City of Miami Beach

Miami Beach Convention Center

City Support for Group Room Blocks with Hotel Attrition

Overview

The Greater Miami Convention & Visitors Bureau (GMCVB) is the official destination marketing organization for Miami-Dade County and is the sales engine for the Miami Beach Convention Center related to conventions, tradeshows and group meetings from out of town. While the GMCVB has been successful, the ongoing challenge of securing hotel room blocks in Miami Beach continues to impact the ability to convert new bookings. The leisure demand for hotel room nights makes it challenging for hotels to provide significant room blocks, especially when booked many years in advance, without attrition policies in place to protect the hotels' bottom line. Even with a new headquarter hotel, events at the MBCC will still require 8-12 hotels to fulfill room block needs. The economic impact to the City of Miami Beach that is lost due to this challenge to book new convention groups into the MBCC is significant.

In order to overcome this challenge, a backstop policy for hotel attrition policies has been proposed by the City consultants, GMCVB and City staff. This proposal would allow hotels to participate with the City of Miami Beach in a pilot program to essentially "insure" themselves from agreeing to groups that require little to no attrition in their hotel contracts. This program would enable more hotels to participate in larger hotel room blocks and therefore, successfully convert citywide and high impact convention events into the MBCC. The proposed program would be an industry leading effort to create a solution unique to Miami Beach's market dynamics because of the leisure demand.

Program Components

The following outlines the proposed pilot program:

- Participating hotels must agree to be part of the program for all GMCVB group bookings at the MBCC.
- Participating hotels will agree to the GMCVB client hotel contract terms related to attrition including signing "no attrition policies".
- Participating hotels and GMCVB, in conjunction with client housing company, must track hotel room nights blocked and picked up by each group and provide a housing report to the City at the conclusion of each event in the program. Hotels must be willing to have clear and transparent room lists as the City of Miami Beach and the GMCVB will need access to these documents for reimbursement verification.
- Program will be limited to core hotels with in the City of Miami Beach limits, who are willing to give a minimum of 250 rooms per room block, per contract.
- City of Miami Beach will agree to insure the participating hotels room blocks for rooms that do not pick up at each participating hotel.
- Participating hotels and the City would agree to honor hotel contracts that have release dates for unsold rooms from block and sell them to leisure guests. Any room that is resold would not be reimbursed.
- If the blocks do not pick up to the amount required/agreed to in the hotel contract, the City will reimburse the hotel property out of the City of Miami Beach's Resort Tax that is currently levied at 4% of room rates.

Case Studies

To determine the viability of such a program, the City's consultant, JLL and the GMCVB have modeled two case studies to demonstrate the impact this program could have on the City in terms of potential risk and reward scenarios. The model was run on one truthful scenario where the City of Miami Beach lost an actual piece of business and a truthful scenario for a future piece of business that is currently at risk and could be mitigated with a program like this.

American Academy of Family Physicians

American Academy of Family Physicians: Economic Impact								
Group Dates	Total Attendees	Total Room Nights	Peak Room Nights	Total Rooms Revenue (if booked)	Total Resort Tax Collected by CMB	Total F&B Spend	Total F&B Tax Collected by CMB	Total Tax Revenue to CMB
Oct. 7-10, 2026	8,000	20,800	4,500	$4.1 million	$166k	$1.4 million	$29k	$195k

By not converting this piece of business for a need time (October) the City of Miami Beach lost out on $195,000 in combined resort and food and beverage tax revenues. In addition, the City of Miami Beach's stakeholders in this industry are losing a combined $5.5 million dollars in direct revenues to hotels and restaurants. This calculation does not consider additional economic impact of spending on variable items like shopping, cultural institutions, etc. meaning there could be even greater impact to the City of Miami Beach and its stakeholders through other spending. If this program were in place and the City agreed to insure the attrition policies the following would be the risk associated.

American Academy of Family Physicians: Risk				
Percent of Group Block Not Picked Up (Attrition)	10%	20%	30%	100%
Cost to City of Miami Beach Paid to Hotels	$16,596	$33,192	$49,788	$165,959

If the American Academy of Family Physicians does not fill their blocked rooms at participating hotels, the City of Miami Beach would rebate those hotels with open rooms that were part of the block. In this case if 10% of the room block does not pick up, the City of Miami Beach would reimburse the hotel in the amount of $16,596, which could be covered by the Resort Tax collections. With this method, the City of Miami Beach would still collect $149,363 in Resort Tax revenue that, without this program, would never have come to Miami Beach.

The bottom line is that without a plan like this in place, the City of Miami Beach receives zero Resort Tax dollars, as the convention would not choose our City. With minimal and very manageable risk, we stand to make significant Resort Tax dollars and risk losing a small percentage of our revenues. At no point can the City of Miami Beach lose existing money, we would simply lose a percentage of new, incremental revenues in the event that hotel room blocks do not pick up. Additionally, the program will include the practice of the groups continuing to sign individual hotel contracts, which is standard across the industry. These contracts have cancellation clauses and release dates for hotels to hold groups accountable and also release rooms after certain milestones. This ensures that the City will not be held liable for reimbursing hotels for rooms that go unsold and are released in accordance with their individual hotel contracts.

Risk and Insurance Management Society (RIMS)

RIMS: Economic Impact								
Group Dates	Total Attendees	Total Room Nights	Peak Room Nights	Total Rooms Revenue (if booked)	Total Resort Tax Collected by CMB	Total F&B Spend	Total F&B Tax Collected by CMB	Total Tax Revenue to CMB
May 1-10, 2025	10,000	23,210	7,000	$4.6 million	$185k	$1.6 million	$32k	$217k

If the GMCVB is unable to secure a significant enough room block, the MBCC and the City of Miami Beach will not be able to compete for this piece of high value convention business and would lose out on a combined $6.2 million in direct spending into the local economy. In addition, the combined tax revenues to the City equating to $217,000 would be lost. However, if the attrition program was put in place, and this group converts to confirmed, the financial impact would be worth any potential risk and would greatly benefit the City of Miami Beach and its tourism and hospitality industry stake holders

If this program were in place and the City agreed to insure the attrition policies, the following would be the risk associated.

RIMS: Risk				
Percent of Group Block Not Picked Up (Attrition)	10%	20%	30%	100%
Cost to City of Miami Beach Paid to Hotels	$18,519	$37,038	$55,556	$185,188

If RIMS do not fill their blocked rooms at participating hotels, the City of Miami Beach would rebate those hotels with open rooms (remember that the City of Miami Beach would only reimburse those hotels that could not sell the released rooms in short term leisure sales). Example – RIMS does not fulfill 10% of their hotel rooms and notifies that hotel 5 days prior to the convention (if not much earlier). This hotel would have the ability to re-sell these rooms on short term leisure sale. Any rooms sold in short term leisure, would be deducted from the amount being reimbursed. In this case if 10% of the room block does not pick up, the City of Miami Beach is responsible for a hotel rebate of $18,519, but would still collect $166,669 in Resort Tax revenue that, without this program, would otherwise not have come into Miami Beach.

Conversion Tools as Critical Success Factors

Each year the GMCVB undergoes a performance review against contract terms and a future fiscal year goal setting process with the City of Miami Beach and their consultants. Part of that process includes reviewing lost business and reasons why Miami Beach was not selected by a convention group. In the last three fiscal years, lost business due to hotel package challenges represented over 30% of the reasons groups do not choose to meet in Miami Beach. Within that 30%, issues with hotel attrition make up a majority of the challenges with putting together and offering a competitive room block. If this proposed program was in place, the goal would be to convert more citywide and high impact convention business and increasing our tentative to confirmed percentages. This would benefit the City directly through the Resort and Food and Beverage Tax revenues and its stakeholders through hotel room revenue, especially during times of year where hotels need the most group business.

This program would be a new and unique problem-solving conversion tool that could be a critical turning point for the MBCC as a premier convention facility and the City of Miami Beach establishing a new reputation a premier convention destination and a business-friendly environment to this industry. This would be a significant relationship builder with our hotels as a sign of political good will, as they would see us as business partners and understand that the City of Miami Beach believes in the success of our Convention Center business as an economic driver for this city, and that they are willing to take a smart financial risk in order to achieve it.

While the risk of the City paying out Resort Tax to participating hotels that offer rooms blocks that do not pick up could amount to several thousand dollars, the reward significantly outweighs the risk with millions of dollars in spending coming into hotels and restaurants and associated taxes on that spending coming directly to the City of Miami Beach as revenue. This program is not being developed as a way to increase the Resort Tax (however, it naturally will), but rather as a way to increase economic impact across the entire territory from hotels, to restaurants, bars and cultural institutions. As the case studies above demonstrate, this program has the potential to deliver desirable business into the City of Miami Beach that, otherwise, may not have come.

Appendix: (next page)

Top five recent lost pieces of business associated with room block challenges that with this attrition policy in place could have converted to the City of Miami Beach.

Sources:

Spending for Convention Delegates - Destinations International spending figures for Miami Beach (updated annually)

- $42.23 Association Fee
- $52.53 Exhibit Fee
- $162.74 Daily Expenditures

Average Daily Rate – Smith Travel Research Company for Miami Beach and Miami Dade County

- $199.47 Average daily rate

City of Miami Beach

Appendix

Lead Name	Time of Year	Attendees	Room Nights	Peak Nights	Economic Impact	Resort Tax Collection	F&B Tax Collection	Total Tax Collection
AAFP Family Medicine Experience (FMX)	9/2024	8,000	20,955	4,500	$7,215,094	$ 167,195	$ 29,000	$ 196,195
ACCP Fall Annual Meeting 2024	10/2024	7,000	13,750	3,000	$4,260,123	$ 109,708	$ 16,188	$ 125,896
MBA Annual Convention & Expo 2022	10/2022	5,000	7,500	2,300	$2,384,400	$ 59,841	$ 9,060	$ 68,901
Spring Meeting	5/2020	2,000	3,859	1,700	$1,614,393	$ 30,790	$ 6,134	$ 36,924
JAC Annual Conference	10/2020	2,500	6,750	1,800	$2,597,872	$ 53,856	$ 9,871	$ 63,728
				Total	**$18,071,883**	**$421,392**	**$70,255**	**$ 491,648**