



MONONA TERRACE COMMUNITY AND CONVENTION CENTER

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Date: February 9, 2022
To: Monona Terrace Board Finance Committee
From: Connie Thompson
Subject: **Proposed 2023 Base Room Rental Fees**

Introduction

The proposed 2023 Base Room Rental Fees are attached for your review. Pending Finance Committee approval, they will be presented to the full Board for approval at the February 17, 2022 meeting. We believe these proposed rates will provide Monona Terrace with the pricing needed to achieve the best overall event revenue results in 2023.

Analysis Methodology Summary

We studied rental rates of a sample of convention centers and hotels (rate study attached) to see how our rates compare, and solicited input from the Monona Terrace and Destination Madison sales staffs on what they are hearing from customers about our rates. We also considered that Monona Catering increased menu prices about 2% in 2021 and about 8% for 2022, and the service charge was increased to 21% in 2019. These increases were not fully realized due to the start of the pandemic in Mid-March of 2020. In a more normalized year, as 2023 hopefully will be, these Monona Catering price increases will yield greater commission revenues to Monona Terrace going forward.

As we do each year, it is important to note that the average event (in 2019 our last pre-pandemic year) spent 136% more money than the base room rental after they walked through our doors, and 2020 was on a similar track. In other words, \$10,000 in room rental becomes \$23,600 in total revenue by the time the average group is finished purchasing our various products and services. For this reason we do not want to scare away customers with base rental rates perceived as being too expensive, especially in a post-COVID market trying to recover business. We cannot double our money on an event that does not book with us. We believe the best strategy for 2023 is small rental rate increases on our spaces to enhance revenue without causing undue budget concerns for clients.

Pricing Overview

The attached Monona Terrace Rental Comparison document shows the history of our room rental rates from 1997-98 to present, and the Monona Terrace Base Room Rental Fees document shows the proposed room rental rates for 2023. A brief review of rental price increases:

- We momentarily paused in our rate growth for most spaces in 2002 and 2003 to be sure we did not leave the market behind.
- 2004 and 2005 we made increases on select spaces that had not been increased for a number of years (such as the Meeting Rooms), and on our most in-demand spaces (such as Community and Grand Terraces, Ballroom and Hall of Ideas).

- 2006 we enacted more aggressive 2.3% to 7.4% increases on the majority of our spaces. 2007 our increases were slightly below to slightly above the rate of inflation (3% according to Mpls. Fed.) at the time, with most increases in the 2.3% to 4.2% range.
- 2008 through 2011 we made modest selective increases on our most in-demand spaces ranging from 1.1% to 6.5%.
- 2012 we made modest increases on some of our rooms. For 2013 we made selective increases ranging from 1.8% to 10.2% on a number of our spaces.
- 2014 we did not increase rates. For 2015 we made moderate rate increases on all event spaces.
- 2016 and 2017 we made a range of rate increases from 0% to 6.7%, and 0% to 8.3% respectively depending on the space.
- 2018 we enacted moderate increases on most spaces in the range of .7% to 6.3%, and for 2019 we held rates the same as in 2018.
- For 2020 we increased rates on a five spaces ranging from .7% to 4.8%, and for 2021 we increased rates on the vast majority of rooms ranging from .7% to 4.3%.
- After increasing rates in 2020 and 2021, for 2022 we did not increase rates.

Market Conditions/Sentiment

The negative effect on customers' businesses caused by the pandemic has lingered well into 2022 when they are making decisions about 2023 and beyond. Many of our customers have sustained significant disruptions to their businesses, and they are evaluating the part events play in their business model for sales to customers, education, fundraising, recognition, and more.

With correct pricing we are better positioned to keep our loyal repeat customers in a time of recovery for them, and assist our efforts to restore business levels/market share across all of our event types. The convention and conference market is still characterized by flexible cancellation policies, and price competition with hotel and convention facilities' function space rental rates heavily discounted or free to keep customers and win new business.

For 2022 – 2023 three of the thirteen facilities we survey increased at least some rental rates (Austin, Minneapolis, Milwaukee), and nine facilities had no rate increase (Alliant reported rate decreases for 2022 that will likely carry into 2023). In many cases the published list price of rents at facilities has very little relationship to the prices actually charged to groups. With the exception of a handful of major markets, discounting remains the rule in the United States, and destinations that are able have bolstered their event assistance funding to buy down rents. Our city is no exception to the rental rate pressure. Often to win business Destination Madison must turn to the Monona Terrace Event Assistance Fund to offset facility rental costs that have already been discounted. For 2010 and 2011 the Event Assistance Fund was at \$100,000 where it had been since the Fund's inception in 1998. The Fund had been increased to \$200,000 for 2009. In 2012 the fund was set at \$175,000. In 2013 the fund was set at \$200,000, and remained at that level for 2020 until it was reduced to \$50,000 by the Room Tax Commission as part of the COVID budget reductions. The Fund amount was set at \$150,000 for 2021, and the same for 2022.

Recommendation

Staff recommends approval of the 2023 rates with modest increases as proposed. We increased room rental prices for both 2020 and 2021, and had no increase for 2022.

We are continually fine-tuning the price-value relationship at Monona Terrace to keep it excellent for prospects and customers. We need to avoid creating a barrier to entry for customers with room rental rates perceived as too expensive, especially during a time of economic recovery for many

businesses. We have a number of competitors that routinely waive room rentals partially or completely as a pricing tactic. Many of these competitors have additional revenue streams such as guest rooms and 100% of catering profit to subsidize free room rental and other price discounts. Larger increases in 2023 rental rates would put us at risk of pricing too high, losing business and not fully participating in the events market recovery with a negative net effect on revenue. As stated earlier, the average event spends 136% more money than the base room rental rate.

Monona Terrace Base Room Rental Fees

Space	2022	Proposed 2023	% Increase
LEVEL 1			
Lakeside Commons	625	635	1.6%
Exhibition Hall - All	6300	6400	1.6%
Exhibition Hall - 1 section (A or B)	3525	3575	1.4%
Show Office	200	205	2.5%
LEVEL 2			
Community Terrace	1375	1400	1.8%
Hall of Fame	200	205	2.5%
Dane Room or Wisconsin Room	235	240	2.1%
LEVEL 4			
Grand Terrace	1375	1400	1.8%
Grand Terrace - Half (East or West)	875	895	2.3%
Hall of Ideas - 1 section 1140 sq. ft.	330	335	1.5%
Hall of Ideas - 2 sections 2280 sq. ft.	600	610	1.7%
Hall of Ideas - 4 sections 4560 sq. ft.	1075	1100	2.3%
Hall of Ideas - All 6 sections 6840 sq. ft.	1525	1550	1.6%
Ballroom - 1 section 3822 or 2940 sq. ft.	850	875	2.9%
Ballroom - 2 sections 7644, 6762, or 5880 sq. ft.	1525	1550	1.6%
Ballroom - All 4 sections	2700	2750	1.9%
Meeting Rms - 1 section 460 sq. ft.	185	190	2.7%
Meeting Rms - 2 sections 920 sq. ft.	290	295	1.7%
Meeting Rms - 4 sections 1,840 sq. ft.	485	495	2.1%
Meeting Rms - 6 sections 2,760 sq. ft.	725	735	1.4%
Meeting Rms - All 8 sections 3,680 sq. ft.	950	965	1.6%
Lecture Hall	950	975	2.6%
Registration Counter	200	205	2.5%
Business Center	425	435	2.4%
LEVEL 5			
Entire Roof	3150	3200	1.6%
Roof Center	1975	1995	1.0%
Roof Circle (East or West)	995	995	0.0%
Roof Center and 1 Circle (East or West)	2575	2600	1.0%
Olin Terrace	625	635	1.6%

**Rate Study for 2023 Monona Terrace Pricing
November, 2021**

	Monona Terrace	La Crosse	Portland Oregon	Austin	Rhode Island	Alliant Energy Ctr.	Mpls.	KI Center Grn. Bay	MKE: WI Center	Kalahari	Marriott Madison	Hilton Madison	Madison Club	EdgeH2O
Ballroom Square Feet	\$2,750 13,534	\$1,700 12,168	\$4,675 13,100	\$3,600 15,288	\$6,800 13,700	\$2,675 (2)14,976	\$4,200 18,070	\$2,800 9,695	\$11,750 12,690	\$3,100 17,200	\$10,000 10,000	N/A	N/A	N/A
Hall of Ideas Square Feet	\$1,550 6,840	\$2,500 6,700	\$2,250 6,300	\$1,875 8,130	\$2,500 5,000	\$1,340 6,336	\$2,000 6,622	\$1,920 6,300	\$3,050 6,248	\$1,500 6,600	\$7,200 7,200	N/A	N/A	\$5,000 6,281**
Exhibit Hall Square Feet Price Per Sq. Ft.	\$6,400 37,200 \$.172/sqft.	\$4,000 38,740 \$.103/sqft.	\$13,764 37,200* \$.37/sq.ft.	\$5,850 41,555 \$.141/sqft.	\$6,400 43,832 \$.146/sqft.	\$6,514 37,200* \$.175/sqft.	\$6,360 79,200 \$.080/sqft.	\$5,200 17,640 \$.29/sq. ft.	\$7,150 31,005 \$.23/sqft.	\$3,700 20,000 \$.185/sq.ft.	\$30,000 30,000 \$1.00/sq.ft.	N/A	N/A	N/A
Meeting Room Square Feet	\$295 920	\$450 1,125	\$396 937	\$315 875	\$400 968	\$250 960	\$335 1,050	\$175 638	\$1,050 837	\$325 1,303	\$1,320 1,320	\$800 1,288	\$415 975	\$600 (2)1079**
Board Room Square Feet	\$240 493	\$350 450	\$264 621	\$160 442	\$350 589	\$250 896	\$167 525	N/A	\$1,050 810	\$350 650	\$624 624	\$200 500	\$210 540	\$300 582**

Notes:

Alliant Energy Center has dropped 2022 prices, and the rates above reflect 2022 plus a 3% anticipated increase.
 Madison Marriott prices are reported by catering sales staff. These rates are heavily discounted based on sleeping rooms consumed, food and beverages purchased and day/date considerations. Events without roomnights are discouraged.
 In the past staff was advised to start at \$1.25 per square foot and negotiate down to .75 per square foot.

* Portland and Alliant price per sq. ft. so the MT exhibit hall size of 37,200 was used to calculate comparable rental rates to Monona Terrace. Actual price is determined by net square feet used, not gross square feet of the exhibit hall.
 Portland offers conventions a 20% discount off listed rates for ballrooms and meeting rooms.
 Austin provides one move-in/out day at no charge for each event day, not to exceed 3 free days.
 KI Center credits back 10% of food and beverage purchases against room rental, and now prices all rooms based on \$.29 per sq. ft.
 Wisconsin Center charges \$3.00/chair in addition to base rent for theater style set in exhibit hall.
 Madison Club discounts rental by 40-60% for members and waives rent on some rooms with F & B purchase.
 Kalahari no longer estimates a ratio of 1 hotel room per 100 sq.ft to get to free room rental. They now use a sliding scale for room rental similar to MT.
 Kalahari now offers 1/2 day rentals and an "Evening Rental" for events taking place after 5:00 PM.
 Kalahari Resort's rates are the base room rentals reported by sales staff. Rental costs could go up or down depending on customer's overall purchase.
 Kalahari reports using the same pricing model for the expansion
 Hilton Madison waives room rental based on # of guest rooms and/or food.
 **Edgewater has weekday and weekend rates. Rates listed above are Fri./Sat. and F & B min is \$25,000 for Grand Ballroom.
 ***Something Edgewater has also been changing, but It's not in print, is their "buyout" prices. For Statehouse they are looking at \$5K rental and \$20K F&B; which is different than what they have done in the past.
 Numbers in parentheses (2) indicate two separate rooms were used to get square feet for comparison.

MT Room Rental Comparison

	1997-1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Proposed 2023	Average Annual % Increase	% Increase since 1997-1998	
LEVEL 1																													
Lakeside Commons	450	475	475	500	500	500	500	500	525	550	550	550	550	550	550	550	550	575	575	575	600	600	600	625	625	635	1.6%	41.1%	
Ex Hall - All	5000	5250	5500	5775	5850	5850	5850	5850	5850	5900	5900	5900	5900	5900	5950	5950	5950	5995	6150	6200	6250	6250	6250	6300	6300	6400	1.1%	28.0%	
Ex Hall - 1 section	2750	2900	3000	3150	3200	3200	3200	3200	3200	3225	3225	3250	3250	3250	3300	3300	3300	3350	3400	3450	3475	3475	3500	3525	3525	3575	1.2%	30.0%	
Show Office (Ex A)	n/a	n/a	140	150	160	160	160	160	170	175	180	185	185	185	185	185	185	185	190	190	200	200	200	200	200	205	1.9%	46.4%	
LEVEL 2																													
Community Terrace	750	800	850	900	925	950	975	1025	1075	1100	1125	1150	1175	1200	1225	1250	1250	1275	1300	1325	1350	1350	1350	1375	1375	1400	3.3%	86.7%	
Hall of Fame	150	150	150	160	165	165	165	165	170	170	170	170	175	175	175	175	175	180	185	190	195	195	200	200	200	205	1.4%	36.7%	
Dane or WI	200	200	200	200	200	200	200	200	210	210	210	215	215	215	215	215	215	220	225	230	230	230	230	235	235	240	0.8%	20.0%	
LEVEL 4																													
Grand Terrace	750	800	850	900	925	950	975	1025	1075	1100	1125	1150	1175	1200	1225	1250	1250	1275	1300	1325	1350	1350	1350	1375	1375	1400	3.3%	86.7%	
1/2 Grand Terrace	425	450	475	500	500	500	525	550	575	600	625	650	675	695	725	750	750	775	800	825	850	850	850	875	875	895	4.3%	110.6%	
Hall of Ideas - 1 sect	175	200	210	210	225	225	230	230	240	250	255	255	255	255	260	260	260	265	275	300	310	310	325	330	330	335	3.5%	91.4%	
Hall of Ideas - 2 sect	350	375	420	420	425	425	440	440	450	460	465	465	465	465	475	475	475	495	525	550	575	575	575	600	600	610	2.9%	74.3%	
Hall of Ideas - 4 sect	700	740	840	840	850	850	875	875	900	920	930	930	930	930	950	950	950	975	1000	1025	1050	1050	1050	1075	1075	1100	2.2%	57.1%	
Hall of Ideas - All 6	900	950	1000	1000	1100	1100	1150	1200	1250	1300	1350	1350	1350	1350	1375	1400	1400	1425	1450	1475	1500	1500	1500	1525	1525	1550	2.8%	72.2%	
Ballroom - 1 section	450	475	500	525	550	550	575	600	625	650	675	675	675	675	700	700	700	725	750	800	825	825	825	850	850	875	3.6%	94.4%	
Ballroom - 2 sections	900	950	1000	1050	1100	1100	1150	1200	1250	1300	1350	1350	1350	1350	1400	1400	1400	1425	1450	1475	1500	1500	1500	1525	1525	1550	2.8%	72.2%	
Ballroom - All 4 sect	1750	1840	1950	2050	2100	2100	2150	2200	2300	2350	2400	2400	2400	2400	2400	2450	2450	2500	2550	2600	2650	2650	2650	2700	2700	2750	2.2%	57.1%	
Meeting Rms - 1 sect	125	130	140	140	140	140	145	145	150	155	155	155	155	155	155	155	160	160	165	170	175	180	180	180	185	185	190	2.0%	52.0%
Meeting Rms - 2 sect	200	210	225	225	225	225	230	230	240	250	250	250	250	250	250	250	260	260	265	270	275	280	280	280	290	290	295	1.8%	47.5%
Meeting Rms - 4 sect	n/a	n/a	n/a	n/a	n/a	n/a	400	400	420	430	430	430	430	430	430	430	445	445	450	465	475	485	485	485	485	485	495	1.2%	23.8%
Meeting Rms - 6 sect	n/a	n/a	n/a	n/a	n/a	n/a	600	600	600	625	625	625	625	625	625	625	645	645	650	675	700	725	725	725	725	725	735	1.1%	22.5%
Meeting Rms - All 8	n/a	n/a	n/a	n/a	n/a	n/a	800	800	800	825	825	825	825	825	825	825	850	850	875	900	925	950	950	950	950	950	965	1.0%	20.6%
Lecture Hall	800	800	850	850	875	875	875	875	900	900	900	900	900	900	900	900	900	925	925	925	925	925	925	950	950	975	0.8%	21.9%	
Registration Counter	n/a	n/a	140	150	160	160	160	160	170	175	180	185	185	185	185	185	185	190	195	195	195	195	200	200	200	205	1.9%	46.4%	
Business Center	n/a	n/a	200	200	200	200	200	200	200	225	250	250	275	295	295	295	325	350	375	400	425	425	425	425	425	435	4.9%	117.5%	
LEVEL 5																													
Entire Roof	2200	2300	2400	2400	2450	2450	2450	2575	2625	2675	2725	2750	2750	2775	2775	2775	2775	2800	2850	3100	3100	3100	3100	3150	3150	3200	1.7%	45.5%	
Roof Center	1500	1575	1650	1650	1700	1700	1700	1775	1800	1800	1800	1850	1850	1850	1850	1850	1850	1875	1900	1925	1925	1925	1950	1975	1975	1995	1.3%	33.0%	
Roof Circle (E or W)	400	425	450	450	475	600	625	675	725	775	825	850	875	895	895	895	895	925	950	975	975	975	975	995	995	995	5.7%	148.8%	
Roof Center+1 Circle	1900	2000	2100	2100	2175	2175	2175	2300	2350	2400	2450	2450	2450	2450	2450	2450	2450	2475	2500	2550	2550	2550	2550	2575	2575	2600	1.4%	36.8%	
Olin Terrace	400	425	450	450	475	475	500	500	525	525	525	550	550	550	550	550	550	575	575	575	600	600	600	625	625	635	2.3%	58.8%	