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Economics of the Osceola County Convention Center

July 28, 2004

For years Osceola County has pursued the development of its own convention center, but to no avail so far. Their motivation? Economic development, pure and simple.

The county believes that with their own convention center more meetings and conventions will be held in Osceola, resulting in more tourists, more room nights at hotels, and more jobs. Furthermore, the county enjoys huge flows of tourist development taxes – paid by tourists as part of their hotel bill – that can be used for only a very limited menu of largely tourist-related promotions, sports facilities, and convention centers. Since the county already spends most of the tourist taxes on promotions, the marginal benefit of spending even more on promotion is relatively low, and the benefit from a convention center is perceived to be relatively high.

And so the county has pursued its convention center, first with World Expo, a proposed privately funded exposition center that could never put its funding package together. Then the county let an RFP, which was won by Faulkner USA. So far, Faulkner has not been able to perform either and has forfeited a substantial deposit. Yet Faulkner persists and is promoting a \$350 million debt-funded program that they are asking Osceola County to backstop over and above funding their convention center.

Although Osceola will fund the cost for the center with its tourist taxes, there is no appetite in the private marketplace to invest in a convention center hotel and to manage the county's convention center. Why? Because convention centers typically do not make any money. They do bring in tourists and meetings, but they barely pay their operating expenses.

Last week the Gaylord Palms Resort made the county a great offer: a site next to its very successful resort for the county's center. Palms would treat the county's \$140 million investment as a loan and repay it through the taxes generated at the Palms and paid to the county. Since Palms already has a convention center hotel, the main obstacle to the county's convention center is resolved at the Palms. Furthermore, the Palms deal would require less than half the funding of the Faulkner option.

Central Florida already has a plethora of convention and meeting space, so it is not easy to succeed in this most competitive marketplace. Gaylord Palms has demonstrated that it can compete successfully, so it makes good business sense as well for Osceola County to combine its efforts with one of its most successful operators, Gaylord Palms. Maybe in this way the county will finally get that convention center it has wanted for such a long time.

This is Hank Fishkind for 90.7 FM, WMFE News.

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