

JAMES A. GRAASKAMP COLLECTION OF TEACHING MATERIALS

X. COMMUNITY INVOLVEMENT - CITY, STATE, AND NATION

C. Graaskamp and the Convention Center Controversy

2. Convention Center Feasibility Studies for
North Square Location Supervised by Graaskamp

c. "Conference Center Demand in Madison,
Wisconsin: 1987", by Erdmann and
Spillane for Graaskamp, June 11, 1987

CONFERENCE CENTER DEMAND
IN
MADISON, WISCONSIN:
1987

by

Robin J. Erdmann
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for

Professor James A. Graaskamp
June 11, 1987

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June 11, 1987

Dr. James A. Graaskamp
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University of Wisconsin
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1155 Observatory Drive
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Dear Dr. Graaskamp:

We are transmitting to you the report you requested analyzing the potential for a conference center on the "MATC" site in downtown Madison.

While many positive trends in the conference center industry indicate a growing need and potential for state-of-the-art conference centers, the local and regional market in Madison and the State of Wisconsin is unable to support additional conference space in Madison at this time.

The University of Wisconsin is a primary factor in this analysis. The university provides continuing education programming--and can be expected to increase this programming in the future. However, the University of Wisconsin-Extension already serves this market. Demand for UWEX services is high, and many programs are unable to find meeting space in these facilities, but future expansion plans will, in the long run, serve these needs and limit a private conference facility's ability to adequately capture more of this market.

Similarly, State of Wisconsin government agency expenditures for conference service facilities are limited by agency opportunities to take advantage of university facilities at no charge.

Both the university and state agencies use private conference facilities, but the total of their expenditures in 1986 amounted to less than \$250,000. No one private vendor captured more than \$40,000 in 1986. These amounts and capture rate are not enough to support another facility.

State trade associations number 1100, and they conduct an average of 6 meetings per year. Nevertheless, capture rates used to measure potential demand indicated that market demand was still insufficient to warrant additional conference space in Madison.

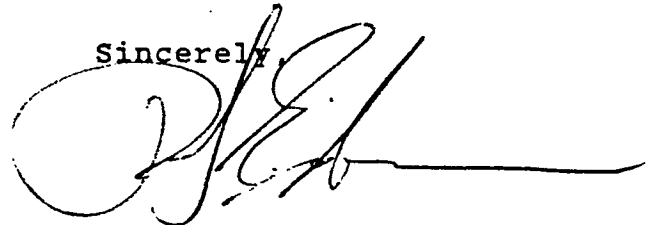
Dr. James A. Graaskamp
June 11, 1987
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The analysis did not take into consideration corporate users. Corporate users could substantially make a difference between positive and negative cashflows for a conference center, but this analysis was not part of the scope of study.

We must also caution you that some data acquired in the research process, as you are aware, was accessed under confidential conditions. Consequently, this study cannot be made public without written permission from the authors.

If you have any questions, please do not hesitate to call on us.

Sincerely,

A handwritten signature in black ink, appearing to read 'R. Erdmann', with a long horizontal line extending to the right.

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RECOMMENDATION

After careful review and analysis, we recommend against constructing a conference center on the downtown MATC site.

Several factors were reviewed in the analysis:

- o Industry trends--the market for conference centers is growing nationally due to changes in the tax laws and demographics.
- o Conference Center attributes.
- o Location Site Analysis--the site is well-positioned to take advantage of available surrounding land uses, such as MATC and the Concourse Hotel. However, political considerations and MATC plans for expansion on the site are uncertain, clouding any opportunities for a conference center on the site. These considerations are secondary to market factors.
- o Sources of Demand--three user groups were evaluated: (1) University of Wisconsin; (2) State of Wisconsin Government Agencies; and, (3) Wisconsin-based trade and professional associations.

State agencies and the university spend less than \$250,000 together on private conference facilities in Madison. State associations, while they number 1100, could only be expected to generate \$405,000 to support conference facilities through room rental charges and food and beverage services at the Concourse Hotel.

- o Sources of Supply--the Concourse Hotel is the most probable developer of a conference center on the site. The Concourse is also the largest recipient of state and university conference expenditures at \$38,000. Madison's conference market follows national trends--peak periods in fall and spring and slack in summer and winter. The University of Wisconsin-Extension Conference Center System (Wisconsin Center) is the competitive standard in Madison.
- o Market Feasibility Analysis--financial cashflow analysis based on market capture rates and construction costs for a 40,000 s.f. state-of-the-art conference center indicated an annual breakeven cost of \$840,000, but estimated revenues of \$405,000, or 48 percent of required cashflow.