# FACT OR FOLLY

## A REVIEW OF *CONVENTION CENTER FOLLIES* BY HEYWOOD T. SANDERS


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## Abstract

This article responds to Heywood Sanders' book *Convention Center Follies*. It argues for a more moderate picture of the state of supply and demand in the convention industry, and it critiques Sanders' narrative of convention center development.

## Introduction

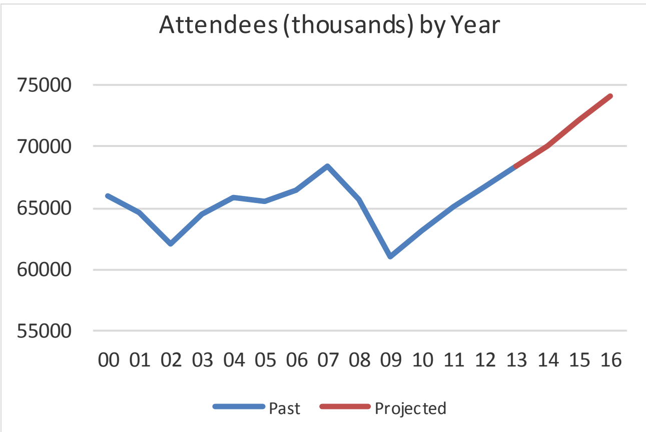
In his book *Convention Center Follies: Politics, Power, and Public Investment in American Cities*, Heywood T. Sanders presents a critical account of the convention center industry. He targets local and state governments, business interests, and professional convention consultants as complicit in the systematic over-building of convention centers in an effort to demonstrate that, on the whole, convention center developments represent a misuse of public and private capital.

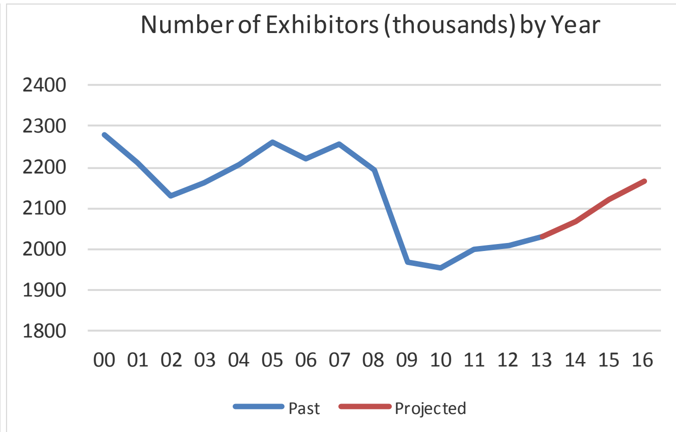
Sanders, a professor of Public Administration at the University of Texas at San Antonio, has railed against the industry for decades, beginning with a 1992 essay in the *Journal of Urban Affairs* called "Building the Convention City."[i] Then, as now, Sanders adopts a selective approach to his data in order to paint as bleak a picture of the industry as possible. Whereas Sanders' previous critiques have at least ventured to present a comprehensive analysis of the state of the industry, however, *Convention Center Follies* relies primarily on argument by example, moving rapidly between histories of various convention center projects and allowing thoroughness and context to take a backseat. Sanders' criticisms of the state of the industry consist, by and large, in three major interrelated claims about convention centers: first, that there is a massive glut of supply relative to existing and projected demand for exhibition space, which signals the inevitable demise of the industry; second, that the ostensible overbuilding of convention center space is uniformly the result of the collusion of narrow business interests, political insiders, and professional convention consultants; and third, that the financing mechanisms for these convention center developments are designed primarily to avoid voter referenda, and so are undemocratic. Each of these claims, as Sanders presents them, is dramatically overstated, and none is fully supported by his own data. This article will discuss each of Sanders' main claims in turn in order to evaluate his critique and present a more moderate picture of the state and practices of the convention center industry.

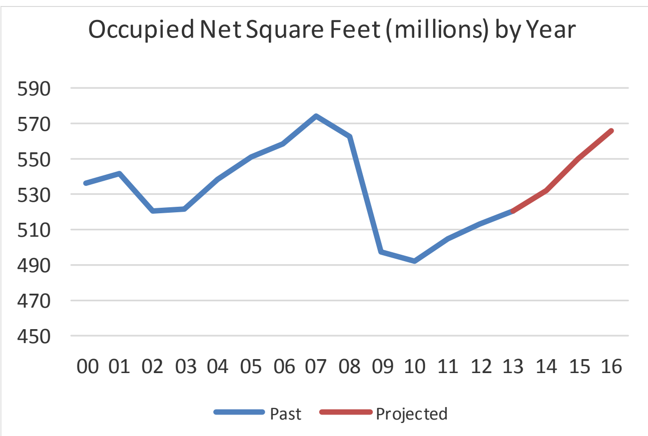
## Is the convention center industry in decline?

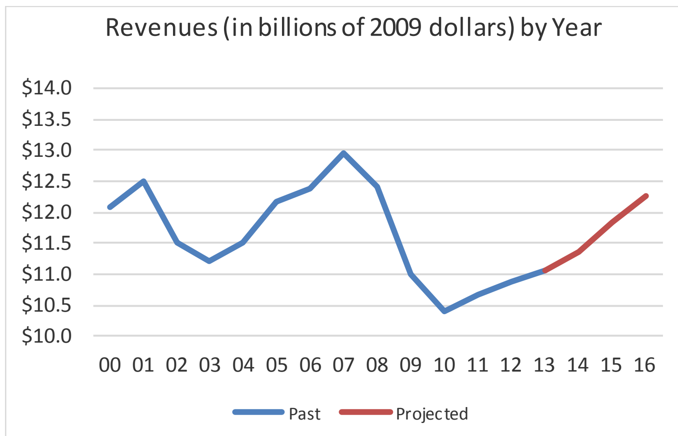
Central to Sanders' criticism of public investment in convention centers is the notion that the industry is fatally overbuilt as the result of decades of convention center expansion. As evidence of declining demand, Sanders has cited diminishing rates of growth in attendance and exhibit space use at *Tradeshow Week* "200" events, which comprise the largest conventions and tradeshows in a given year. In a 2005 article published by the Brookings Institution, Sanders relied upon data from the now-defunct publication *Tradeshow Week* to argue that the decreasing attendance and exhibit space use at these major events is evidence of a fundamental shift in the trajectory of the industry.[ii] A 2005 response to that article, penned by HVS consultants Thomas Hazinski and Hans Detlefsen, argues that Sanders provides a skewed image of the state of exhibit space demand.[iii] By focusing on particular data points rather than analyzing trends in aggregate, according to Hazinski and Detlefsen, Sanders unfairly generalizes across the industry as a whole.

Whatever the problems with Sanders' previous characterizations of the state of exhibit space demand, the issue receives no systematic treatment in *Convention Center Follies*. Instead of an analysis of general trends, he briefly discusses a host of examples that suggest, by implication, a trend of precipitously declining demand alongside a runaway growth in supply. But an anecdotal approach cannot convincingly demonstrate that the industry is in decline. Consider the following charts, which depict data from the 2014 Index Report, published by CEIR (the Center for Exhibition Industry Research, which, after the demise of *Tradeshow Week*, stands as the only source of national data on exhibition attendance and space use).




***Source: CEIR 2014 Index Report***

The 2014 CEIR Index Report collected data from over 400 events in 2013. Their data from previous years extends back to 2000, and they also estimate projections through 2016. CEIR collects data on exhibitions, defined as "any event with at least 3,000 NSF [net square feet] of exhibit space and 10 or more existing companies."[iv] In *Convention Center Follies*, Sanders maligns the CEIR as "the tradeshow industry's research and promotion arm" (p. 86), although he does not indict the research methodologies or conclusions of the organization. There are reasons to be skeptical of the CEIR data, as there is no guarantee that the sample is representative of the industry as a whole. However, the CEIR is at present the only source of national data on exhibition attendance and space usage, and in lieu of more comprehensive data, it is useful to take the CEIR Index Report as a starting point.

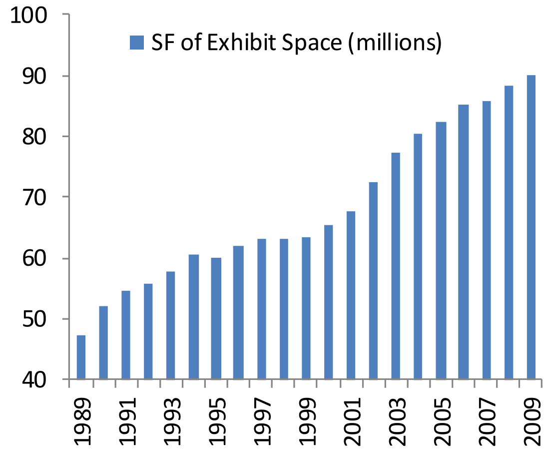
The chart depicting attendance by year shows that exhibition attendance for the surveyed events in 2013 totaled 68.4 million, roughly the same level as the most recent peak in 2007. CEIR projects future growth through 2016, based on national macroeconomic data regarding GDP, government spending, and overall consumer spending. While these data are an imperfect measure of the state of the industry as a whole, focusing exclusively on large exhibitions, they reflect the facet of the convention industry most likely to generate economic impact for municipalities by encouraging out-of-town visitation. The trend over the past decade has not been one of decline but of interrupted growth.

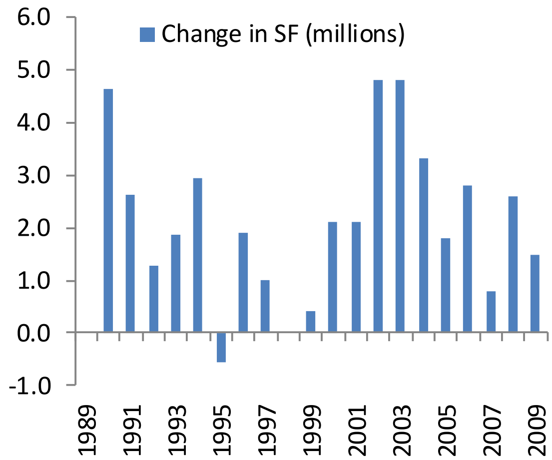
Sanders criticizes industry analysts who presumed, in reports issued throughout the 1990s, that demand for exhibition space was immune to contractions in the national economy. Those predictions, while ultimately faulty, relied on available historical data, and there was no precedent for the immanent declines in demand. Since the economic collapse of 2001, consultants have widely acknowledged that exhibit space demand is not immune to macroeconomic forces, despite Sanders' allegations to the contrary. As the above charts demonstrate, overall attendance at major exhibitions dropped significantly in 2002 and 2009, the years following major economic turmoil. Susceptibility to changes in overall rates of economic growth is an indication of industry maturation, which in many cases industry analysts failed to foresee. The CEIR data through 2013 show, however, that even given the dramatic and unforeseen economic contraction in 2008, attendance at the surveyed exhibition events rebounded within several years.

The CEIR measurements of space use, exhibitors, and real revenues show that the effects of the 2008 recession are more persistent in those areas than they are in the case of the attendance data, which have recovered more successfully. The overall trend of the data is clear, however: industry growth has for the most part been steady, but was dramatically set back by the two major economic contractions of the past fifteen years. The CEIR data provide us with a view of industry that is susceptible to larger economic trends, and thus suffers from short-term fluctuations in demand. The data certainly do not support the notion that the industry is inexorably trending downwards. The era of the most rapid growth of the convention center industry may be over, but recent data are more indicative of an industry experiencing maturation rather than decline.

Instead of accounting for the available national data, Sanders chooses to focus on data from particular convention centers in select years of operation. There are no tables of data in *Convention Center Follies*, nor are there graphs, charts, or any other data visualizations. Instead, data points are cited in passing as suggestive evidence of trends in the convention industry. Because they are rarely given a long-term context, these numbers create at best an impressionistic and hazy vision of the state of the industry, entirely lacking the rigor and thoroughness that would be required for a critical evaluation of long-term trends. The reader is left to assume that the industry is experiencing fundamental changes, even though data from 2008 through 2010 may just as well reflect a short-term valley as a long-term decline.

The CEIR data speak against Sanders' broad generalizations about the direction of supply and demand, but it must be acknowledged that they only directly measure the attendance, use, and revenues of exhibition events; they do not indicate anything about rates of growth in available exhibit space in the United States. Unfortunately, since *Tradeshow Week* is out of print, there is no up-to-date source for national data on growth rates in exhibition and convention space. The following charts display data from *Tradeshow Week*, which surveyed the total amount of exhibit space nationwide through the year 2009.




***Source: Tradeshow Week***

The *Tradeshow Week* data show that supply grew in almost every year since 1989 with the exceptions of 1995 and 1998, when there was a small decline and when supply was unchanged, respectively. The annual increase in supply shows a large amount of year-to-year variability, with the recent peak of 4.8 million square feet of new exhibit space in 2003—double the rate of growth just two years later in 2005. The decline in new supply in the years following the 2001 economic turmoil suggests that supply, like demand, is correlated to the state of the national economy (although supply is predictably slower to respond to sudden economic changes since many in-process developments will continue to be completed after an economic contraction). While supply has grown consistently, there is no evidence of runaway or out-of-control growth in exhibit space, and Sanders' caricature of uniform, uninhibited expansion is not borne out by the available data.

Sanders' implication that recent years have seen a runaway growth in supply of convention center space may be exaggerated, but there is reason to believe that the industry may be somewhat overbuilt. In 2008, HVS published a report by Hans Detlefsen and Nina Vetter called "Convention Centers: Is the Industry Overbuilt?"[v] That article concluded that the increasing supply of convention center space relative to demand had resulted in a maturation of the industry, forcing existing convention facilities to compete with one another for a smaller share of events. Where Sanders takes the maturation (or ostensible decline) of the industry as an indication that public funds applied to convention center developments are put to ill use, Detlefsen and Vetter suggest that such investments are necessary in order for venues to remain competitive. In other words, while the continued growth of convention center infrastructure may have some detrimental effect on the market as a whole, a particular development project may nonetheless be advantageous for a given city in order to ensure that they continue to reap the benefits of their existing investments. As demand continues to rebound from the most recent recession, there is no reason to suspect that growth in supply will outstrip demand in the long term.

## Are politicians, businesses, and consultants in cahoots?

A second major claim underpinning the thesis of *Convention Center Follies* is that convention center developments are uniformly and without exception motivated by the collusion of narrow business interests with political insiders, who in turn appeal to unqualified consultants to validate their plans for development. Sanders applies this same story to every convention center development in an attempt to reduce each case to his predetermined narrative. In reality, the motivations behind convention center projects vary widely, even between apparently similar venues and cities. The motivations for an expansion of Chicago's McCormick

Place, which competes with top convention destinations like Las Vegas and Orlando, will necessarily differ from those of second- and third-tier convention destinations. Economics, geography, and demographics work together to shape the development process for convention centers in ways that vary radically from one project to the next. Sanders largely overlooks such differences in his analysis, and *Convention Center Follies* makes no attempt to criticize or even acknowledge any competing motivations for convention center development. It is therefore worth suggesting some economic rationales for convention center building projects that place into perspective the ostensible political machinations involved in their development.

Convention centers create efficient marketplaces for the exchange of goods, services, and information. The advent of low-cost air travel and other transportation improvements have accelerated convention center development over the last several decades because, with the ability to gather a critical mass of people, conventions and exhibitions became a more efficient means of sales, marketing, and information exchange. While the economic benefits of convention centers on their host cities are significant, they are incidental to the real reason for their existence. Sanders' critique does not consider these facets of public investment in convention centers, opting to reduce every convention center development to a simplistic set of misguided motivations.

But what is the rationale for public investment? Why doesn't the private sector build large scale convention facilities? In most cases, the marginal benefits to private owners would not justify their investment. While owners can charge rents, they do not reap the more significant benefits that accrue to its users and the community as a whole. Just as a single trucker or a trucking company cannot afford to build a highway, a single event planner or exhibiting company cannot afford to build a convention center. Like highways, convention centers are another form of public infrastructure that facilitates economic activity. The public sector, using its ability to aggregate resources though taxation, thus becomes the logical source of funding for, and ownership of, convention centers. The question is not whether the public sector should be involved, but whether the level of investment that has occurred is appropriate.

As a corollary to his narrative, Sanders repeatedly decries the practices and methods of professional convention consultants, whom he blames in part for the perceived overabundance of exhibit space resulting from continual convention expansion. In his chapter criticizing economic impact models, he writes, "Consultant studies, and responses to government requests for proposals to do studies, often list previous clients and studies. But they effectively never provide evidence of a firm's track record or accuracy in forecasting, or an explicit model by which the forecasts are derived. With rare exceptions, the study forecasts for number of events and attendance are also stated, seemingly precisely, as single numbers" (pp. 139-140). The implication of Sanders' remarks in the context of his criticism is that ultimately, consultants provide inherently faulty estimates without acknowledging their degree of uncertainty, and thereby mislead their clients and avoid accountability for their faulty predictions.

Sanders' many accusations are worthy of a more detailed response than the brief treatment they can receive in this article, but several short remarks should suffice to provisionally answer these criticisms. One broadly applicable response is to note that Sanders' critique attempts to generalize across an entire industry of convention center consultants, as though the practices and methodologies of each organization were interchangeable. This is not the case. For example, HVS presents its forecasts of estimated demand and economic impact as the midpoint of a range of possibilities, and every forecast is accompanied by a list of assumptions and limiting conditions that affect the predicted outcomes. These practices may not be universal among convention center consultants, and consultants sometimes make poor forecasts, to be sure; but

Sanders selectively cites dismally flawed overestimations in order to paint the industry with a broad brush. He fails, once again, to provide any evidence that his anecdotal approach is supported by aggregate data.

Sanders' further concern that consultants do not retroactively evaluate their predictions is not wholly unreasonable, since a practice whose business is forecasting should, it might seem, try to measure their predictive successes. However, this criticism reveals a misunderstanding about the process of evaluating the success of convention center developments. By citing figures comparing predicted attendance versus actual attendance, Sanders attempts to demonstrate that consultants systematically overestimate demand and economic impact in order to 'sell' the idea of a convention center to a municipality. In reality, the success of a convention center can only be measured against the counterfactual situation in which the convention center development had not occurred, or had otherwise been altered in scope.

The forecasts made by consultants are also explicitly contingent upon the presumption that national macroeconomic trends will remain constant over the long term. To evaluate a convention center by comparing projected attendance versus actual attendance in the year 2009, for example, in which the national economy reeled from the 2008 recession, is to measure the success of that convention center with faulty criteria. The projections of consultants are sometimes wrong, and sometimes dramatically so, but determining their accuracy requires engaging in a complex "what-if" analysis that Sanders wholly ignores.

The narrative that Sanders continually applies to the process of developing convention centers pays little attention to the specific issues that motivate individual convention center projects in particular cases, and he implicates businesses, politicians, and consultants in a process of systematic deception with little warrant. As with his depiction of the state of supply and demand in the industry, a selective approach to data leaves a scattershot of numbers, without necessary context and analysis.

## Does the public oppose convention center development projects?

A final point of emphasis in Sanders' book is the notion that contemporary financing mechanisms for convention center developments are designed to avoid public referenda, and thus to push forward with convention center projects despite widespread public opposition. Again, his findings are dubious and difficult to evaluate in the absence of a comprehensive analysis of the history of referenda, which he does not undertake. Instead, the data are (once again) presented anecdotally, serving to create an impression of public dislike for funding convention centers without providing hard evidence thereof.

The very notion that contemporary financing mechanisms that avoid referenda are either undemocratic or instances of bad governance is questionable from the start. First, only a very small proportion of government financing initiatives require public referenda, so the financing of convention center developments without referenda does not represent a radical shift in government financing strategies in general. It might be equally well understood as a means of bringing convention center financing strategies into line with the majority of government-funded projects. Second, financing projects without voter approval does not necessarily reflect a fear that such measures will be voted down. There are myriad reasons why governments adopt new financing strategies which are given little consideration in Sanders' critique, including widely varying electoral procedures and budget considerations. Third, even if one were to accept that governments began using alternative financing strategies primarily to override public opposition, the new financing strategies only become objectionable as policymaking tactics if one already accepts the rest of Sanders' argument, namely that convention center developments are misuses of public investment. This article has strongly disputed that notion. Fourth, the funding sources for the bonds have evolved to the use of revenue sources that are dependent upon and generated by activities generated by the a conventon center such as lodging taxes, food and beverage taxes, district sales taxes, and incremental in property taxes within a district. The pledge of these more narrow funding sourcer rarely require public approval. Finally, the more recent trends in convention center funding tend to obviate the need for referenda because they generate capital from sources outside the municipality in which the development takes place, including through partnerships with state governments and private corporations. These financing strategies therefore represent an alleviation of the burden on the taxpaying public of the city in question, and instead of signaling a breach of democratic values via the imposition of an unwanted tax, such strategies may indicate responsiveness to public preferences.

It is unclear, moreover, whether the public does in fact oppose funding convention center developments in the first place. In discussing various examples of historical referenda, Sanders equivocates between different senses of "majority" in order to imply that most of the general public opposes convention center financing initiatives. In fact, it is often the case that a bond package requires a supermajority in order to pass, so that a measure which receives only 61 or 62 percent of the popular vote might fail to garner the "required majority" of 63 percent. Each failure of a particular bond proposal is taken as evidence of a public distrust of convention center developments in Sanders' analysis, even those which receive the support of more than 50% of the voting public.

Some bond issue proposals have fared poorly in referenda, to be sure. Sanders notably cites a 1971 vote in St. Louis and a 1969 referendum in Kansas City which garnered only 36 percent and 32.6 percent approval, respectively. Sanders' discussion of the latter case is particularly illuminating, as he uses the dismal performance of that Kansas City ballot initiative as evidence of deep public mistrust for convention center projects. He mentions in passing, however, that included in that referendum were financing measures for police and fire, programs which typically benefit from perennial political support and which nonetheless failed to meet the required supermajority in the 1969 vote. Kansas City's subsequent attempts to finance the convention center development without voter approval, which Sanders casts as devious political maneuvering, appear in light of the failure of the police and fire initiatives less like an undemocratic subversion of the will of the public and more like pragmatically necessary steps toward good governance. Sanders gives no apparent significance to the fact that only two years later, a proposal in Kansas City for convention center financing *did* pass, despite the failure of 10 of the 13 other bond measures on the ballot. He accounts for the success of that convention center measure in terms of a coalition-building effort between politicians and businesses, but does not explain how or why that coalition was insufficient to ensure passage of the bond package as a whole.

This haphazard approach to political history in the case of Kansas City is only one example of Sanders' tortuous argumentation and approach to data. Relevant data points are dismissed or ignored when they conflict with the book's predetermined narrative of political manipulation. In order to assess whether the innovative financing strategies used to fund convention center projects are designed to skirt referenda, one would have to analyze both a comprehensive set of data about referenda efforts and the particular political contexts that might suggest alternative motivations for adopting new financing methods. Sanders unfortunately provides neither, settling instead for argument by implication.

## Conclusion

*Convention Center Follies* puts its extensive research to poor use by seeking to establish a reductive and simplistic story about the nature of convention center developments. Sanders presents more than a few valid criticisms of practices within the convention center industry, and it is important to acknowledge that past failures in forecasting should warn industry analysts against excessive optimism. But Sanders' brand of doom-saying cannot account for the complexities of the modern convention industry. There is neither a singular set of motivations behind every convention center development nor a unified method of demand and impact analysis among consultants. Concerned to establish his predetermined narrative, however, Sanders uses his data selectively, without much attention to the specific political and economic contexts of each project or the long-term patterns of industry growth. Instead of recommending caution, he leaps well beyond the limits of his own evidence to insist on single-minded opposition to convention center developments in general. Members of the convention and exhibition industry, as well as municipalities considering proposals to develop convention facilities, would be better served by a sound, analytical approach to judging the state of the industry in the place of Sanders' unwarranted cynicism.

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[i] Heywood T. Sanders, "Building the Convention City: Politics, Finance, and Public Investment in Urban America." *Journal of Urban Affairs* 14.2 (1992): 135-59.
[ii] Heywood T. Sanders, "Space Available: The Realities of Convention Centers as Economic Development Strategy." Brookings Institution (2005).
[iii] Thomas Hazinski and Hans Detlefsen, "Is the Sky Falling on the Convention Center Industry? A Critical Review of the Brookings Institution Research Brief on Convention Centers as Economic Development Strategy." *HVS Journal* (2005).
[iv] Center for Exhibition Industry Research. "2014 Index Report." p. 2.
[v] Detlefsen, Hans and Vetter, Nina. "Convention Centers: Is the Industry Overbuilt?" *HVS Journal* (2008).

## About HVS

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