



STAFF REPORT INFORMATION ONLY

Review of Market Assessment Analysis for the Proposed Conference Centre Development at Exhibition Place

Date:	November 9, 2007
To:	Budget Committee
From:	Duncan H. Ross, Executive Director of Tourism, Economic Development, Culture and Tourism Division
Wards:	Ward 19 – Trinity-Spadina
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SUMMARY

This report provides an update on the Economic Development, Culture and Tourism Division's assessment of the current and projected market demand for conference centre facilities in the City of Toronto and comments on the economic impact of meetings, conference, and trade and consumer shows for the City.

The lack of conference facilities connected to the Direct Energy Centre at Exhibition Place has been identified as a barrier to the Direct Energy Centre achieving higher levels of usage. An expanded Conference Centre has been identified in the strategic development plans for Exhibition Place. The current proposal for expanded Conference Centre facilities has been approved by the Board of Governors of Exhibition Place.

The market analysis and revenue projection report commissioned to support the proposed expansion concludes that there is sufficient demand from Canadian corporate meetings, Canadian associations, and local special event and gala markets to justify the expansion. Economic Development, Culture and Tourism staff have reviewed the analysis and support the findings and have identified other market segments that were not considered in the market analysis that give increased confidence that there would be demand for the new facilities.

The proposed conference centre will have a positive economic impact on the City of Toronto.

Financial Impact

There is no financial impact resulting from this report. Financial Impacts of the proposed Conference Centre have been identified in a separate report from the Deputy City Manager and Chief Financial Officer titled “Financial Assessment of Increased Loan for the Proposed Conference Centre Development at Exhibition Place.”

DECISION HISTORY

At its meeting of March 5, 2007, Council adopted a joint report from the Chief Executive Officer of Exhibition Place and the Deputy City Manager and Chief Financial Officer which recommended extending a loan of \$21.2 million to the Board of Exhibition Place for the construction of the proposed conference centre within the existing Automotive Building.

At its meeting of November 7, 2007, the Board of Exhibition Place adopted a report from the Chief Executive Officer of the Board of Governors of Exhibition Place which recommended an alternative financing plan that would address a significant increase in the projected construction cost for the proposed conference centre.

ISSUE BACKGROUND

The lack of Conference facilities connected to the Direct Energy Centre has been identified as a barrier to the Direct Energy Centre achieving higher levels of usage and market penetration. An expanded Conference Centre has been identified in the strategic development plans for Exhibition Place. Market conditions in the meetings and convention industry are changing and Toronto’s attractiveness as a destination to hold meetings and conferences is dependent upon investing in new meeting facilities to meet market demand.

COMMENTS

HHC Study

As was concluded in the February 26, 2007 report, the market analysis conducted by Horvath Hospitality Consultants (HHC) to support the proposed Conference Centre development at Exhibition Place is sound and the findings present a conservative outlook for the demand and financial performance for the new facilities.

Update on Market Demand

The findings of the February 26, 2007 report remain valid and EDCT staff verified with industry stakeholders that there continues to be strong demand for meetings, conference and special event business in Toronto. Meetings and Incentive Travel (M&IT) magazine's 2006 Market Report survey had 865 Canadian industry respondents (more than double that of 2005) of which 342 were from corporate organizations, 346 from associations and 177 meeting planners. Respondents indicated that Toronto continues to

be the number one Canadian meeting destination (73%), with Vancouver (34%) and Montreal (34%), Calgary (33%) and Ottawa (20%) trailing behind. Forty five major conventions have already been confirmed for the period of 2007-2015, which accounts for more than 700,000 room nights and 360,000 attendees.

Direct Energy Centre staff report that there is strong industry interest and clients have requested confirmation of space and dates which cannot be realized until the project is underway.

Another important emerging trend in the meeting and conference market is the desire of corporations and meeting planners to book events in facilities that demonstrate responsible environmental principles. The fact the proposed expansion will be designed to meet LEED building standards gives the Direct Energy Centre a very significant competitive sales advantage over many facilities in Eastern North America and the LEED status could lead directly to event bookings with organizations with environmental codes of responsibility.

Tourism Toronto indicates that there would be demand for the Direct Energy Conference Centre from both US Association and Corporate meetings markets and an emerging demand for corporate meetings from the United Kingdom. Based on feedback from Tourism Toronto's sales team and feedback from members of the Professional Meeting and Conference Association, increased traditional meeting room space at the Direct Energy Centre would be well received. It would give Toronto the potential to host two major city-wide conventions at the same time. Toronto has enough hotel room capacity but it currently is challenged by the amount of meeting space to host two major conventions at the same time.

Recently, a major US Association site selection committee visited Toronto to assess capabilities for an event in 2017. To secure this event which brings in excess of 25,000 delegates to the City and at peak night occupies 14,000 hotel rooms, the conference centre would be a key requirement.

Tourism Toronto has indicated that there are a number of major international conferences that can not be accommodated in Toronto because there is no facility that can combine conference and banquet capacity with between 500,000 to 1 million square feet of contiguous trade show space. The Metro Toronto Convention Centre has the space but it is separated into two buildings and to some event organizers this is an issue.

The new conference facilities could support the sports facilities (BMO Field and Ricoh Centre) in attracting World and National championships as there is the demand for trade seminars associated with these events. Future major events in the order of magnitude of a World Youth Days and FIFA U-20 would benefit from access to conference facilities. The facilities could be utilized by the organizers of Caribana and the Toronto Grand Prix.

Economic Impact

The proposed conference centre will support the important trade and consumer show tourism business in Toronto. Toronto is ranked second in North America for consumer and trade shows and generates over \$1 billion in tourism spending. More than 2.3 million people visit the Greater Toronto Area each year to attend a consumer or trade show, according to a new study by researchers with the University of Guelph's School of Tourism Management. Visitors and show organizers combine to generate direct expenditure of \$1.1 billion in the region.

Other highlights of the research include:

- Show visitors account for \$614 million in spending
- Exhibiting companies and show organizers account for \$482 million in spending
- Consumer and trade shows directly support 10,000 jobs in the Toronto region
- Show organizers and visitors pay a combined \$260 million in taxes to all three levels of government

The University of Guelph study focused only on trade and consumer shows. In addition, there will be economic impact generated from corporate meetings, conventions and association meetings which were not included in the above study.

Toronto's share of the meetings and conference business is significant both domestically and within the North American market. In 2004, Toronto attracted 653,000 business convention visitors or 53% of the total 1,302,000 business convention visitors to Ontario. Overall average spending in 2004 for visitors to Ontario was \$144.40 per person per visit. By comparison, business convention visitors spent more than four times that amount or \$558 per person per visit, highlighting the lucrative impact provided by this market.

Another positive impact is in hotel sector. The proposed expansion of the conference will increase the demand for accommodation in Toronto. There are approximately 30,000 rooms available in Toronto and the average occupancy in Toronto is 66%. Another 1,500 rooms will be added to inventory between 2008 and 2011. GTA hotels generate 32,000 full time jobs and contributed in 2004, an estimated \$94 million in municipal tax revenues. As hotel occupancy rises, there is increased interest in hotel development and expansion. Expanded conference facilities contribute to increases in occupancy. More new hotels lead to increases in commercial tax assessment.

Conclusion

Throughout North America the norm is for cities to invest in their convention and exhibition facilities to realize the economic impact of such events.

The proposed conference centre will have a positive economic impact for the City of Toronto.

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SIGNATURE

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