



State of New Jersey

CASINO CONTROL COMMISSION

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January 28, 1983

MEMORANDUM

TO: WILLIAM FORMAN
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FROM: BARBARA P. LAMPEN, P.P.
CHIEF, POLICY, PLANNING & DEVELOPMENT

BL

RE: ATLANTIC CITY CONVENTION HALL

As you requested, enclosed please find a copy of the Atlantic City Convention Hall Blue Ribbon Committee report prepared by the staff of the New Jersey Casino Control Commission.

If you have any questions on this matter, please feel free to contact me.

sr

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ATLANTIC CITY CONVENTION HALL

BLUE RIBBON COMMITTEE

JOSEPH P. LORDI

CHAIRMAN

Report and Recommendations

April, 1982

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ATLANTIC CITY CONVENTION HALL
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I. INTRODUCTION AND EXECUTIVE SUMMARY

In May, 1981, the Atlantic City Board of Commissioners unanimously voted to empanel a Convention Hall Blue Ribbon Committee to present recommendations to the city concerning an appropriate Convention Hall renovation and expansion program.

In July, 1981, the Blue Ribbon Committee presented its initial report to the city Commission. The report defined the various expansion proposals advanced to date, and outlined the general design and operation criteria considered by the committee in evaluating the expansion proposals. The report recommended that further development of any expansion proposal begin with complete renovation of the existing Convention Hall facility and an associated two block expansion program.

The 1981 committee report characterized this recommendation as a conceptual starting point, and strongly recommended that the city retain nationally recognized professionals to conduct a market demand analysis and financial feasibility study to guide any further definition of the building program.

On July 16, 1981, a subcommittee was designated to review the existing convention hall operation structure and prepare a report presenting recommendations concerning the establishment of a new operating authority to manage a renovated and expanded facility.

This subcommittee report was unanimously approved by the Blue Ribbon Committee on September 17, 1981. Also considered at this meeting was the subject of implementation of any Convention Hall renovation and expansion program. While a variety of legislative mechanisms exist which might be utilized to implement any

Convention Hall development program, the committee recommended that the Atlantic County Improvement Authority be considered by the city for designation as the entity responsible for bond issuance, renovation of Convention Hall, and any facility expansion to be undertaken.

On October 22, 1981, following a public selection process, the Atlantic City Commission resolved to retain a consulting team coordinated by the firm of Angelos Demetriou and Associates to conduct market demand and financial feasibility studies, and from those studies recommend an optimal renovation and expansion program.

By resolution, dated November 5, 1981, the city designated the Atlantic County Improvement Authority as the entity to assume responsibility for the planning, financing, and execution of the renovation and expansion of Convention Hall.

Following approval of a scope of services by the city, the Blue Ribbon Committee met periodically with the consulting team throughout the study period beginning November 16, 1981. Interim submissions to the city were made available for the Committee's review and comment on December 14, 1981, and January 22, and February 24, 1982. The final submissions were made available to the committee on March 22 and 31, 1982.

Members of the Blue Ribbon Committee have reviewed the reports and recommendations made to the city concerning the renovation and expansion of Convention Hall. Based upon its analysis of those reports, the committee is of the opinion that if Atlantic City is to make a serious commitment to remaining a convention city,

then it must have the resources available to maintain a reasonably competitive position, no matter what the city's ultimate market might be. Any long-term development program, therefore, should begin with the necessary land acquisition so that the future ability to expand and maintain a competitive market position is assured.

Full renovation of the existing Convention Hall should begin immediately. Renovations should be scheduled so as not to interfere with any scheduled convention, meeting or tradeshow that is committed to use of the convention facilities during the renovation period.

Expansion of the existing facilities onto block 45 should be undertaken as quickly as possible, preferably concurrent with renovation of the existing facility. Expansion onto block 45 appears necessary to enable Atlantic City to maintain its present competitive position in the marketplace and to ensure maximum flexibility in scheduling a greater number of events, thus maximizing the convention industry's economic benefit to the city.

The convention industry is highly competitive in nature, thus, if Atlantic City ultimately seeks to regain its former prominence as a premier convention city, a second phase expansion will be necessary. Future expansion appears, of necessity, to be tied to future market performance and a corresponding growth in luxury tax revenues.

The convention industry is a vital component of Atlantic City's resort economy, and maintaining the viability of that industry is pivotal to the future success of the city.

For this reason, the Blue Ribbon Committee strongly urges the

city and the Atlantic County Improvement Authority take immediate action to implement the committee's recommendations concerning a proposed building program, an equitable relocation program for affected area residents and business people, and State of New Jersey "moral obligation" assistance to the bond financing program.

It is critical to the success of the renovation and expansion program that all involved parties recognize the urgency of moving forward immediately with respect to all elements of the project. It is estimated that any delay in the implementation of the renovation and estimated expansion of Convention Hall could result in building cost increases on the order of \$2.0 million per month for each month of delay. With new and expanded convention facilities being built in San Francisco, New York City, Washington D.C., New Orleans, Atlanta, and Las Vegas, it is imperative that Atlantic City move to provide a modern convention facility to increase its convention and exhibit attraction prospects and stem the ever accelerating loss of convention bookings.

The Blue Ribbon Committee wishes to acknowledge the full cooperation it received from Mr. Demetriou and members of the consulting team and the capable assistance of Staff of the Casino Control Commission and the Atlantic County Improvement Authority.

In May, 1981, the Atlantic City Board of Commissioners unanimously voted to empanel a Convention Hall Blue Ribbon Committee to present recommendations to the city concerning an appropriate Convention Hall renovation and expansion program. The Committee met on seven occasions commencing on May 21, 1981. In addition, several subcommittees and staff members met on numerous occasions with a variety of individuals, including local residents and business people, investment bankers, architects, accountants, engineers, and private developers.

In July, 1981, the Blue Ribbon Committee presented its initial report to the city Commission. The report defined the various expansion proposals advanced to date, and outlined the general design and operation criteria considered by the committee in evaluating the expansion proposals. The report recommended that further development of any expansion proposal begin with complete renovation of the existing Convention Hall facility and an associated two block expansion program.

The 1981 committee report characterized this recommendation as a conceptual starting point, and strongly recommended that the city retain nationally recognized professionals to conduct a market demand analysis and financial feasibility study to guide any further definition of the building program.

On July 16, 1981, a subcommittee was designated to review the existing convention hall operation structure and prepare a report presenting recommendations concerning the establishment

of a new operating authority to manage a renovated and expanded facility. In preparing the report, the subcommittee conducted interviews with principal members of Convention Hall, the Atlantic City Convention and Visitors Bureau, the city Public Relations Department, the Atlantic Hotel/Motel Association, and the Hotel Sales Managers' Association. Comparisons were also drawn between the Convention Hall's operating structure and the organizational structure with convention centers in other jurisdictions such as Atlanta, Las Vegas, and Chicago.

The subcommittee report on the proposed operating entity recommended that the operating authority be an independent body, not affiliated with any branch of government, whose primary function would be the daily operation and management of Convention Hall, as well as convention sales and related marketing activities. It was further recommended that the operating entity consist of representatives from the casino-hotel industry, the hotel/motel industry, the local business community, and representatives of state and local government. The subcommittee also recommended that the necessary legislation move forward at the earliest possible time and be drawn to insure maximum flexibility as to the functions, powers, and potential financial sources of the operating entity.

This subcommittee report was unanimously approved by the Blue Ribbon Committee on September 17, 1981. Also considered at this

meeting was the subject of implementation of any Convention Hall renovation and expansion program. While a variety of legislative mechanisms exist which might be utilized to implement any Convention Hall development program, the committee recommended that the Atlantic County Improvement Authority be considered by the city for designation as the entity responsible for bond issuance, renovation of Convention Hall, and any facility expansion to be undertaken.

On October 22, 1981, following a public selection process, the Atlantic City Commission resolved to retain a consulting team coordinated by the firm of Angelos Demetriou and Associates to conduct market demand and financial feasibility studies, and from those studies recommend an optimal renovation and expansion program.

By resolution, dated November 5, 1981, the city designated the Atlantic County Improvement Authority as the entity to assume responsibility for the planning, financing, and execution of the renovation and expansion of Convention Hall.

Following approval of a scope of services by the city, the Blue Ribbon Committee met periodically with the consulting team throughout the study period beginning November 16, 1981. Interim submissions to the city were made available for the Committee's review and comment on December 14, 1982, and January 22, and February 24, 1982. The final submissions were made available to the committee on March 22 and 31, 1982.

1. The committee recommends immediate acquisition of blocks 45 and 41, full renovation of the existing facility, and expansion of the existing Convention Hall facilities onto block 45. Further expansion of the new facility onto block 41 should be tied to future market performance and the ability of luxury tax revenues to fund the building program.

If Atlantic City is to make a serious commitment to remaining a convention city, then it must have the resources available to maintain a reasonably competitive position, no matter what the city's ultimate market might be. Any long-term development program, therefore, should begin with the necessary land acquisition so that the ability to expand and retain a competitive market position is assured.

Full renovation of the existing Convention Hall should begin immediately. Renovations should be scheduled so as not to interfere with any scheduled convention, meeting or tradeshow that is committed to use of the convention facilities during the renovation period.

Expansion of the existing facilities onto block 45 should be undertaken as quickly as possible, preferably concurrent with renovation of the existing facility. Expansion onto block 45 appears necessary to enable Atlantic City to maintain its present competitive position in the marketplace and to ensure maximum flexibility in scheduling a greater number of events, thus maximizing the convention industry's economic benefit to the city.

Ultimately, if Atlantic City seeks to regain its former prominence as a premier convention city, a second phase expansion will be necessary. This further expansion presently appears, of necessity, to be tied to future market performance and a corresponding growth in luxury tax revenues.

2. The committee recommends that the Atlantic County Improvement Authority, in consultation with the city, adopt an equitable relocation program for affected area residents and business people.

By the city Resolution of July 9, 1981, a policy was adopted that residents be offered a fair price, relocation costs and an option to relocate into a condominium developed over Convention Hall air-rights and that businesses be offered the right to first refusal to relocate in the new structure. In response to this requirement, the architects have developed proposals for the inclusion of residential and commercial space within or adjacent to the Convention Hall facility.

The committee recommends that any relocation program developed by the Atlantic County Improvement Authority for area residents and business people incorporate the following elements:

1. One move with no or limited interruption of present land use activity;
2. Fair value for land acquisition and improvements based upon professional MAI appraisals to be conducted as soon as possible;
3. No increased financial burden for the maintenance of a primary residence;

4. Relocation to a condominium or similar unit, for all residents desiring such, constructed on-site or at some acceptable alternate site; and
 5. Right of first refusal for all business people wishing relocation in commercial space incorporated in the expansion. Such a program should mitigate any potential tax revenue loss the expansion program might create.
3. The Committee recommends that the State of New Jersey respectfully be requested to provide "moral obligation" assistance to the bond financing program proposed for the Convention Hall project.

This "moral obligation" assistance would involve the same state pledge of financial assistance previously extended by the state to the South Jersey Port Corporation (L. 1968, C.60), the Housing Finance Agency (L. 1976, C.31), and the New Jersey Sports and Exposition Authority (L. 1973, C.286).

Technically, the "moral obligation" concept would not create a direct debt of the State, and is not regarded by bond counsel as a form of guaranty such as that used by the New Jersey Highway Authority in financing the Garden State Parkway. Rather, according to the bond counsel, the moral obligation concept would establish "a statutory reserve fund required to be maintained by the state in the amount equal to the maximum debt service payable in any succeeding calendar year". That reserve fund would be established from initial bond proceeds. The state would thereafter be

"morally" obligated to replenish the fund in any calendar year in which the issuer was required to use monies from the fund for payment of principal or interest on its debt. Furthermore, the Governor would be required to certify such amount to the legislature for appropriation.

Should the state wish to give further consideration to this request, the Blue Ribbon Committee stands ready to assist in any way possible.

4. The Committee recommends that all facility charges and fees and any surplus luxury tax funds available after payment of debt service on bonds should become available for the operating budget of the Convention Hall operating entity.

Operating revenues will be available to the Convention Hall Operating Authority from the primary sources of building space rental, concession revenues, and banquet revenues and secondary sources of parking receipts, commercial leases, and the potential lease of air-rights to a non-casino convention hotel. It is the opinion of the committee that all primary revenues and all potential revenues generated by ancillary development be committed to the Convention Hall operating budget. At no time should operating revenues be applied to the payment of the debt service. In addition, any available balance from luxury tax receipts after the payment of the principal and interest on the bonds should be dedicated to any operating deficit incurred by the Convention Hall Operating Authority as provided by the enabling legislation creating the Authority.

5. The committee recommends that options should be kept open for air-rights development, but that extra funds for special foundations to accommodate any air-rights development should not be expended unless a definite commitment is made by a developer prior to undertaking the expanded convention facility.

The committee recommends, where feasible, the inclusion of air-rights development within the financing program so that, to the maximum extent possible, any of the city's potential tax revenue losses be recaptured through inclusion of revenue generating uses such as air-rights sales or leases for hotel and condominium uses. Revenues from hotel air-rights leases should be dedicated to the operating budget of the Convention Hall Operating Authority.

6. The committee strongly urges the city of Atlantic City and the Atlantic County Improvement Authority to take immediate action to implement the recommendations of the Blue Ribbon Committee.

It is critical to the success of the renovation and expansion program that all involved parties recognize the urgency of moving forward immediately with respect to all elements of the project. It is estimated that any delay in the implementation of the renovation and estimated expansion of Convention Hall could result in building cost increases on the order of \$2.0 million per month for each month of delay. With new and expanded convention facilities being built in San Francisco, New York City, Washington D.C., New Orleans, Atlanta, and Las Vegas, it is imperative that Atlantic

City move to provide a modern convention facility to increase its convention and exhibit attraction prospects. To date, because Atlantic City has not embarked on a renovation or expansion program, several significant events have cancelled their future Convention Hall bookings. According to the Atlantic City Convention and Visitors Bureau, several more events will remove or reassess their booking commitments because of the lack of firm renovation and expansion plans for Convention Hall. Some of this recently lost business can possibly be recaptured if a firm and immediate commitment is made to renovate and expand Convention Hall.