

Greater Raleigh CVB Destination Strategic Plan: RCC Refresh

Overview

The Destination Strategic Plan (DSP) created by the Greater Raleigh Convention and Visitors Bureau (GRCVB) and a broad spectrum of industry stakeholders which launched in 2018 made several large-scale recommendations for the tourism economy to evolve and grow by 2028. Two of those recommendations focused on the Raleigh Convention Center (RCC) complex. The first of these recommendations included the need for the City, and its partners, to execute a multi-step process to optimize the RCC and prepare for a soon-to-be-needed convention center expansion at the RCC. The second recommendation included the need for a new, full-service convention hotel with a minimum of 500 keys.

The DSP was developed by JLL's advisory division focused on tourism development planning. The GRCVB recently re-engaged JLL to refresh areas of the DSP focused on these recommendations related to the convention center complex as COVID-19 had disrupted the GRCVB and RCC's joint work on these efforts including the RFI that was initially released and subsequently canceled in 2020.

Summary of 2018 DSP RCC Study Outcomes

JLL was tasked with refreshing the RCC Utilization & Optimization Study that was conducted in 2018 to understand what progress had been made and if the recommendations from 2018 were still valid in a post-pandemic period. The study yielded several findings and recommendations in 2018:

- Overall utilization of the RCC square footage could be improved for each room type.
- The mix of business was recommended to shift to produce more “priority 1” or citywide groups and increase overall room night generating business from the RCC.
- A five-year glide path to booking the optimized level of business was made for 2018-2022 with a goal to achieve 20 “priority 1” citywides annually with the current hotel package.
- If a suitable level of new convention hotel rooms were added to the market the optimized number of “priority 1” citywides would increase to 30 annually and overall room night production would increase.
- To achieve these goals of booking an increased number of highest and best use business and delivering a better yield from the RCC square footage, the GRCVB sales team would need to reposition their efforts and ramp up the level of prospective events targeted for the RCC.

Over the last six months, JLL has worked with both the RCC and GRCVB teams to review data on these topics, and analyze and audit the results.

Summary of Findings

As it relates to the recommendations above, JLL concluded that the GRCVB and its partners at the RCC had in fact made progress by year-3 of the 5-year plan for the RCC. The 2022 findings were presented to City Council on March 15, 2022, and are as follows:

- Overall building utilization had improved with the ballroom usage up 18%, exhibit hall usage up 10% and overall square footage utilization improved by nearly 10%.
- The building mix of business by year-3 was ahead of pace by 50% from the 5-year recommendations.

- COVID-19's impact was felt the most in future bookings with events cancelling in 2020 and 2021, however, even with this impact, the pace to bookings by year-3 had been achieved, prior to cancellations beginning.
- Sales activity to prospect target clients for the RCC against these recommendations had improved with over 300 new prospects fitting the "priority 1" citywide criteria being traced in FY19 and FY20. The sales activity goals set in 2018 were multiyear with the need to reach over 1,000 new prospects in a three-year period. The GRCVB sales team had vetted over 2,000 in the first three years and added 10% of those to the prospect funnel.
- The biggest hurdle to success continued to be the lack of suitable convention hotel inventory in proximity to the RCC. Nearly half of all lost business from 2018-2020 at the RCC was due to hotel package. These lost groups represented over 180,000 room nights and \$102 million in direct spending into the local economy in Raleigh.

These findings align with the original outcomes and recommendations from the 2018 DSP in that the RCC had the capacity to improve use and mix of business, which it was pacing to achieve pre-pandemic; sales activity needed to be increased, which the GRCVB was working toward with new prospecting efforts; the hotel package constraints continue to restrict the RCC's ability to reach its potential, and a new 500+ key convention hotel is still needed. Beyond the convention hotel need, an expansion study should be conducted in parallel to follow the DSP's recommendations for expansion in a timely manner with the hotel inventory increase.

Recommendations

Because the original recommendations from the DSP were substantiated again from this refresh, JLL recommends adjusting the booking policy in order to enable the RCC's square footage to produce desired interim results while COVID recovery bookings reestablish, and the convention hotel is developed. The following are recommendations from the refresh:

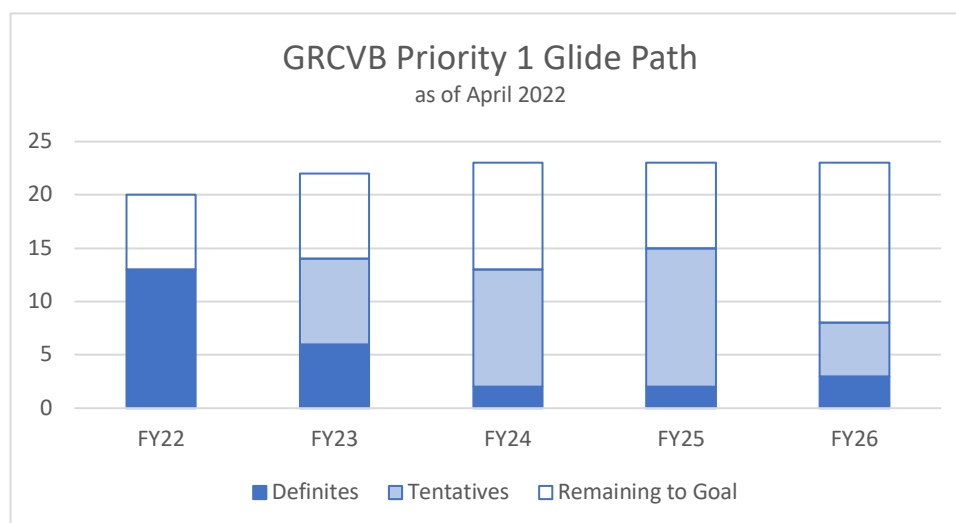
- Booking Policy
 - Overall policy consideration: Revenue
 - Rather than break rental and food and beverage revenues with separate minimums, it is recommended that food and beverage revenue minimums remain as they originally were in the 2018 booking policy. With food and beverage minimums in place, the GRCVB and RCC sales teams can jointly evaluate potential business and be in a better position to negotiate rental terms and other revenue streams when the client is in the sales process.
 - This will also enable better targeted use of BDF to offset rental revenue if the group met prior room night and F&B spend requirements.
 - Priority 1 Full Citywides Recommendation
 - Remove this category in the interim as the hotel package does not support new events of this size beyond what is recurring business.
 - Priority 1 Downtown Citywide Recommendation
 - Adjust the room night threshold to 500+ rooms on peak
 - Adjust the revenue to \$70,000+in minimum food and beverage spend
 - Adjust the booking window to 24-months and out
 - Priority 1 Sports/Esports/Competition Recommendation
 - No adjustment to the room nights on peak (700+)

- Adjust the revenue to \$30,000 in minimum food and beverage spend including estimates on concession revenue
 - Adjust the booking window to 24-months and out
 - Priority 2
 - Adjust the room night threshold to 350-499 rooms on peak
 - Adjust the revenue to \$50,000+ in minimum food and beverage spend
 - Adjust the booking window to 18-24 months
- Additional Recommendations
 - Refresh and re-release the RFI for the 500+ key convention hotel
 - Finalize public funding options and models
 - Engage selected private developer from RFI process to engage in a potential RFP process
 - Pursue an expansion study for capacity and design of an expanded RCC

With these recommendations in effect, the GRCVB and RCC will be able to pursue an adjusted, interim optimization of the RCC as the hotel package is addressed with a recommended 500+ key convention hotel. In addition, the visioning exercise related to the future expansion of the RCC will help solidify key directional strategies.

Recommendations Effect to “Glide Path”

At the time of this report, the GRCVB was continuing to work the “glide path” along with the prospecting efforts needed to achieve the original optimization recommendations. The original 5-year “glide path” was projected into FY23. Due to COVID-19 setbacks and the hotel package constraints it is recommended that the “glide path” be extended into FY26, and potentially beyond, if the convention hotel is not developed before then. At the time of this report the pace to the recommended “glide path” was on track. The four years will require 48 new bookings beyond the tentatives in the pipeline. The “glide path” as described is as follows:



Beyond the existing definites and tentatives for the fiscal years demonstrated in the years above, the GRCVB continues to work the prospecting pipeline. At the time of this report there are nearly 450 Priority 1 Citywides



at the adjusted peak room thresholds noted above. With the recommendations to the booking policy in place, JLL believes a more aggressive conversion rate can be achieved with 25% prospect to tentative rate and a 30% tentative to definite rate. At these conversion rates, the GRCVB would convert 33 new definites from the prospect pool to impact these fiscal years. These 33 new definites represent 68% of the “glide path”. In order to achieve the remaining “glide path” the GRCVB will need to add over 210 prospects to the pipeline, which over a recommended two-year period, is well within reach.

Conclusion

In summary, the City of Raleigh, and its partners at the GRCVB wanted to understand what progress had been made from the DSP and if the recommendations from 2018 were still valid in a post-pandemic period. This refresh has found that progress had been made and that the recommendations were, not only valid, but warranted more than ever to remain competitive. With the recommendations from this refresh acted on, the City, the RCC and GRCVB will be better positioned to achieve its short and long-term goals of impacting the destination and local economy in the desired ways.