



James Rooney, executive
director of the Massachusetts
Convention Center Authority.

Meeting market

Boston's new convention center is doing better than critics expected, but it has missed its most important economic benchmark. So why might its managers supersize it?

BY PHIL PRIMACK

THE BOSTON CONVENTION & EXHIBITION CENTER

edges toward Summer Street, hovering like a giant spaceship looking for a place to park. Nearly five years after its opening, the sprawling facility on the South Boston Waterfront is still seeking the right fit, both physical and economic. Convention center officials say it may be time to expand the facility, even as the national convention industry faces challenges ranging from a glut of meeting space to sharply increasing costs for air travel. But talk of “supersizing” assumes the convention center has met its original goals. And on that, the record isn’t so clear.

Even some foes of the 1997 legislation that created the mammoth convention center acknowledge that it has attracted meetings and attendees more successfully and quickly than they anticipated. Last year, it hosted 125 events and drew 528,027 attendees, according to the Massachusetts Convention Center Authority, which pegs the overall annual economic impact at more than \$306 million. Many credit the strong performance to the leadership of the authority’s executive director, James Rooney, who is in the final year of his contract.

But despite such strong numbers, the convention center has failed to perform nearly as well as consultants predicted on the key industry benchmark of “heads on beds,” or hotel room nights. The convention center has generated half of the hotel room nights predicted in several studies, including one that played a crucial role in the legislative go-ahead to build the facility.

Rooney says he is “relatively indifferent to what some consultants said in the 1990s” and adds, “As I think of the context of those reports, they were generated around the question of should we build [the new convention center]. There was a lot of criticism at the time. It wouldn’t surprise me if [the reports] were produced to generate some level of support.”

He now says the convention center is nearing “business maturity.” Although he remains undecided on expansion, Rooney clearly thinks he has a solid track record upon which to literally build. “I have [no meeting space] to sell during peak periods through 2012,” he says.

THE SPACE RACE

When it comes to convention centers, space has no final frontier. The justification for the Boston Convention & Exhibition Center (BCEC) was that while the John B. Hynes Veterans Memorial Convention Center, also owned by the convention center authority, has a great Back Bay location, its 289,188 square feet of exhibit and meeting space was inadequate, and its two-level layout caused headaches for meeting planners.

After reams of studies and a windfall for lobbyists, the Legislature in 1997 approved \$609 million to finance construction of the convention center, and the city of Boston kicked in another \$160 million to buy and clear the site. The state legislation also included \$85 million to entice votes from lawmakers in Springfield (most of it went to build the Springfield Civic Center) and Worcester (which got money to update what was then called the Worcester Centrum).

The convention center was designed to hold 600,000 square feet of meeting and exhibition space, but budget pressures reduced it to 516,000 square feet, still making it the length of two Hancock Towers placed end-to-end and the largest man-made space in New England.

The new convention center stands “head and shoulders over other convention centers around the country,” declared Gov. Mitt Romney at the building’s formal opening on June 10, 2004. Boston Mayor Thomas Menino said the new convention center “makes it possible to compete with cities across the country” for major conventions and trade shows.

Just four years later, however, convention officials and others worry that the BCEC, which is the ninth largest facility in the nation in terms of prime exhibit space (just behind San Diego and ahead of Miami), is too small. The convention center authority has hired consultants to help it develop a master plan for the 62-acre South Boston site, a third of which is now a parking lot. Based on feedback

from meeting planners, Rooney says, the greatest needs are to nearly double the convention center’s ballroom space and to add a “high-tech and broadcast-ready auditorium” with fixed seating for at least 5,000 people.

In language that could have been cloned from the 1990s, an October 2007 convention center authority press release said expansion could “ensure that Boston remains competitive in the meetings and convention marketplace as clients demand more space and better amenities now and in future bookings.” Of special interest are bookings by the kinds of groups—medical, scientific, educational, and technology—traditionally drawn to Boston.

“Medical meetings are space whores,” said Ron Olejko, who’s in charge of meetings for the American College of Rheumatology, including the one that brought 13,000 doctors and others to Boston in 2007. “Talk to any medical meeting planner, and we always want more space. We fit very well in the BCEC, but we basically maxed it out.”

Boston isn’t the only city hearing the space siren. According to *Tradeshow Week*, an industry publication, the amount of exhibit space in the United States grew by nearly 40 percent between 1997 and 2007. Indeed, a report last

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year by two convention industry trade groups described “a buyer’s market” for show planners, who can often demand discount rental rates or other concessions from convention center operators. Still, new space keeps on coming. Philadelphia, New York City, Chicago, Las Vegas, and Orlando are among the competitor cities adding more prime exhibit space.

Rooney recognizes his industry’s insatiable appetite for space. He even shares—broadly—the views of one of the convention industry’s leading critics. Heywood Sanders, a professor of urban studies at Trinity University in San Antonio, says that too many cities build too many buildings to chase too few bookings.

“I agree with Heywood that there are winners and losers in any market situation,” says Rooney. “A lot of places overestimate their ability to compete. When I talk to people from other cities about making a public investment in a convention center, I’m equally blunt with all of them about the feasibility studies these consultants use to justify [such] investments. Some of these guys ought to be taken out and shot.”



The Boston Convention & Exhibition Center, in South Boston.

One reason for Rooney’s disdain of consultants is that his own convention center has been hoisted on the petard of unfulfilled consultant projections on hotel room nights. (Rooney says he has instructed the authority’s current consultants to be realistic. “I’ll rein them in if I have to,” he says.) Room nights were the main justification for the convention center because added hotel stays mean not only more room tax revenues, but also new money flowing into the local economy from out-of-town conventioners who stay at area hotels and spend on everything from meals and cabs to tours and trinkets.

According to the convention center authority’s latest

annual Economic Impact Report, the South Boston facility generated 364,577 “associated hotel room nights” in 2007. Though certainly a lot of heads on beds, it’s far fewer than had been projected. In 1997, a joint committee of the state and of the city of Boston, which was intended to be the deciding word on whether to authorize the new convention center, commissioned what became known as the Johnson Report. That study projected that by its fourth year of operation, the new convention center would create a demand for 654,000 hotel room nights, or nearly double the number actually achieved.

Authority officials say the Johnson Report is skewed

CONVENTION CENTER AUTHORITY PROPERTIES

MEETING FACILITY	EVENTS	ATTENDEES	HOTEL ROOM NIGHTS	ECONOMIC IMPACT (IN MILLIONS)*	ANNUAL DEBT SERVICE (IN MILLIONS)**	ANNUAL OPERATING SUBSIDY (IN MILLIONS)***
BCEC (South Boston)	125	528,027	364,577	\$306.22	\$31	\$0
Hynes (Back Bay)	122	324,701	237,535	\$188.00	\$0	\$1.5
MassMutual Center (Springfield)	171	182,994	7,078	\$2.65	\$3.3	\$4.4

Source: Massachusetts Convention Center Authority. All data is for fiscal year 2007.

*“Direct spending,” multiplied by two.

**Approximate total for each MCCA facility, based on \$606 million 1997 authorization, which also includes \$1 million a year of debt service on the former Worcester Centrum.

***Gap between annual revenues and operating expenses. BCEC and MMC figures are for calendar year 2007.

since, among other things, it assumed a 600,000-square-foot building that would be able to host more meetings at once than the existing 516,000-square-foot facility. But another report, prepared in 2002 by PriceWaterhouse Coopers for the Greater Boston Convention and Visitors Bureau and the Massachusetts Lodging Association, used the correct size—and it projected roughly the same number of room nights as the Johnson Report. The convention center authority says that study also had serious flaws.

Yet another study, conducted in 1997 by Sanders for the convention-center-doubting Pioneer Institute, did project about 350,000 room nights for the convention center at this point of its operation. “The crucial economic measure is how many people you bring in for multiple overnights,” Sanders says. “It turns out that my [1997] number was about right, but at the time, the argument was that the Johnson Report numbers were real. And those numbers were used [by the Legislature] as the basis for decision-making and going forward.”

Charles Chieppo, a former convention center authority board member and director of the Shamie Center for Better Government in 1997, says today’s claims of convention

center success mask this history. “The BCEC has outperformed my own expectations, largely due to Jim [Rooney]’s leadership, but the fact remains that what would have been viewed as failure in 1997 is seen as success today because of lowered expectations.”

Pat Moscaritolo, executive director of the convention

‘No one has a crystal ball. I would be surprised if any of these reports ever hit the number.’


and visitors bureau, doesn’t exactly disagree that pom-poms may have influenced earlier consultant reports. “I don’t dismiss these reports, but they were a best estimate based on data they were able to collect at the time. No one has a crystal ball. I would be surprised if any of these reports ever hit the number.”

What if the convention center was generating *more* room nights than predicted by the studies? Moscaritolo is

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asked. "We'd probably be making a big point of it," he chuckles. "But what's important isn't how the building is performing in regards to a consultant estimate, but how it's doing in the real world."

'THE FUTURE LOOKS EVEN BETTER'

According to the convention center authority, the South Boston facility is doing quite well. But its economic impact claim of \$306 million in 2007 needs some context. Here's how the authority produces that number:

First, multiply the 364,577 hotel room nights by the average daily hotel rate (just over \$200 in 2007).

Second, multiply total attendance by the average length of attendees' stay (2.95 days) and by attendees' daily direct spending (about \$100, based on a survey of attendees about what they spend on food, shopping, and transportation while in Boston).

Add the above. Multiply the total by an economic multiplier of two, since the authority assumes that each dollar directly generated by the convention center induces another dollar of indirect economic activity. This 2.0 multiplier is higher than the multipliers used in the Johnson and Price-Waterhouse studies, but compared to the often ridiculous multipliers used elsewhere to justify public spending on things like stadiums and convention centers, it's reasonable.

If anything, says Rooney, the authority is conservative with its numbers. But the economic impact figure includes activity from consumer and commercial events that were not originally within the convention center's mandate. It includes not only Dr. Jones flying in from Minnesota, but also Hometown Henry attending the boat or some other "gate show." (At first, the new convention center was barred from hosting such consumer shows, thanks to opposition from South Boston neighbors and a desire to protect other Boston meeting venues, but that edict has since been lifted.) Authority officials estimate that about 10 percent of the convention center's economic impact, or about \$31 million in 2007, was from day-tripping Boston residents. Rather than "new" money into the economy, that spending is often "economic transfer"—or money that would have been spent in the local economy anyway.

"The original conversation was 'no gate shows,' but that changed because the MCCA had to fill the space," says Pioneer Institute Executive Director James Stergios. "That's fine, but it's not the same as the conversation that centered on how many hotel room nights can be generated."

Rooney concedes that gate shows "are not high-value economic impact," but he says they are part of the convention center's economic story. Another part of that story, however, is the \$31 million the authority must pay each year on bonds used to finance the convention center's construction. That debt is financed mainly by a tax surcharge



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An artist's rendering of the Hynes Convention Center as it will look after renovations.

on Boston and Cambridge hotel rooms and car rentals and other fees. As for operating costs, the convention center now generates enough income to cover them. (The Hynes still runs about \$1.5 million in the red, but Rooney says its \$18 million renovation, set for completion next year, will generate enough revenue from new restaurants and retail space to close that gap. Another authority property, Springfield's MassMutual Center, continues to require a major operating subsidy. See the chart on Page 55.)

"I would submit that if you look at the \$850 million [total] investment in the BCEC, the taxpayers are already getting a good return," says Rooney. "And the future looks even better in terms of job creation, spending, economic activity, and all the benefits people thought this facility would provide."

One fear—that the bigger and better convention center would cannibalize the Hynes—has not materialized. Indeed, for all its supposed inadequacies, the Hynes remains a strong venue, attractive to conventioners seeking the nightlife and other amenities notably absent from the new convention center's immediate South Boston neighborhood, which falls far short on the kind of entertainment amenities sought by conventioners. "For me, the issue was less the hotels than the vibrancy around the area," says meeting planner Olejko. "It's kind of like a no-man's land."

Restaurants and other entertainment options have long been promised for the area, but they have come only slowly, though Bristol Property Management president Peter Bassett, a long-time MCCA board member, says a "significant amount of development has occurred," with more in the pipeline. "While I am not suggesting that the BCEC is the sole reason for this new development, [it has] without a doubt focused demand on the South Boston waterfront."

"Both [the Hynes and the BCEC] have become very important to the Boston economy," says Boston developer John Drew, president of the Drew Company. "Look at the numbers. Jim has almost duplicated the room nights coming out of the Hynes and he's done it while not hurting the Back Bay. I did not foresee that."

LEADERSHIP IN QUESTION

Rooney acknowledges that the convention center can already handle about 90 percent of all possible meetings. So why even think of expanding?

"The shows we cannot handle are pretty significant in ways that transcend economics," he says, citing the loss of BIO, the life sciences convention that drew more than

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22,000 attendees to Boston in 2007. "BIO put Boston on the world map for a week for that industry. If the underpinning of our economy is high-tech, life sciences, and education, we require an ability to host meetings and events in those industries."

BIO show manager Robbi Lycett says the BCEC is now too small for the still-growing convention. "There are maybe five cities we can go to, of which Boston is not one," he says.

Trinity University's Sanders says lots of cities think they're BIO bait. "Philadelphia argues it is uniquely positioned to host medical events in part because pharmaceutical and medical tool companies are located there," he

says. “Denver is a popular destination for high-tech and medical events. So are San Francisco and San Antonio. From a purely local perspective, almost every city looks great. They all think they’re going to get these shows.”

Rooney hopes the authority “will begin a dialog” about a convention center master plan by the end of the year. But that assumes Rooney, whose contract expires in March, will be around to implement any plan. Though he and the convention center have earned accolades—the facility won a major trade group’s Convention Center of the Year award in 2007, and the American Society for Public Administration honored Rooney in May—the Patrick administration isn’t exactly rushing to offer him a new long-term contract. Rooney declined to discuss his contract, though he says he expects to stay on the job.

Asked if the administration is satisfied with Rooney’s performance, Patrick spokeswoman Cyndi Roy e-mailed that Rooney and the authority board “continue to do a very good job...and we are thankful for their work. It is too soon to discuss contracts, as...Jim’s term is not set to expire until March.” Roy declined further comment.

Uncertainty about Rooney’s reappointment, as well as looming authority board vacancies, has some convention center backers concerned.

“The MCCA has become one of the best operations of its kind in this industry,” says Dean Stratouly, co-founder and president of Congress Group, which develops real estate. Stratouly oversaw the convention center’s construction as head of the authority’s development committee. “Without Jim’s leadership, I have big concerns that the market would be as accepting of Boston. To not have him there would give me pause about whether or not it would be prudent to risk [any expansion].”

NO PLACE TO REST

With or without Rooney, any decision to expand the convention center will be driven by politics and economics, and not necessarily in equal parts. The economics, in turn, will be driven by what Rooney calls his three biggest priorities: “Hotels, hotels, and hotels.”

Even when it opened, the convention center fell far short of meeting planners’ hotel needs, especially rooms within easy walking distance. A half decade later, that situation has improved little. According to an analysis presented to the authority in June by Convention Sports & Leisure, the Minnesota-based convention industry consultant hired by the authority to help develop a master plan for the South

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Boston facility, the BCEC (with 1,700 rooms), is tied for second to last among 13 convention centers in competitor cities when it comes to hotel rooms within a half mile. The Hynes, with 6,000 rooms within a half mile, is good only for 11th place. And with just 793 “headquarter hotel rooms,” rooms directly attached to the building, the new convention center ranks last in the nation on that important convention industry measure.

The issue isn’t just the number of hotel rooms, but their rates. Boston’s high hotel costs (and the city’s high costs in general) are not lost on meeting planners. When it surveyed current and past convention center users, Convention Sports & Leisure found that only half said they would “definitely,” “likely,” or “possibly” use the new facility again. The biggest factors cited by the half who said they were “not likely” to or would “definitely not” use it were Boston’s high costs, geographic location, and weather. The consultant also estimated that under various expansion options, BCEC occupancy levels would fall to the low 50s—well under the industry target of 70 percent capacity, which the convention center expects to hit by 2010.

“BCEC is a terrific building with a great management staff,” says Stratouly. “But underlying it all is that we don’t have the hotel rooms.” Stratouly adds that many of the

hotel rooms under development or planned for Boston are likely to have room rates “higher than the guy in Kansas might be willing to pay. It’s not about just creating rooms, but the right kind of affordable hotel base.”

Boston developer Drew adds that while convention center expansion “would be extremely helpful in making the argument for more hotel rooms,” it won’t in itself loosen capital markets. “Hotel financing issues are basically not dependent on the BCEC,” says Drew, who developed the Seaport Hotel and has plans for another 300-room hotel in the South Boston Waterfront area.

The current menu for the convention center authority thus features chicken and egg. “Do you start expanding in the hope hotels will follow, or do you make the hotels come before expansion?” ponders Stratouly. “My view now is that until we solve our hotel challenge, how can we expand?”

Rooney agrees. “I would not recommend any kind of expansion absent a companion increase both in more hotels relatively nearby as well as more rooms at a moderate price point,” he said.

Another thickening cloud on the convention business horizon—rising travel costs and, especially, declining airline capacity—is beyond the authority’s control. “We’ve enjoyed tremendous growth in the visitor and convention

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An information technology conference, at left, drew 35,000 to the BCEC, while BIO International 2007 drew 22,000.



business due in part to expanded [airline capacity],” said Doug Ducate, president of the Dallas-based Center for Exhibition Industry Research. “The projected reduction in [routes and seats] is probably a much bigger threat to the industry than the economy. It’s probably the biggest concern.”

One other little problem to add to any convention center expansion punch list: paying for it. “You may have to increase some of these visitor-industry-related taxes and fees,” says Moscaritolo, and that would probably not go down well with many of his own constituents. “I wish the issue were just how well has the building performed, but there is no way the Patrick administration can buy into [expansion] without a financing plan that increases some

state taxes.”

Put it all together—hotel inventory, amenities, airline uncertainties, financing—and the convention center “is sailing into a headwind” if it wants to expand, says Convention Sports & Leisure principal John Kaatz, who is leading the authority’s master plan research effort. Kaatz says meeting planners want to be in Boston, but all the uncertainties in the market lead him to project an occupancy rate of just over 50 percent for an expanded BCEC, which is at the low end for convention centers.

Rooney lights up when he hears such low expectations. “That just gives me another thing to prove everybody wrong about,” he said. Sounds like a guy just about ready to supersize it. **CW**



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