



Councilmember Scott Sherman
Seventh District
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The Citizen's Initiative: Analysis of a Convadium

The San Diego Chargers recently released a ballot initiative that would build a new stadium and convention center expansion, also known as a convadium, in downtown San Diego if approved by voters. Known as the Citizen's Initiative, this ballot measure would raise the Transient Occupancy Tax (TOT) to 16.5% in order to help fund an estimated \$1.8 billion project, at least \$1.15 billion of which is expected to be covered by the taxpayers. Given the magnitude of this project proposal, it is imperative that taxpayers have an accurate understanding of what the project is and what benefits it will provide before committing to such a large investment of taxpayer dollars and public resources.

In assessing the Citizen's Initiative, there are a handful of similar examples that the project can be compared to. The best and most direct comparison is Lucas Oil Stadium in Indianapolis, which proponents have continually referred to as being a model for how the convadium proposed in the Citizen's Initiative would work here. Lucas Oil Stadium used taxpayer money generated from tourist activities such as hotel room and restaurant taxes in order to build a facility that was intended to act as both a stadium and convention center expansion and is located in close proximity to the Indiana Convention Center.

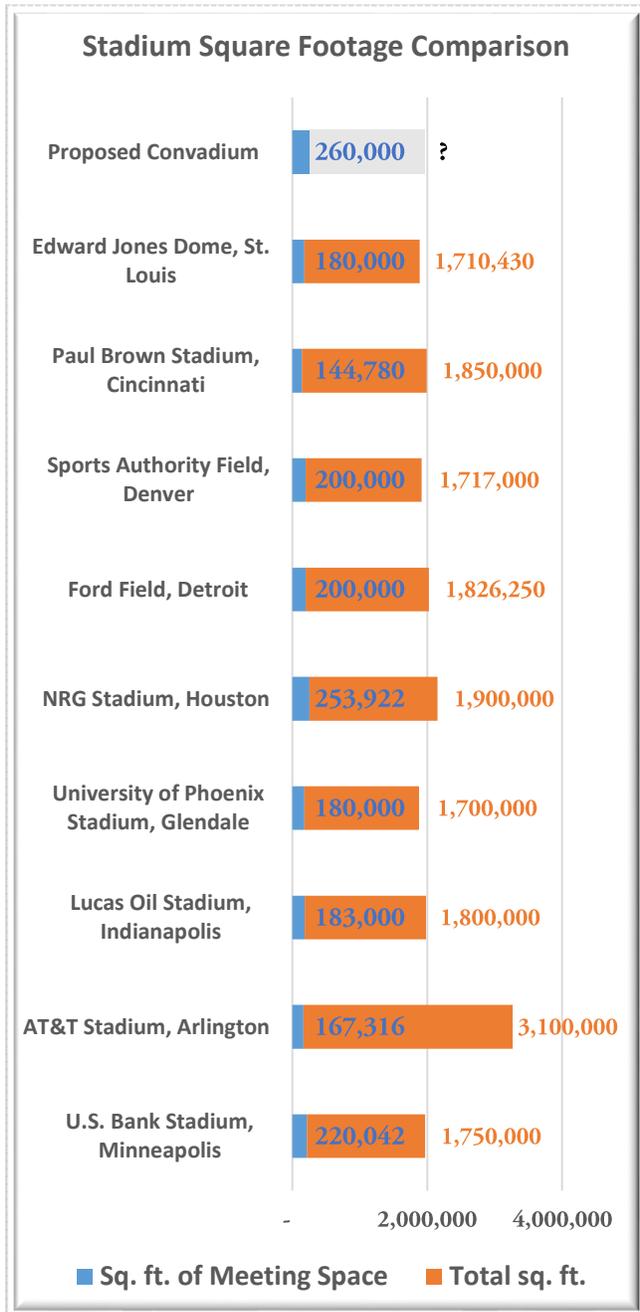
Examining a real life comparison of a similar project is extremely important in order to answer some of the big question marks that still surround the proposal.

Stadium or Convadium?

The proponents of the Citizen's Initiative have touted that this project will solve two problems at once. They claim it will provide a long term home for an NFL franchise to remain in San Diego and that it will provide a sorely needed expansion to the convention center. It is only natural that the first question to ask is whether or not the project will accomplish both of these things.

The first part of this question is easy to answer. Yes, a stadium will be built for an NFL team to use. What is not so clear is whether or not this project should be described as anything more than just a stadium. When looking at other NFL stadiums built over the last two decades, there are similarities that most of these facilities have regardless of whether or not they were marketed to their respective cities as convadiums such as in Indianapolis, or as purely stadiums such as in Santa Clara and Arlington. These similarities involve the square footage amounts for both the entire facility as well as the meeting space offered.

Comparing stadium meeting space is no easy task. Some stadiums claim immense offerings of square footage for meeting space such as the brand new Levi’s Stadium in Santa Clara, CA which claims an impressive 400,000+ sq. ft. of such area while not claiming to be a convadium at all. Levi’s Stadium was also built using private funds. Meanwhile, others offer much more conservative estimates such as Lucas Oil Stadium which contains a modest 183,000 sq. ft. of meeting space and was built to specifically be a convadium using public money.



Note: Concourse area and space outside of stadium removed from square feet of meeting space.
 Note: Stadiums used in graph based on availability of data.

The main difference between these two facilities and others is what area they specifically claim as counting towards meeting space. For example, Levi’s Stadium counts its concourse areas as meeting space offerings while Lucas Oil Stadium does not. Concourse areas are found in every stadium as a means for people to circulate throughout a facility. These designations are important because they can add or subtract hundreds of thousands of square feet from claimed meeting space. The one common thread most stadiums share is that they count the fields as meeting space which usually accounts for between 95,000 and 100,000 sq. ft. of space.

With this information in mind, the accompanying graph looks at how nine other stadiums, built mainly in the last two decades, compare in terms of the total square footage they occupy and the total square footage of the meeting and event space they claim to offer. Some were built to be convadiums and others were not. The Stadium’s used are based on readily available data on each stadium’s website. Levi’s Stadium was not included because an accurate amount of meeting space could not be determined.

From looking at the graph it would seem that regardless of whether or not a stadium was built to help expand a convention center, they all wind up providing roughly the same amount of meeting space on similar total footprints.

This leads to a problem in trying to define what a convadium actually is and how it differs from being just a stadium with a different moniker. If stadiums and convadiums effectively offer similar amounts of meeting space, then they are essentially one and the same. In short, a convadium is really just a stadium.

At this point in time it is still unclear exactly what space the proposed convadium in the Citizen's Initiative will count towards meeting space. The proposal indicates that there could be at least 385,000 sq. ft. of meeting space however the language reads that this number will include areas not usually considered in calculating this number. The Citizen's Initiative reads, "The convention center expansion shall include approximately three hundred eighty-five thousand (385,000) square feet in net floor area of exhibition halls, ballrooms, and meeting rooms, into which a stadium shall be integrated, which convention center facility may also include offices, restaurants, cafes, kitchen facilities, storage areas, parking, and other ancillary gross floor area, customarily part of a convention center facility."¹ Lucas Oil Stadium does not count several of these areas towards its meeting space offerings.

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Initial renderings released by the Citizen's Initiative proponents have presented a convadium with a significantly lower 260,000 sq. ft. of meeting and event space.² This would put the facility close to being in line with the other stadiums found in the preceding graph. Renderings are helpful, but until the official plans for the convadium are released, it is not possible to entirely settle this issue. At this point in time though, the proposed convadium seems to offer only marginally more meeting space than normal stadiums already provide.

Do Convadiums Work?

The next question to ask is whether or not the convadium model even works? To answer this question, it is important to look at whether or not the convention center side of the equation adds value to the project that would otherwise not be there if the project were a stand-alone stadium. To assess this, it is prudent to look at the aforementioned cases of other convadiums and review data on how they operate.

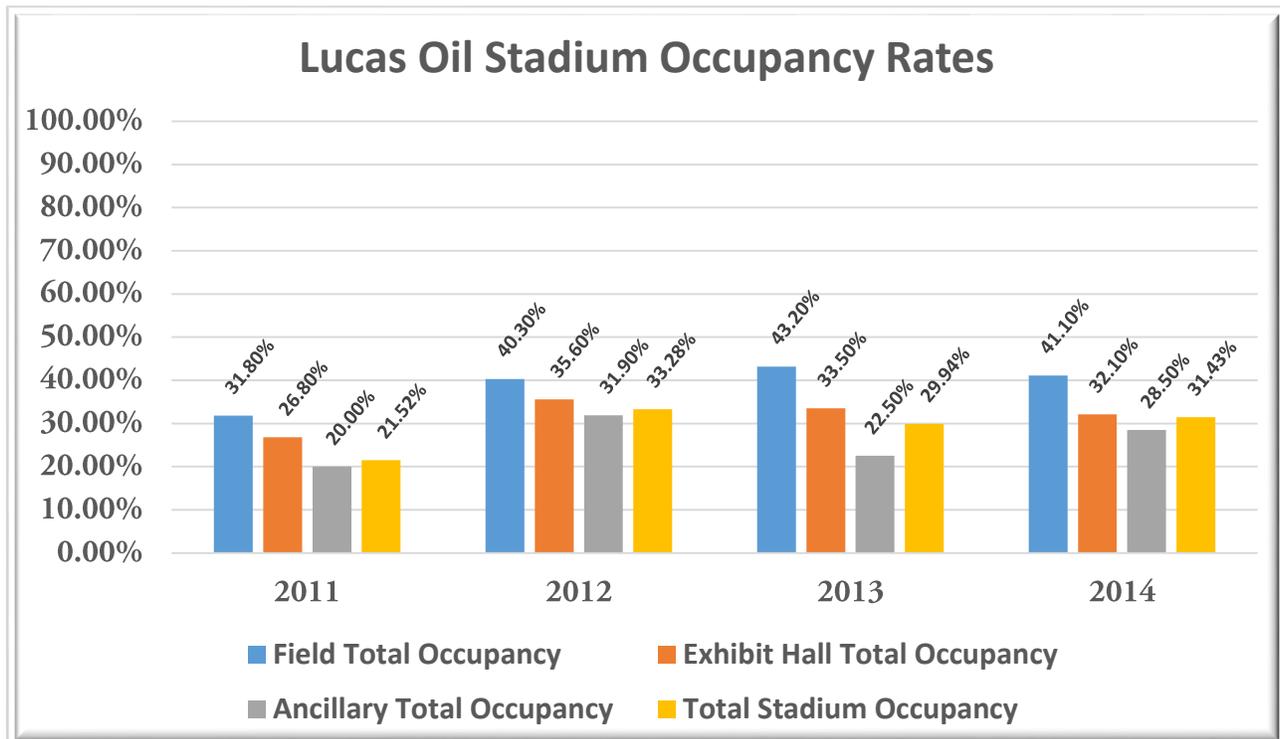
Lucas Oil Stadium was built as a stadium and convention center expansion to the Indiana Convention Center. The facilities are not contiguous as they are separated by a short distance with a parking lot and railroad tracks in between them, but an underground tunnel provides a short

¹ Citizen's Initiative, "San Diego Integrated Convention Center Expansion/Stadium and Tourism Initiative," Sec. 4, Chapter 15.3.2, pg. 9

² Roger Showley and Lori Weisberg, "Chargers stadium: Retractable roof, sky garden," *The San Diego Union Tribune*, April 22, 2016, <http://www.sandiegouniontribune.com/news/2016/apr/21/stadium-renderings-convention-chargers/>

pedestrian connection between the two facilities. Lucas Oil Stadium was opened in 2008 and was built using a mixture of public and private funds. The public funding came from tourist industry related taxes such as those on hotel room and restaurant bills. Lucas Oil Stadium claims a moderate 183,000 sq. ft. of meeting space including the field which accounts for roughly half of the square footage.

The first data that should be looked at is the occupancy rate for the facility which is contained in Attachment A. In reviewing the occupancy reports for the calendar years 2011-2014 for Lucas Oil Stadium the data shows that the facility is extremely underutilized. The following chart outlines the occupancy rates for the facility.



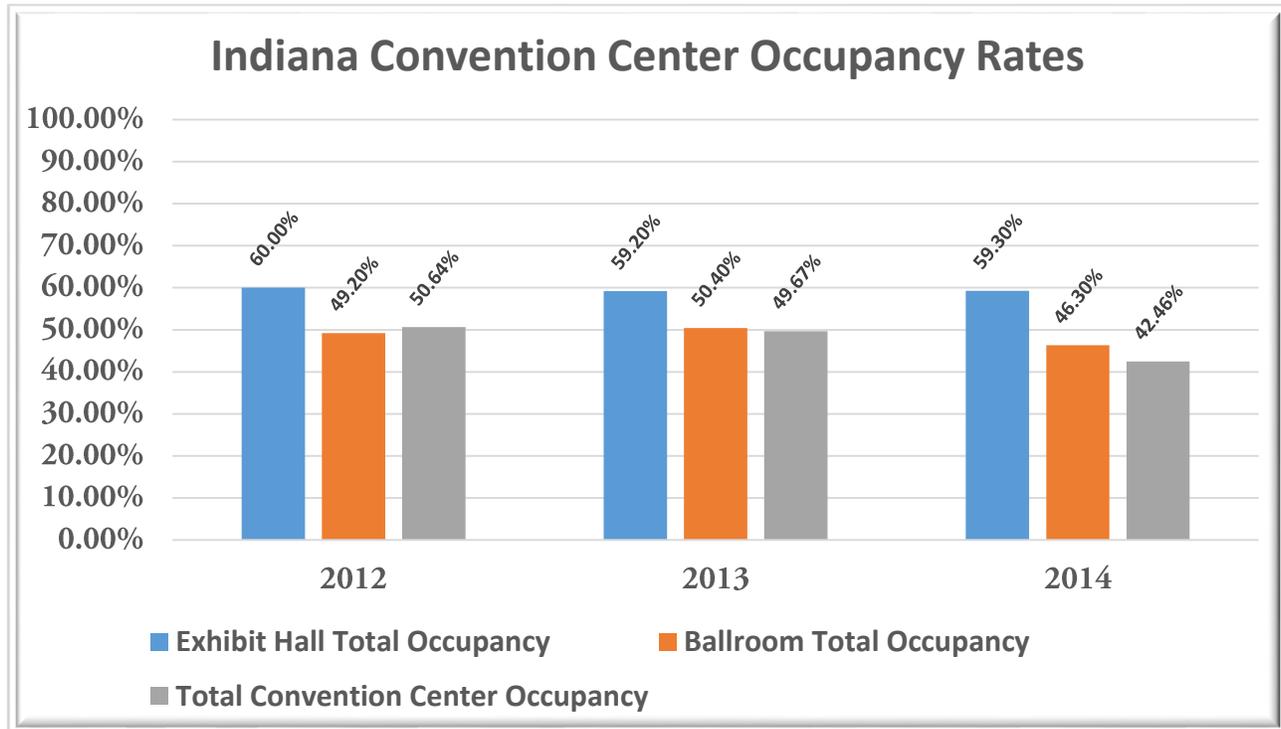
NOTE: Occupancy Rates include move-in and move-out days

NOTE: Each event is counted as an event in each venue where it was held. (If an event was held on the Field, in Exhibit Hall 1 and Exhibit Hall 2, it is counted three times.)

...Lucas Oil Stadium operates at an average occupancy rate of 29.04%.

Looking at the chart, it is evident that the Field is the more effectively booked space at an average 39.1% occupancy rate. Lucas Oil Stadium also has two Exhibit Halls with 20,000 sq. ft. of meeting space each. These spaces are booked at a lower occupancy rate of 32%. The Ancillary space which consists of clubs, lounges, and plazas accounts for a much lower occupancy rate of 25.73%. In total, Lucas Oil Stadium operates at an average total occupancy rate of 29.04%.

For comparison, the next graph outlines the occupancy rates for the nearby Indiana Convention Center which offers 566,000 sq. ft. of contiguous meeting space. Ideally, Lucas Oil Stadium should have a similar occupancy rate to the Indiana Convention Center in order to argue that the facility acts as an effective expansion of the convention center.



NOTE: Data for 2011 was not provided

NOTE: Occupancy Rates include move-in and move-out days

NOTE: Each event is counted as an event in each venue where it was held. (If an event was held in an Exhibit Hall and in a Ballroom, it is counted two times.)

Over a similar period of time, the Indiana Convention Center drastically outperformed the convadium facility at Lucas Oil Stadium. The Exhibit Halls ran at an average occupancy rate of 59.5% while the Ballrooms ran at an average occupancy rate of 48.63%. The average occupancy rate for the entire Indiana Convention Center over this time period was approximately 47.59%. For comparison, the San Diego Convention Center consistently performs in the 60-70% range for total occupancy rate. The main takeaway from this data is that Lucas Oil Stadium is clearly more difficult to book for conventions, otherwise its Exhibit Hall space in particular would not run at about half the occupancy rate of the neighboring Indiana Convention Center’s Exhibit Hall space.

These numbers only tell part of the story though. The occupancy rate for the Lucas Oil Stadium Exhibit Hall space is drastically inflated by the fact that the vast majority of the field use driven sporting and entertainment events, including all NFL games, count the Exhibit Halls as being booked for those days. This is somewhat understandable given that it would be impossible to actually book convention type events on NFL game weekends, however it is emblematic of an even larger problem that building a joint stadium and convention center facility presents which leads to the next question.

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Do Conventions Book Conventions?

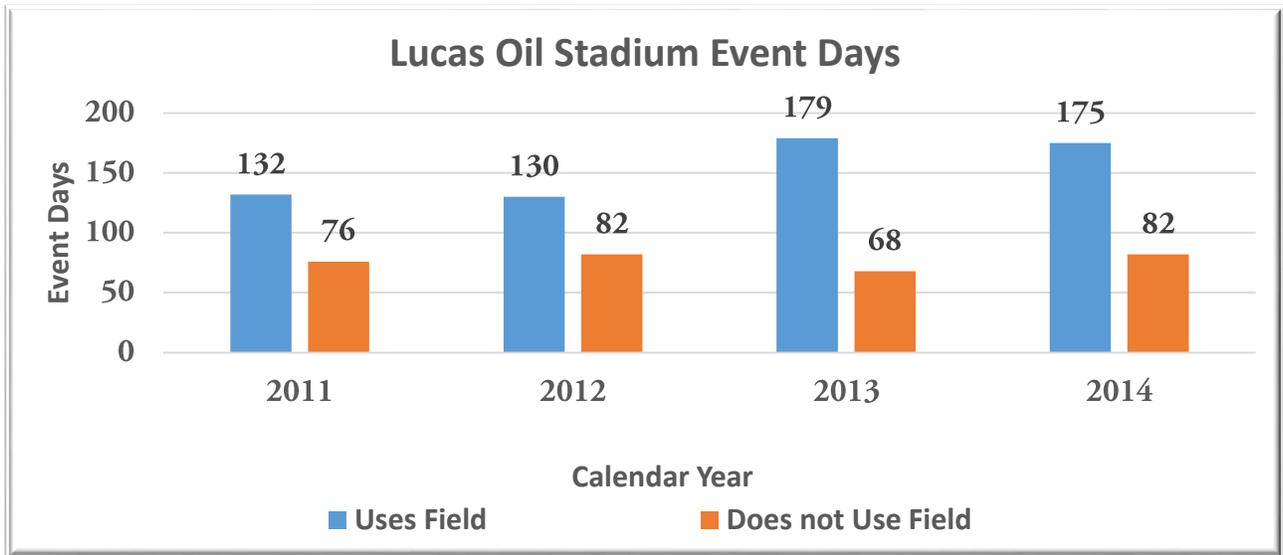
If San Diegans are going to invest more than \$1.15 billion of taxpayer money in the proposed project, they will want to know that the facility will in fact help retain larger conventions like Comic Con and actually generate convention business beyond the types of events that usually occur at a stadium such as football games and monster truck rallies. After all, that is one of the big selling points that proponents of the facility have claimed it will deliver. The major question that is left to ask is whether or not these facilities drive any sort of substantial convention business.

The occupancy rate data gave an indication that the answer to that question is no. The occupancy rates for the exhibit halls are fairly low and even those numbers are inflated by NFL games and other sporting events. To truly answer this question it is necessary to look at the event and attendance lists to see what types of events are actually being booked and how many people are actually attending them. All of this data can be found in Attachment B.

Since this report has already established that most NFL stadiums built in the last two decades provide similar meeting space offerings, effectively making the term “convention” useless, and that the occupancy rates for the meeting space at similar facilities are inflated by events requiring use of the field, it is fair to compare data looking at which events require use of the field and which do not. The reason for this distinction is that those events that require use of the field can almost always be booked at a stadium regardless of whether or not it offers “convention” space. As a direct example, Lucas Oil Stadium hosted two events in 2014 for the Christian Congregation of Jehovah’s Witnesses in which those events totaled 96,000 and 88,678 each. Qualcomm Stadium has hosted similar events as recently as last year.

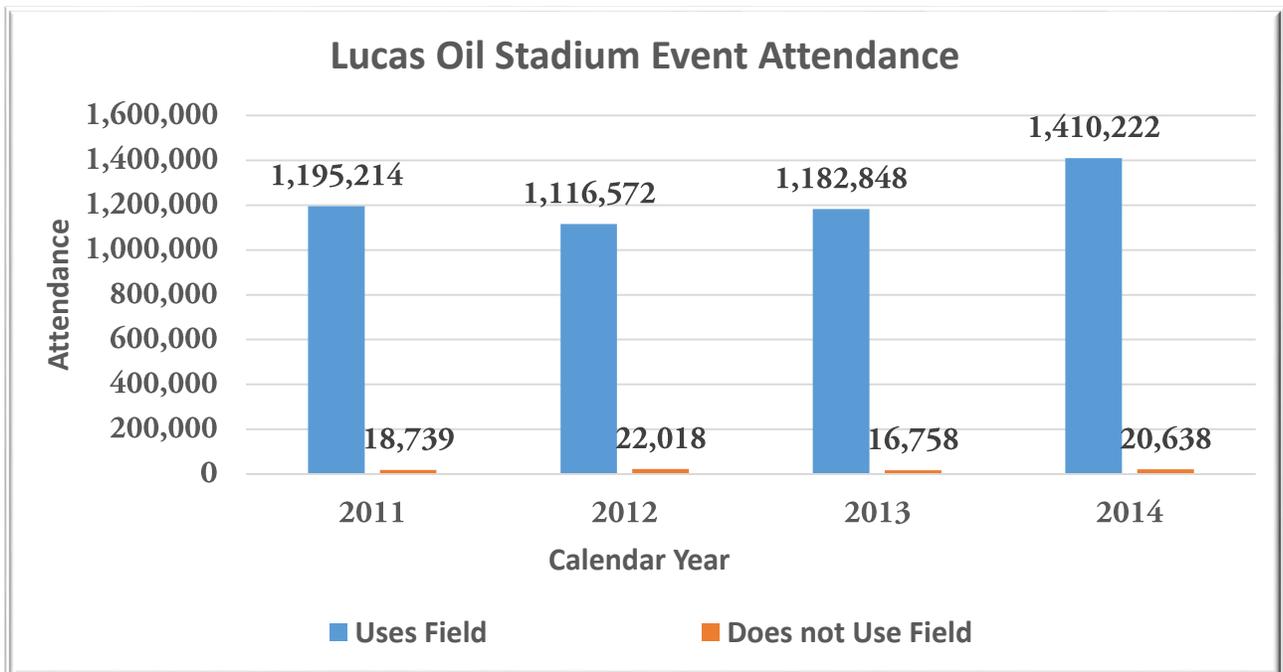
...those events that require use of the field can almost always be booked at a stadium regardless of whether or not it offers “convention” space.

The following chart outlines the difference in event days requiring use of the field and those that do not require use of the field.



NOTE: Event Days include move-in and move-out days

This chart confirms what the occupancy report data already pointed to, that field events drive most of the business done at the facility. Events that do not require booking of the field account for roughly a third of the total event days at Lucas Oil Stadium. Unfortunately, stopping at analyzing event days would be misleading. Careful review of the event lists reveals that the abundance of the events not needing use of the field are rather small in nature, usually consisting of less than a couple hundred attendees. The picture becomes much clearer when breaking down these categories by attendance instead as shown below.



...events that booked the field accounted for 98%-99% of attendance at Lucas Oil Stadium.

The attendance breakdown paints a very clear picture. During the period between 2011 and 2014, events that booked the field accounted for 98%-99% of attendance at Lucas Oil Stadium. The majority of the attendance was derived from NFL and other sporting events. These events included high school and collegiate football games, marching band and cheerleading competitions, NCAA basketball games, International Soccer games, and NFL combines and practices. With the exception of NCAA basketball games, most of these are types of events that the existing Qualcomm Stadium

already books. All of these events could happen at a new stadium regardless of whether or not it had convention space.

There were also entertainment type events such as Monster Truck Rallies, Supercross races, and concerts. These are also events that the existing Qualcomm Stadium already books and would happen at a stadium regardless of whether or not it had convention space.

There were some large religious gathering events such as the National Catholic Youth Conference and the Christian Congregation of Jehovah's Witnesses. These groups usually book these sites because they need the stadium seating for holding mass services. These are also events that the existing Qualcomm Stadium already books and would happen at a stadium regardless of whether or not it had convention space.

Of the remaining attendance figures that did not use the field, which averaged roughly twenty thousand per year, some of the attendance comes from actual convention or trade show type business but most of it comes from events listed as Tours and other single day type of events such as wedding receptions, high school proms and graduations, and fraternity or sorority formals. A handful of these events booked the field as well, but these are typically not the types of events that convention centers are built for and a stand-alone stadium would undoubtedly be able to accommodate those events anyway. These types of events are driven mostly by local attendance and do very little for bringing in visitors or booking hotel nights that translate into revenue for local businesses which is the true purpose of a convention center.

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If those issues were not problematic enough, there is one other consequence of having the proposed facility operate primarily with field necessary events. The language in the Citizen's Initiative outlines that revenue generated from other sports and entertainment events that utilize the field must be used on stadium operations and maintenance costs³ which are supposed to be paid for by the NFL team as a form of rent. If this facility operates in a similar fashion to Lucas Oil Stadium, which the proponents claim it will, then the vast majority of event revenue will be redirected away from the convention center portion of the facility and into the stadium portion. This will effectively subsidize the NFL team's rent. With all of this information there is only one question left to ask.

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Should San Diego Build a Convadium?

The proponents of building a new downtown convadium have routinely referenced the model of Lucas Oil Stadium in Indianapolis as a vision for how the project will work. By making this comparison it is imperative that we scrutinize the operations of this facility in order to determine if this model is appropriate for San Diego. After careful review and analysis of Lucas Oil Stadium's occupancy reports and event lists, it is clear that having a convadium that operates in this manner would not be an effective means of expanding our convention center.

This conclusion however, should not be construed as opposition to the Citizen's Initiative just yet. It is meant to continue the conversation about an important civic issue. The research presented in this report analyzes only one of many potentially comparable convadiums. Lucas Oil Stadium was chosen because the proponents cited it as their model, but there are still other convadiums that should be analyzed as well, such as NRG Stadium in Houston, to see if they can provide a better model for how this project can provide acceptable results. If the proponents want the public to support this initiative then it is incumbent upon them to demonstrate how the facility will provide better results than those found in Lucas Oil Stadium. Hopefully this report will spur on more research from stakeholders which will help to better inform the public.

Attachments

- A) Occupancy Reports for Lucas Oil Stadium and the Indiana Convention Center
- B) Lucas Oil Stadium Event Lists

³ Citizen's Initiative, "San Diego Integrated Convention Center Expansion/Stadium and Tourism Initiative," Sec. 5, 61.2812 (xi), pg. 104