

# Lodging and Conference Center Analysis

ECONOMIC AND REAL ESTATE ANALYSIS FOR SUSTAINABLE LAND USE OUTCOMES™



# Glossary of Lodging Facility Types

## **Hotels & Inns**

Hotels and inns are primarily designed to meet the lodging needs of a variety of markets. Meeting rooms in lodging facilities are typically oriented toward social events and training meetings. Most hotel facilities are usually used for local middle and lower management levels and associations. The targeted markets are generally more price-sensitive and these facilities are also characterized by a high percentage of single-day usage.

## **University Conference Centers**

Generally developed by and associated with a major educational institution, these facilities are typically staffed by university personnel. Lodging facilities range from specially designed conference style accommodations to dormitory rooms as available. Targeted markets are primarily associations-technical in orientation, and academic/university related. Groups are typically more price-sensitive than resort, corporate, or executive markets. These are characterized by high day and seasonal usage. The Ross School of Business, Palmer Commons, The Michigan League, the Michigan Union and Medical School have such facilities. Eastern Michigan has Eagle Crest Conference Center.

## **Corporate Conference Centers**

Designed by a corporation primarily for in-house use, corporate conference centers are typically available on a limited basis to outside users. These facilities are staffed and supplied with sophisticated meeting aids. Size of the facility varies depending on companies' needs. Emphasis is primarily to satisfy the companies'/owners' training and development as well as internal communication needs. While primarily designed for in-house corporate use, the characteristics of outside users, if any, are similar to users of executive conference centers.

## Glossary of Lodging Facility Types (continued)

### Executive Conference Centers

Executive conference centers are developed primarily to satisfy the requirements of specialized executive level meetings and are staffed with conference center coordinators. These facilities are built with sophisticated audio-visual equipment and meeting aides. Typically lodging rooms are available to serve conferees either in nearby hotels or as part of the development. Facilities include specially designed meeting rooms and breakout rooms. Emphasis is characterized by excellent service, high quality and security. The target market is primarily upper-level management planning, educational and training seminars as well as corporate and less price-sensitive associations. Often, these facilities are located proximate to corporate headquarters, large corporate parks in urban areas and at airport hubs.

### Events Centers

Designed to accommodate special events such as concerts, shows, and sporting events, events centers are typically built specifically for these purposes and therefore are not very flexible in their spacing. These facilities can usually accommodate from 500 to 10,000 people and do not typically include a hotel facility. Targeted for large social and entertainment events, this type of facility must be able to accommodate large groups of people and is characterized by primarily day events. The Eastern Michigan Convocation Center and the University of Michigan's Crisler Arena are examples of this type of facility.

### Convention Centers

Convention centers are typically owned and operated by a municipality to increase tourism and business activity. These facilities are usually situated in a central business district and do not include a hotel facility, but are within close proximity to many hotel rooms. They typically include significant exhibition space and some ancillary conference rooms for smaller meetings and break-outs. Primarily state and national associations and large trade groups who require exhibit space utilize convention centers. Proximity to a large number of hotel rooms and recreational amenities is required. COBO Center in Detroit and McCormick Place in Chicago are representative.

Source: Hospitality Group Advisors

## Methodology

4ward Planning, in the course of performing its market research due diligence for the Connecting William Street study, became aware of a 2010 effort to site a hotel conference facility on the downtown lot commonly referred to as the “Library Lot.”

While the project plan failed to move forward, due in part to financial feasibility issues at the time, a number of research studies were conducted and provide valuable insight into what type and size of hotel conference facility might yet be feasible in downtown Ann Arbor. 4ward Planning reviewed the following research materials:

- *Demand Analysis and Market Overview for a Conference Facility* – Hospitality Advisors Group, November 2010
- *Library Lot Proposals – RFP #743: Report and Recommendations to the City of Ann Arbor* – The Roxbury Group, November 2010
- *High Level Hotel and Conference Center Data Analysis and Research Findings* – Internal Staff Report Conducted by the Ann Arbor Downtown Development Authority
- *Local Hotel Industry: Room tax revenue sets record in 2011 as occupancy strengthens* – AnnArbor.com

Additionally, 4ward Planning performed its own cursory analysis of the presence and proximity of hotel conference facilities to downtown Ann Arbor, utilizing on-line web resources, such as Hospitality Industry Trends, Lodging Econometrics, Map Quest.com, Hotels.com, and Cvent Destination Guide.

## Key Findings

While 4ward Planning's research concerning hotel conference lodging facilities is in no way intended to be as a qualified hotel conference center market study, findings gleaned from this research appear to indicate there is reasonably strong evidence that a current and independent hotel conference center market study should be conducted for the city of Ann Arbor. Key findings underpinning this recommendation include the following:

- There is an absence of a bona fide hotel conference center in walking distance to Ann Arbor's downtown dining and shopping amenities – 4ward Planning's research identified at least three comparably sized mid-western cities, with major universities, hosting a hotel conference facility in walking distance to downtown amenities.
- While research findings in the Hospitality Advisors Group report determined that there were a number of competitive lodging facility properties in and around downtown Ann Arbor, the report did not identify the age or aesthetic quality of these lodging facilities – this of particular importance when identifying competitive supply.

## Key Findings (continued)

- Independent interviews conducted by 4ward Planning in 2012 and The Roxbury Group, in 2010, identified prospective pent-up demand for lodging and conference center space in downtown Ann Arbor – in particular, this demand is for lodging and conference space capable of handling numerous events of 500 or more persons throughout the year. Interviewees included heads of large corporations, educational and health care institutions. Such interviews appeared to be omitted from the Hospitality Advisor’s Group Report conducted in 2010.
- The existing number of foreign-based corporations in and around the city of Ann Arbor, coupled with the fact that the University of Michigan is a recruiting hotbed for engineering, technology and professional business firms, suggests that the city of Ann Arbor would likely boost its economic development activity if it were to establish a first class hotel conference facility in walking distance to dining and shopping amenities downtown.
- An April 2012 local news article reported on the substantial 2010 to 2011 growth in Washtenaw County’s hotel occupancy rate (16 percent) and hotel tax revenues (13 percent), suggesting a positive trend for the health of the lodging industry in the county. Indeed, Chuck Skelton, President of Hospitality Group Advisors, based in Ann Arbor, stated that “Washtenaw County has come back very strongly,” referring to the county’s lodging fortunes. Mr. Skelton went on to state that the county’s lodging occupancy rate was highest among any county in the state of Michigan and in the mid-west region, generally.

## Takeaway

As stated, Ann Arbor lacks a bona fide conference center within walking distance of its downtown area as can be found in comparably-sized cities in the Midwest. In addition, the research conducted by 4ward Planning, along with a review of the available relevant studies, indicates that there may be pent-up demand for this type of facility in downtown Ann Arbor. Developing a conference center also aligns with the robust demand for lodging in Washtenaw County as exhibited from 2010 to 2011.

4ward Planning deems the foregoing hotel conference center research findings, combined with the broader labor and industry study performed by 4ward Planning, justify an updated and independent market analysis pertaining to a downtown hotel conference center.

## General & Limiting Conditions

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