



Partnership for New York City

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TESTIMONY BEFORE THE NEW YORK STATE SENATE COMMITTEE ON CORPORATIONS, AUTHORITIES, AND COMMISSIONS ON JAVITS CONVENTION CENTER

THURSDAY, FEBRUARY 28, 2008

By **KATHRYN WYLDE, PRESIDENT AND CEO,
PARTNERSHIP FOR NEW YORK CITY**

Good morning and thank you Chairman Flanagan and committee members for the opportunity to testify about the Empire State Development Corporation's plans for Javits Convention Center.

The Partnership for New York City represents the leadership of the city's international business community, including the city's largest private sector employers and investment firms. The Partnership has a long history of promoting economic development activities across the five boroughs. Throughout the 1990's, the Partnership supported the expansion of Javits into a first class convention center as an investment that would attract more visitors to New York and boost the travel and tourism industry.

As plans for Hudson Yards and other development on the Far West Side evolved, however, and construction costs escalated, we have had to question whether a major expansion of Javits is the best use of limited resources to advance the city and state economic development agenda. Given the high density commercial, residential and park uses now planned for the area, a convention center may no longer be the highest and best use of this real estate. Truck and car traffic generated by a large convention center will inevitably conflict with these other uses. Moreover, the State can ill afford

the revised cost estimates of the original Javits expansion plan during this period of economic recession and budget deficits.

Nationwide, the supply of convention space has grown dramatically in recent years, leaving many “super centers” under-utilized. New York’s airports, hotels, and tourist attractions are already experiencing near-capacity crowds without expansion of Javits. Scarce public funds might better be invested in development of hotel, convention and conference facilities in other boroughs, where private development would not otherwise happen. These options deserve consideration and careful study.

For all these reasons, the Partnership supports the decision of the Spitzer Administration to move forward with renovation and modest expansion of Javits as a first-class trade show and expo hall, within the budget that was approved in 2006. The Javits expansion plan that was released in 2006 has been revised by ESDC in response to a twin realization: first, the city would be better served by a more mixed use growth plan on the Far West Side, and second, the dramatic architectural changes originally envisioned would produce fiscal and economic benefits that are marginal, at best.

We have also learned from the experience of other cities. New large convention centers, funded with large public capital commitments, often have failed to produce hoped for benefits. Those failures are not simply economic and fiscal. Rather than solid successes, these ventures become multibillion-dollar monuments to poor planning – symbolic losses that are harmful to the City’s investment climate.

Realistic public planning and investment assumptions are the cornerstone of healthy public-private partnerships. The more modest physical plan now offered for the Javits Center is actually a better business plan for the city and state and for the industry. This plan is not evidence of an eroding commitment, but rather a beginning of a larger strategy based on practical choices.

ESDC studies have concluded that the cost premium associated with redeveloping the existing Javits facility is prohibitive and the financial impact to the city and state economies is not great enough to justify this cost. Financial analyses demonstrate that a smaller renovation with modest expansion maintains a significant portion—about 70%—of the estimated economic gains in visitor spending and fiscal returns anticipated under even the most grand plan to grow the facility. From a simple return on investment perspective, this new plan now will produce solid, achievable benefits.

The revised plans under consideration, including building renovation, upgraded meeting rooms and exhibit space, new contractor storage and security facilities, and a future conference hotel are real enhancements to its critical target market—medium-sized expos, trade shows and conventions. These revised plans should not be viewed as “settling for less.” We view the plan as a realistic approach to maintaining a targeted expo and trade show business.

We also support the concept that tourism and travel should increasingly be a five-borough business sector. Queens, with two of the major regional airports, is an obvious location for expanded convention facilities. Downtown Jamaica and Willets

Point both represent important development opportunities that are or could be new centers for travel and tourism. Coney Island is another area with potential for convention business.

One thing we do know is that the extension of the #7 subway line is important to the future of Javits and development of the West Side. We urge city and state officials to complete their final deliberations regarding the #7 subway extension as soon as possible. The City agreed to provide \$2.1 billion for the expansion. With the passage of time, costs are increasing, and an agreement needs to be reached on full funding. In addition, there is a need to make a final decision on the plans to include a new subway station at 41st and 10th.

The city's tourism sector is one of its healthiest, with high job growth, increasing tourist figures, and high hotel room occupancy. Trade shows and conventions are an integral piece of this industry and should be accommodated and nurtured. We look forward to working with the State to maximize the potential of this industry within the constraints inherent in our high-cost and dense urban environment.