

Salem Community Conference Center Feasibility Study

Urban Development Division

Department of Community Development

City of Salem

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Salem Community Conference Center Feasibility Study

Recommendations and Summary of Findings

Introduction

The City of Salem's Community Development Department has undertaken a study to consider the feasibility of building a community conference center in downtown Salem. The recommendations and technical reports of the feasibility study will assist the Salem City Council in its decision about whether to pursue development of conference center.

The conference center has been discussed for at least 15 years. A previous study was prepared in 1991 and updated in 1993. This current study takes a fresh look at the issues. It consists of technical reports that evaluate

sites, markets, facility specifications, parking needs, financial performance, and economic impacts.

The City Council appointed a 29-member task force to oversee the feasibility study. The task force includes representatives of downtown businesses, civic groups, and neighborhood associations. The task force has reviewed the technical reports and made recommendations about how the City of Salem should proceed. The enclosed technical reports are provided as a reference to the findings and supporting analysis.

Recommendations

The task force has made five recommendations, which have the nearly unanimous support of its members:

1. In general, the City of Salem should build a community conference center. (21 aye, 1 nay)
2. The conference center should be located on the south site (Ramada Inn). (21 aye, 1 nay)
3. Urban renewal funds should be a primary source of capital construction costs; the City should make a strong effort to secure other funding from sources such as state economic development grants or the state lottery. (21 aye, 1 abstain)
4. A financial solution to the projected operating deficit will require a variety of sources, including: reducing operating costs; dedication of hotel room taxes from the adjacent hotel; and reallocation of other hotel room tax revenues (pending an assessment of the impact on other services and programs currently funded through the room tax). (15 aye, 2 nay, 1 abstain)

Summary of Findings Supporting the Recommendations

Recommendation One

In general, the City of Salem should build a community conference center.

Findings:

- There is a demand for this type of facility in Salem:
 - The market area includes the Willamette Valley plus the Bend and Roseburg areas. The conference center may attract business from outside this area, but it should only represent a small portion of the demand.
 - The main competition for larger, regional events will be from facilities like the Eugene Hilton Conference Center, the Vancouver (WA) Double Tree (Red Lion) Hotel, the Seaside Civic and Convention Center, and the CH2M Hill Alumni Center in Corvallis, but not from the Portland Convention Center or county fairground facilities.
 - The Salem area has a variety of meeting spaces available. A large share is in restaurants, hotels, or public institutions. Almost all of the space is for groups less than 500 people.
 - The large spaces that are available in the Salem area are not of the type or quality to attract regional events. The Oregon State Fairgrounds is better suited for trade shows than conferences. The largest rooms at Willamette University, Chemeketa Community College, and the Hoop Sports and Events Center are gymnasiums, which are not well suited for meetings or have limited availability.
 - State and local government buildings have several meeting rooms that hold up to 100 people, but most space is in smaller rooms that hold about 40 people at most.
- A survey of professional meeting planners, event coordinators, state agencies, business associations, non-profit groups and other private organizations indicated that a majority (76%) would be interested in using a conference center in downtown Salem.
- Comparable facilities report hosting 250-300 events per year, including 14-33 multi-day events.
- Based on the market analysis, to effectively compete with other facilities in the region, the conference center should have the following characteristics:
 - **Total size:** 45,000 to 50,000 sq. ft.
 - A main hall/ballroom of 12,000 sq. ft. with a capacity for banquets of 800 people.
 - Other meeting rooms with a range of sizes with up to an additional 12,000 sq. ft. of meeting space.
 - A lobby and common space area that can be used for event registration, receptions or exhibit space.
 - A catering kitchen, restrooms, and storage area.
 - 300 on-site parking spaces in a single-level underground parking garage.
- Downtown Salem and the entire city will benefit from the conference center.
 - The conference center is expected to attract visitors that will stay in local hotels, eat at local restaurants, and shop in local stores.
 - Bringing visitors to downtown creates more spending and activity that can support businesses that keep the downtown alive and vibrant. A thriving downtown can spin off economic benefits to the rest of the city, especially in the form of jobs and income for local residents.

Summary of Findings Supporting the Recommendations

- Direct spending in the Salem area by attendees at the conference center, most of whom will be visitors from outside of the area, for lodging, food, entertainment, and shopping is expected to generate \$2 million to \$4 million each year.
- Some of the direct spending will continue to circulate through the local economy in the form of employee wages, supplies and rents.
- A conservative estimate is that the conference center will generate between \$4 and \$6 million in additional business sales each year and support 100 to 140 full-time jobs, depending on whether or not there is an adjacent hotel.
- Other benefits include increased visibility for the city as a regional business center, use of the facility by local organizations and private parties, and civic pride.

Summary of Findings Supporting the Recommendations

Recommendation Two

The conference center should be located on the south site (Ramada Inn).

Findings:

- The feasibility study analyzed two full-block sites in downtown Salem: the north (Union Gospel Mission) site and the south (former Ramada Inn) site. The north site is about 10% larger than the south site, but both sites have sufficient space to accommodate a conference center, hotel/office building, on-site parking, and future expansion of the conference center.
- The sites have a slightly different relationship to the rest of downtown (e.g., distance to the retail core, access to Riverfront Park, proximity to parking), but these differences are not very great.
- The north site is identified as the preferred site for a conference center in the Riverfront/Downtown Core Area Master Plan and is within the Riverfront/Downtown Urban Renewal District.
- The north site is divided into multiple parcels with different ownerships. All of the property would have to be acquired by the City of Salem. Some of the current owners may be unwilling sellers – the use of eminent domain (condemnation) may be required to acquire the property. The City would be required to compensate existing businesses for the cost of relocation.
- The south site is under a single ownership, VIP’s Industries (the Phoenix Inn). VIP’s has proposed a partnership with the City of Salem for a hotel and conference center facility.

Per Year	Conference Center with Hotel	Conference Center without Hotel
Events	240	208
Event Days	383	315
Attendance	44,688	36,675
Attendee Days	72,906	55,875
Room Nights	22,441	14,205

- The market analysis estimates that a conference center with an on-site/adjacent hotel would generate at least 15% more events, which will tend to be larger, regional events with about 30% more attendee days, and 58% more room nights.
- Without an on-site hotel, a majority (63%) of the events would be local, which tend to generate fewer attendee days and room-nights.
- The amount of conference center use depends more on an on-site hotel than which site it is located on.
- While a hotel could be included on the north site, the City of Salem would have to recruit a hotel partner, one of the most difficult elements of a conference center project.
- A hotel market analysis suggests that the Salem market will only support one hotel in the downtown area over the next few years.

Summary of Findings Supporting the Recommendations

Recommendation Three

Urban renewal funds should be a primary source of capital construction costs; the City should make a strong effort to secure other funding from sources such as state economic development grants or the state lottery.

Findings:

- The facility construction cost, including furnishings, is estimated at \$12 million, about \$250 per sq. ft.
- Land acquisition and site preparation costs for the half block needed for the conference center are estimated at \$1.5 million.
- The underground, 300-space parking garage is expected to cost about \$3.5 million.
- Total capital cost of the conference center is approximately \$17 million. If financed over 20 years at 7.8% interest (or over 30 years at 9.3%), the annual debt payment would be \$1.7 million.
- To be eligible for urban renewal district funding, the south site will need to be added to the Riverfront/Downtown Urban Renewal District.
- Preliminary estimates by City staff are that the tax-increment revenue stream available in the urban renewal district might be capable of financing around \$25 million of new debt. City staff will provide more information to the City Council in August, particularly regarding whether the City can finance the construction of the conference center and still meet other goals for the Riverfront Park and downtown housing.
- The City of Salem should aggressively pursue supplemental funding, such as state economic development grants and regional/county allocations of lottery funding.

Recommendation Four

A financial solution to the projected operating deficit will require a variety of sources, including: reducing operating costs; dedication of hotel room taxes from the adjacent hotel; and reallocation of other hotel room tax revenues (pending an assessment of the impact on other services and programs currently funded through the room tax).

Findings:

- The facility will have annual operating losses under any reasonable set of assumptions about revenues and costs.
 - The annual operating costs include fixed and variable costs.
 - Fixed operating costs are those incurred to operate the conference center regardless of the number of events. These costs include administrative and marketing staff, some portion of utilities, and furniture, fixtures and equipment replacement.
 - Variable costs include event staff, utilities, and other costs that depend on the amount of use. As the number of events increase, these costs increase.
 - The facility is estimated to cost about \$1.2 million per year to operate and maintain, including operation and maintenance of the underground parking garage.
 - Events generate revenues from facility charges and catering sales. Competition from other facilities will place a cap on facility charges.

Summary of Findings Supporting the Recommendations

- An analysis of typical individual event revenues and costs shows that small- and medium-sized events lose money and larger-sized events make a small profit.
- A conference center without a hotel would have about 208 events and 315 event days per year, which would generate gross revenues of about \$380,000 per year.
- A conference center with a hotel would have about 240 events and 383 event days per year, which would generate gross revenues of about \$445,000 per year.
- The estimated annual operating deficit is between \$755,000 and \$820,000 per year. Under a best case scenario, the annual operating losses would be around \$400,000 per year. Those are “full-cost” estimates and include approximately \$200,000 that would be set aside each year for future replacement of furniture, fixtures, and equipment, and for larger-scale maintenance.
- More detailed information about operating costs is needed with respect to a specific proposal.
- There are several ways that deficit might be reduced.
 - Operating costs could potentially be reduced by joint marketing and managing operations with the hotel operators and/or the Salem Convention and Visitors Association.
 - The City of Salem’s transient occupancy tax, otherwise known as the hotel room tax, is an appropriate source of revenue to cover the operating deficit because it is directly tied to visitors.
- The hotel room tax revenue from the adjacent hotel could be allocated to support the conference center operations. Most attendees would be expected to stay at the adjacent hotel, though some will stay at other hotels in Salem. The net increase in room tax from having a new hotel at the south site with an adjacent conference center is probably on the order of \$200,000 to \$250,000 per year.
- The current allocation of the City of Salem’s hotel room tax has 31% going to support the marketing and promotion efforts of the Salem Convention and Visitors Association. The remainder goes toward various City services and programs, including the repair and maintenance of the City’s historic properties.

Acknowledgements

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