

Convention Center Hotel Impact Update

Office of Economic Development Research Note

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Background

The Office of Economic Development (OED) has been examining the economic, fiscal and development impact potential of the proposed convention center hotel since late 2007. A comprehensive impact study was completed by OED in January 2008. Since this last report the scope of the hotel and the proposed financing model has changed. This research note reviews the January study, highlights major project changes and presents new impact estimates based on the new scope and finance model.

Review of January 2008 Study

The January 2008 OED study analyzed the fiscal and economic impact of the construction and operation of a 1,000 room convention center hotel from 2009 to 2038. OED identified four components to the hotel initiative as related to the downtown redevelopment strategy:

- (1) The hotel,
- (2) Associated meeting or breakout space,
- (3) Entertainment / mixed use real estate developments near the hotel and
- (4) Infrastructure to connect the hotel to existing downtown neighborhoods

The impact study included only the hotel because the other three elements had not been defined in enough detail to measure impacts (positive or negative).

OED assumed that all four elements were needed to achieve the goals of the new hotel:

- Restore Dallas' standing as a leading convention and trade show city and
- Return downtown Dallas to its position as the leading entertainment destination in North Texas.

The total economic impact of the hotel would be \$2.5 billion over 30 years.

The net impact to the municipal budget would be a positive \$45.1 million over that same period. This assumed a direct general fund investment of \$80 million to support hotel construction financed with \$156.1 million in debt service over 30 years.

Project Update

Since January 2008, several elements of the project have changed. These changes mean the January impact estimate is out of date. The most important project changes are:

- The size of the hotel has increased from 1,000 rooms to 1,200 rooms.
- The City proposes to finance the entire cost of construction instead of supporting construction through a direct infusion of general fund financial support.

New Impact Estimates

Total fiscal impact to the City general fund budget is a positive \$120.3 million in nominal dollars with a net present value of \$27.7 million. This includes hotel occupancy taxes.

Total economic impact is estimated at \$4.5 billion from construction and operation of the hotel – this is approximately 0.1% of all economic activity in Dallas over the 30 year period based on OED forecasts of gross city product.

This updated impact estimate assumes the following:

- 1,200 room hotel
- No ancillary developments, meeting space or connectivity infrastructure is included, but OED assumes these components will be necessary to achieve downtown redevelopment goals
- Construction from 2009 to 2011
- Hotel operation from 2012 to 2038
- Opening occupancy rate at 52% growing to 68% in 2015
- 1.5 occupants per room
- 1200 hotel employees

The new larger positive impacts compared to the January study are caused by the larger hotel size, a higher assumed occupancy rate and the absence of direct general fund subsidies.

This note was prepared by the City of Dallas Office of Economic Development Research and Information Division.
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