



LETHBRIDGE
CHAMBER of COMMERCE®

Development of a Multi-Use Convention/Arts Centre

Issue

The Lethbridge Chamber of Commerce has been asked to provide support for a Convention Centre, an Art Gallery, and a Performing Arts Centre. While the Chamber sees the value in each of these projects, we believe there are compelling reasons to consider collaboration between the invested parties in order to deliver all three projects in a format which will create a competitive facility that will attract tourism and conference-attendee dollars, while also improving the cultural life of the city and acting as an economic driver for the city as a whole. Additionally, collocating these facilities offers an opportunity for increased economic diversity which could act as a stabilizing factor for when key industries experience another downturn.

Background

There has been a growing call in Lethbridge for the construction of a Convention Centre. The assumption is that this project would act as a key economic driver, bringing in millions of dollars in outside money from convention delegates, and helping to advance Lethbridge's image as a future-forward city that is open for business. At the same time, there has been growing support for a new performing arts centre as the aging Yates Centre (built in 1965) struggles with capacity and technical issues and is embarking on costly renovations. Finally, the arts community has been calling for a civic art gallery to further invigorate the city's cultural life, citing the University of Lethbridge's art collection – one of the largest in Canada – as a world-class source of content. Such an art gallery could be one of the most significant facilities in the country. When considering each of these projects, the city needs to take a pragmatic view of the economic viability of these centres independently of each other and make careful decisions on how to minimize burdens on the public purse while maximizing economic payoff to the community as a whole.

The Challenge for Convention Centres in Small Cities

The allure of a convention centre is the possibility of attracting hundreds of new visitors to the city every year. This prize is made even more appealing by success stories coming out of such cities as London Ontario and Vancouver B.C. Cities like these report significant returns in the form of cash injections directly into the local economy. London, for instance, reported that the economic impact of their convention centre was over \$16 million in 2015, based on

an estimate of \$309 per day, per delegate, with 110,941 delegate-days (less costs), and that since 2008, the Centre had helped to inject an estimated \$141 million dollars into the local economy¹

However, it is misleading to assume that these success stories constitute the norm. The convention centre craze took off in North America in the late 70's and continued throughout the next few decades. During the 'convention boom' there was a growing demand for public hosting spaces. Yet the successes of early centres drove more and more cities to try and compete. Many cities aimed to capture even %1 of the convention market, a share which would have been lucrative, except for the fact that *hundreds* of cities jumped on board, over-saturating the market². Furthermore, there simply are no longer as many conventions to go around. The actual number of conventions hosted across North America has been steadily falling since the mid 1990's and continues to decline as companies cut costs and new technologies bring the world closer together³. In a 2005 Brookings Institution report on convention centres, Heywood Sanders wrote:

The overall convention marketplace has shifted dramatically, in a manner that suggests that a recovery or turnaround is unlikely to yield much increased business for any given community. Less business, in turn, means less revenue to cover facilities' expenses, and less money injected into local economies⁴.

In the Canadian market alone there are 53 Convention Centres, and the United States boasts *hundreds*. This is the market that the City of Lethbridge is considering jumping into.

Convention Centres themselves *typically operate at a loss*. The economic impact figures from even the most successful centres are optically crafted to trumpet the benefit to the city in terms of cash injected into the local economy, while unflattering operating budgets are quietly filed away. Intense competition in the market segment means that booking such buildings is a challenge. Furthermore, the very nature of that challenge means that centres often offer fiscal incentives to convention groups in

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¹"Economic Impact on the City of London." *London Convention Centre*, londoncc.com/economic-impact-city-london. Accessed 6 Feb. 2017.

² Erickson, Amanda. "Is It Time to Stop Building Convention Centers?." *CityLab*, The Atlantic, 11 June 2011, www.citylab.com/cityfixer/2012/06/stop-building-convention-centers/2210/. Accessed 6 Feb. 2017.

³ Ibid

⁴ Sanders, Heywood. "Space Available: The Realities of Convention Centers as Economic Development Strategy." *Brookings*, The Brookings Press, 1 Jan. 2005, https://www.brookings.edu/research/space-available-the-realities-of-convention-centers-as-economic-development-strategy/. Accessed 6 Feb. 2017.

order to attract them⁵. Due to the large public cost of financing a world-class facility, many municipalities have found themselves servicing large loans over a multi-decade period, while also funding much of the operating budget. This overhead can quickly add up and negate the economic benefits to the community.

For small cities the problems are pronounced because in attracting customers to their centres, they have to compete against much larger centres that offer more and better amenities, tourist attractions, and more convenient travel options. In order to attract conventions away from larger centers, small city convention centres offer lower booking prices, which only further exacerbates the fiscal challenges that they already face.

The Challenge for Arts Centres in Small Cities

Dollars spent on growing the arts community in municipalities yield long-term economic benefits to a region. According to a recent study, municipalities with one or more professional symphonies, operas, or ballet/dance organizations were strongly correlated with an increased ‘knowledge class’, and cities with an increased ‘knowledge class’ are strongly correlated with increased economic development⁶. Educated urban professionals want to live in a city with cultural options, and these kinds of individuals contribute significantly to the economic health of a city.

However, while the health of the arts community may contribute to the health of the local economy, it is no secret that actual arts centres in small to medium size cities are plagued by fiscal problems and tend to operate at a loss. Consider, for example, the balance sheet of our own Yates Memorial Theatre here in Lethbridge.

Figure 1.1: Operating Budget of Yates Memorial Centre 2013 - 2018

Yates Memorial Centre							
Budget Summary							
	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2014- 2018</i>
	<i>Actual</i>	<i>Budget</i>	<i>Request</i>	<i>Request</i>	<i>Request</i>	<i>Request</i>	<i>Change</i>
Revenues							
Sales of Goods & Services	172,565	195,300	199,600	203,600	207,800	211,900	16,600
	172,565	195,300	199,600	203,600	207,800	211,900	16,600
Expenses							
Asset Transactions	14,743	-	-	-	-	-	-
Operating Expenses	174,276	204,358	209,200	209,200	209,200	209,200	4,842
Wages & Benefits	279,688	255,653	271,609	271,609	271,609	271,609	15,956
	468,707	460,011	480,809	480,809	480,809	480,809	20,798
Total Yates Memorial Centre	296,142	264,711	281,209	277,209	273,009	268,909	4,198

⁵ Spickard, Steven E. *Hotel Online*, Economic Research Associates, 1998, www.hotel-online.com/Trends/ERA/ERAImpactConventionCenters.html. Accessed 6 Feb. 2017.

⁶ Nelson, Arthur C, Casey J. Dawkins, Ganning Joanne P., Kittrell Katherine G, and Reid Ewing. (2015). The Association Between Professional Performing Arts and Knowledge Class Growth: Implications for Metropolitan Economic Development. Online. *Economic Development Quarterly*.

Year after year the operating costs have exceeded the revenue brought in by the Centre to the tune of nearly \$300,000. This is not uncommon. The River Run Centre in Guelph, Ontario operates year after year with a subsidy of around \$600,000, in 2009 the Esplanade Arts and Heritage Centre in Medicine Hat face a shortfall of \$669,707, and the projected subsidy required for the proposed Lethbridge Performing Arts Centre has been estimated at \$1.4 million for the first year of operation⁷. Small cities seldom attract big enough acts to support the kinds of revenues needed for an arts centre to be self-sufficient. Additionally, the size of small city venues cannot support the kinds of crowds that revenue-generating acts demand.

Public Art Galleries offer the same benefits and face the same problems. In small centres, the paying customer base for a public art gallery is simply not large enough to cover the expenses associated with operating such a facility, let alone expanding it.

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In the balance of probability, a civic Convention Center, a new civic Performing Arts Centre, or a public art gallery located in Lethbridge will struggle to balance their books and may need to have their budgets subsidized by public funding in order to remain viable.

Spend Smarter, Not Harder

However, if properly sited, with a smart business model, and with an eye for compounding efficiencies, these facilities could deliver a positive economic impact that compensates for the public investment over their lifespan, and offer a real opportunity for Lethbridge to continue diversifying its economy. We believe that these goals can be achieved by cooperation between the interested parties, and the collocation of these three facilities into a single building/location.

The advantages are numerous.

1. The spaces typically incorporated into these kinds of facilities can be used by multiple business sectors and the arts communities, allowing site managers an easier time booking up the facility and *generating as much revenue from as many square feet for as many days of the year as possible*. Theatre spaces can easily play host to conventions, and meeting spaces can easily play host to a wide range of arts-related activities or art exhibitions.

⁷ Webb Management Services Inc., Lethbridge Performing Arts Centre Study, 2010

2. The presence of a performing arts centre and a world-class art collection housed within a convention space would make the Lethbridge Convention Centre competitive in attracting arts-related conferences to this city, and would help to branch out the local economy into this sector. While also driving additional tourism. We would in fact, have our first significant tourist attraction.
3. The collocating of these facilities offers an organic means of cross-promotion and greater civic inclusion. Separately sited civic facilities typically only play host to those already interested in the services offered by that facility. Collocating drives more individuals into a space where cross-promotion can yield results.
4. The extensive operational efficiencies associated with the city only having to maintain one set of staff, pay one set of bills, and deal with ongoing maintenance issues for only one site are significant. The savings gained from engaging in only one construction project, instead of three, are also significant.

Given the fiscal challenges that each of these facilities face, collocating to lower overhead and maximize utilization just makes sense.

Location, Location, Location

If such a centre is to be an effective economic driver, its' location needs to satisfy two logical imperatives.

1. The facility needs to be positioned to attract as many customers as possible.
2. The facility needs to be positioned to drive as much economic activity in its' immediate vicinity as possible.

Point 1: Numerous market studies have been conducted on what convention planners are looking for when selecting a facility. The City of Lethbridge needs to position any potential centre to appeal directly to the concerns of these potential customers. This means positioning it based on unbiased, data-driven analysis. Studies have looked directly at this issue and their results are easily accessible (see the 2014 Watkins Research Group survey of meeting and convention planners for example).

Reduce Overhead. Compound Efficiencies.

Gain a Competitive Edge. Diversify the Economy.

Point 2: The location of the Centre also needs to drive as much associated economic activity as possible. It needs to be located somewhere that is walkable to hotels, restaurants, shops,

entertainment, and other civic amenities. Again these decisions should be made based on unbiased, data-driven analysis. The centre itself, if placed strategically, could also help improve the image of the city by catching the eye of traffic passing through town, which would assist with the City's efforts to rebrand Lethbridge as a vibrant urban centre.

If the City of Lethbridge approaches these projects with an objective eye to reducing overhead by compounding efficiencies through collocating facilities, with the ultimate goal of driving as much economic activity as possible for the region, then we may just succeed in the highly competitive Convention industry and be able to further boost associated economic activity by diversifying our economy and growing our knowledge workforce.

Recommendations

The Lethbridge Chamber of Commerce recommends that the City of Lethbridge:

1. Consider the development of a multi-use Convention Centre with an integrated Performing Arts Theatre and an Art Gallery (in cooperation with the University of Lethbridge) as a high priority in their Capital Improvement Program, with the key outcome of driving increased economic activity, economic diversity, and the growth of a knowledge workforce.
2. Locate this facility based on an unbiased analysis of key factors which would yield a facility able to compete optimally in a highly competitive market. These considerations should include, but are not limited to:
 - a. Attractiveness to Event Planners (data driven).
 - b. Possibilities for flexibility of use in order to maximize utilization.
 - c. Walkable access to hotels, restaurants, local shopping, entertainment, cultural locations, and civic facilities.
 - d. Accessibility by transit and connectivity options to the local airport.
 - e. Ease of access for parking and delivery, easy access from highways.