



TO: Lancaster County Commissioners

FROM: Rodney Gleiberman

DATE: February 8, 2012

SUBJECT: LCCCA/Convention Center Project Issues

My name is Rodney Gleiberman. I am a resident of West Lampeter Township and general manager of the Continental Inn, a business owned and operated by my family for close to 40 years.

In light of recent statements and press coverage regarding fiscal difficulties at the Lancaster County Convention Center, I would like to take this opportunity to respond publicly and offer some insight and perspective as a member of the Lancaster County hotel community.

Often times, I read about "the stakeholders" meeting to discuss these matters and every time I ask myself, aren't we, the hotels, stakeholders? Where is our voice? Why don't we have a seat at the table? I hope that you will indulge me here and allow me to voice some concerns because I do not feel anyone else is advocating on our behalf and looking at all sides of this project.

Just this past Sunday, two of the lead stories in the local paper attempt to tackle some these current issues. In my opinion, they totally fail to address one of the most important factors in both rationalizing and paying for the convention center project and that was a POSITIVE net impact on the amount of hotel rooms sold in Lancaster County.

Before I get to that, let me touch on the current fiscal crisis. Unfortunately, our convention center that was always supposed to lose money is in fact losing more than projected. There are a number of factors in this reality:

- 1) Underestimated energy costs
- 2) Overestimated hotel tax revenues
- 3) Lopsided agreements between the public (CC) and private (hotel) entities
- 4) The authority's operating/personnel costs

While some of these factors may actually have solutions, others are the result of poor planning on an ill-timed and ill-advised project that ignored existing trends long BEFORE a shovel was put into the



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ground. For example, one did not need a crystal ball to see increased energy costs on the horizon. Furthermore, LCCCA predictions on revenue (the hotel tax) to secure the late 2003 County bond guarantee were based not on the four-year track record of actual tax receipts at the time, but rather, the best estimates of Smith Travel Research, numbers that overstated the real revenues by some 15%. Both of these factors were totally avoidable if those pushing this project wanted to be honest and transparent.

Add to that a set of agreements that shift a couple hundred thousand dollars a year from the public to the private side of the project and then throw in a 6-figure salary for an executive director of an authority that has essentially has no authority, the LCCCA signed away all control over the center years ago in those lopsided agreements with PSP, and there is really no surprise that our City's "loss leader" is losing more than it should.

So now we have new task forces, studies and consultants and their goal is to bring the loss back in line where it needs to be. Personally, I don't have too much faith. We can't turn back the clock and properly budget for more realistic energy costs or revenue numbers now that the bonds have already been sold. Furthermore, I can almost guarantee that any attempt to reopen existing agreements with PSP will be met with a legal firestorm not seen in the history of Lancaster. We could lose the powerless executive director and his salary but I don't think that, in and of itself, will solve anything.

Let's assume for a moment and dare to dream that these folks can solve the problem. Let's assume that they are able to bring the loss back down to where we need the loss to be. Now let's move on to the topic that I would like to address above all and ask...what is the net room impact from the \$180 million project at the corner of King and Queen?

Kevin Molloy, consistent with numerous recent statements, says in one of Sunday's articles: "the convention center is actually doing better than expected". Let's take that statement at face value and compare 2011 tax receipts to 2010. 2011 receipts show an increase over 2010, and increase of 1/10 of 1% (0.001%). Now lets draw some conclusions...1) Molloy is wrong in his claim, 2) Molloy is correct in his claim but this "success" is generating virtually no overflow rooms, or 3) the center is creating some overflow; however, the majority of that overflow is not incremental (new rooms) but rather rooms that always existed at other venues in the County. Under any of these scenarios, the center is not helping.

Now let's look more specifically at Mr. Molloy's numbers regarding overflow rooms and the impact the entire project has on the hotel market...remember, this was supposed to be a room generator. Molloy has repeatedly stated that the center generates an average of 1,500 overflow rooms/month or 18,000 rooms/year. Those 18,000 rooms represent roughly 1.2% of the annual rooms sold in the County, a





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mere pittance in the big picture. Furthermore, I can guarantee that a significant portion of those rooms has merely been relocated. Let's look at the primary success story at the new CC: the American Quilter's Society show. AQS came to Lancaster to fill a void with the ending of the Quilter's Heritage Celebration, a show that took place for more than 20 consecutive years at the Lancaster Host. Most of the quilters may not have been in the City, but they were in the County for many, many years.

But let's assume just for a moment that all 18,000 rooms are in fact incremental. In addition to the center, we have to look at the impact from the 299-room taxpayer supported hotel built as the other half of this project. At 60% occupancy, that hotel would sell 65,481 rooms per year. Conservatively assuming that half of those rooms come from the existing marketplace, that hotel takes 32,240 rooms from the County pool. Now, if you subtract those rooms from the 18,000 room Mr. Molloy proudly boasts of, you are left with a net loss of at least 14,420 rooms nights/year. That's correct, this project is having a negative impact on rooms sold.

Finally, let me touch quickly on one more topic, the impact of the hotel taxes. Contrary to the comments of many, these taxes absolutely pose a COST to the hotels. I will not suggest to you that we pay 100% of that burden, but I will not allow it to be said that we pay nothing either. These taxes impact both our revenues and our profitability. Additionally, the overall dismal countywide occupancy performance over the 12-year history of the taxes has hurt EVERY SINGLE hotel owner in this County as this diminishes overall property values. We CANNOT afford any increase of these taxes!

The bottom line here is that this project is not doing anything for the hotels whether it maintains its minimum reserves or not. If it is in your wisdom that the project offers Lancaster other benefits, I urge you to find new sources of revenue to fund the shortfall. It is entirely unfair to force the entire burden on a sector of the economy that is hurt more than it is helped by this project.



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