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Friday, Aug 06, 2004

## Business

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Posted on Sun, Jul. 18, 2004

### Center raises money, doubts

By Tom Belden  
Inquirer Staff Writer

Six years after they first began promoting the idea of a bigger Convention Center, the people who talk other people into holding meetings in Philadelphia cannot wait to go hunting for business.

With gambling revenue earmarked to expand the center, plans already are being laid to entice trade shows and conventions from other cities in the Northeast.

The \$636 million expansion would increase the center's exhibit space by 59 percent, from 440,000 square feet today to 700,000 square feet, and extend the building from 13th through to Broad Street.

The addition also could revive a struggling hotel industry, with occupancy percentages in the mid-60s so far this year.

"If we do this quickly, we can have an enormous pickup in business," said Tom Muldoon, president of the Philadelphia Convention and Visitors Bureau. "Any of the big industrial trade shows that are in New York can be in Philadelphia."

At the same time, critics say the costly expansion has not been studied well enough. And the project could be crippled by labor troubles and infighting among politicians who control the center's board, both common in the past.

Funds for the expansion were included in the legislation, signed into law by Gov. Rendell on July 6, that legalizes slot machines in Pennsylvania and is expected to generate \$3 billion a year in revenue. In addition to paying for the Convention Center expansion, the money will be used for upgrading Pittsburgh International Airport, paying for other economic-development projects outside Philadelphia and Pittsburgh, and providing more than \$1 billion in property- and wage-tax relief statewide.

The Convention Center Authority implemented a labor-peace accord in 2003 designed to end jurisdictional disputes among unions that had driven away business for more than three



years. In recent weeks, the authority disciplined 20 members of the electricians union Local 98, who the authority said had violated the labor agreement by stopping set-up work for a convention and picketing the building.

On the labor issue, "we have to get everybody on the same page," Muldoon said.

Some observers point to the experience of other cities, including Baltimore and Boston, where large new convention centers aren't attracting as much business as projected.

Whether an enlarged convention center will boost the Philadelphia region's economy hasn't been studied in depth since 1999, six years after the center opened.

Only a single 2002 analysis was done of the center's expansion. The study was never made public and was forgotten when the authority's leadership abruptly changed soon after it was drafted.

The study concludes that an expanded center would boost convention attendance from about one million people a year now to about 1.4 million and increase convention-related hotel sales by 45 percent. The resulting city and state tax revenue was projected to rise by more than one-third.

Still, the lack of thorough study is "striking to me," said David Thornburgh, executive director of the Pennsylvania Economy League's eastern division. "It may well be this is what we need to spend \$600 million on, but it's not a well-examined question."

The expansion project will extend the center, which now covers the area between Arch, Race, 11th and 13th Streets, to Broad Street, where a wall of glass will be part of a grand new entrance to the building. If construction can start in early to mid-2006, the expansion could be completed by late 2008.

The additional square footage would make the building as big as Washington's year-old convention center and larger than the Jacob K. Javits Convention Center in New York. Expansion would enable the building to accommodate more than one large event at a time. For example, a convention could use the Broad Street entrance while the Philadelphia Flower Show was taking place in the original portion.

The Convention Center Authority needs between \$100 million and \$200 million to finish architectural drawings of the expansion, and to start acquiring about 30 parcels of land and a dozen buildings, said City Councilman Michael Nutter, chairman of the authority.

Other authority officials estimated that it would take about 18 months to complete site preparation. The funds for the project most likely will come to the authority from the sale of state-issued bonds, a spokeswoman for Rendell said.

Plans call for razing all but three buildings in the construction zone. Among those to be torn down is Lithograph Lofts, an apartment complex built in the last year in an old printing plant at 144-50 N. 13th St.

A vacant 1920s office tower at the northeast corner of Broad and Arch Streets and the facades of two other buildings next door on Broad will be saved and incorporated into the expanded building.

The Convention Center plans to display artifacts from the demolished buildings, including six unusual gargoyles of helmeted firefighters that adorn the front of the 80-year-old former Fire Department headquarters in the 1300 block of Race.

Muldoon and his staff are eager to see movement on the project, such as the start of land acquisition, so they can persuade convention and trade-show planners to give Philadelphia a try for the first time, or bring back events that have grown too large for the center's current

size.

The visitors bureau says it knows of more than 20 associations that are seriously considering holding conventions here from 2009 through 2014 if the building is enlarged. Those attending the conventions would spend more than \$330 million on hotels, restaurants and other services while they are in town, spokeswoman Danielle Cohn said.

Susan Melnicove, director of education for the American Society of Industrial Security, is one of those trying to decide if the project is far enough along to bring her group to a larger center in 2010. The organization held its annual conference and trade show at the Convention Center in 2002 and would like to return if it adds meeting and exhibit space, she said.

The Philadelphia center's location puts it "head and shoulders above everywhere else," Melnicove said. "It's in a real city, with a downtown, with people there, and great restaurants and hotels," and the Reading Terminal Market.

"We had an enormous turnout before... but we maxxed out the meeting space and the exhibit space," she said. "We need to have a commitment that the expansion is going to happen."

Critics of cities investing money in convention centers say there simply aren't enough large conventions and trade shows to fill all the large facilities nationwide.

But Philadelphia convention officials point to the economy league's 1999 study and to ample anecdotal evidence of the positive effect of the Convention Center.

Between 1994 and 2001, more than 4,000 hotel rooms and dozens of restaurants opened in Center City, helping to create almost 7,400 jobs. The economy league found that the Convention Center generated enough economic activity in its first five years to push up state and city tax revenue collected by more than \$195 million.

"Look at Center City 11 years ago," said Jack Ferguson, vice president of convention sales for the visitors bureau. "There was no life on the street. Now there are restaurants, retail, hotels, the Constitution Center, the Avenue of the Arts, and all that's brought residential development back into the city."

Philadelphia International Airport's growth in passenger traffic over the last decade also was due in part to airline business generated by the Convention Center, city Aviation Director Charles J. Isdell said. The airport expects that a record 26 million passengers will use it this year, compared to 17.3 million in 1994, Isdell said

"There's clearly a connection," he said, "between a healthy airport and a healthy Convention Center."

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