
  - Building pressure on Ballroom @ 55% utilization
  - Exhibit Halls averaged 45% utilization
- Outcomes
  - New booking policy – smarter utilization
  - Recommended conversion of flex space
  - Recommended scenarios to improve business mix
  - Impact on hotel inventory and future needs
  - Longer-term path for space needs



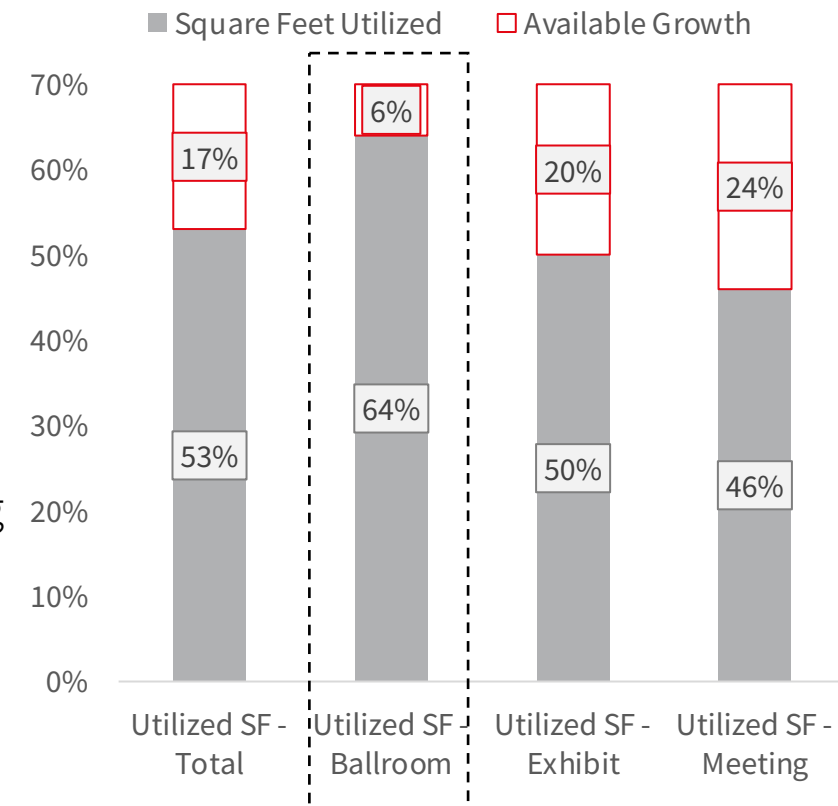
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# Study Aspect: RCC Utilization FY18 & FY19



- Building Utilization Improved
  - 273 annual events
  - 53% of space utilized ^4 points
  - Ballroom utilization ^10 points (18%)
  - Exhibit utilization ^5 points (10%)
  - Utilization by square footage user improved
- Building impact at or close to optimized levels
  - In order to achieve future optimization the right ratio of meeting space is needed – consideration for building expansion

RCC Overall Utilization  
FY2018-2019



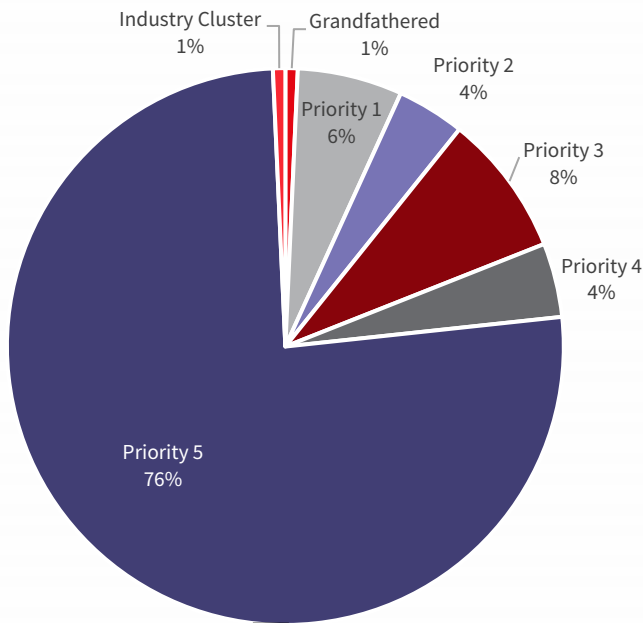
# Study Aspect: Mix of Business Scenarios



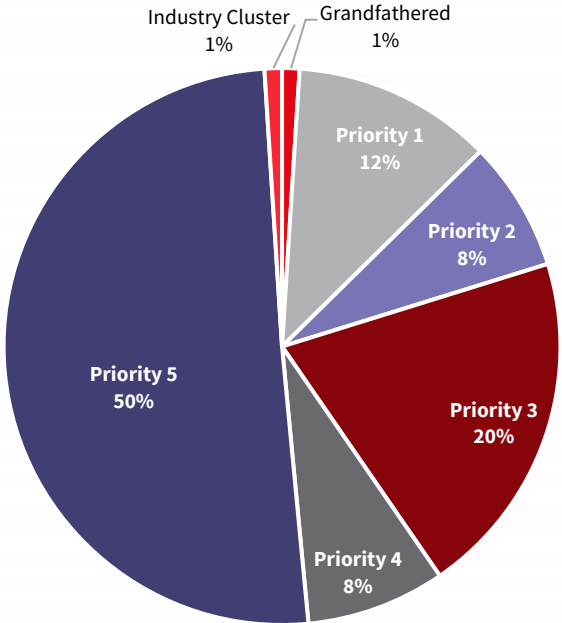
GRCVB & RCC was trending pre-COVID to achieve the desired mix of business.

- FY17 showed majority of business was local and non-room night generating.
- Goal was to improve overall mix.
- FY20 shows significant progress towards improving the mix of business.

Mix of Business by Number of Events  
Original DSP FY17

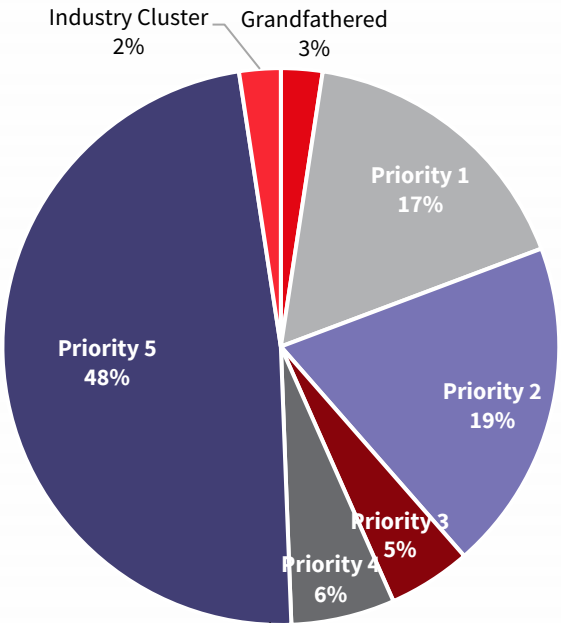


Mix of Business Recommended  
DSP 2017 Hotel Package



Ideal Progress

GRCVB & RCC Refresh  
FY20



**DSP GOAL:**

67% Room Night Generating Events

**49%** by FY20 from 24% in Original DSP

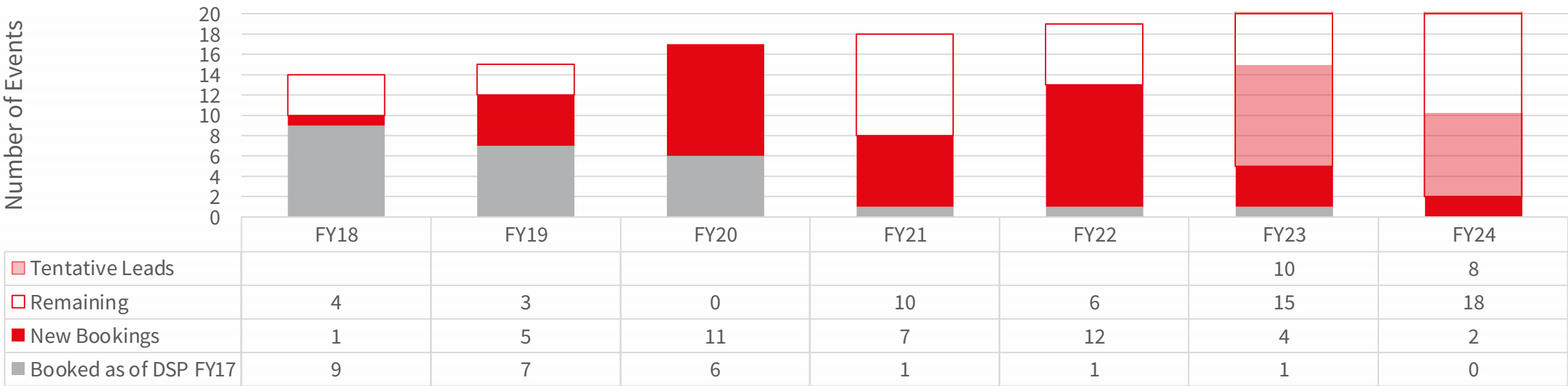


# Study Aspect: Progress to Glide Path



- Original DSP recommended 99 Priority 1 Citywides be booked over FY18-FY23 period
- By FY20 (year-3) 20% of future bookings had been achieved
- Indicates several things:
  - Overall optimization path is within reach
  - Reliance on regional Priority 1 making decisions closer in
  - Sales pipeline needs focus in out years
  - National groups need more hotel rooms

Progress to Priority 1 Citywides  
GRCVB Bookings

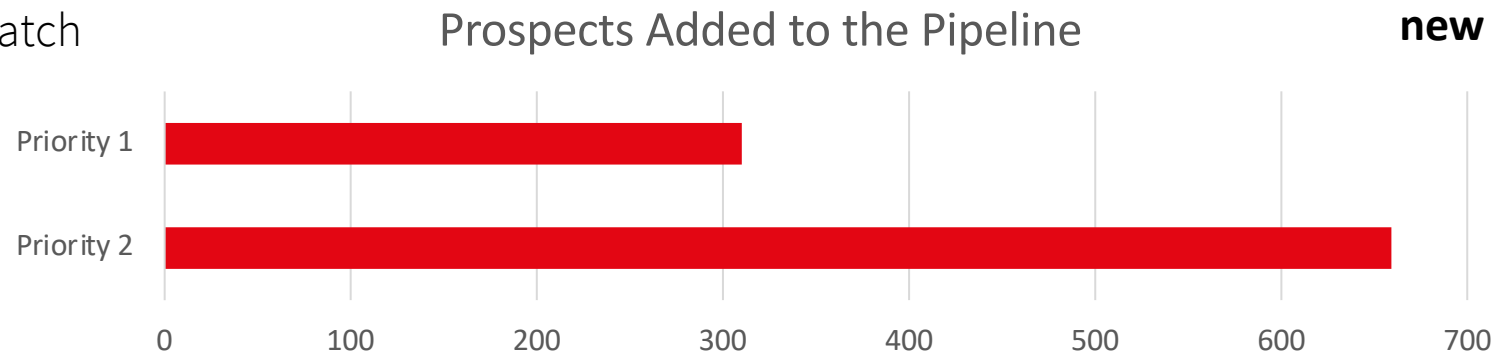


# Study Aspect: Pace to Prospecting



- 2017 DSP recommended **1,140** new Priority 1 Citywide prospects be added to the pipeline
  - GRCVB Sales team invested in building a system and vetted **2,000** prospective events over FY18
  - **310** Priority 1 prospects have been added to the system between FY19 and FY20 (two-year period)
  - **659** Priority 2 prospects added to the system
- Quality prospects represent
  - New business to the RCC
  - Rate qualified
  - Size match
  - Destination match

**In order to achieve multi-year booking goals, sales team will need to continue to uncover new prospects.**



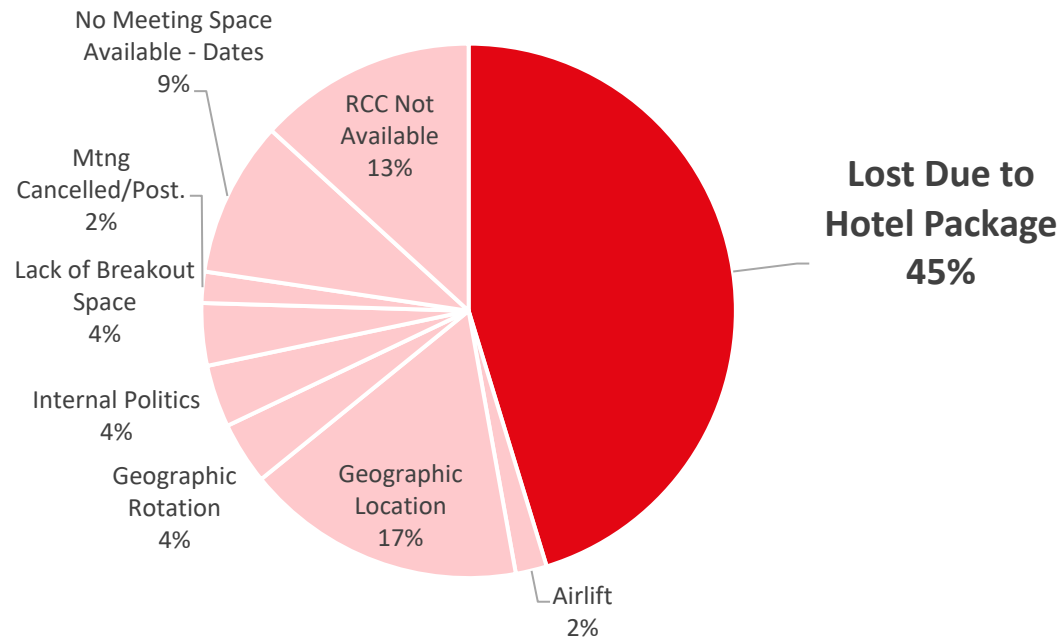
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# Study Aspect: RCC Lost Business Data



- 68 cases of GRCVB lost business at the RCC from 2018-2020
- 45% of all lost business had to do with hotel room package

GRCVB RCC Lost Business



## Lost Business Due to Hotel Package Represents:

181,003  
room nights lost  
\$102+ million  
in direct spending into Raleigh

Food and Beverage: \$25.5M  
Lodging: \$23.4 M  
Retail: \$20.4 M

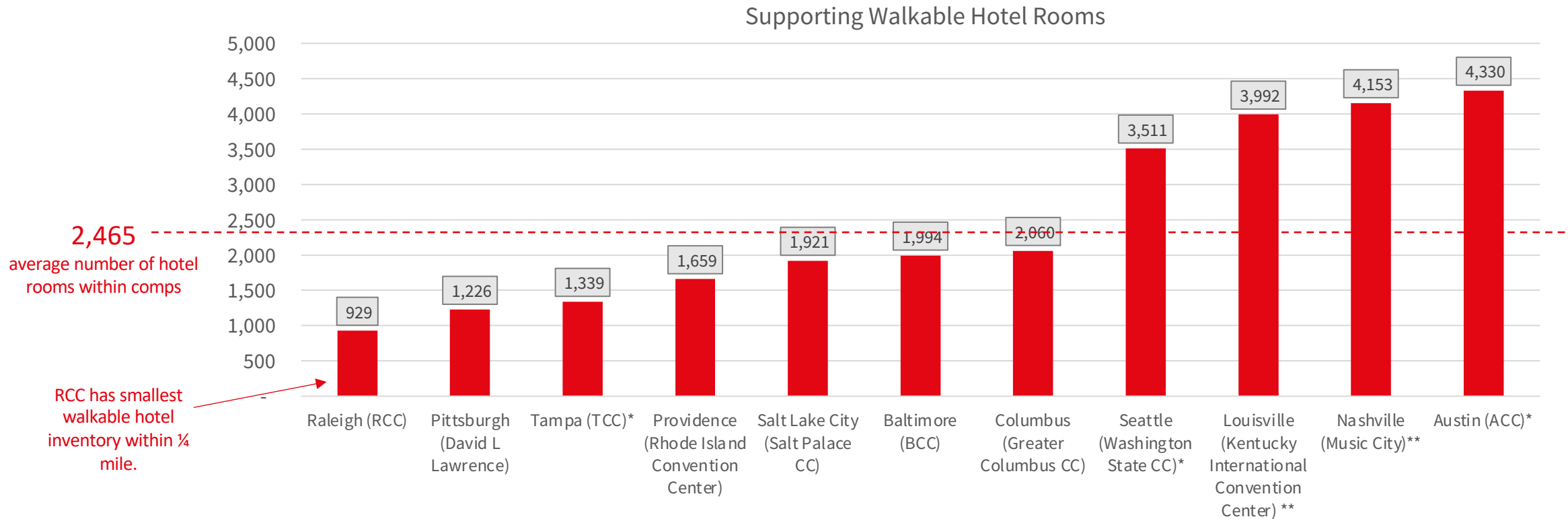
# Benchmarking



# Comparable Centers & Supporting Hotel Inventory



- Convention competitors have significant hotel inventory to support convention space
- Average rooms within a walkable distance: 2,465 (*within one quarter mile or 3 blocks*)
- RCC walkable rooms: 929 (Nearly 65% less than the average)



\*current convention center expansions planned or underway

\*\*recently completed expansions or renovations

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Walkable defined as 0.25 mile

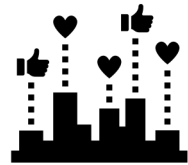
# The RCC's Hotel Package is Undersized



*The refresh study confirmed the RCC & GRCVB have made significant progress to optimize the RCC, but are limited in reaching further success.*



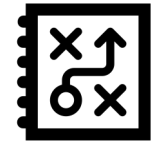
Lost business reports  
Show **“lost due to  
hotel package”** is  
single greatest reason  
Raleigh losses  
convention business.



Comparable Centers  
have **added space** and  
continue to **improve  
convention hotel  
packages**.



Comparable Centers  
Have **65%** more  
convention hotel  
inventory than RCC.



Original DSP Recommended  
convention hotel inventory.  
2021 study shows RCC hotel  
package is **undersized &  
continues to be at a  
competitive disadvantage**.

# Consideration: Convention Hotel Public-Private Partnership

*JLL has been involved with making P3 hotel projects happen across the country, including nearly 50% of all the convention hotel deals in the last 20 years.*

## Typical Aspects of Public Involvement

- Financial support (Interlocal cash investment)
- Land either contributed or repaid
- Parking (development of needed parking)
- Tax Increment Grant (TIG)
- Infrastructure (development of needed infrastructure or public space)
- Public funds used for public spaces and/or meeting space

## Alternative Funding

- ARPA / Covid-related Rescue Funds
- Federal Grants

Public investment can come from multiple entities:

City

County

State

Federal

Public Authorities

# Outcomes, Recommendations & Next Steps



# Outcomes

- **Outcome:** RCC optimization, confirmed progress and direction
  - RCC & GRCVB were on path (pre-covid) and currently making progress to optimize building space
- **Outcome:** Hotel capacity needs have been confirmed
  - Convention hotel inventory capacity limits ability to compete for desirable business
  - Lost business shows 180,000+ room nights lost due to hotel block capacity equating to \$102+ million in economic impact
  - Competitive destinations continue to expand convention center hotel package
  - A minimum 500-room full-service convention hotel can be supported with current space based on finalizing funding approach with the County
- **Outcome:** Convention Center Expansion Study should be phased
  - DSP phasing recommended building expansion be studied with optimization achievements
  - This refresh confirms those achievements have largely been made
  - Competitive destinations have also invested in convention center expansions

# Recommendations

- **Recommendation:** Restart the RFI process for a new convention hotel
  - Prior interest was strong
  - Developers nationally are looking for projects – now is the time
  - Timeline of RFI to be determined with City leadership
  - Confirm site options
- **Recommendation:** Begin study work to consider RCC expansion direction and priorities
  - As recommended by original Destination Strategic Plan
  - Study current and future trends to inform future design and needs outcomes of Convention Center



# Next Steps for City of Raleigh

**Funding Resource Next Step: Coordinate with Wake County to validate necessary resources available and needed**

**Hotel Next Step: Engage JLL to review, update and kickoff the RFI**

- Determine distribution and marketing strategies
- Ensure local and national participation
- Engage refresh steering committee
- Goal to select developer by Q3 2023

**RCC Expansion Next Step: Conduct meeting planner design and trends study**

- Confirm important trends and renovation needs
- Results will inform design for future Convention Center expansion
- Engage JLL to facilitate process



*Thank you*



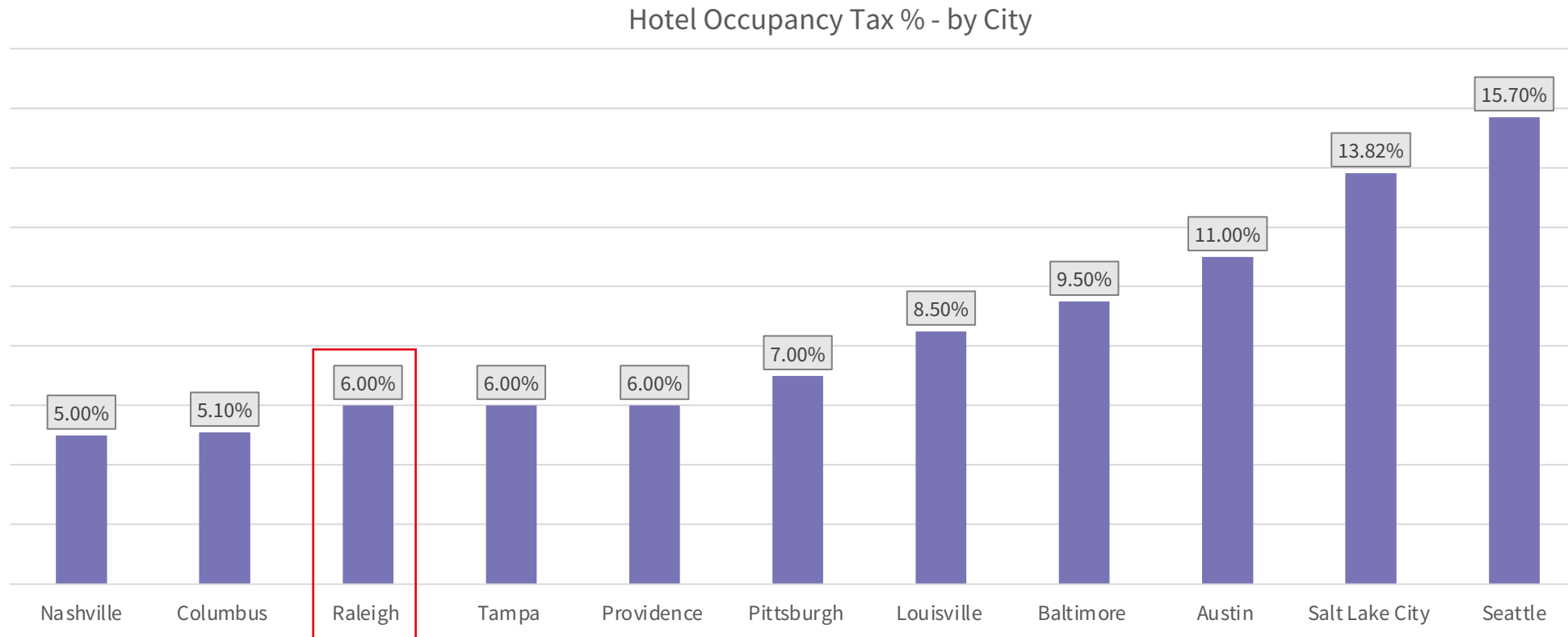


# Appendix

# Hotel Occupancy Tax



- Raleigh has the third lowest hotel occupancy tax among comp cities at 6%
- Tax rate is not a competitiveness issue and has room for growth



\*current convention center expansions planned or underway

\*\*recently completed expansions or renovations

**WORKING DRAFT**