



# MONONA TERRACE COMMUNITY AND CONVENTION CENTER

ONE JOHN NOLEN DRIVE MADISON, WI 53703 TEL 608 261-4000 FAX 608 261-4049

Date: February 3, 2017  
To: Monona Terrace Board Finance Committee  
From: Gregg McManners  
Subject: **Proposed 2018 Base Room Rental Fees**

## **Introduction**

The proposed 2018 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 16, 2017 meeting. We believe these proposed rates will provide Monona Terrace with the pricing needed to achieve the best overall event revenue results in 2018.

## **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 GMCVB sales staffs on what they are hearing from customers about our rates. We also considered that Monona Catering increased menu prices for 2017. These Monona Catering price increases will yield greater commission revenues to Monona Terrace. Based on 2015/2016 catering sales the menu price increases, averaging about 3.38%, will yield an estimated \$50,000 more, and could be as much as \$65,000 additional depending on the specific food and beverages purchased by groups.

As we do each year, it is important to note that the average event spends 111% more money than the base room rental after they walk through our doors. In other words, \$10,000 in room rental becomes \$21,100 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 by rapidly raising our base rental rates to the point they are perceived as being too expensive. Our strategy for 2018 is to increase room rental rates moderately for almost all event spaces, and know that we will also have increased commission revenue from the catering menu price increases.

## **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 2018. 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.
- For 2018 we propose moderate increases on most spaces in the range of .7% to 6.3%.

## **Market Conditions/Sentiment**

As was the case last year, the national economy seems to generally be doing well for our customers. While our customers are value conscious they are thinking about providing a quality experience rather than “low-bid” being the primary consideration. With correct pricing we will keep our repeat business and continue our efforts to recapture banquet and meetings market share lost during the 2009 – 2012 time period. The convention and conference market continues to be characterized by price competition with hotel and convention facilities’ function space rental rates heavily discounted to keep customers and win new business.

For 2017 – 2018 eight of the thirteen facilities we survey increased at least some rental rates (LaCrosse, Austin, Alliant, Minneapolis, KI Center, WI Center, Kalahari, Edgewater). In many cases the published list price of rents at facilities has very little relationship to the prices actually charged to groups. Heavy discounting remains the rule throughout 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 the GMCVB 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 remains at that level for 2017.

## **Recommendation**

Staff recommends approval of the 2018 rates as proposed. Based on the data collected and analyzed we find these proposed rates will hold our position in the market as a quality and price leader without sacrificing market share. The price-value relationship at Monona Terrace will continue to be excellent. We need to avoid creating a barrier to entry for customers with room rental rates perceived as too expensive. 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. A larger increase in 2018 rental rates might yield nominal additional revenues but would put us at risk of pricing too high and losing business. As stated earlier, the average event spends 111% more money than the base room rental rate

## Monona Terrace Base Room Rental Fees

Space	2017	Proposed 2018	% Increase
<b>LEVEL 1</b>			
Lakeside Commons	575	600	4.3%
Exhibition Hall - All	6200	6250	0.8%
Exhibition Hall - 1 section (A or B)	3450	3475	0.7%
Show Office	190	200	5.0%
<b>LEVEL 2</b>			
Community Terrace	1325	1350	1.9%
Hall of Fame	190	195	2.6%
Dane Room or Wisconsin Room	230	230	0.0%
<b>LEVEL 4</b>			
Grand Terrace	1325	1350	1.9%
Grand Terrace - Half (East or West)	825	850	3.0%
Hall of Ideas - 1 section 1140 sq. ft.	300	310	3.3%
Hall of Ideas - 2 sections 2280 sq. ft.	550	575	4.5%
Hall of Ideas - 4 sections 4560 sq. ft.	1025	1050	2.4%
Hall of Ideas - All 6 sections 6840 sq. ft.	1475	1500	1.7%
Ballroom - 1 section 3822 or 2940 sq. ft.	800	825	3.1%
Ballroom - 2 sections 7644, 6762, or 5880 sq. ft.	1475	1500	1.7%
Ballroom - All 4 sections	2600	2650	1.9%
Meeting Rms - 1 section 460 sq. ft.	175	180	2.9%
Meeting Rms - 2 sections 920 sq. ft.	275	280	1.8%
Meeting Rms - 4 sections 1,840 sq. ft.	475	485	2.1%
Meeting Rms - 6 sections 2,760 sq. ft.	700	725	3.6%
Meeting Rms - All 8 sections 3,680 sq. ft.	925	950	2.7%
Lecture Hall	925	925	0.0%
Registration Counter	195	195	0.0%
Business Center	400	425	6.3%
<b>LEVEL 5</b>			
Entire Roof	3100	3100	0.0%
Roof Center	1925	1925	0.0%
Roof Circle (East or West)	975	975	0.0%
Roof Center and 1 Circle (East or West)	2550	2550	0.0%
Olin Terrace	575	600	4.3%

# 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	Proposed 2018	% Increase since '97-98
<b>LEVEL 1</b>																						
Lakeside Commons	450	475	475	500	500	500	500	500	525	550	550	550	550	550	550	550	550	575	575	575	600	33.3%
Ex Hall - All	5000	5250	5500	5775	5850	5850	5850	5850	5850	5900	5900	5900	5900	5900	5950	5950	5950	5995	6150	6200	6250	25.0%
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	26.4%
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	42.5%
<b>LEVEL 2</b>																						
Community Terrace	750	800	850	900	925	950	975	1025	1075	1100	1125	1150	1175	1200	1225	1250	1250	1275	1300	1325	1350	80.0%
Hall of Fame	150	150	150	160	165	165	165	165	170	170	170	170	175	175	175	175	175	180	185	190	195	30.0%
Dane or WI	200	200	200	200	200	200	200	200	210	210	210	215	215	215	215	215	215	220	225	230	230	15.0%
<b>LEVEL 4</b>																						
Grand Terrace	750	800	850	900	925	950	975	1025	1075	1100	1125	1150	1175	1200	1225	1250	1250	1275	1300	1325	1350	80.0%
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	100.0%
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	77.1%
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	64.3%
Hall of Ideas - 4 sect	700	740	840	840	850	850	875	875	900	920	930	930	930	950	950	950	950	975	1000	1025	1050	50.0%
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	66.7%
Ballroom - 1 section	450	475	500	525	550	550	575	600	625	650	675	675	675	675	700	700	700	725	750	800	825	83.3%
Ballroom - 2 sections	900	950	1000	1050	1100	1100	1150	1200	1250	1300	1350	1350	1350	1350	1400	1400	1400	1425	1450	1475	1500	66.7%
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	51.4%
Meeting Rms - 1 sect	125	130	140	140	140	140	145	145	150	155	155	155	155	155	155	160	160	165	170	175	180	44.0%
Meeting Rms - 2 sect	200	210	225	225	225	225	230	230	240	250	250	250	250	250	250	250	250	265	270	275	280	40.0%
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	445	445	450	465	475	485	21.3%
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	645	645	650	675	700	725	20.8%
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	850	850	875	900	925	950	18.8%
Lecture Hall	800	800	850	850	875	875	875	875	900	900	900	900	900	900	900	900	900	925	925	925	925	15.6%
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	39.3%
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	112.5%
<b>LEVEL 5</b>																						
Entire Roof	2200	2300	2400	2400	2450	2450	2450	2575	2625	2675	2725	2750	2750	2775	2775	2775	2775	2800	2850	3100	3100	40.9%
Roof Center	1500	1575	1650	1650	1700	1700	1700	1775	1800	1800	1800	1850	1850	1850	1850	1850	1850	1875	1900	1925	1925	28.3%
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	143.8%
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	34.2%
Olin Terrace	400	425	450	450	475	475	500	500	525	525	525	550	550	550	550	550	550	575	575	575	600	50.0%



# **Rate Study for 2018 Monona Terrace Pricing** **October, 2016**

	Monona Terrace	La Crosse	Portland Oregon	Austin	Rhode Island	Alliant Energ. Ctr.	Mpls.	KI Center Gm. Bay	MKE: WI Center	Kalahari	Marriott Madison	Hilton Madison	Madison Club	EdgeH2O
<b>Ballroom Square Feet</b>	\$2,650 13,534	\$1,450 12,168	\$4,000 13,100	\$3,040 15,288	\$6,800 13,700	\$4,740 (2)14,976	\$4,000 18,070	\$2,327 9,695	\$10,150 12,690	\$6K-8K 17,200	\$10,000 10,000	N/A	N/A	N/A
<b>Hall of Ideas Square Feet</b>	\$1,500 6,840	\$2,100 6,700	\$1,925 6,300	\$1,620 8,130	\$2,500 5,000	\$2,040 6,336	\$1,980 6,615	\$1,600 6,300	\$2,550 6,248	\$1.5K-2.5K 6,600	\$7,200 7,200	N/A	N/A	\$5,000 6,281**
<b>Exhibit Hall Square Feet</b>	\$6,250 37,200	\$3,600 38,740	\$11,532 37,200*	\$5,035 41,555	\$6,400 43,832	\$9,300 37,200*	\$6,085 79,200	\$4,233 17,640	\$6,150 31,005	\$8K-10K 20,000	\$30,000 30,000	N/A	N/A	N/A
<b>Price Per Sq. Ft.</b>	\$ .168/sqft.	\$ .092/sqft.	\$ .31/sq.ft.	\$ .121/sqft.	\$ .146/sqft.	\$ .25/sqft.	\$ .077/sqft.	\$ .25/sq. ft.	\$ .198/sqft.	\$ .40/sq.ft.	\$1.00/sq.ft.			
<b>Meeting Room Square Feet</b>	\$280 920	\$300 1,125	\$340 940	\$260 875	\$400 968	\$300 960	\$330 1,046	\$160 638	\$800 837	\$150-250 1,303	\$1,320 1,320	\$800 1,288	\$400 975	\$600 (2)1079**
<b>Board Room Square Feet</b>	\$230 493	\$225 450	\$220 621	\$165 442	\$350 589	\$300 896	\$165 518	N/A	\$800 810	\$150-250 650	\$624 624	\$200 500	\$200 540	\$300 582**

**Notes:**

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. For 2017-18, the director of sales for the Marriott was again unwilling to provide pricing citing 'corporate policy'.

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 \$.25 per sq. ft.

KI Center added a Grand Ballroom with 25,228 square feet at .32/sq ft.

KI Center returned rate information with per sq.ft rates that now range between .24 & .25/sq. ft.

KI Center also confirmed that they guarantee pricing 6 months in advance.

Wisconsin Center charges \$2.25/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 estimates a ratio of 1 hotel room per 100 sq.ft to get to free room rental.

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.

Hilton Madison waives room rental based on # of guest rooms and/or food.

\*\*Edgewater has weekday and weekend rates. Rates listed above are weekend rates.

\*\*Edgewater Grand Plaza w/ outside Tent (in conjunction with wedding event for 2 hours) was an additional \$7,000. It is no longer being offered

Numbers in parentheses (2) indicate two separate rooms were used to get square feet for comparison.