

BCEC EXPANSION

# 2019 Project Report

MASSACHUSETTS  
CONVENTION CENTER  
AUTHORITY

JANUARY 2020

POPULOUS

OLIN

HOWARD STEIN HUDSON

Pinnacle

CSL INTERNATIONAL

CH2M Wernick

cbt







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# 01

## Introduction









**David Gibbons**  
Executive Director  
Massachusetts Convention  
Center Authority

**IN JANUARY OF 2016**, I was appointed Executive Director of the Massachusetts Convention Center Authority (“the MCCA”). Alongside the many operational and customer service responsibilities required to maintain the organization’s day-to-day operations was a recently paused expansion program at the Boston Convention & Exhibition Center (“BCEC”) in South Boston. Before contemplating the proper future composition of this iconic venue, I challenged the team at the MCCA to assist me in answering three key questions:

- **What does the BCEC need to be successful for the next generation of the meetings and events industry?**
- **How much will it cost to deliver a solution that optimizes the BCEC’s performance and impact?**
- **If the BCEC is expanded, how do we pay for a program that will generate the highest return for our industry stakeholders at the lowest risk to taxpayers?**

The result of this effort is a plan that delivers the following:

- **An optimization of the BCEC;**
- **A customer-focused design to meet the needs for the future;**
- **Consolidation of convention center operations;**
- **A creative, cost-effective solution to finance the expansion; and,**
- **A financing solution that poses no risk or liability to the taxpayer.**

Working closely with convention industry leaders and customers, hotel owners and operators, hospitality asset managers, state, city and local government officials and our neighbors in South Boston, we embarked on an exhaustive three-year process focused on the future of the BCEC. After compiling industry data and research on industry trends, customer preferences and our competitive position in the industry we set out to determine which mix of investments will deliver the highest value while leaving options available for future development.

This report details how the proposed expansion of the BCEC came together and recommends a building program totaling \$500 million dollars that will add 100,000 square feet of exhibition hall, a 60,000 square foot ballroom and an additional 44,000 square feet of meeting space at the south end of the BCEC. It will also demonstrate how these improvements will allow the building to function more efficiently and effectively to deliver a more predictable and consistent flow of business to our hospitality stakeholders and generate more economic impact for the city and state.

Based on customer feedback and in comparisons to other cities the problem that we had to address first was the lack of proximate hotel rooms to the BCEC. Meeting planners want a minimum of 5,000 proximate hotel rooms to create a community during their event. We commissioned a study in the spring of 2016 that showed the local committable hotel room inventory in the South Boston Waterfront was just 1,300 rooms. Without more committable hotel rooms within a half-mile of the venue there was no need to consider whether to grow the BCEC.

Fortunately, a highly successful collaboration led by Governor Baker, Mayor Walsh and our local elected officials, working in conjunction with Massport, delivered a 1,054 room Omni Hotel, unsubsidized by taxpayers, across Summer Street from the BCEC North Lobby that is scheduled to open in early 2021. The district still needs additional hotel capacity, but the Omni was the catalyst needed to reevaluate the prospects of a bigger BCEC.

We also recognize that the convention industry is a mature industry where a commitment to innovation and investment is required to retain and capture market share. We do not believe that it is necessary, or proper, to request subsidy or direct support from taxpayers to implement our proposed expansion program. Instead, we have proposed a funding solution that relies on proceeds from the Convention Center Fund coupled with the sale of the underperforming and aged John B. Hynes Veterans Memorial Convention Center in Boston’s Back Bay. This combination will provide the necessary capital to fund the expansion of the BCEC without requiring a bond. This solution is a low risk, high value investment that optimizes the MCCA’s operations and portfolio for long term performance.

Boston is a premier destination for conventions and now is the time to leverage our advantage by making thoughtful and impactful investments in the BCEC. We are confident that our efforts, bolstered by the support and confidence of all of our stakeholders, will further strengthen our competitive position in the global meetings and events marketplace now and provide significant optionality for the future.

A handwritten signature in blue ink, appearing to read 'D. Gibbons', with a stylized flourish at the end.



**John McDonnell**  
Board Chair  
Massachusetts Convention  
Center Authority

**ON BEHALF OF THE BOARD OF DIRECTORS,** I want to extend our thanks and appreciation to Governor Charlie Baker and Mayor Martin Walsh, who appoint the members of our board, for their continued leadership and support of the Massachusetts Convention Center Authority. Working alongside my fellow board members we recognize and appreciate our responsibility to be both strategic and thoughtful stewards of the Commonwealth’s portfolio of convention assets on behalf of the public, our industry partners and key stakeholders who are invested in our continued success.

The board’s decisions are guided through a commitment to the MCCA’s mission to promote and facilitate regional economic activity and to ensure the long term financial performance of the Boston Convention and Exhibition Center as a cornerstone of New England’s tourism industry. It is through this lens, and these priorities, that we recommend an expansion of the Boston Convention and Exhibition Center to further strengthen Boston’s competitive position in the meetings and events industry while creating new opportunities to showcase Massachusetts to visitors from around the world.

We are privileged to be located in one of the convention industry’s premier destinations for business, education and tourism. And we are fortunate to have the BCEC, an iconic building that annually welcomes hundreds of thousands of guests to convene, connect and create the future. We look forward to further strengthening our commitment to the long-term success of the convention industry in Massachusetts and the positive impact we have on our communities by investing in key strategic improvements to optimize the tremendous potential of an already award-winning venue.

A handwritten signature in black ink that reads "John McDonnell". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

**“We are fortunate to have the BCEC, an iconic building that annually welcomes hundreds of thousands of guests to convene, connect and create the future.”**



MASSACHUSETTS CONVENTION CENTER AUTHORITY BOARD

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*Board Chair, Managing Director International of Fifth Generation, Inc.*

**Cindy Brown**  
*Vice Chair, Chief Executive Officer for Boston Duck Tour*

**Barbara T. Capuano**  
*Board Member, Certified Public Accountant, Raphael & Raphael LLP*

**Michelle Consalvo**  
*Board Secretary, Director, U.S. External Communications at Takeda*

**Andrew Crane**  
*Board Member, Founding Partner at A-Crane Construction LLC*

**Emme Handy**  
*Board Member, CFO, Collector-Treasurer and Chief of Administration and Finance for the City of Boston*

**Jack Hart**  
*Board Member, Partner at Nelson Mullins Riley & Scarborough LLP*

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*Board Member, President and CEO of the Massachusetts Lodging Association*

**Frederic Wittmann**  
*Board Member, Senior Managing Director at HFF*

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**Dennis Callahan, Esq.,** *Deputy Director*  
**Mike Esmond,** *Chief Financial Officer*  
**Anthony Kinahan,** *Financial Manager of Industry Analysis, Assessment & Planning*  
**Milt Herbert,** *Executive Director BCMC*  
**Rob Noonan,** *Chief Information Security Officer*  
**Tara Coughlan,** *Facilities Operations Coordinator*  
**Cortney Hersom,** *Director of Quality Assurance & Financial Performance*  
**Nate Little,** *Director of Communications & External Relations*

**BOSTON PLANNING AND DEVELOPMENT AGENCY**  
**Jonathan Greeley,** *Director of Development Review*

**MCCA BOARD**  
**John McDonnell,** *Board Chair, Managing Director International of Fifth Generation, Inc.*

BCEC MASTER PLAN 2019 PLANNING TEAM

POPULOUS (Prime) - Architecture and Planning  
CS&L - Feasibility & Market Research  
OLIN - Landscape & Urban Design  
CBT - Urban Planning  
RLB - Cost Estimating & Schedule  
Nitsch Engineers - Site Survey  
CHM Warnick - Hotel Analysis  
Pinnacle Advisory Group - Compression Analysis



# 02

## Executive Summary



“Boston is a popular convention destination, and there has been market demand for larger, more flexible event space in recent years. This expansion will meet demand, unlock greater economic potential, and support the creation of new jobs. Our plan will make Boston’s convention space more efficient and maximize new economic opportunities in both the South Boston Waterfront and the Back Bay, benefiting the City of Boston and the Commonwealth.”

- CHARLIE BAKER, GOVERNOR, COMMONWEALTH OF MASSACHUSETTS











**The Boston Convention & Exhibition Center (BCEC) has generated substantial benefits to the City of Boston and the entire Commonwealth of Massachusetts.** Convention center facilities are unique in their ability to generate economic growth and development, and the BCEC is no exception. Since opening its doors in 2004, the BCEC has evolved into a thriving economic engine driving the meeting and event industry in Boston. The BCEC has also been a catalyst for significant private sector development in the South Boston Waterfront—what were once vast parking lots and industrial parcels have been rapidly transformed into one of the world’s most innovative and dynamic commercial districts. >>



# A Transformed District

## COMPARISON 2006 TO 2021



**SOUTH BOSTON WATERFRONT 2006**





SOUTH BOSTON WATERFRONT 2021





**FOR THE LAST 6 YEARS, THE BCEC HAS BEEN OPERATING ABOVE ITS PRACTICAL OCCUPANCY.** Demand has outpaced supply. Meeting planners eager to host their events in Boston face challenges due to the limiting size of the BCEC facility, lack of available dates, lack of a second ballroom and the lack of adjacent hotel room supply. In addition, today’s meeting planners are laser-focused on maximizing event attendance and enhancing the customer experience, and the Hynes’ configuration restricts its ability to meet the needs of those meeting planners.

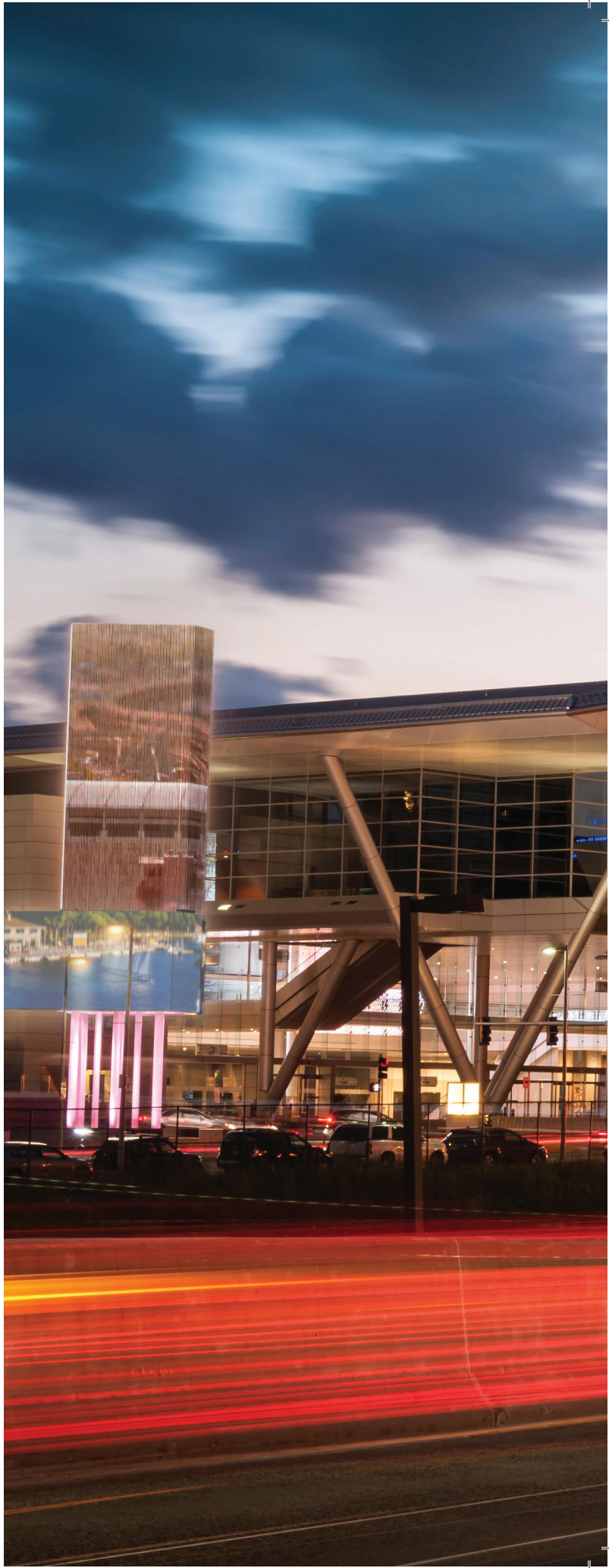
The competition for non-local conventions and tradeshow nationally is intense, leading competing cities to invest significantly in their convention facilities, headquarter hotels, and surrounding amenities. Today, the BCEC sellable space ranks well below many of its major competitors.

The current lack of a second ballroom means the BCEC cannot host two continuous events, effectively putting the entire convention center “on pause” as one event moves in and the other moves out. This reduces overall attendance and related

revenue annually. The addition of a second ballroom would allow for event overlap, keeping hotel rooms and restaurants occupied. With a modestly expanded exhibit hall, we could capture 97% of the overall convention market 75% of “stackable events” —high revenue events that could use the BCEC facility continuously—a significant increase for both metrics.

While these logistical issues are limiting the potential of this thriving facility to positively impact the city of Boston, the good news is that the MCCA is currently in a prime position to solve these challenges and deepen the already impressive economic impact of the BCEC in the Boston area. The fact that the BCEC has been running above the practical occupancy since 2013 means that the BCEC is turning away business. This expansion would address this issue and allow the BCEC to follow its natural growth trajectory.

The expansion of the BCEC would produce increased activity which would in turn induce the development of new hotel inventory — this new inventory would go a long way toward solving the lack of convention-committable hotel rooms.











**The expanded BCEC project, estimated at \$500 million dollars, along with an accompanying privately financed full service hotel on the BCEC campus, will be a key driver of additional economic activity as well as create thousands of construction and service industry jobs over the duration of the project and long into the future.**

**INCREASING LEASABLE SPACE LEADS TO ECONOMIC GROWTH**

In March of 2018, the Massachusetts Convention Center Authority (MCCA) undertook a comprehensive feasibility and master planning study of the BCEC to determine the best course of action to maximize the positive impact of the BCEC on Boston. In addition, they carefully evaluated all associated costs and potential financing options for improvements to the venue.

After two years of careful study and significant research and evaluation, it has become evident that increasing leasable space in the BCEC and adding a headquarter hotel is the best way to enable the facility to significantly increase its economic impact. In addition, the design will maximize the facility’s ability to generate revenue while servicing a dynamic cluster of corporate business which did not exist a decade ago.

The proposed expansion program would create an optimized facility that reflects the best practices of the modern convention center marketplace. A right-sized BCEC, with highly flexible space and engaging food and beverage experiences, would be strategically aligned with the evolving preferences of current and future customers and meet the shifting needs of meeting planners.

Customers have already booked events at the BCEC as far out on the calendar as 2037. The chart on the right illustrates that the BCEC has been operating at its practical occupancy since 2013. This means that the BCEC will continue turning away business every year for the foreseeable future unless an expansion is made.

**A SINGLE, OPTIMIZED FACILITY**

The MCCA is one of the few public agencies that owns and operates two large convention facilities.

In September of 2019, the MCCA board approved the sale of the John B. Hynes Veterans Memorial Convention Center (“Hynes”). This decision was based on findings related to the long-term challenges faced by the Hynes, as well as considerations for how to strategically maximize the city’s existing convention and meeting assets.

This proposed expansion would effectively enable the BCEC to compete for, and capture, 97% of available convention business. It’s clear that an optimized BCEC can be at the center of a dynamic events ecosystem bringing more attendees to stay in hotels more often and engage in local commerce, while linking the South Boston neighborhood to the South Boston waterfront.

It is important to note that the MCCA’s top priority has consistently been to ensure that any future modernization efforts would not undermine the investments already made by the Commonwealth, and this proposed expansion has been developed with this priority top of mind.

**TAXPAYER DOLLARS WILL NOT BE AT RISK**

The proceeds from the sale of the Hynes will serve as the primary funding source of the BCEC expansion program. Additionally, the strong financial position of the Massachusetts Convention Center Fund (CCF), which will fund the balance of the costs of the \$500 million expansion, will eliminate the need for new bonds to pay for the program.



Proposed BCEC Expansion  
**(\$500 million)**



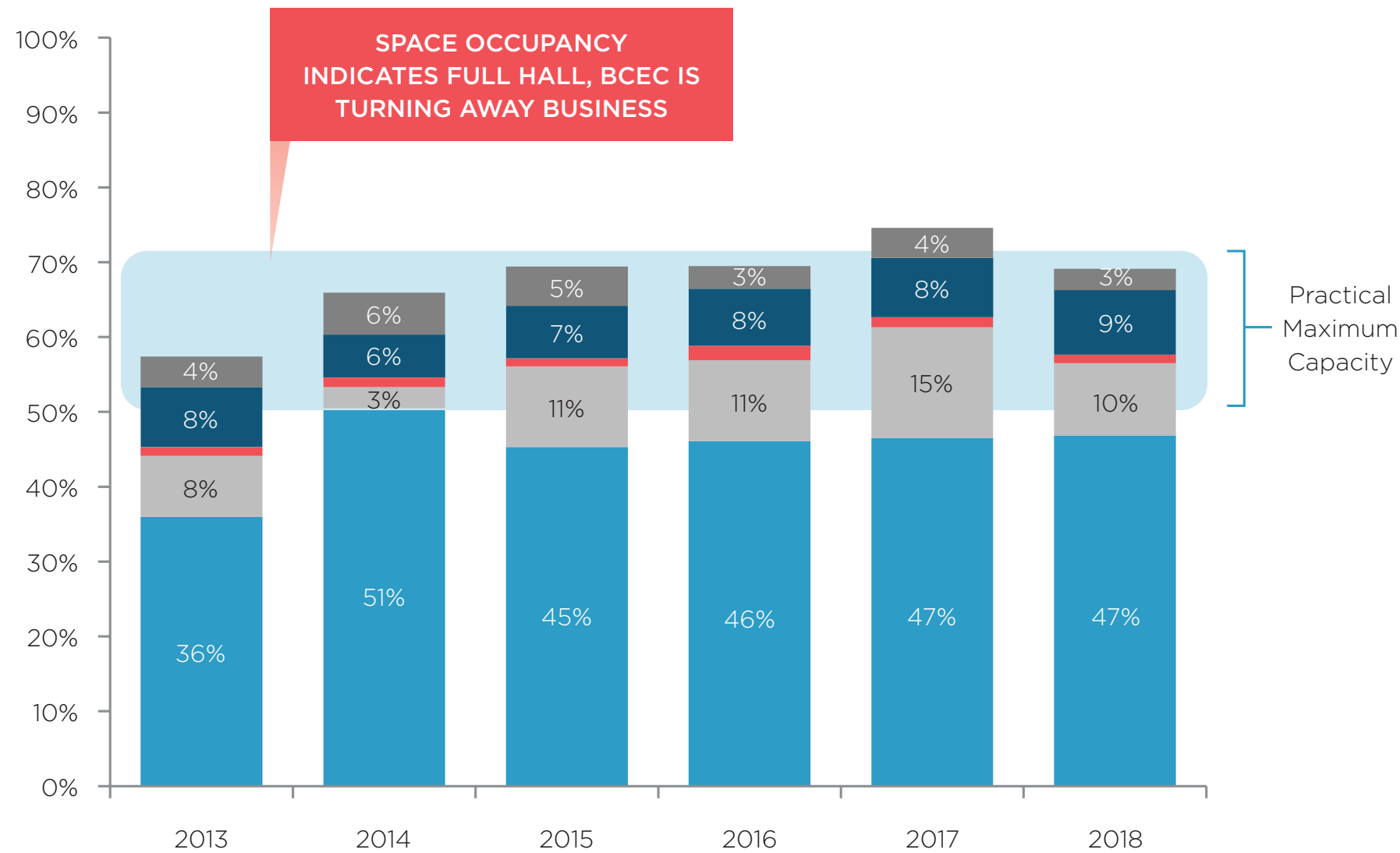
Hynes Sale Proceeds  
**(\$TBD)**



Remaning Costs funded by CCF Balances



# HIGH BCEC OCCUPANCY



- Conventions & Tradeshow
- Meetings
- Public / Consumer Shows
- Corporate Events
- Food & Beverage Events
- Other Events

(too small to appear above)

(Provided by CS&L International)

**TWELVE ACRES CONVEYED TO THE CITY OF BOSTON**

Approximately twelve acres of land along Cypher Street not needed for expansion will be conveyed from the Commonwealth of Massachusetts to the City of Boston, its original purchaser.

**THE HYNES FACES SERIOUS CHALLENGES**

After thorough analysis, it is clear that in order to simply keep operating as a convention and meetings venue, the Hynes would require hundreds of millions of dollars in public investment over the next decade. Two independent and separate studies commissioned by the MCCA concluded that roughly \$200 million in critical deferred maintenance projects were needed—and close to \$500 million in total improvements would be required—simply to keep the building at existing service levels in line with contemporary customer expectations.

With limited overlap between the two studies, it was clear to the MCCA that any future planning for the Hynes calls for more than half a billion dollars in unavoidable costs.

It is commonly the case that the long-term booking horizon for the BCEC’s larger customers will consume hotel inventory to such an extent that it will make the Hynes unmarketable for similar dates in the future. Consequently, the Hynes has maintained approximately 40% occupancy in recent years, well below industry standard to be considered a fully utilized facility.

The realities of the incongruent booking calendars and limits of available hotel inventory are expected to only further exacerbate the MCCA’s ability to market the Hynes to events and planners interested in Boston. It should be noted that the Hynes competes for business among hundreds of similarly sized venues across North America.

In contrast, the BCEC only faces direct competition from less than two dozen alternative destinations. Considering these challenges to its occupancy and the growing costs of maintaining existing facility offerings, the Hynes is anticipated to challenge the operating budget of the MCCA going forward.

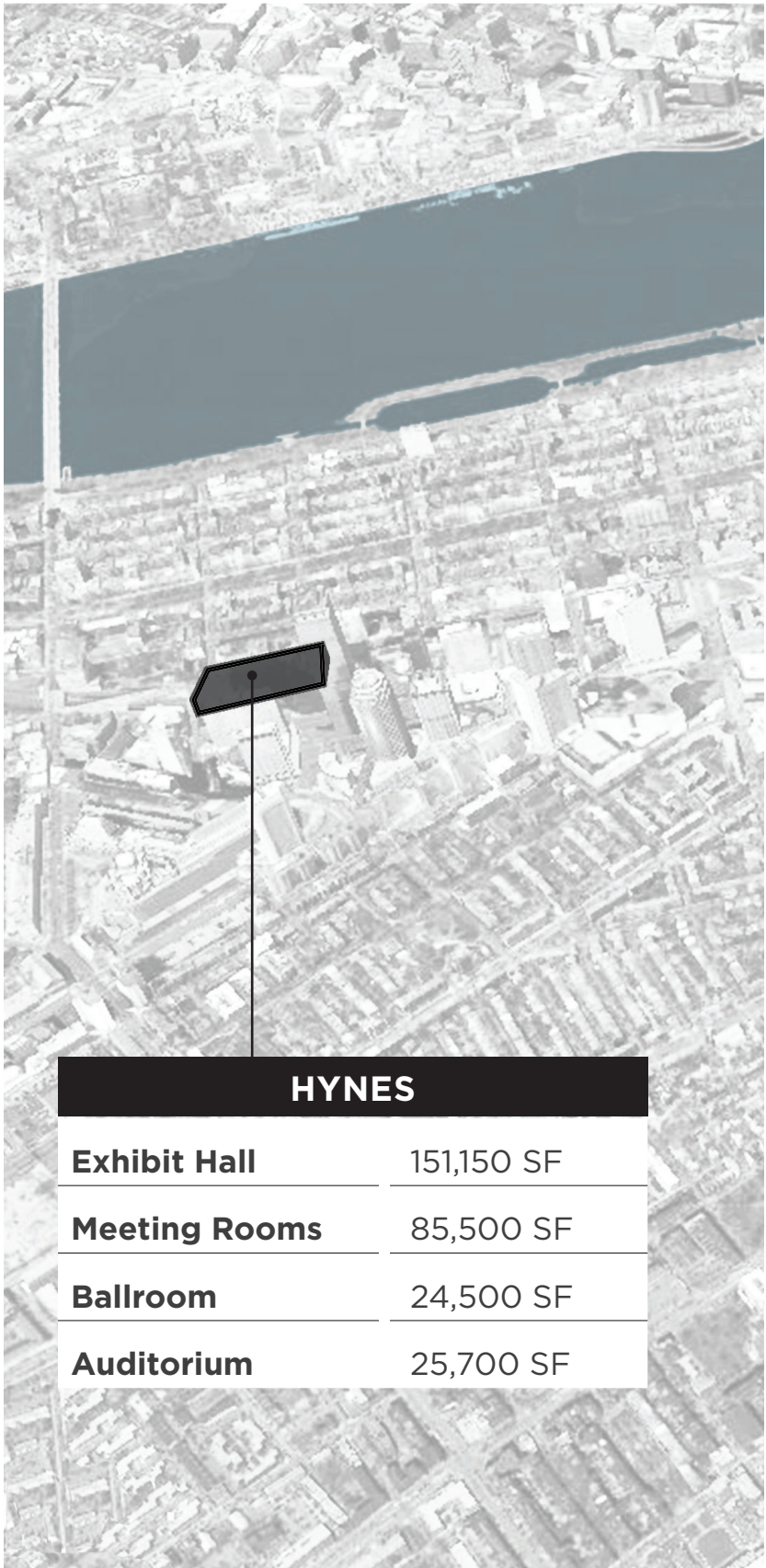
**SELLING THE HYNES CREATES SIGNIFICANT OPPORTUNITY**

A sale of the Hynes building will create a development opportunity on approximately 5.8 acres in the Back Bay on what promises to be one of the most exciting and desirable urban development parcels in the world over the next several years. The proceeds from the sale of the Hynes would fund all or a portion of the cost the BCEC expansion. Additionally, selling the Hynes will allow the MCCA to consolidate staffing and labor to a single facility at the BCEC, increasing operational efficiency.

Coupled with the sale of the Hynes, the expansion of the BCEC would consolidate Boston’s meetings and event operations into one strategic location and improve the city’s ability to host the meeting industry’s most lucrative events. Boston would also be able to attract more events in the medical, technology and education sectors, perfectly aligning with its brand as a global destination.

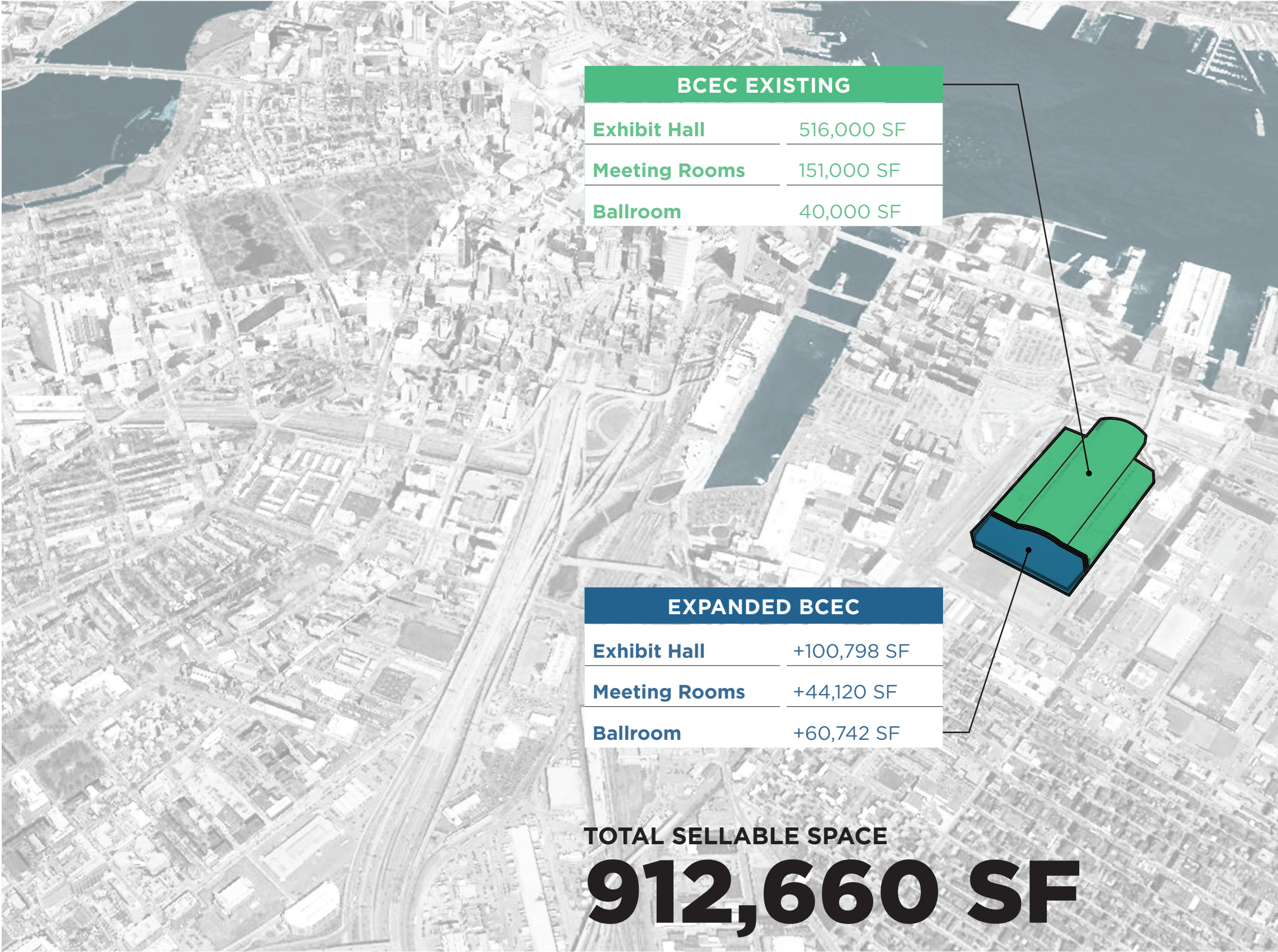
Many events at the Hynes will have the opportunity to migrate to the BCEC, and MCCA’s hospitality partners will experience a more consistent and predictable flow of business as a result of continuous business at the BCEC.

The opportunity to stimulate economic growth in the Back Bay neighborhood surrounding the Hynes, combined with the ongoing challenges of operating a convention center in a dense urban neighborhood, make this an ideal time to reconsider Boston’s competitive position in the meetings industry.



HYNES	
Exhibit Hall	151,150 SF
Meeting Rooms	85,500 SF
Ballroom	24,500 SF
Auditorium	25,700 SF

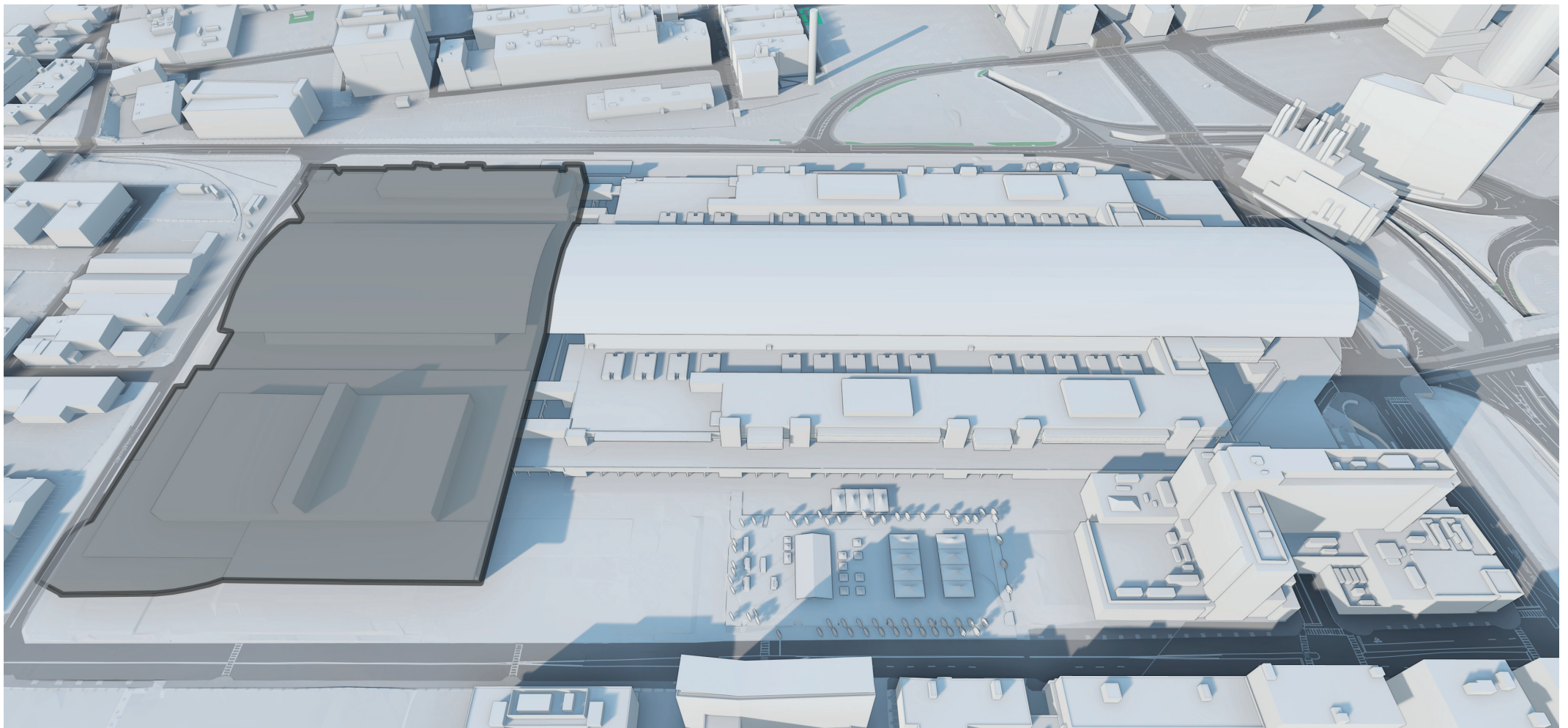






# Planning Evolution of the BCEC

## 2014 BCEC EXPANSION RECOMMENDATION



**COST: \$1.2B\***

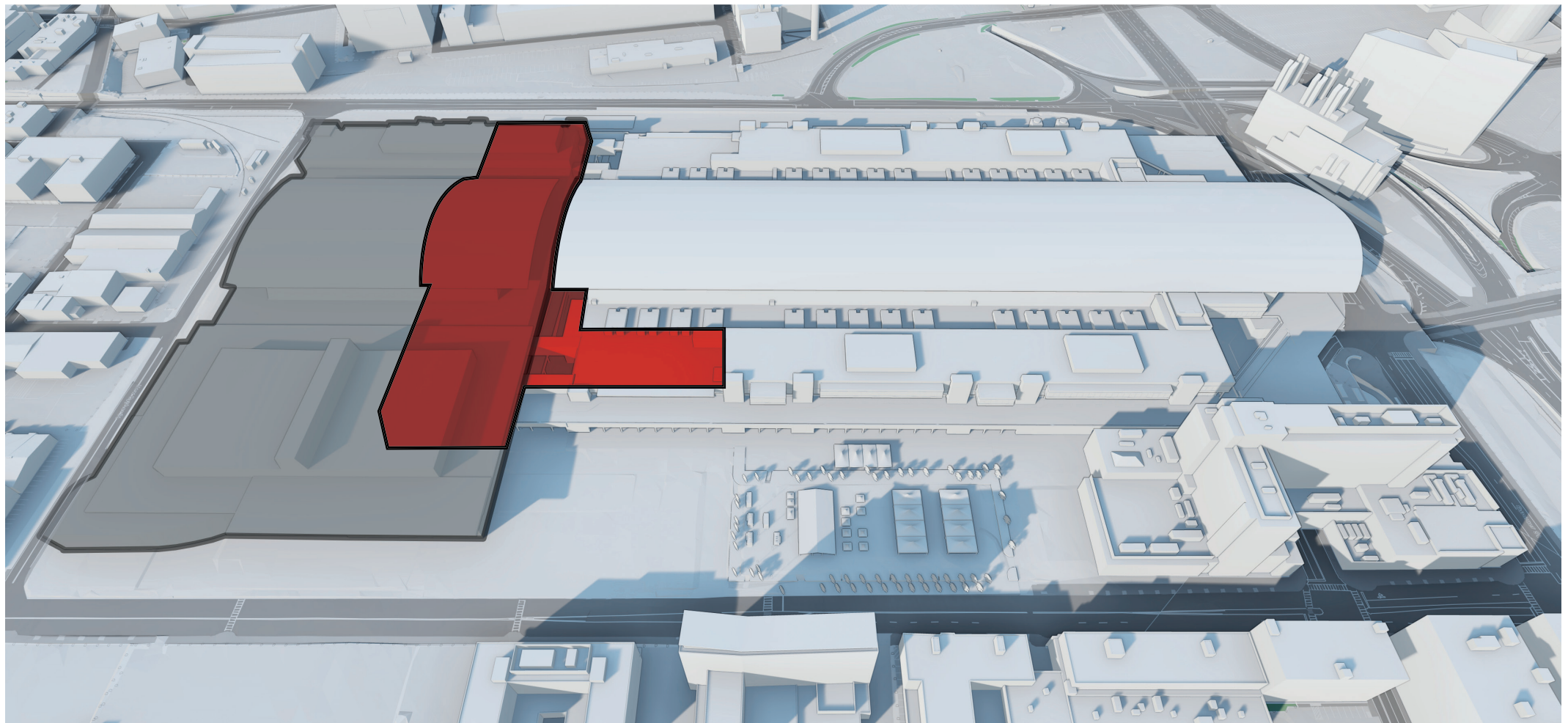
400,000 SF Exhibit Hall

75,000 SF Ballroom

125,000 SF of Meeting Rooms

*\*cost representative of 2014 project in 2022 dollars*

## 2020 BCEC EXPANSION RECOMMENDATION

**COST: \$500M**

100,000 SF Exhibit Hall

60,000 SF Ballroom

44,000 SF of Meeting Rooms

12 Acres Conveyed to the City of Boston

*\*cost representative of 2022 dollars*

■ 2014 Recommendation  
■ 2020 Recommendation





The vision for the BCEC can be realized by a fully developed, fully optimized convention center expansion.

METHODOLOGY

The aim of this project report and the associated BCEC Masterplan is to demonstrate for the MCCA and other key stakeholders that their vision for a well-integrated, thriving, economically robust convention center in Boston is more than possible.

The masterplan includes a proposed implementation strategy that is reflective of immediate space needs, is both logistically and economically feasible, and is agile enough to be adjusted as the industry and Boston evolve. The Districts of South Boston and the South Boston Waterfront are continuing to develop at a rapid pace. An optimized BCEC will ensure the convention center is equipped to sustain this growth.

Most importantly, the BCEC is a reflection of the DNA of Boston. An optimized BCEC will more effectively leverage the character and intellectual capital of this iconic city, while creating new opportunities to further enhance and expand its economic impact on the region.

THE POPULOUS TEAM

The Populous approach to design is founded on a collaborative, transparent process, and we have taken great care to structure our team for this proposed expansion of the Boston Convention and Exposition Center. Our Team is comprised of internationally recognized specialists in key disciplines in order to deliver our recommended approach as outlined in this report.

In June of 2018, Populous and their teams were engaged by the MCCA to initiate the planning process. The following timeline illustrates key milestones, deliverables and the consultants involved. It should be noted that 2018 was the most recent year with a complete set of data, so all analysis contained within this report is based on 2018 year-end data.

DESIGN ARCHITECT / PRIME CONSULTANT	URBAN DESIGN & PLANNING	COMPRESSION ANALYSIS
POPULOUS®	cbt	Pinnacle
MARKET FEASIBILITY & ANALYTICS	PLACEMAKING & PLANNING	HOTEL MARKET FEASIBILITY
CSL INTERNATIONAL	OLIN	CLM Wernick
TRANSPORTATION & MOBILITY	COST ESTIMATING	SITE & CIVIL ENGINEERING
HOWARD STEIN HUDSON	RLB Rider Levett Bucknall	Nitsch Engineering



## JUNE - JULY 2018

POPULOUS, OLIN, CBT, CS&L, HSH, NITSCH

### KICKOFF AND BACKGROUND ANALYSIS.

- Review of Master Plan Studies and Reports.
- Stakeholder Interviews.
- Review of existing site conditions.
- Summary report of findings.

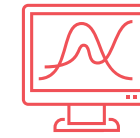


## AUGUST 2018

POPULOUS, OLIN, CBT, NITSCH

### INVENTORY OF EXISTING LAND USE AND BUILDINGS.

- Building, site and landholdings plan update.
- Summary report of existing facilities and land holdings.



## SEPTEMBER — OCTOBER 2018

POPULOUS, CS&L, CHM WARNICK

### MEASUREMENTS RELATED TO BCEC PLANNING CONSIDERATIONS.

- Analysis of past BCEC performance and future booking opportunities.
- Analysis of industry characteristics and trends.
- Analysis of comparable and competitive facilities.
- Assessment of local market hotel and other hospitality conditions.
- Market demand research.
- Summary Market Analysis report/presentation.



## OCTOBER — DECEMBER 2018

POPULOUS, CS&L, CHM WARNICK, PINNACLE

### ANALYSIS OF DEMAND FOR BCEC SELLABLE PROGRAM SPACES AND HOTELS.

- Convention Center space program.
- Convention Center hotel block would allow for more potential sellable program areas.
- Hotel market demand analysis based on approved expansion plans.
- Preliminary cost models for Convention Center.
- Roomnight demand analysis.
- Hotel compression analysis.
- Summary Convention Center and Hotel Demand Analysis Report / Presentation.



## DECEMBER 2018 — FEBRUARY 2019

POPULOUS, CS&L, CHM WARNICK, PINNACLE, RLB

### ANALYSIS OF FINANCIAL OPERATING AND CAPITAL FUNDING CONDITIONS AND SCENARIO COST EXPLORATION.

- Analysis of financial operations.
- Analysis of economic and fiscal impact.
- Assessment of capital and operating funding resources.
- Summary Financial Analysis
- Report Scenario cost refinement.



## FEBRUARY — AUGUST 2019

POPULOUS, RLB, PINNACLE, CHM WARNICK, CS&L

### DELIVERABLE PRODUCTION AND COST REFINEMENT.

- Scenario refinement.
- Executive summary report, presentation deck and graphic production.
- Cost refinement.





# 03

## Proposed Design

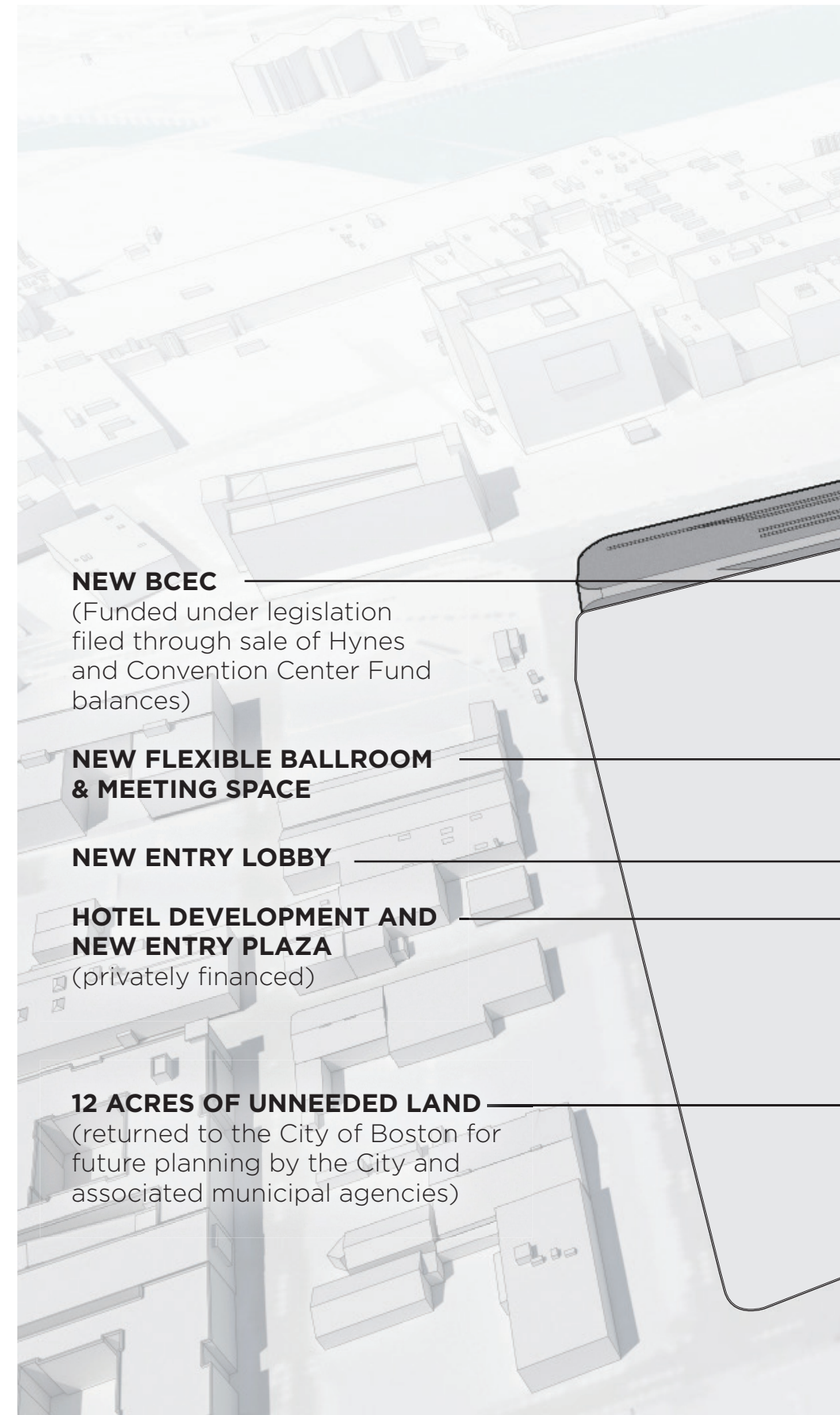
# Proposed Design

**AN EXPANSION OF THE BCEC** would be a key driver of economic growth and job creation in the area. At a cost of \$500 million, this expansion would add thousands of construction and service industry jobs over the duration of the project and long into the future. The expansion of the BCEC would induce further hotel development in the area.

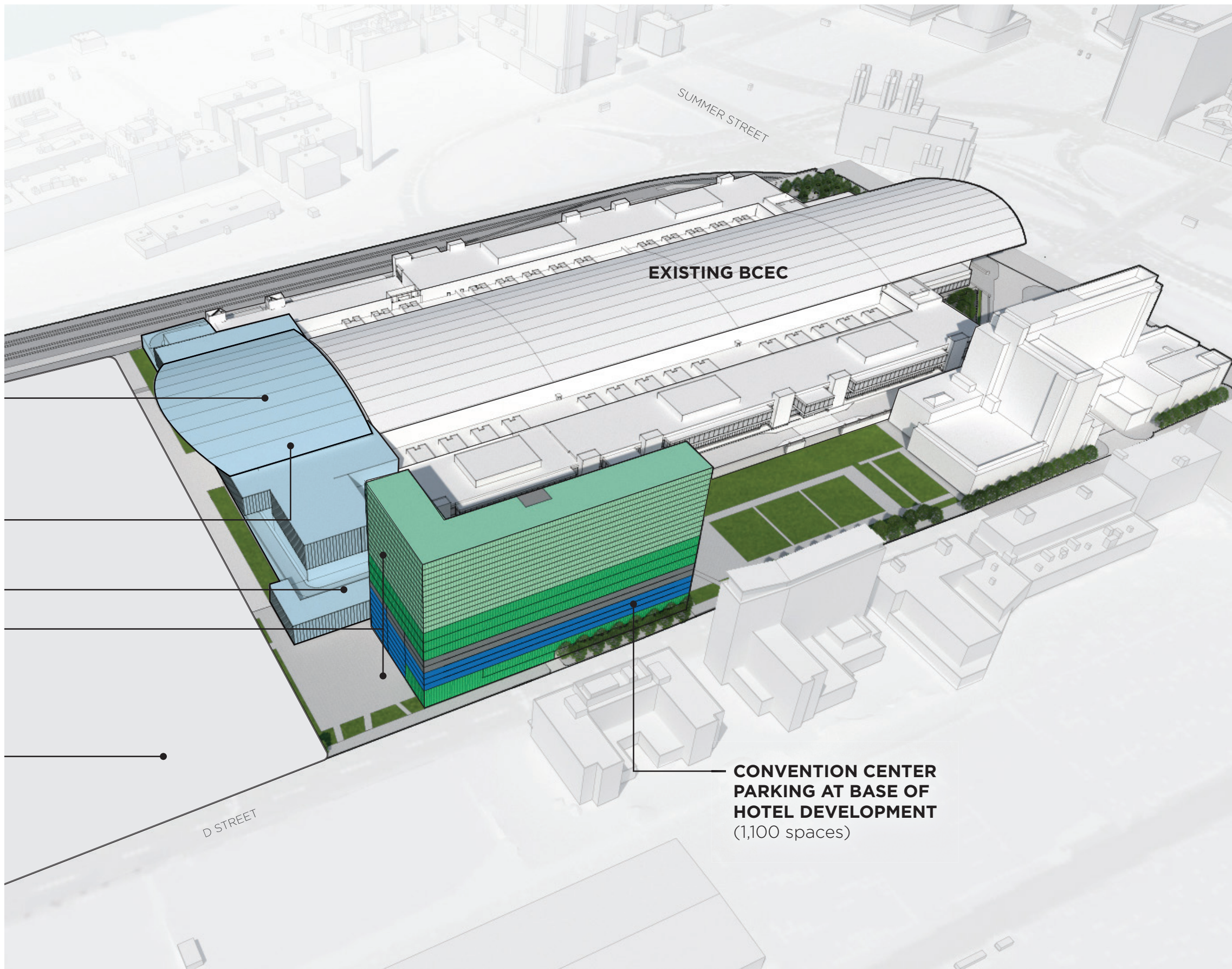
The proposed expansion program would create an optimized facility that features new industry standards such as highly flexible space, open space learning environments, and engaging food and beverage experiences. The modernized BCEC would align with the evolving preferences of MCCA's customers and right-size the venue to reflect the evolving preferences of the convention marketplace. Most importantly, these updates would enable the BCEC to satisfy the increasingly complex needs of today's meeting planners.



**The BCEC program will add approximately 100,000 square feet to the exhibition hall, a 60,000 square foot ballroom and create 44,000 square feet of new meeting space at the south end of the BCEC. The plan would also return twelve acres to the city of Boston, the original purchaser of the parcel, for future city-led development opportunities.**





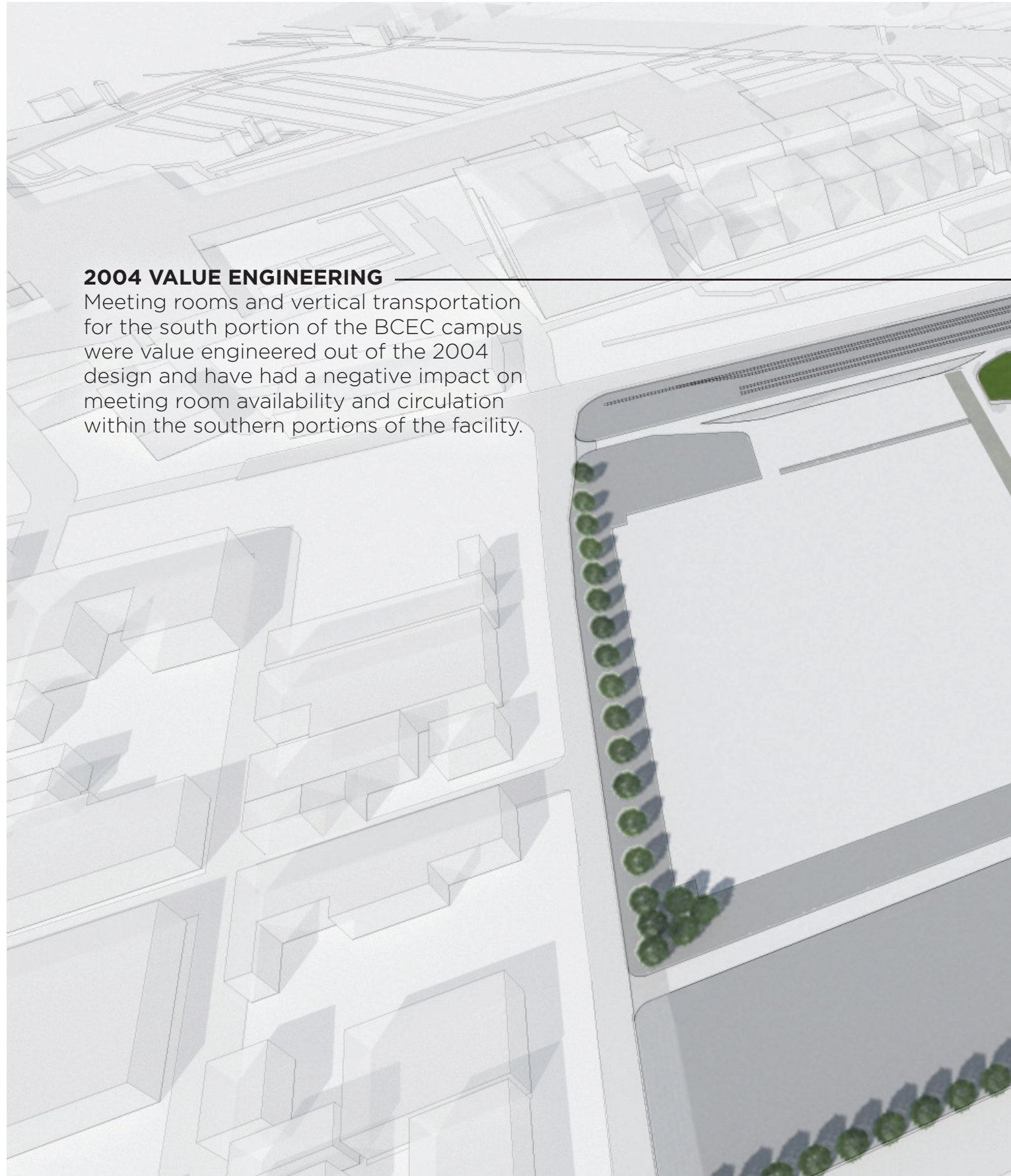




# BCEC Existing Facility

## 2004 VALUE ENGINEERING

Meeting rooms and vertical transportation for the south portion of the BCEC campus were value engineered out of the 2004 design and have had a negative impact on meeting room availability and circulation within the southern portions of the facility.







### EXISTING BALLROOM

Compared with most of its regional competitors, BCEC's small ballroom is less flexible and about 20,000 sf smaller.

### LAWN ON D

has become a valued outdoor place for Boston residents and meeting planners alike. The success of this space as an amenity should be preserved.

### → NO SECOND BALLROOM / INABILITY TO HOST 2 CONTINUOUS EVENTS

Flexibility of hosting multiple events would require a 2nd ballroom with a dedicated entry.

### → THE EXHIBIT HALL IS FULL

The BCEC has been running above the practical occupancy since 2013 - meaning the BCEC is turning away business.

### → LACK OF ADEQUATE HOTEL INVENTORY WITHIN WALKING DISTANCE

Significantly increases transportation costs for BCEC customers.



# The Future of Events Is Experience-Based

In the fifteen years since the BCEC opened, the convention industry has evolved significantly, requiring convention centers to provide greater flexibility.

The ability to host continuous events in the same facility is a foundational element of a fully economically optimized convention center.

With this in mind, the design concept for the BCEC Expansion is focused on staying at the forefront of the meetings and events industry by improving an already flexible venue to be more agile, performance-based and integrated within two authentic districts (Traditional Residential South Boston and the emerging South Boston Waterfront). Key design features of the building include:

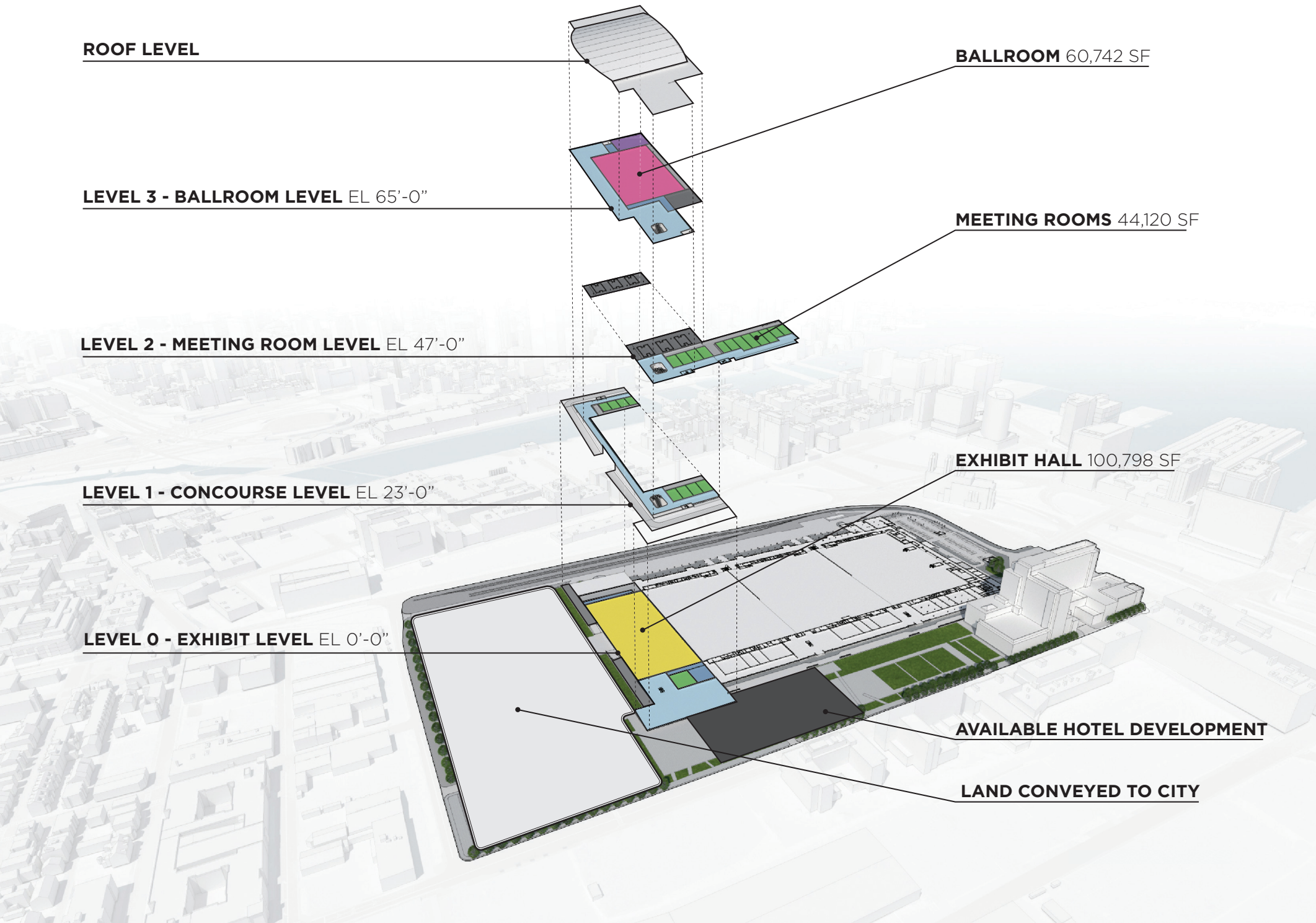
- **an additional 100,000 square feet of exhibit space, bringing the total at BCEC to just over 616,000 square feet.**
- **a new 60,000 square foot ballroom that can be subdivided in a variety of ways.**
- **more than 40,000 square feet of additional meeting room space, matching the meeting-to-exhibition-space ratio of the existing BCEC.**
- **lobbies and circulation space designed to host “open space learning concepts” to provide meeting planners flexibility to create “open space learning” environments and promote social engagement.**
- **robust technical flexibility within event spaces to accommodate innovative events, festivals, performances and other experience-based events.**



*In 2019, Populous presented its research and thought leadership on the future of convention center experience at the International Association of Convention Centres (AIPC) annual conference.*

*The AIPC is the go-to industry association for professional convention and exhibition center managers worldwide, and occupies a unique position among the various organizations that represent the meetings industry. The AIPC focuses specifically on “the issues, opportunities and challenges facing convention and exhibition centers, while celebrating and promoting the multicultural dimension of the international meetings industry and the role facilities play in enhancing this.”*

NEW BCEC PROPOSED DESIGN & PROGRAM





# Proposed BCEC Multi-Purpose Ballroom Configurations

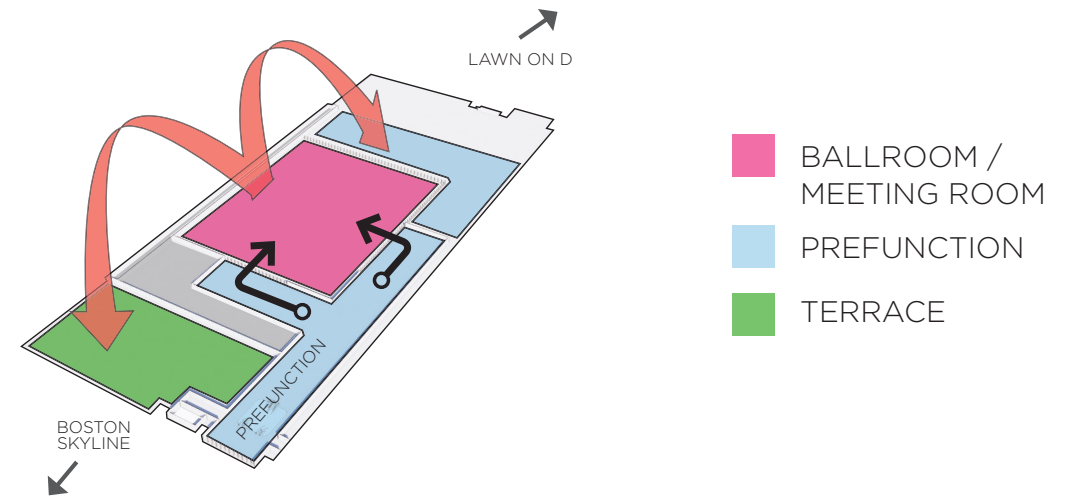
## AGILE. FLEXIBLE. OPTIMIZED.

This project is aimed at leveraging the flexibility of the existing facility to minimize down time between shows and provide enhanced customization to an increasingly multi-generational and diverse market.

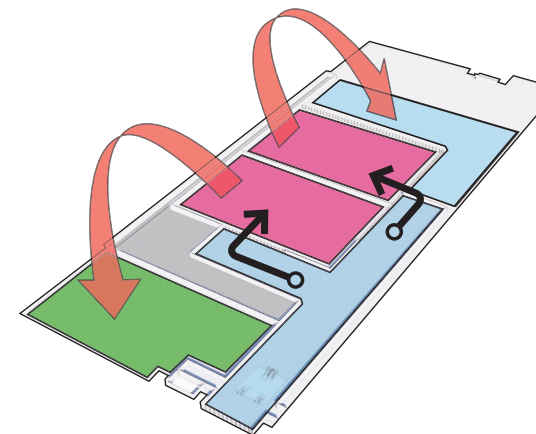
Today, the BCEC can accommodate a single show effectively. In order to optimize existing saleable space, however, the BCEC design should allow for two overlapping events, which allows business to continue and therefore increases the overall economic impact of the convention center.

With this proposed expansion, the BCEC will be able to use its second ballroom as part of a large event package which can accommodate a variety of meetings and events on its own.

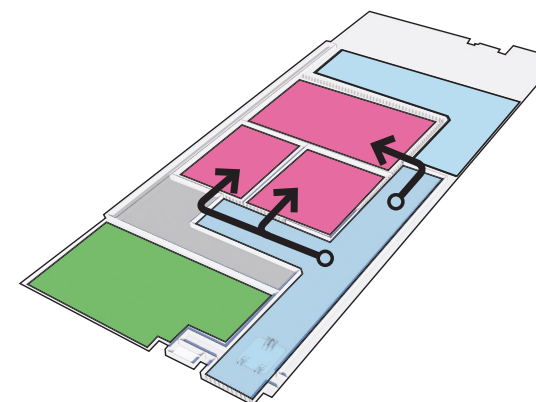
A second ballroom would also provide additional exhibit hall space, as the exhibit hall is currently being utilized as a second ballroom in order to try to meet demand. This expansion would therefore allow the BCEC to make more efficient use of the exhibit hall space, increasing the square footage that can be assigned to exhibitors. The illustrations to the right show a variety of configurations for this space.



ONE ROOM

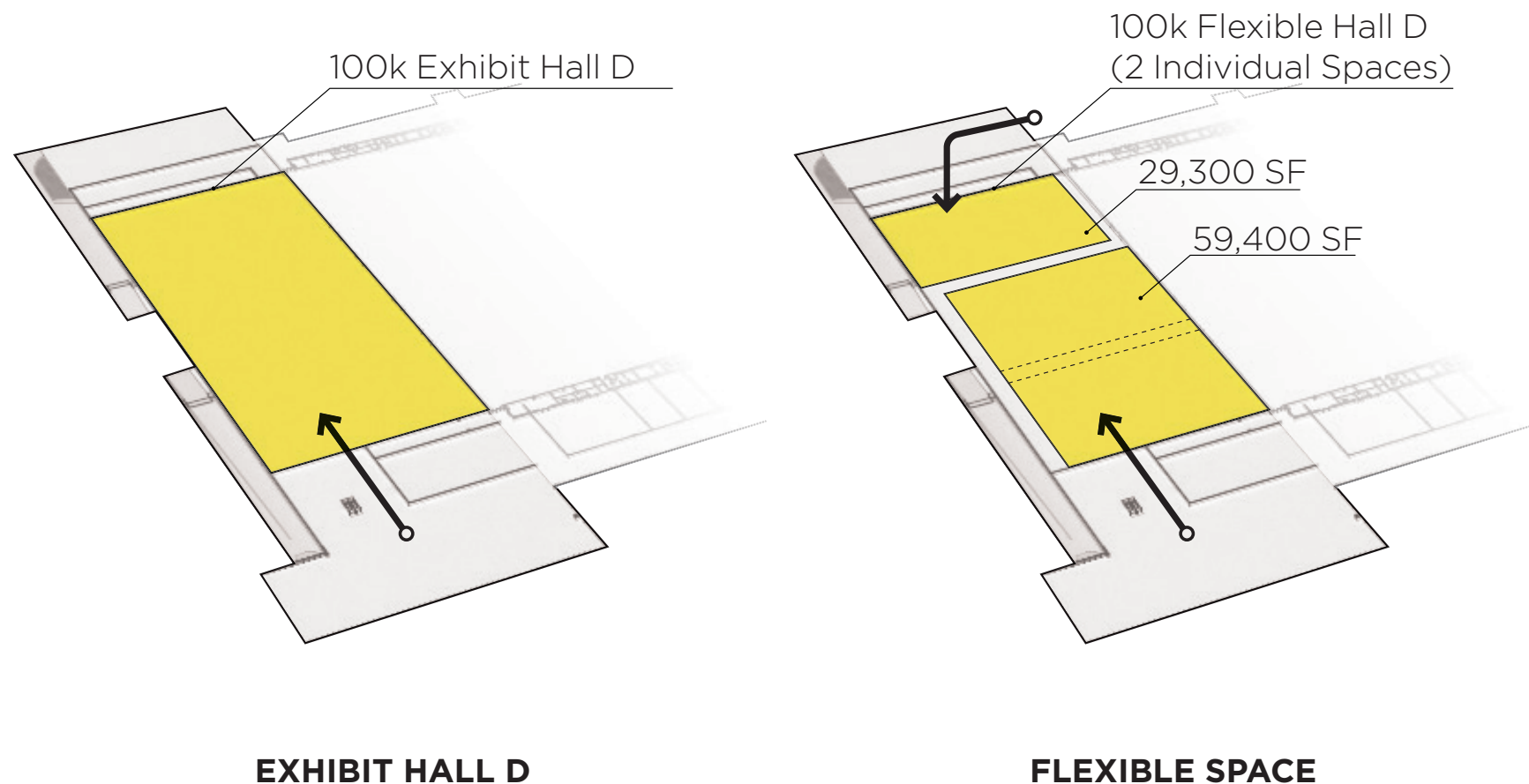


TWO ROOMS



THREE ROOMS

# Proposed BCEC Exhibit Hall Configurations





# Flexible Event Packages

The expanded size and configuration of the BCEC would allow Boston to compete for and capture 97 percent of available convention business. More importantly, an expanded facility would allow the BCEC to host continuous events – events that are scheduled back-to-back to keep hotel rooms and restaurants occupied and generating revenue, which leaves the district to sit dark while one show moves out and the next show moves in.

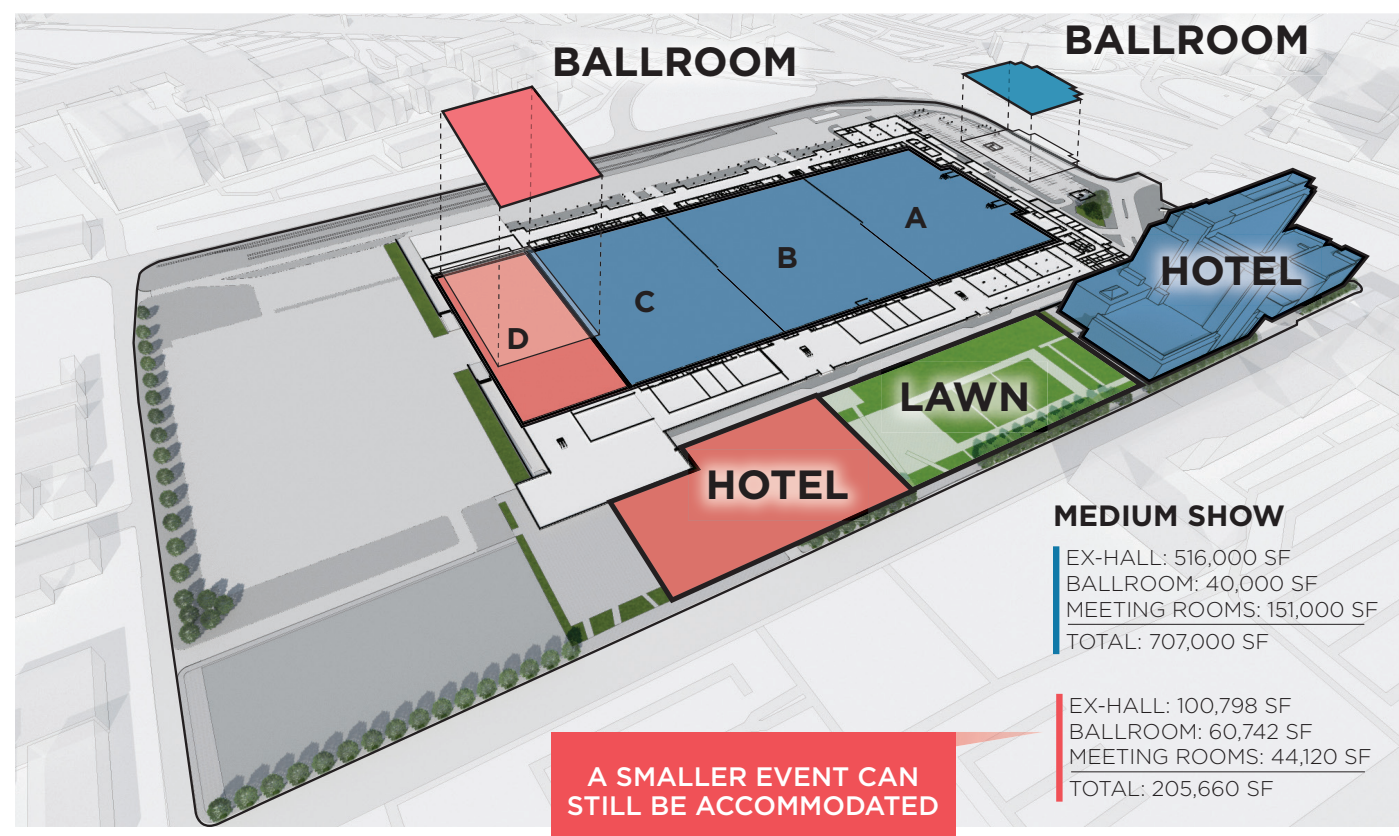
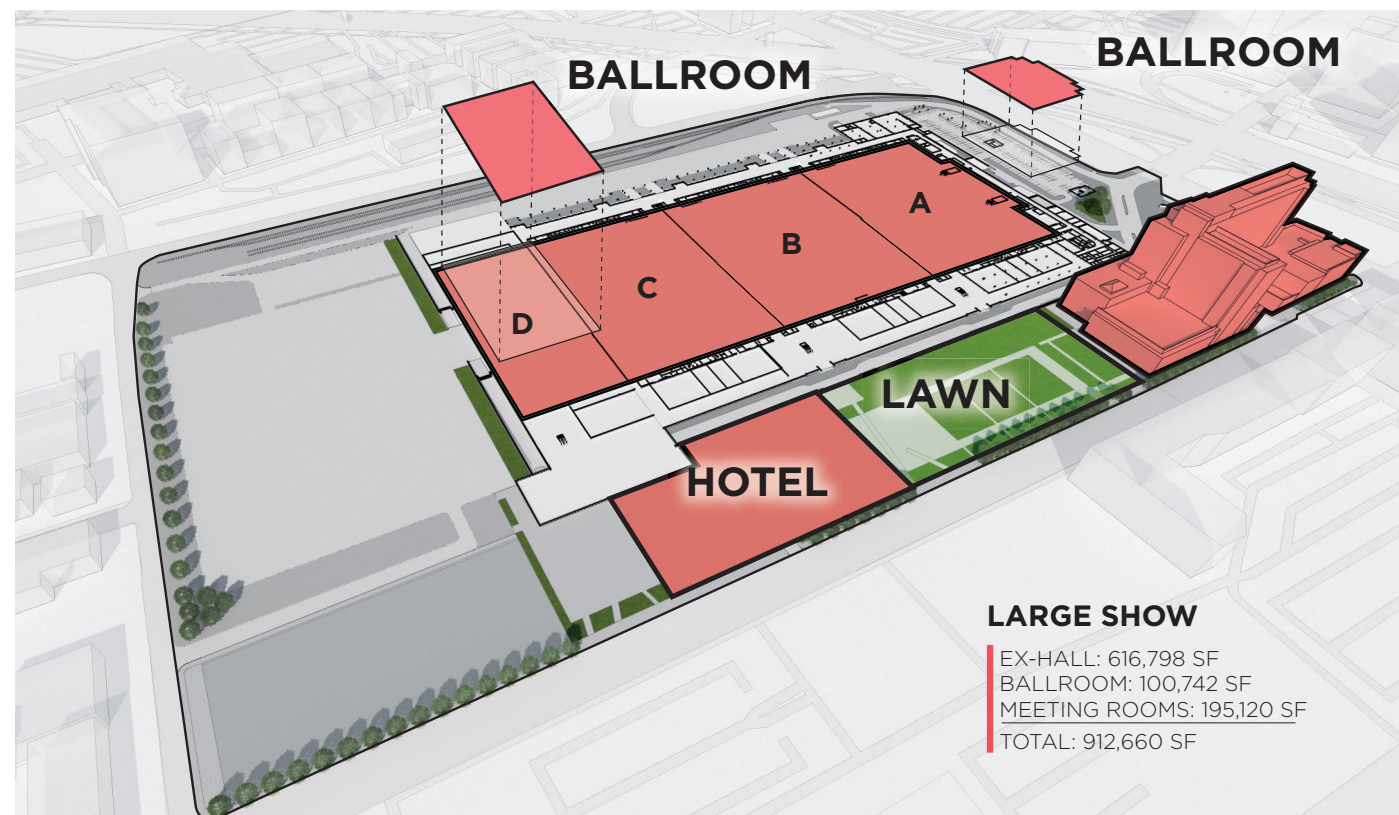
The proposed expansion would unlock new efficiencies at the venue and allow the MCCA to target the “sweet spot” in the convention marketplace: events seeking 300,000 square feet of exhibition space with an associated, dedicated ballroom.

The expanded BCEC will induce further hotel development.

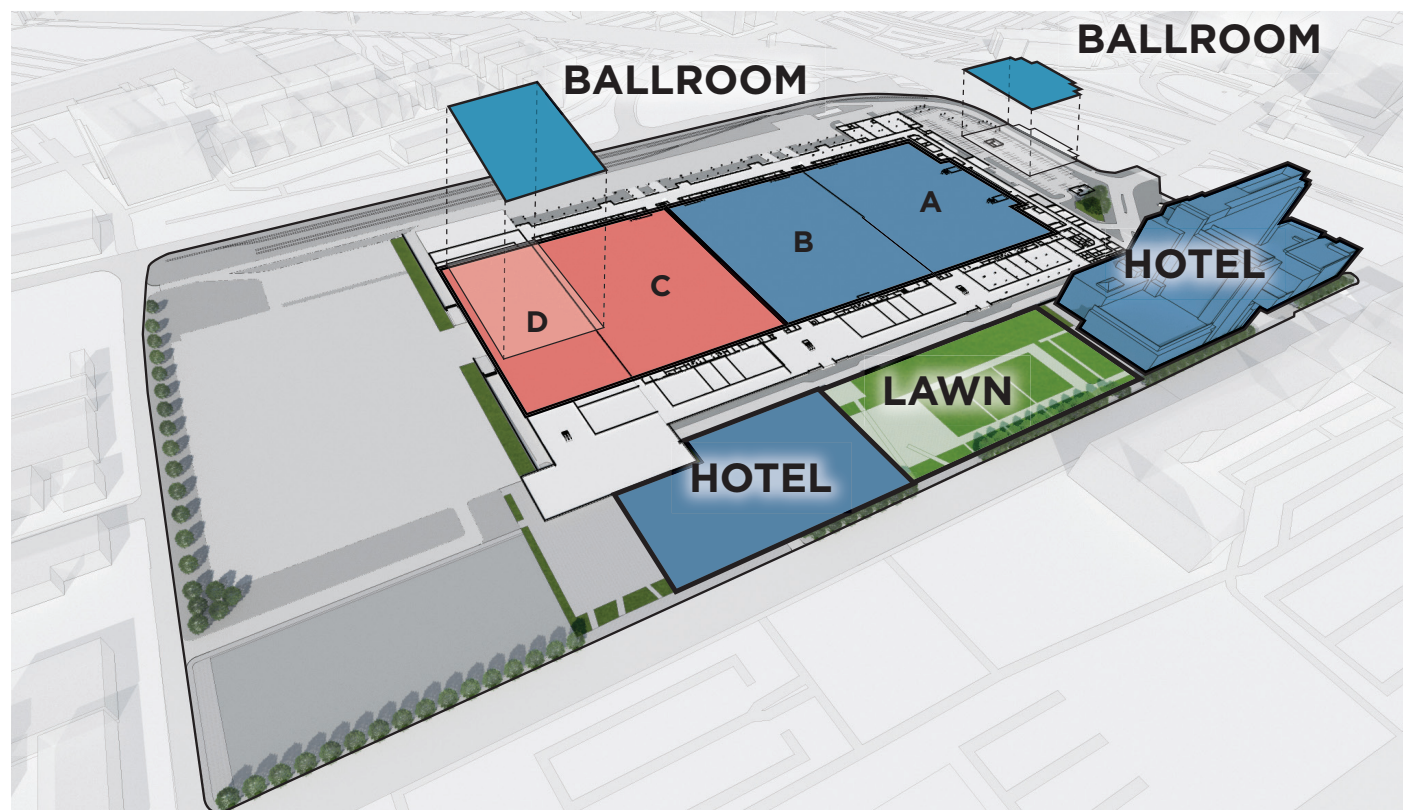
## SUSTAINABILITY

In 2016, the BCEC was certified as LEED Silver by the USGBC. In recognition of the size and location of the facility, the BCEC’s Silver certification was recognized as the Commonwealth’s most notable project among the 130 which earned LEED designations.

The expansion of the new BCEC will aim for an equivalent, if not higher, LEED designation while affording an opportunity to re-examine all existing areas of operation and enhanced sustainable performance. Specifically, this project has the opportunity to achieve LEED Silver Certification or higher for excellence in the areas of waste management, energy efficiency, indoor water use reduction, and facility maintenance and renovations (among others).







**OVERLAPPING SHOWS, ALL HOTELS+**

**Move In / Move Out**  
EX-HALL: 262,798 SF  
BALLROOM: N/A  
MEETING ROOMS: 80,935 SF  
TOTAL: 404,475 SF

**Live Event**  
EX-HALL: 354,000 SF  
BALLROOM: 100,742 SF  
MEETING ROOMS: 114,185 SF  
TOTAL: 508,185 SF





# 04

## Existing Conditions



# Understanding the Convention Industry

## THE GLOBAL MEETINGS BUSINESS

**According to the International Congress and Convention Association (ICCA), the United States ranks #1 in the global association meetings marketplace.**

Additionally, Boston is regularly in the top 5 of the ICCA's rankings of international meeting destinations in the United States. Boston attracts key global industry events focused on health care, technology, finance and education—events highly reflective of the City's strengths across all industry sectors.

Face-to-face meetings and events play a key role in bolstering the national and local economy and are the primary reason cities like Boston construct convention centers. The return on investment is clear—a recent study by the ICCA found that every \$1.00 spent on face-to-face meetings and events generates an additional \$1.60 – or 160 percent – in benefits for the U.S. economy.

An innovative and customer-driven expansion of the BCEC will serve as the catalyst to bring more impactful and lucrative events to Boston, safeguarding its position for decades to come.

## INDUSTRIES IMPACTED BY CONVENTION ACTIVITY

The BCEC is an economic engine in the City, playing a major role in increasing room nights, direct and indirect spending, tax revenues and jobs for the region.

Economic impacts generated by face-to-face meetings and events are often associated with the following industries:

- **Food & Beverage**
- **Hotels & Lodging: Meetings and events have also increased the average daily rate (ADR) of hotel rooms in Boston consistently for the past several years as supply of rooms has consistently fallen short of demand, significantly increasing tax revenues back to the city and commonwealth.**
- **Travel & Tourism: Meetings-related travel expenses include the money attendees spend on travel to Boston via Logan Airport or Amtrak.**

## WHAT DOES THE CONVENTION PLANNER OR ATTENDEE NEED?

In order to have a successful event or meeting, planners and attendees focus on the following:

- **Proximate access to the City / district**
- **Hotel quantity (total number of rooms)**
- **Hotel proximity (within 1/2 mile)**
- **Hotel size (the bigger the better)**
- **Access to a city's culture (history, sports, food, entertainment, etc.)**
- **The convention center (size, flexibility, meeting space)**

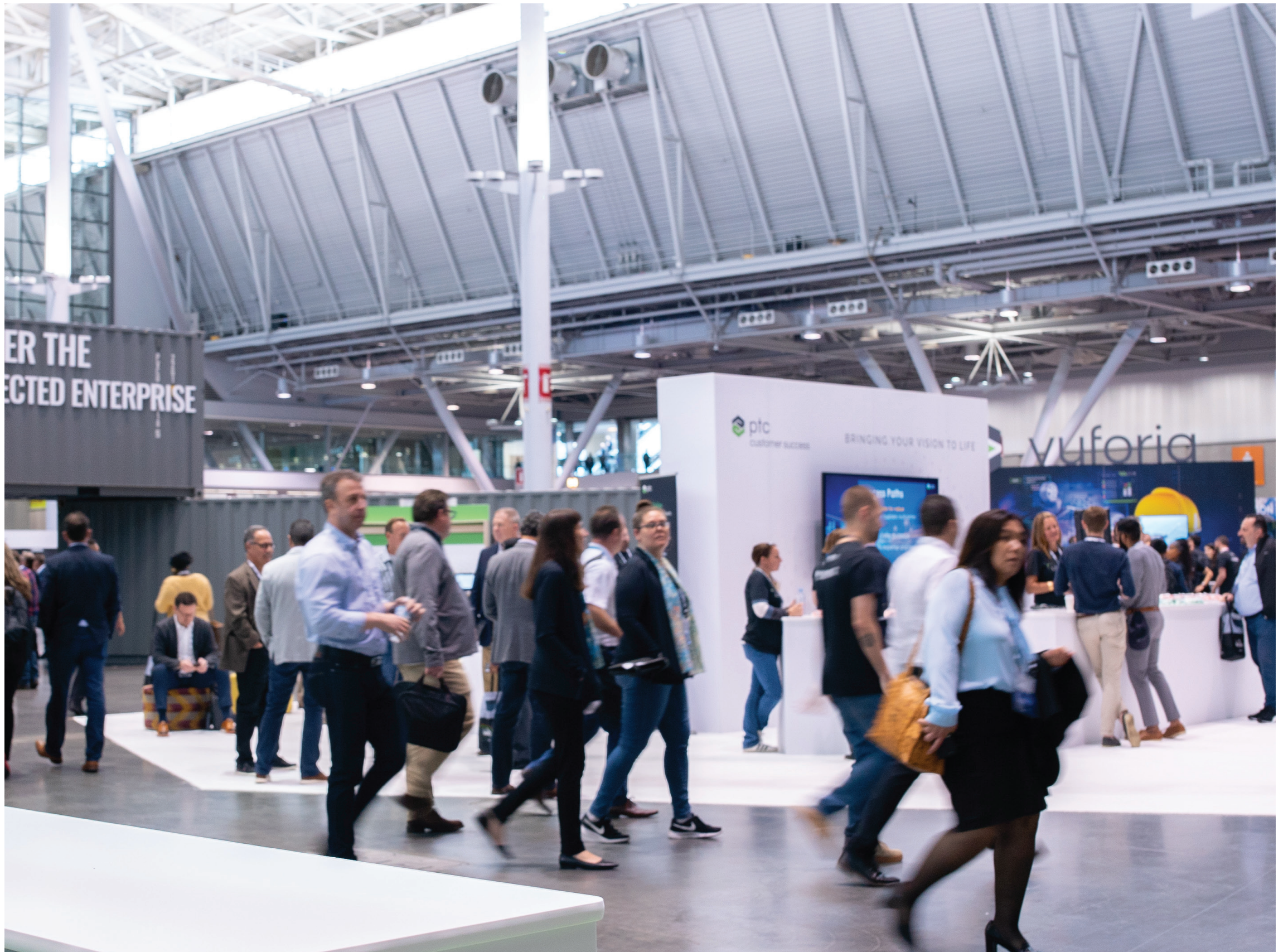
It is also important to keep in mind that no venue, regardless of the attractiveness of the market, is entitled to continually retain specific events or market share. As with any product in any industry, continual investment is required to respond to evolving customer and industry demands.

The next generation of event attendee will require greater flexibility in how meetings are conducted, how information is delivered, and how technology is used. Greater emphasis is being placed on the ability of a destination to offer a unique, authentic and productive experience.

Importantly, cities and communities that fail to invest in their convention and destination assets will fall behind – those that progress will be those that increasingly meet the competitive pressure and demands of a changing population. For the BCEC to remain a leader in the increasingly competitive convention environment, it is critical to understand and adapt to these needs.









# Keeping Pace in a Mature Industry

Nearly all indicators suggest that the national economy is continuing a pattern of modest growth. A large collection of data suggests that the health of the convention, tradeshow and meetings industry, like nearly all industries, has historically been linked to the strength and fluctuations of the overall U.S. economy. This “linkage” is a fundamental premise of any analysis of future convention and tradeshow industry performance.

The Center for Exhibition Industry Research (CEIR) is a nonprofit organization whose mission is to advance the growth, awareness and value of exhibitions in the United States. The annual CEIR Index Report is developed to provide an objective measure of the annual performance of the exhibition industry focusing on square footage, exhibiting companies, attendees and gross industry revenue.

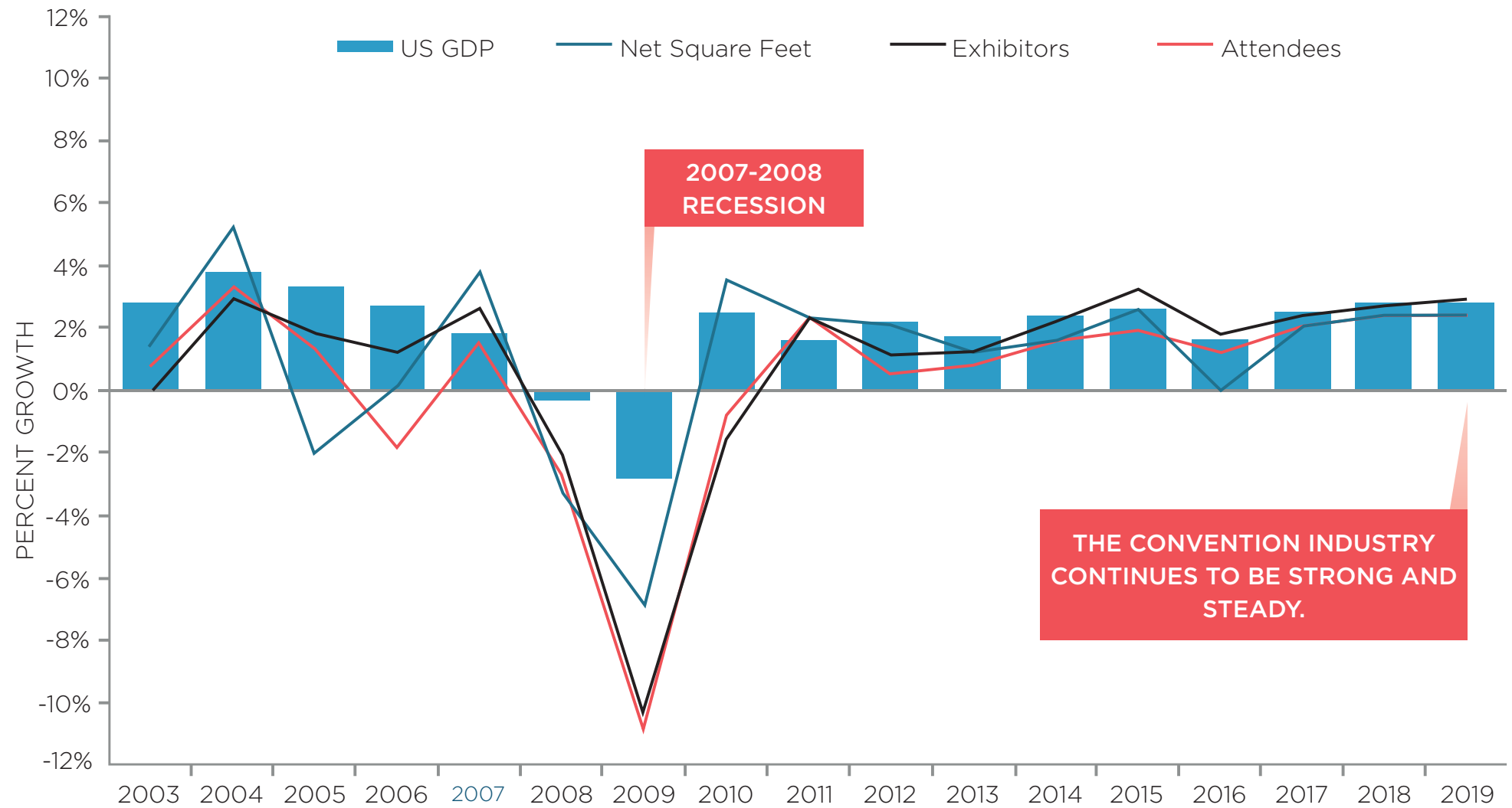
A prepared summary of CEIR-produced historical and projected performance metrics as compared to growth in U.S. Gross Domestic Product (GDP) for the 17-year period spanning 2003 through 2019 is presented in the exhibit on the following page.

As shown, convention industry conditions for 2019 show continued modest growth, along with projected GDP growth of 2.3 percent in 2019 (based on data from The Conference Board). Given the close parallels between GDP changes and changes in various measures of the convention industry, future industry growth will likely continue to mirror the overall health of the economy.



**Convention industry conditions for 2019 show continued modest growth.**

## ANNUAL CHANGES TO CONVENTION & TRADESHOW DEMAND AND UNITED STATES GDP



Source: Center for Exhibition Industry Research (CEIR), 2017



# Competitive/ Comparable Analysis

## COMPETITION

The competition for non-local conventions and tradeshow nationally is intense – leading most communities that compete with Boston to invest significantly in convention facilities, hotels and other aspects of the destination. Billions of dollars are being invested in convention and headquarter hotel assets for Atlanta, New Orleans, Miami Beach, Orlando, Los Angeles, San Francisco, Seattle and many other major markets throughout the country.

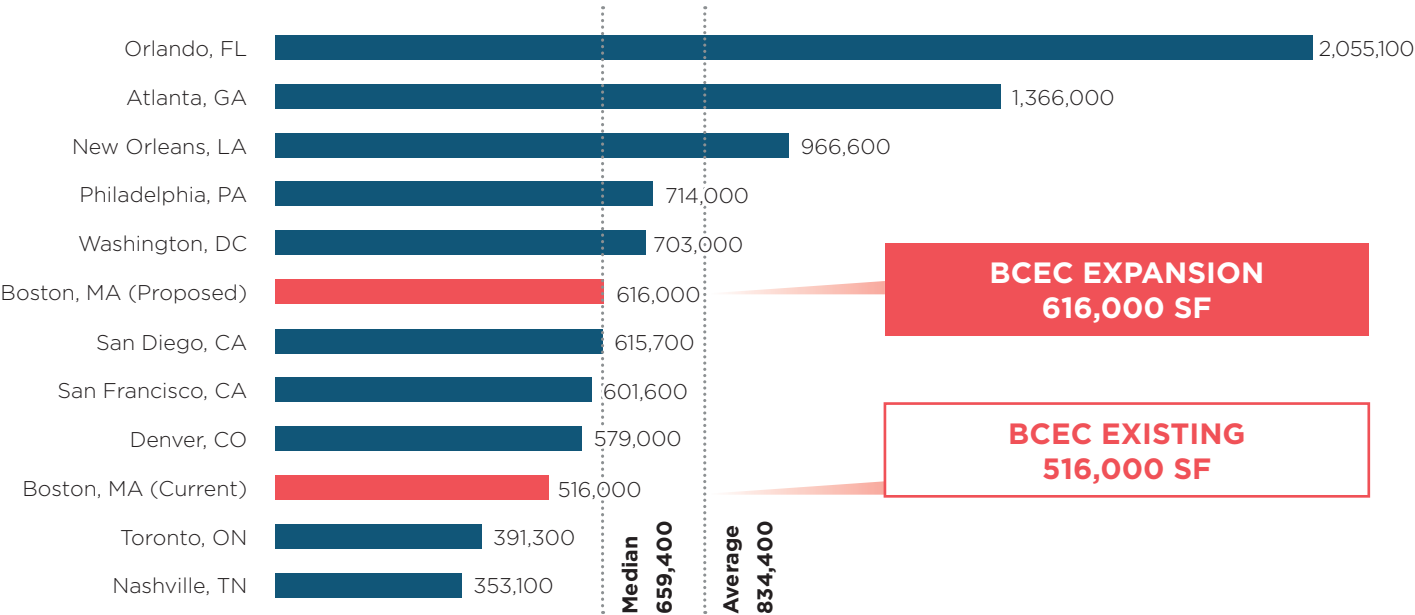
As with any product in any industry, continual investment is required to respond to evolving customer and industry demands.

As our economy, technology and population demographics change, the unique benefits of person-to-person interaction created by the convention and tradeshow industry will remain relevant into the distant future.

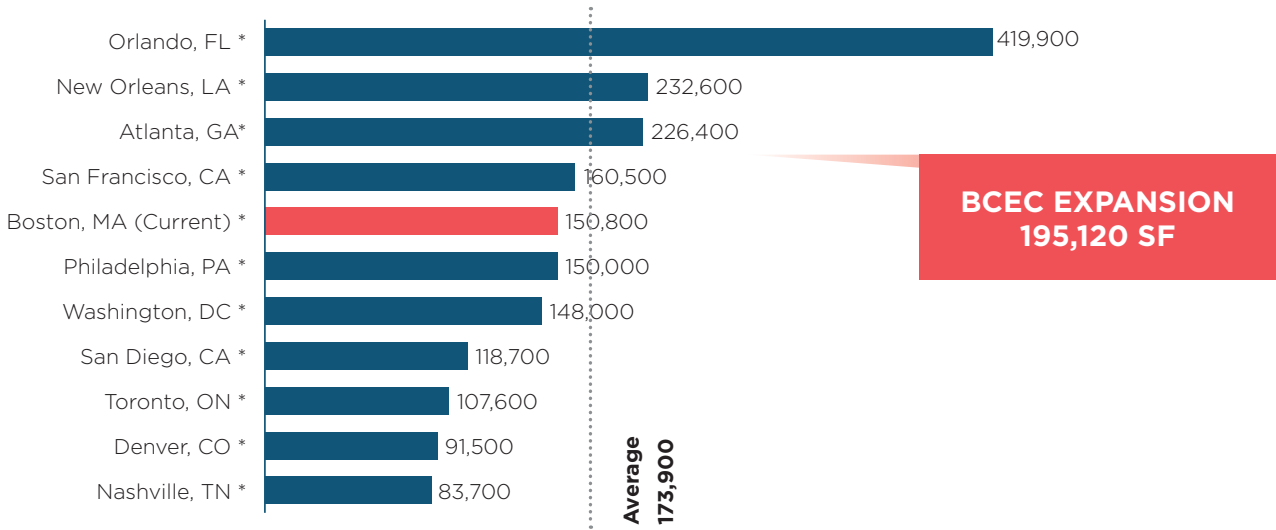
The original development of the BCEC represented a transformational and successful move into the lucrative domestic and international convention sector. However, today the BCEC's sellable space ranks well below many of its major competitors.

When compared to hotel supply in other prime destinations, Boston is also lacking. Even with new and planned hotel inventory in the pipeline through 2022, BCEC's proximate hotel inventory will remain below other major destination cities.

## TOTAL EXHIBIT SPACE



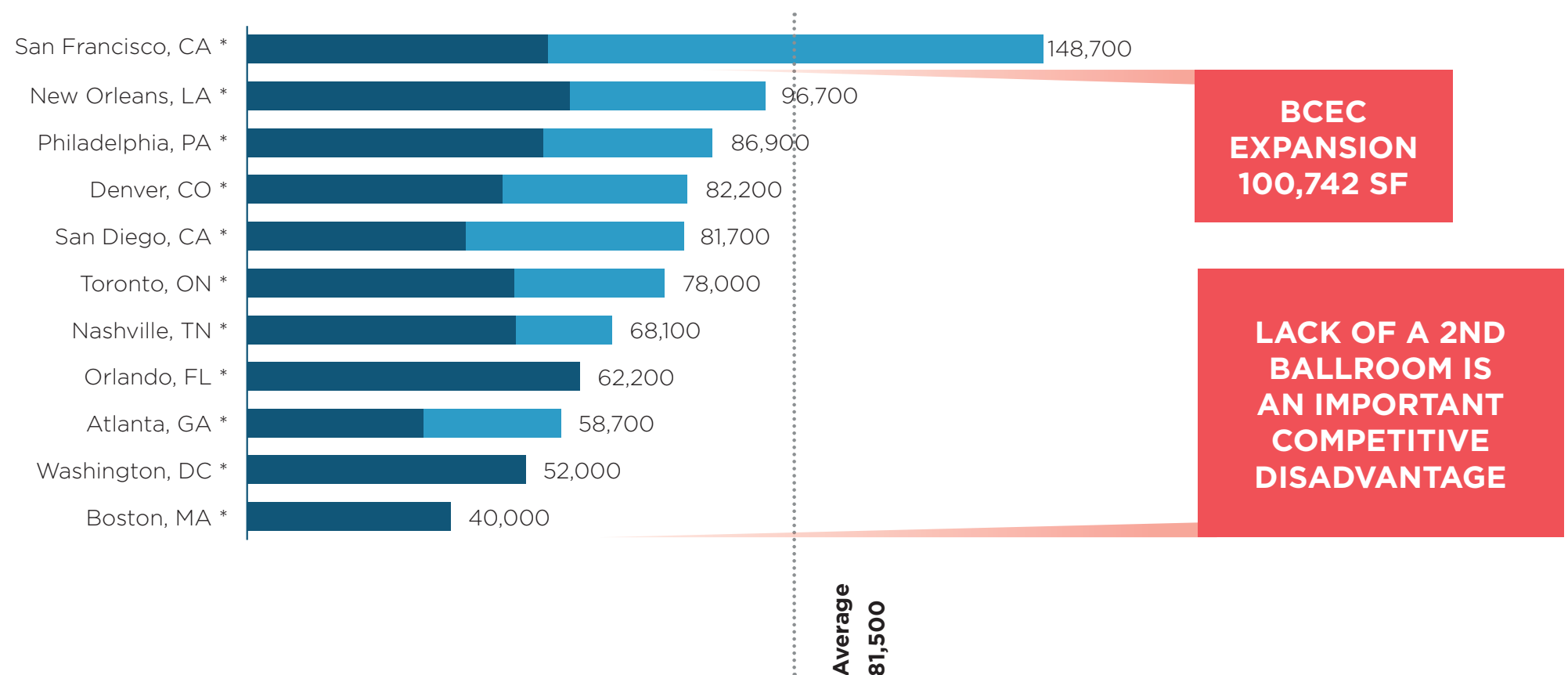
## TOTAL MEETING SPACE



Source: CS&L

Primary Ballroom Space  
Secondary Ballroom Space

## SHORTCOMING: EXISTING BALLROOM SPACE



Source: CS&L

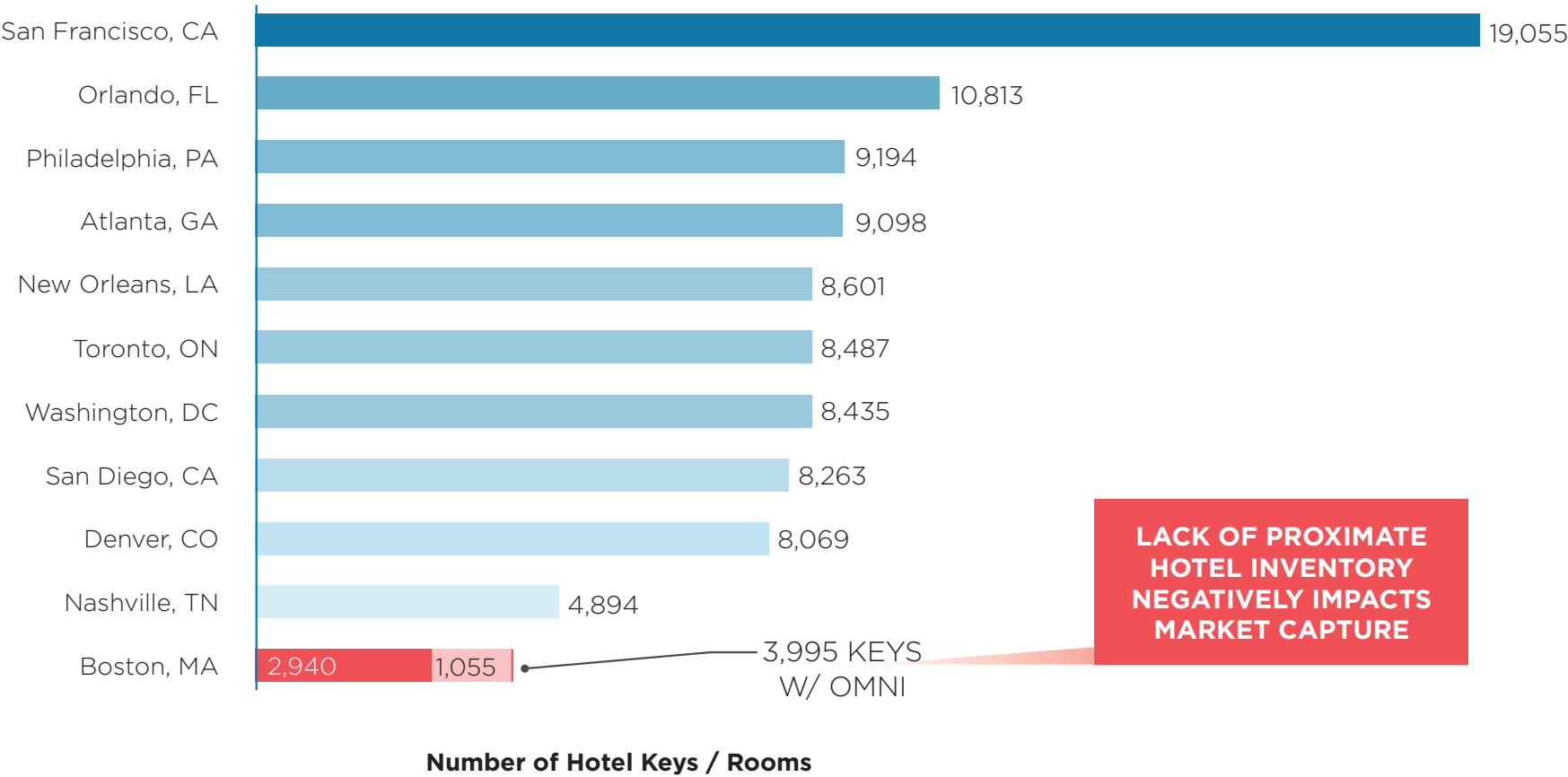




See Section 06, “Hotel Inventory Impact,” for a closer look at this critical component.

COMPARABLE HOTEL SUPPLY

Number of Rooms Within ½ Mile of Center



Source: CS&L







# District Growth in the South Boston Waterfront

South Boston and the South Boston Waterfront districts have evolved rapidly over the past decade with record breaking population, job and development growth. This rapid growth is planned to continue through 2030, potentially tripling the South Boston Waterfront's population.

Considering this rapid growth, the BCEC Master Plan team studied potential uses and development options for the MCCA's landholdings to inform future development around the BCEC. The two driving factors for this exploration were to:

- 1. identify market-supportable uses that would complement planned development to the south along Cypher and D Streets, and**
- 2. study the short- and long-term value any development on the MCCA's land would offer to the City and State.**

The conclusion pointed to many opportunities for future development, indicating that the highest and best use of these landholdings was not further expansion of the BCEC as originally planned.

Instead, a combination of mixed-use development(s) and public realm improvements to balance development within South Boston was determined to be the best approach. As a result, the footprint of the BCEC expansion was consolidated in order to leave the door open for alternative future development focused on stitching together South Boston and the South Boston Waterfront.



**BCEC is at the heart of significant, continued development in South Boston. Continued investment should consider and encourage adjacent development to create a vibrant events destination that is authentically Boston.**

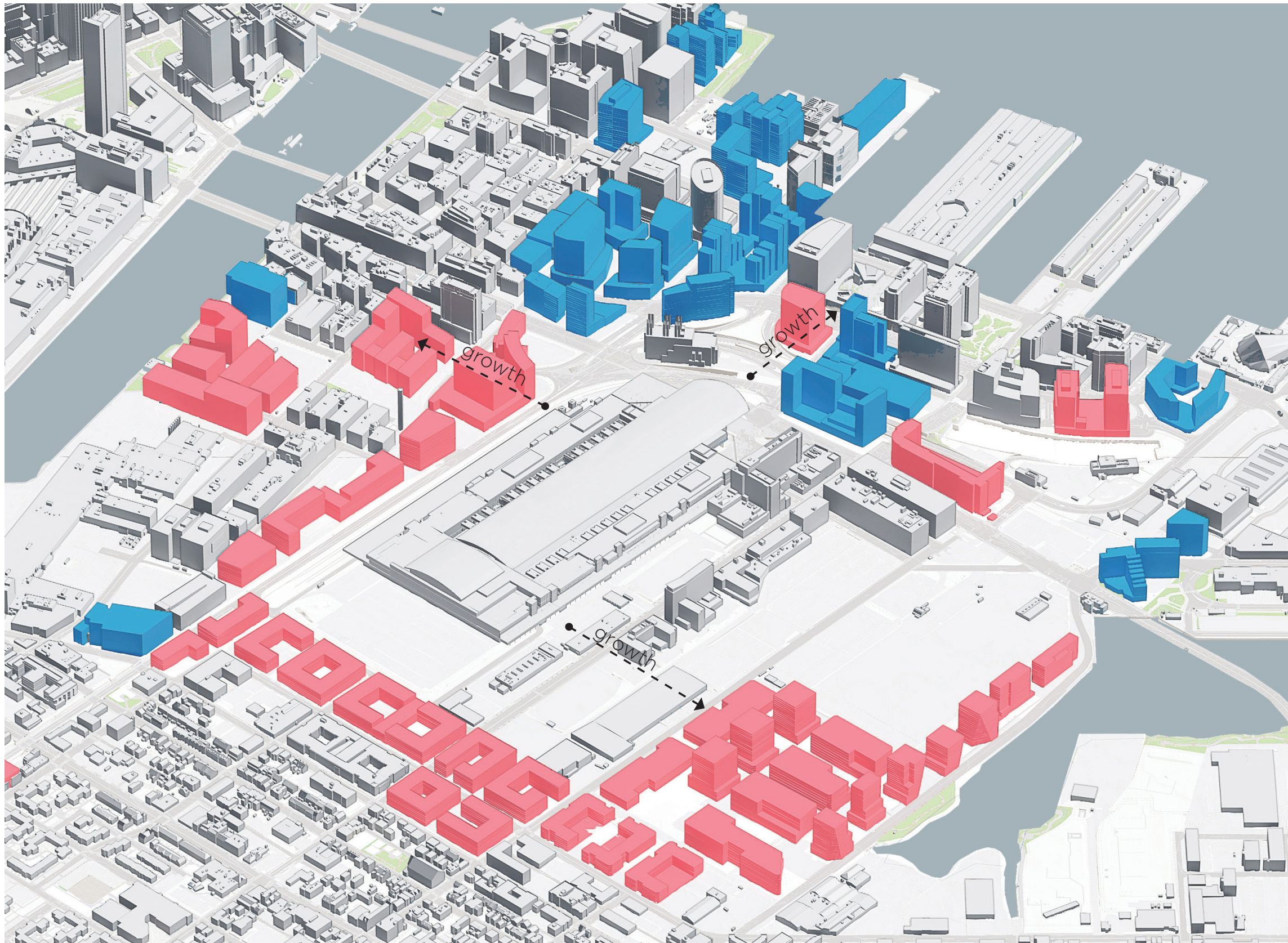
RECENT DEVELOPMENT

POTENTIAL DEVELOPMENT



Content by Populous®







# Hynes Center Challenges

Over the past few years the Hynes has failed to meet minimum occupancy in comparison to industry peers. Aside from the spike in utilization after Hurricane Katrina, performance at the Hynes has been on a steady downward trend.

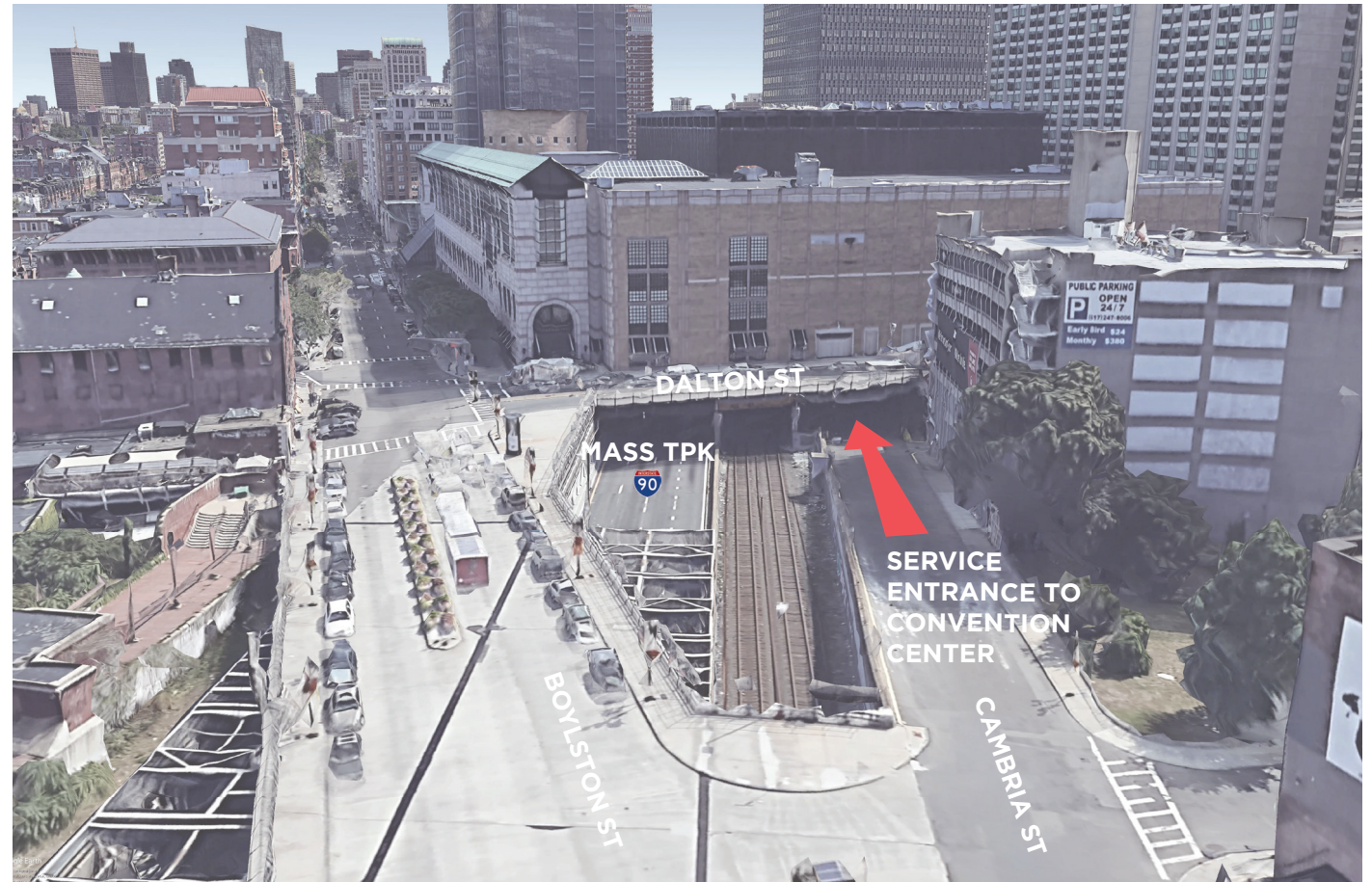
The Hynes is in need of approximately \$200 million in capital improvements over the next ten years to maintain status quo operational capacity. A recent study also identified approximately \$500 million in improvements needed to update the facility to current meeting industry standards.

A major saleability challenge of the Hynes is that most of the space in the facility is not competitive against current convention industry standards, with the most overt issue being the non-contiguous exhibit hall space. Ideally, exhibit hall spaces should be on the same floor and have access to the same lobby and prefunction, loading and service areas without having any of those functions interrupt the continuity of the space.

Not only does the Hynes have exhibit hall space on two separate levels, but the space is interrupted with service cores, creating the feeling of four separate rooms. The dense column grid is also well below the industry standard 90 foot minimum spacing seen in contemporary facilities.

Similarly, the exhibit hall floor to ceiling height is much lower than industry standards, further limiting the types of exhibits that can be accommodated in the halls. Due to its urban location, there is no option to expand the exhibit hall space to provide the appropriate contiguous space with an industry standard ceiling height without demolishing the facility.

Attendee navigation is also difficult. Typically, attendees arrive through the Prudential or the Rotunda off Boylston Street entrance, register, and are then led to a series of undersized prefunction areas on two levels that aren't visually connected.



For attendees who don't know the building, it can be a difficult and unpleasant experience.

Lastly, loading and service are challenging for exhibitors and planners. The approach to the service level of the Hynes is through Cambria Street, which is an off ramp from Massachusetts Avenue. Cambria Street is a two-lane street leading to the Hynes service entrance rolling door. Trucks for conventions and exhibitions enter this service entrance into an underground loading dock. Goods from the trucks are then transported on to the exhibit floors via nine service elevators.

This means setups are entirely dependent on the size and speed of these service elevators, only one of which is capable of handling full 40'-size exhibits. This process increases setup time for many exhibitions and is highly inefficient when compared with other peer facilities and current industry standards.

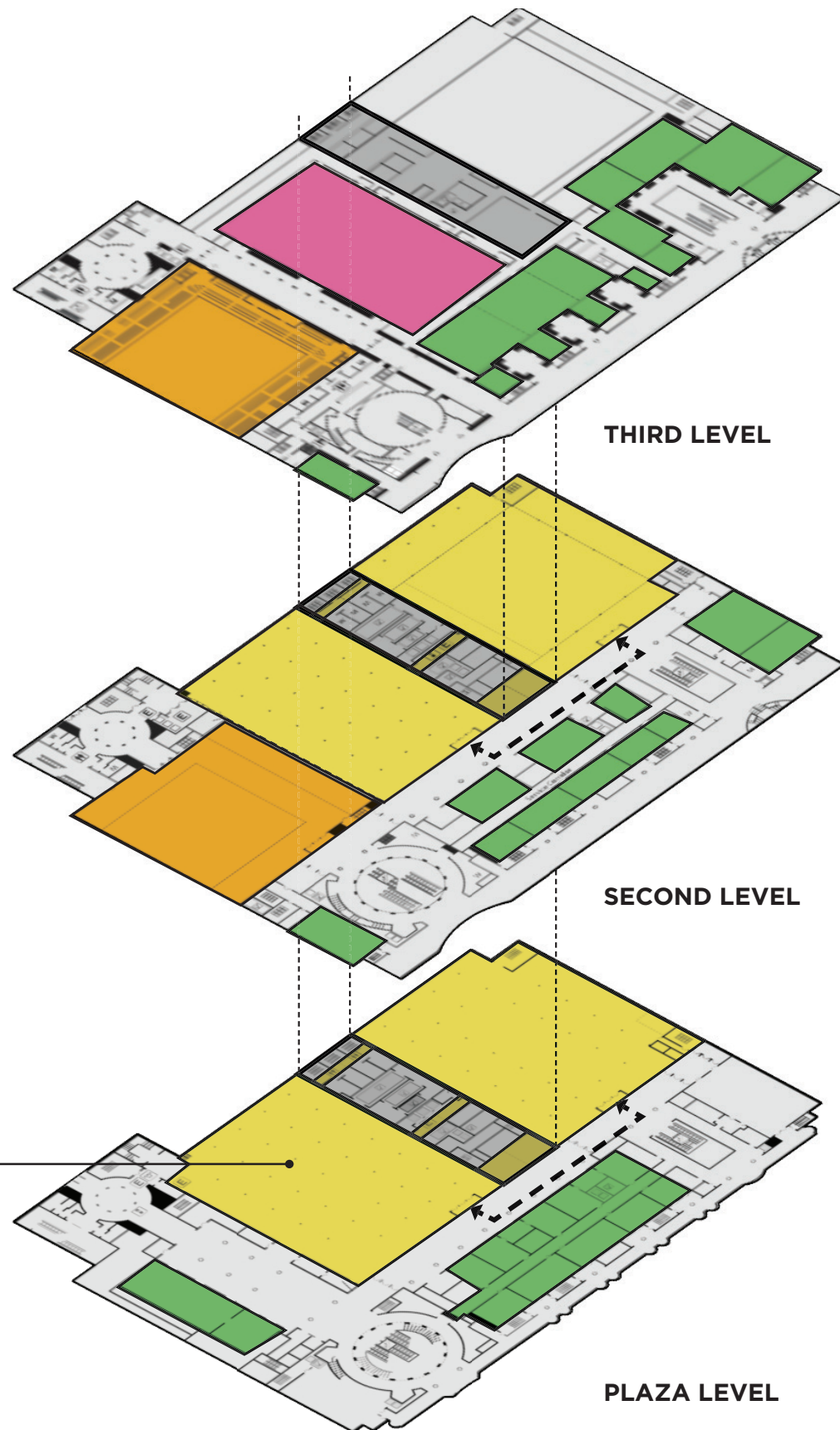
The fact that the exhibit levels are stacked over two floors further exacerbates the problem, as service travels through the same stack of elevators instead of through a bespoke service dock, which is considered industry standard.

**“Of the 285,000 square feet of sellable space in The Hynes Center, less than half is considered ‘Tier One Space’ by the meetings industry.”**

**- POPULOUS**

EXISTING CONDITIONS

- Auditorium
- Meeting Room
- Ballroom
- Service Core
- Exhibit Space



176,480 SF OF EXHIBIT SPACE

However the arrangement of it isn't contiguous and the service cores limit the flexibility of the spaces.



# Transforming Dated Convention Facilities

Many cities have had to make decisions about how to handle underperforming convention assets over the past 20 years. Due to a variety of reasons related to increased real estate values, increased operation and maintenance costs, resource conservation, and other fiscal concerns, many have sold their underperforming convention center assets in favor of newer, higher performing centers.

## HYNES

With challenges to its occupancy and growing costs to maintain existing facility offerings, the Hynes is anticipated to challenge the operating budget of the MCCA going forward.

An optimized BCEC as the sole Boston convention facility, however, provides the MCCA a greater opportunity to rationalize operating expenses and fixed costs, and eliminate redundant costs for equipment and supplies.



**WASHINGTON D.C.  
CONVENTION CENTER**



**NEW YORK COLISEUM**



**HYNES**





# HYNES CONVENTION CENTER





05

Economic Impact

05



# Historic Economic Impacts of MCCA Facilities

## HOW THE MCCA MAKES A DIFFERENCE

The MCCA achieves its mission by producing substantial positive economic and community impact from its activities. By hosting events that bring guests from all over the country and the world to Boston, the MCCA annually generates hundreds of thousands of hotel room stays as well as hundreds of thousands of corresponding taxi trips, restaurant meals, and shopping and attractions trips within Boston and Cambridge.

The MCCA calculates that over the past 6 years, this activity has generated \$639 million in annual economic activity. Further, over 6,000 permanent full-time positions are supported by this economic activity.

The majority of this annual spending is generated by the attendees of the MCCA's largest events. This means the ability of the MCCA to meet its mission is heavily dependent on its ability to sell Boston and Cambridge, including its venues, as a destination for its customers.

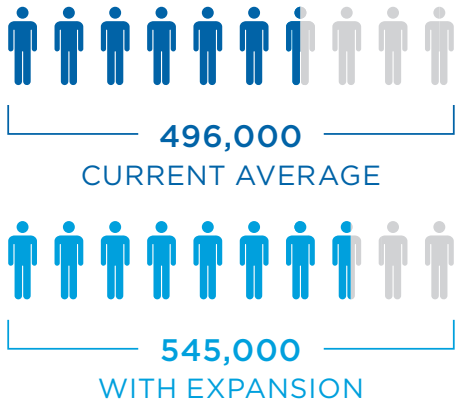
## MEASURING THE IMPACTS OF THE MCCA

The MCCA's mission is to generate significant regional economic activity by attracting conventions, tradeshows, and other events to its world-class facilities while maximizing the investment return for the residents in the Commonwealth of Massachusetts.

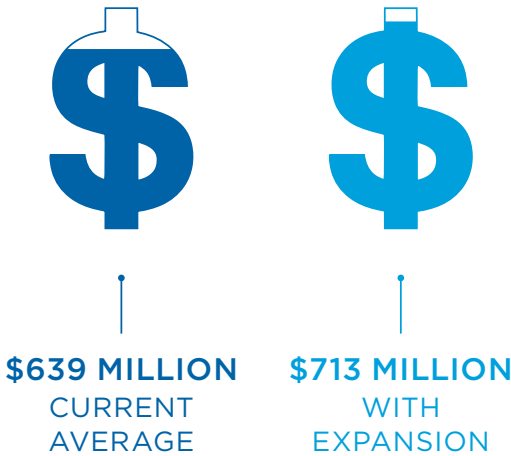
### ANNUAL HOTEL NIGHTS\*



### ATTENDEES



### TOTAL ANNUAL ECONOMIC IMPACT



\*Assumes 30% of MCCA attendees staying in Boston/Cambridge hotels book their lodging independently from the captured hotel block count. Tourism Economics, 2015







# Numbers That Matter to Boston

## MAKING AN IMPACT

The annual operations of the BCEC currently provide significant benefits in terms of net new spending and associated employment, earnings and tax benefits. The impact of the BCEC is maximized when non-local event attendees make purchases in a community while attending an event at the facility. In addition, new spending is generated by the exhibitor base and by the entity producing or hosting the event. It is common in economic impact analysis to aggregate three basic components of spending: direct effects, indirect effects, and induced effects.

- **Direct effects consist principally of initial purchases made by delegates or attendees at an event who have arrived from out-of-town. This spending typically takes place in local hotels, restaurants, retail establishments and other such businesses.**
- **Indirect effects consist of the re-spending of the initial or direct expenditures. For example, indirect spending is generated when a hotel uses the direct spending dollars received from out-of-town event attendees to pay the hotel's housekeeping staff. The hotel's housekeeping staff then spends their personal income in local grocery stores, retail establishments and other local businesses for various products and services.**
- **Induced effects consist of the positive changes in employment, earnings and tax collections generated by changes in population associated with the direct and indirect expenditures.**

The calculation of potential future total economic output is based on estimates of event levels, attendees, spending metrics and related variables. This direct spending is applied to economic impact multipliers in order to measure the indirect and induced spending.

In effect, the initial direct spending of new dollars into an economy begins a series of transactions in which the dollars are cycled through the economy. The re-spending of the dollars is estimated

by utilizing the economic multipliers and applying them to the amount of direct, or initial, spending. The multiplier illustrates that spending in a defined economy will lead to additional spending until that dollar has completed its cycle through leakage. Leakage represents the portion of a dollar spent in areas outside the designated economy, such as the taxes paid on purchases of goods and services outside of the Boston area.

## TOTAL ECONOMIC OUTPUT – BENEFITING THE ENTIRE COMMONWEALTH

A summary of combined BCEC and Hynes-generated total economic output is provided in the following exhibit.

As noted above, the total economic output generated by BCEC and Hynes events has averaged approximately \$639 million over the past five years. A large majority of this impact is generated by the events held at the BCEC. Assuming the additional event activity associated with the BCEC enhancement project outlined in this report, total economic output is estimated to average \$713 million annually in current year dollars.

## BROAD INDUSTRY SECTOR BENEFITS

The expansion of the BCEC would benefit various industries, and especially those that are currently taxed to fund the BCEC and other visitor-generating investments. The following exhibit presents an industry breakdown of the direct spending generated by the BCEC both before and after an expansion. Within the industry, hotels and restaurants are major beneficiaries of direct spending generated by BCEC event activity, along with shopping, transportation and attractions. Various other business service sectors are also impacted.

## GENERATING ROOM NIGHTS

The hotel spending by convention and tradeshow event attendees creates significant room nights for the Boston area.

The following exhibit presents BCEC and Hynes-generated average room nights over the past five years and projections for an expanded facility.

BCEC and Hynes room night generation has averaged approximately 790,000 over the 2014 to 2018 period. With the proposed BCEC expansion, room night generation is estimated to increase to approximately 855,000 annually.

## THE IMPACT ON JOBS

The original BCEC investment has had a significant impact on job generation within the Boston area and throughout the Commonwealth. Between 2014 and 2018, BCEC and Hynes-generated event activity has supported an average of approximately 6,950 jobs.

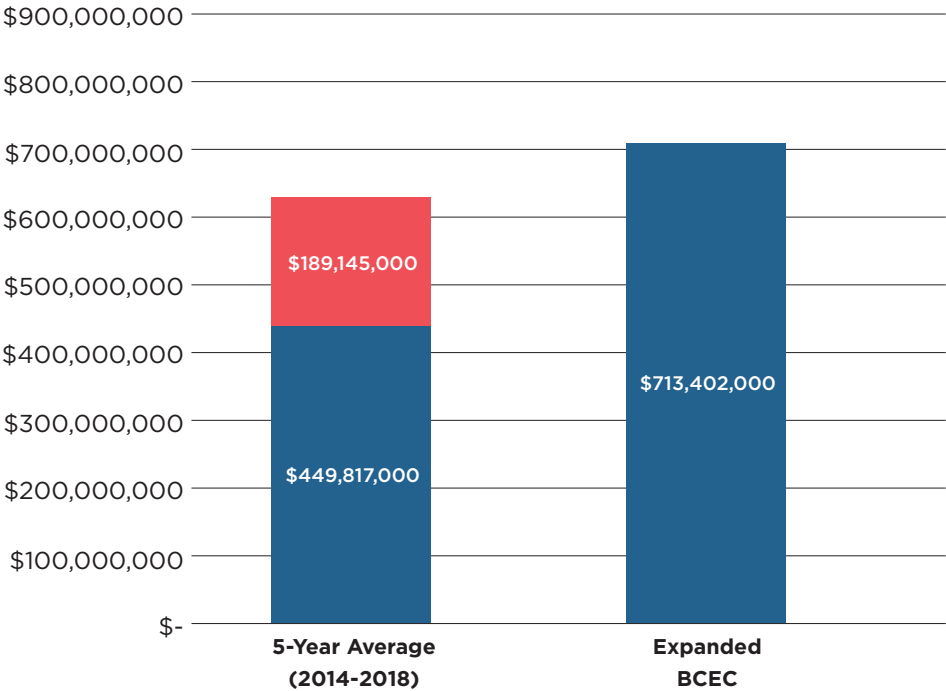
With the proposed expansion project, job generation for the BCEC is estimated at approximately 7,700.



**The expansion of the BCEC would allow Boston to remain one of the world's most innovative and dynamic commercial hubs.**

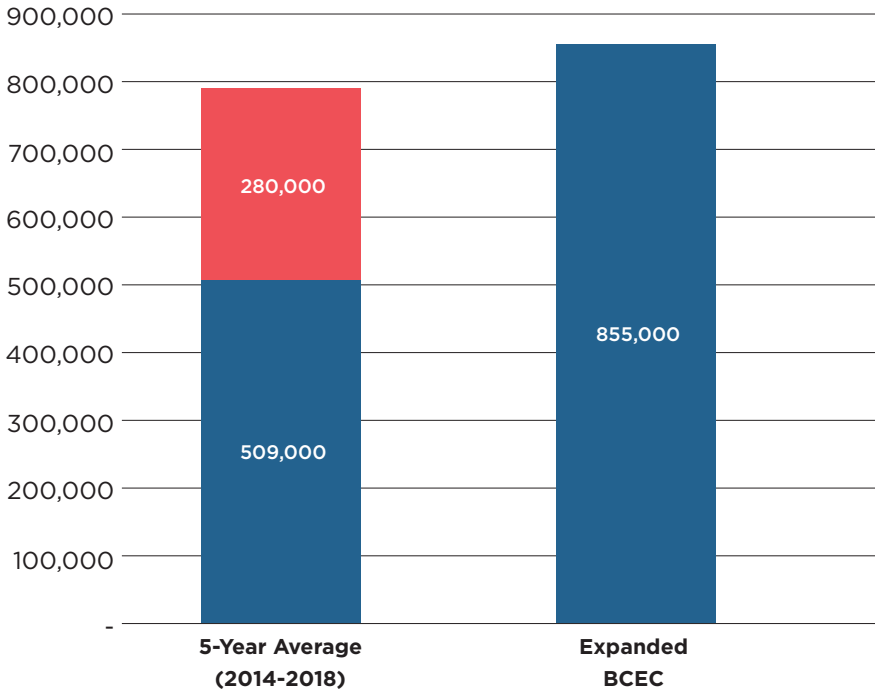
■ BCEC  
■ Hynes

BCEC & HYNES - GENERATED TOTAL OUTPUT



With BCEC expansion and repurposing Hynes site, total output reaches \$713 million annually.

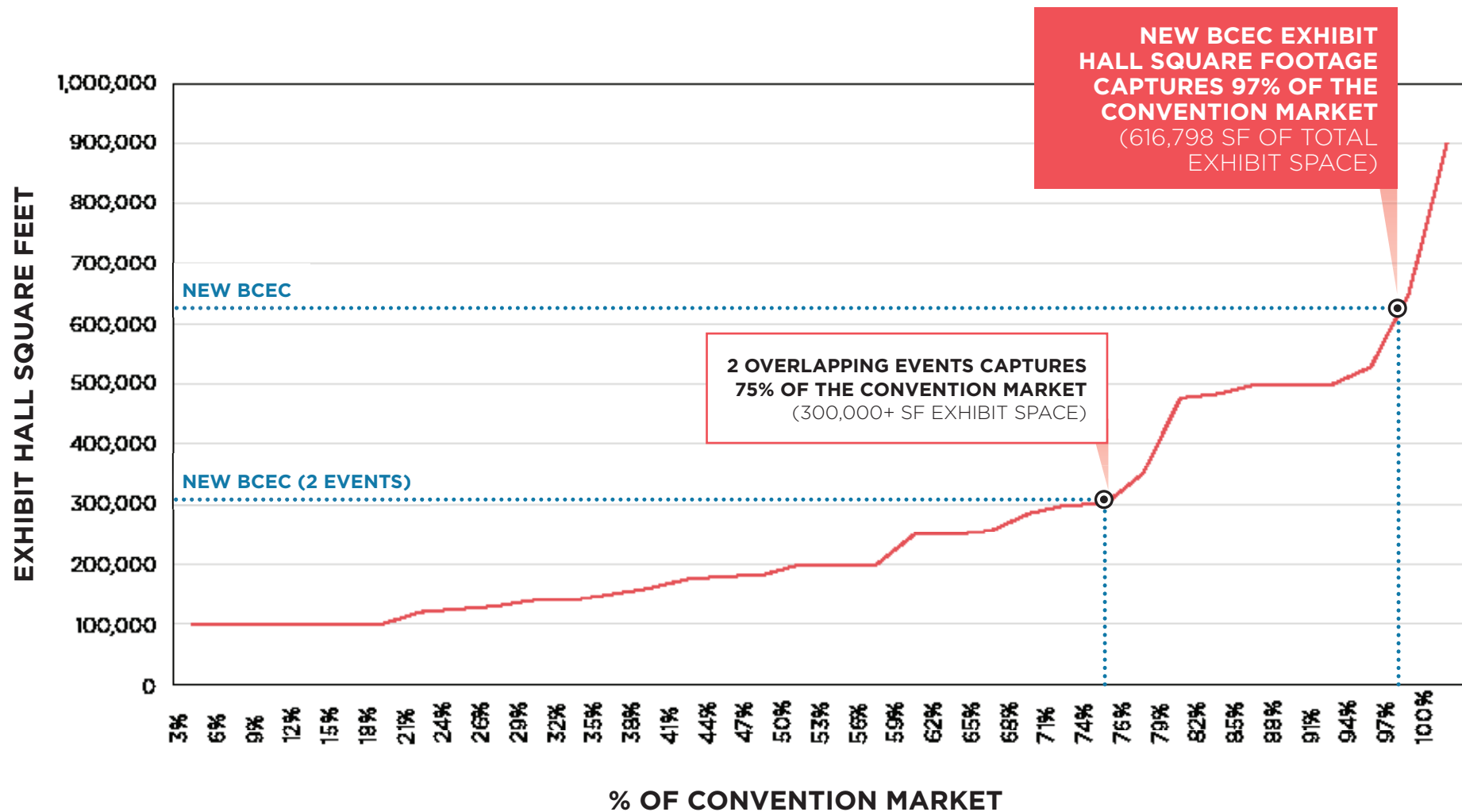
BCEC & HYNES - GENERATED ROOM NIGHTS



	CONSTRUCTION	PERMANENT (NET NEW)
BCEC Expansion	1,369	750
HQ Hotel	1,194	486
TOTAL JOBS	2,563	1,236



# Increasing Market Capture and Event Flexibility



An expanded BCEC will be capable of capturing 97% of all convention business in an increasingly competitive market. With the addition of a second, larger ballroom, the BCEC will gain the flexibility to host two continuous or overlapping conventions, reducing economic “downtimes” between shows and maximizing lucrative activation of the South Boston Waterfront District.





# 06

## Hotel Inventory Impact

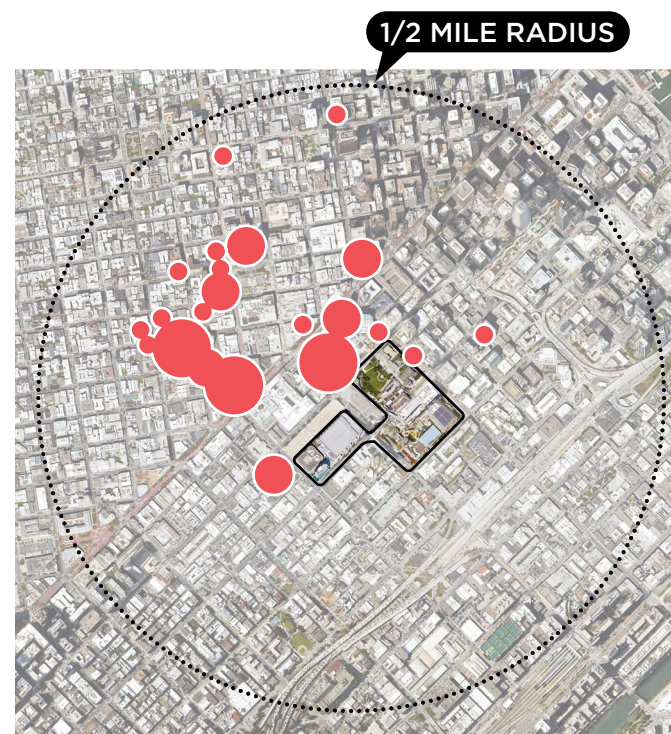


# Proximate Hotel Inventory

## THE EXPANDED BCEC WOULD INDUCE ADDITIONAL HOTEL DEVELOPMENT

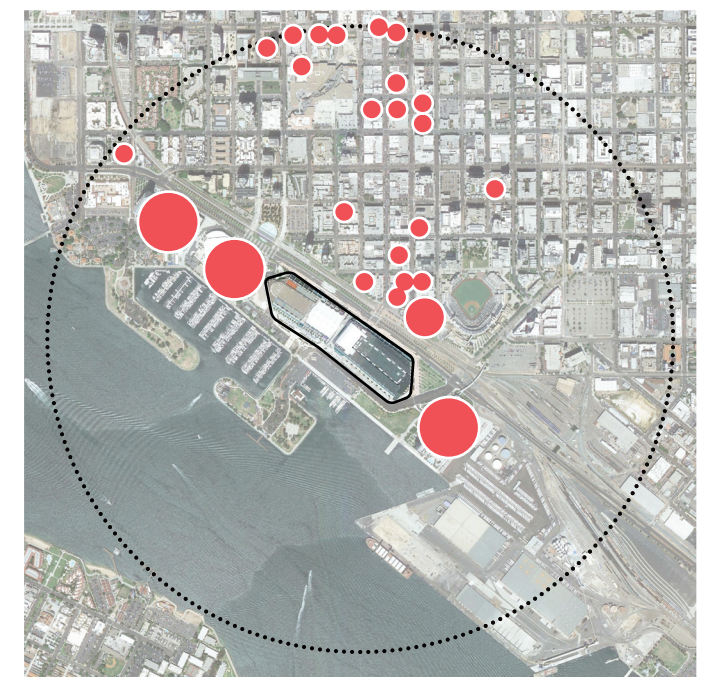
Additional hotel development is critical to the continued success of the South Boston Waterfront and the BCEC, as sufficient hotel inventory is a critical factor in attracting conventions and tradeshows.

Currently, the BCEC relies heavily on Back Bay hotels to accommodate demand. Today and into the future, the BCEC will need Back Bay hotel support for all meetings that require 4,000 rooms or more on peak. This requires visitors to incur significant transportation costs which meeting planners and customers don't have to account for in competitor cities. It can often be the reason event customers choose not to have their event in Boston.



## San Francisco, CA

10,824 Hotel Rooms

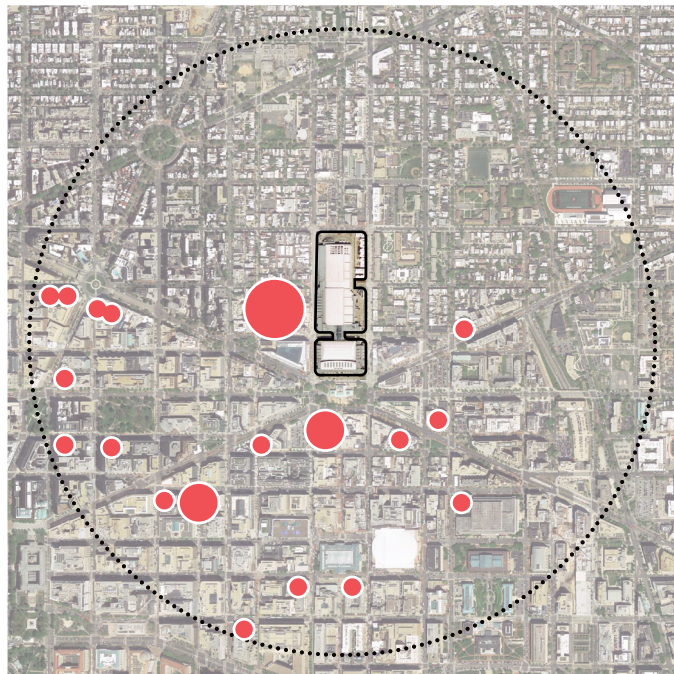


## San Diego, CA

7,243 Hotel Rooms

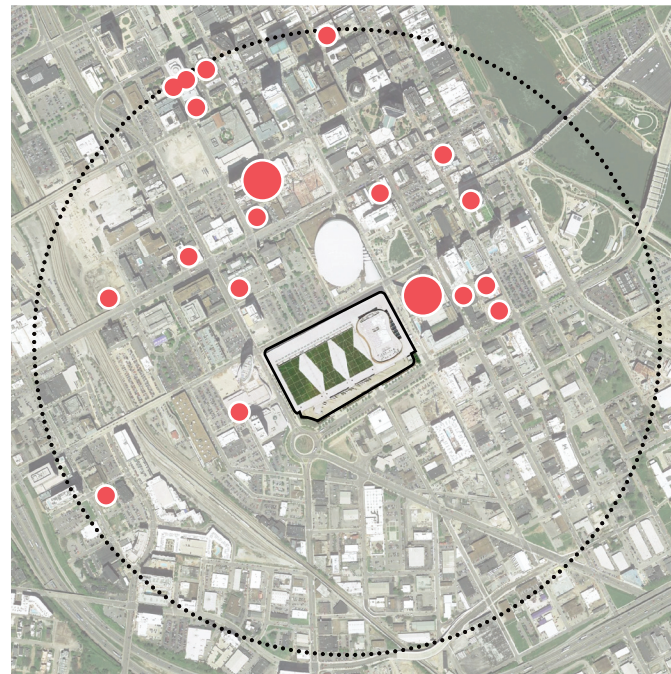


(Provided by CS&L International)



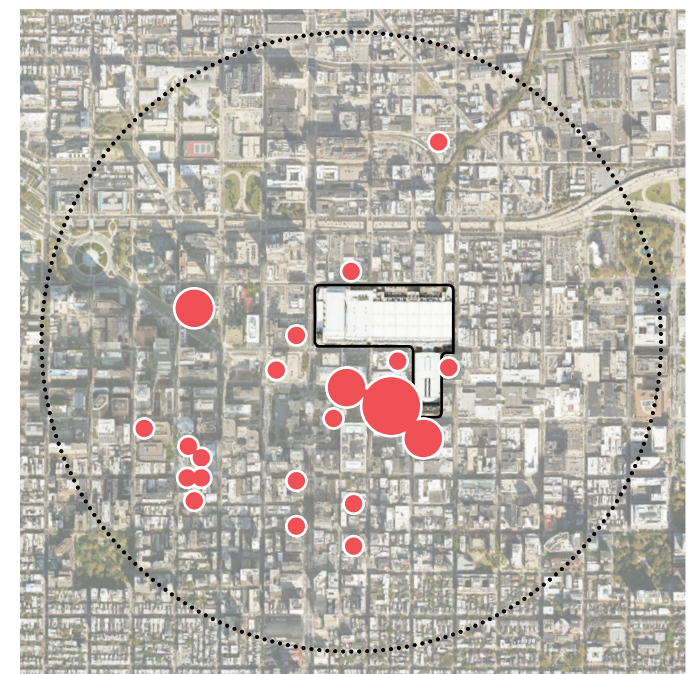
## Washington, DC

5,465 Hotel Rooms



## Nashville, TN

5,272 Hotel Rooms



## Philadelphia, PA

7,283 Hotel Rooms



# Boston, MA

2,940 Hotel Rooms



+

Compared to convention centers of similar size, Boston has significantly fewer hotel rooms within walking distance of the BCEC.



SUMMARY OF SOUTH BOSTON WATERFRONT DISTRICT

Available Hotel Accommodations Reported by CHM Warnick, 2019

Existing Hotel Inventory

	Hotel Name	# of Rooms	Tier	Year Opened	Area of Meeting Space (sf)
1	Seaport Hotel	428	Full Service	1998	32,200
2	Westin	793	Full Service	2006	89,000
3	Renaissance	471	Full Service	2008	20,850
4	Residence Inn	120	Select Service	2013	455
5	Envoy	136	Boutique	2015	0
6	Aloft	330	Select Service	2016	12,000
7	Element	180	Select Service	2016	851
8	Yotel	326	Select Service	2017	1,000
9	Cambria	156	Select Service	2019	4,000



# Hotel Impacts

## INTRODUCTION

The Greater Boston hotel market typically ranks among the top North American markets, even with the obvious challenges that seasonal weather can pose to leisure and convention business. With a diverse offering of properties, from size to amenities, Boston can meet the needs of all major customer segments (corporate, leisure, large and small group). In 2019 there were over 25,000 daily rooms supplied across market properties, with new properties under construction or in planning totaling a potential of over 4,000 additional units of supply.

## CONVENTION BUSINESS AND THE BOSTON / CAMBRIDGE HOTEL MARKET

The partnership between the MCCA and Boston, Cambridge and other Greater Boston hotel properties is essential for a thriving convention market for the city. Without the ability to meet customer hotel demand, Boston simply could not be marketable as an events destination. In fact, for some of the largest events in Boston it is the case that event attendees may consume over 20 percent of the region's nightly available hotel inventory.

Beyond the direct benefit of event attendees' demand for hotel rooms in the region, the convention industry in Boston also supports its hotel peers by serving as one of the key contributors to favorable pricing conditions for "transient" or short-term consumers, such as corporate and leisure travelers. This pricing uplift, commonly known as compression, is the phenomenon typically witnessed when total market occupancy exceeds 95% and in which daily hotel rates exceed the monthly market average by a measurable "premium" percentage.

## THE IMPACT OF COMPRESSION

Compression nights occur most frequently in the high demand months of May through October, when convention and group business consume the greatest share of their annual room night demand. In markets such as Boston, room night rate compression remains a chief driver in annual increases in room sales, particularly when additional supply may be anticipated in the future.

The impact of compression can also have substantial geographic coverage depending on the total demand in a market at any given point. For example, when a large convention is held in Boston it is possible that suburban hotel properties located as far as the 128/I-95 (or even I-495) can experience favorable rate pricing conditions, as suburban supply becomes necessary to meet total market-wide demand.

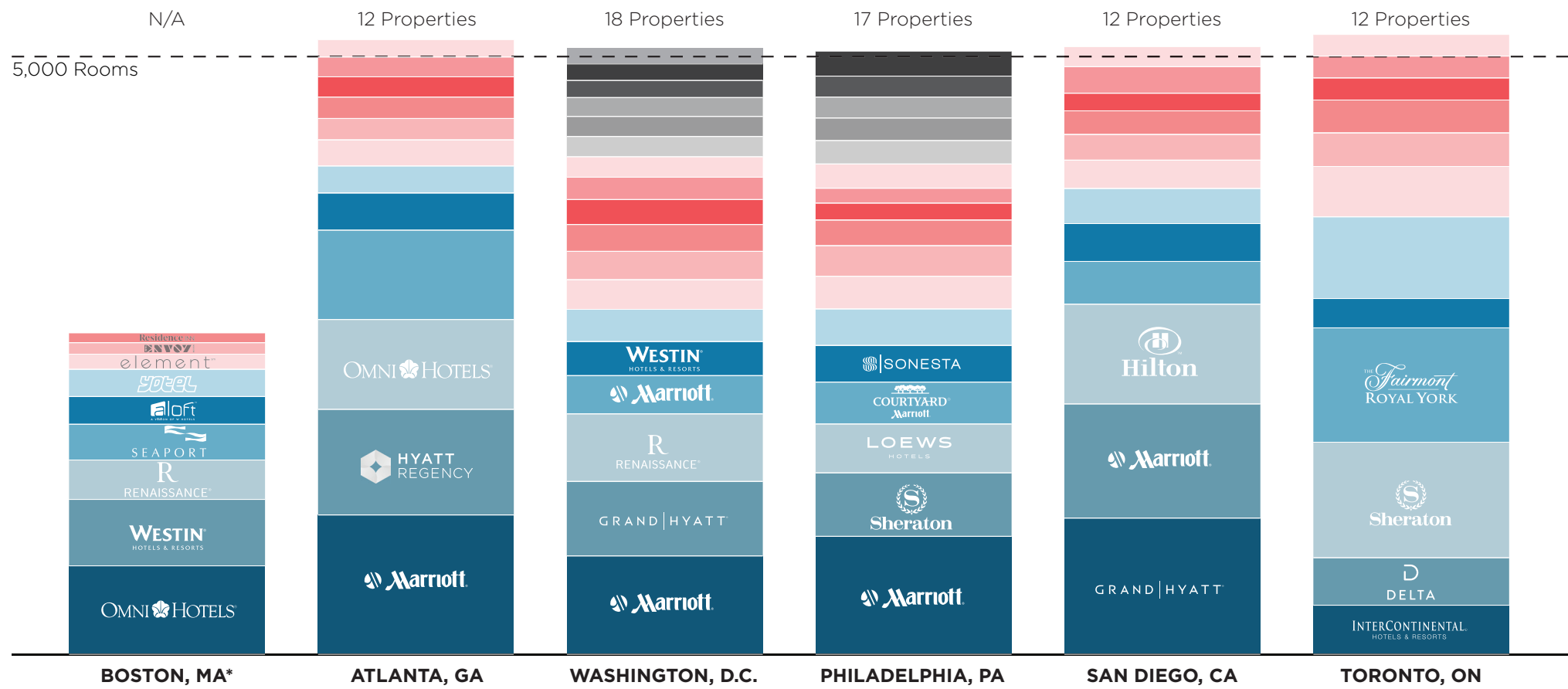
As part of its mission, the MCCA works closely with partner properties to build room blocks sufficient to meet customer needs. For events that rotate between different cities it is customary to expect large convention markets to feature substantial hotel capacity immediately adjacent (within ½ mile) to a city's convention center. In fact, for most cities Boston competes with, there is sufficient adjacent hotel rooms to meet the complete hotel demand of most large show customers (5,000 rooms "on peak").



**The MCCA loses meaningful business every year as a result of customer hotel demands being unmet due to supply limits.**

# HOTEL INVENTORY

Hotel Commitability (5,000 Peak at 70%)



\*1,055-room Omni Boston Seaport to open in late 2020.



### EXPANDED BCEC WITH A HEADQUARTERS HOTEL

Critical to the successful expansion of the BCEC will be the development of a second large hotel that will serve as a “headquarters hotel” for event planners, particularly those utilizing the new ballroom and exhibition space at the south end of the building.

This hotel, while planned to be developed and funded by private entities, will operate closely with the MCCA to meet customer needs for some amount of the hotel rooms in their block. Specifically, the MCCA will require that the hotel participate in a room block agreement to ensure that inventory is always prioritized to win large convention customers’ business.

The hotel is anticipated to provide at least 650 new rooms immediately adjacent to the BCEC. However, it should be considered that even with this additional supply, the MCCA will continue to rely on hotel properties throughout Boston and Cambridge to meet the needs of large customers.

The Omni Boston Seaport Hotel will serve as a model for the additional hotel inventory that will be developed in the vicinity of the BCEC.



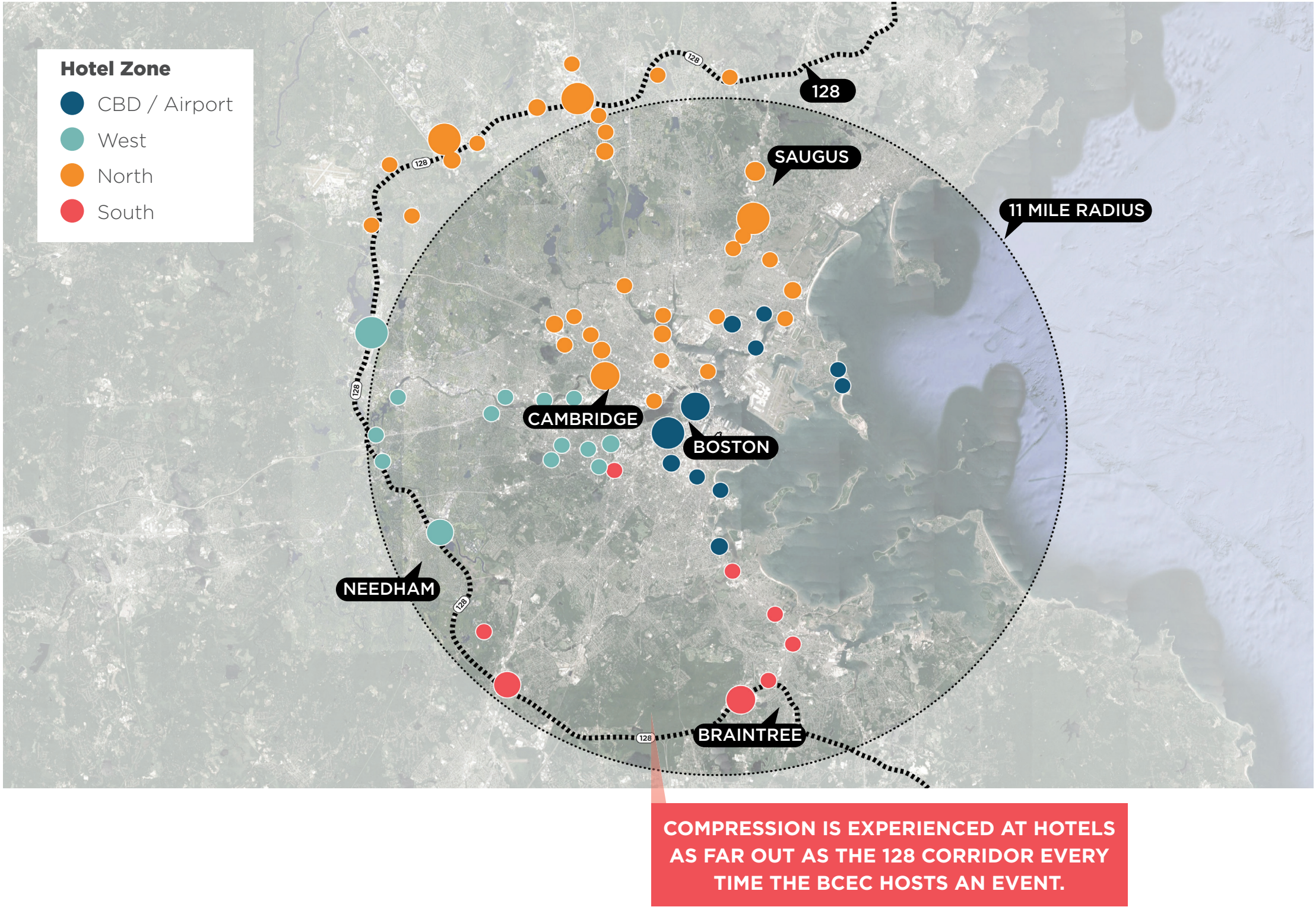


PROPOSED OMNI BOSTON SEAPORT HOTEL





BOSTON HOTEL COMPRESSION ZONES MAP





## HISTORIC COMPRESSION NIGHTS

### Compression Nights (95%+) Boston & Cambridge, MA

Fiscal Year	Count	ADR	%Change	Supply	%Change
2012	63	\$243.15		7,930,066	
2013	60	\$246.74	1.5%	7,959,737	0.4%
2014	76	\$263.92	7.0%	8,031,032	0.9%
2015	77	\$291.73	10.5%	8,070,947	0.5%
2016	70	\$302.06	3.5%	8,362,283	3.6%
2017	70	\$312.25	3.4%	8,603,750	2.9%
2018	70	\$321.43	2.9%	8,759,464	1.8%

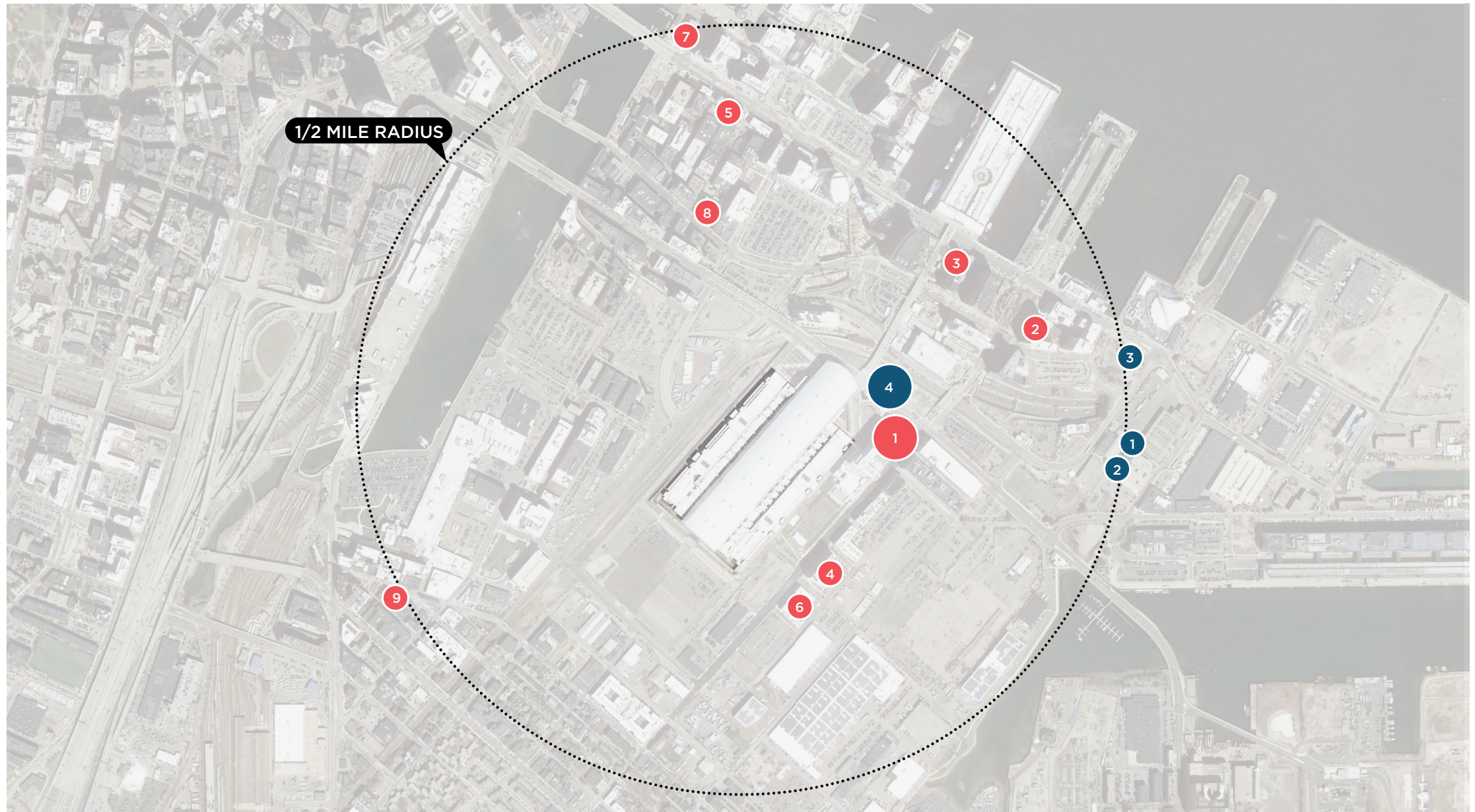
**Note:** Compression is defined as nights with occupancy of 95% and above.

**Source:** STR, Compiled by Pinnacle Advisory Group



## SUMMARY OF SOUTH BOSTON WATERFRONT DISTRICT

Available + Future Hotel Accommodations Reported by CHM Warnick, 2019



### **Boston, MA**

Potential for + 1,900 Hotel Rooms in 1/2 Mile Radius

		Hotel Name	# of Rooms	Tier	Year Opened	Area of Meeting Space (sf)
Completed	1	Seaport Hotel	428	Full Service	1998	32,200
	2	Westin	793	Full Service	2006	89,000
	3	Renaissance	471	Full Service	2008	20,850
	4	Residence Inn	120	Select Service	2013	455
	5	Envoy	136	Boutique	2015	0
	6	Aloft	330	Select Service	2016	12,000
	7	Element	180	Select Service	2016	851
	8	Yotel	326	Select Service	2017	1,000
	9	Cambria*	156	Select Service	2019	4,000
Under Construction	1	Homewood*	166	Select Service	2020	
	2	Hampton*	245	Select Service	2020	
	3	Hyatt Place*	294	Select Service	2020	
	4	Omni*	1,055	Full Service	2020	100,000
Potential		Westin Expansion	300	Full Service	?	
		Aloft/Element Expansion	300	Select Service	?	
		2nd Headquarter Hotel	800	Full Service	?	
		New Hotel 1	250		?	
		New Hotel 2	250		?	
		TOTAL	6,600			





# 07

## Proposed Financing



# Project Phasing

The costs of the \$500 million BCEC expansion would be paid for through the following two-part solution:

- 1. First, 100 percent of the proceeds from the sale of the Hynes Convention Center would be dedicated to the costs of the expansion.**
- 2. Second, any remaining portion of the expansion's costs would be funded from the cash balances of the CCF.**

## TIMING AND PHASING

In order to provide an accurate assumption of project cost, it was assumed that the BCEC expansion could begin design in early 2020, with the goal of issuing an early structural package in late 2020 and completing construction before the close of 2022. The timeline on the following page reflects this proposed schedule and establishes an escalation assumption at the midpoint of 2021.

## COST ESTIMATE

Boston remains one of the most expensive markets in the U.S. to build new construction. Since 2013, Turner Construction's Building Cost Index increased by approximately 25%, mostly due to skilled labor shortages and rising material costs.

To ensure the feasibility of the program, the design team engaged Rider Levett Bucknall (RLB) to provide an independent cost estimate. RLB's methodology uses the latest location-specific cost data with a Construction Cost Indicator to provide estimated ranges of the current cost by building type, then compares those costs against Tender Price Index figures.

RLB estimated construction costs of \$372 million, plus an additional \$127 million for "soft costs," such as architecture, engineering, permitting, etc., for a total project cost of \$500 million. Assuming construction and capital costs will continue to rise, significant annual escalation costs could be avoided if the project breaks ground in late 2020.

## FINANCING PROPOSAL

Annual CCF receipts were "pledged" to the bondholders who lent money to the Commonwealth to build the BCEC. As of June 2019, the outstanding balance on the original \$687 million in issued debt is \$528 million. Under the enabling CCF legislation and related debt indentures, no pledged receipts may be used for any purpose other than the annual debt repayments to the bondholders until key state officials certify that annual receipts are sufficient to cover debt service levels by 150%. Furthermore, even when the sufficiency of funds is met, the use of the Fund is restricted in law for two ongoing purposes: funding a portion of the MCCA's annual operations and funding key capital projects of the MCCA across its facilities.

The debt authorized and issued under Chapter 152 constituted a "special obligation" bond of the Commonwealth's, meaning that it is separate and distinct from the ordinary or "general obligation" debt issued each year. There are two important features of this debt:

- 1. First, only the "pledged receipts" serve as the security for the bondholders for their repayment, rather than broader full faith and credit of the Commonwealth (which typically offers the security of most state operating revenues).**
- 2. Second, the debt issued for this special obligation is outside the typical overall limitations set by the Commonwealth restricting the total outstanding debt that can be issued (commonly known as the administrative "bond cap"). By design, therefore, the Chapter 152 bonds should present no risk to the annual state budget, nor any limitation to the state's long-term capital planning capacity. This original objective has proven more than achieved.**

The BCEC expansion legislation, Chapter 195 of the Acts of 2014, called for using the anticipated "capacity" of the CCF to pay for additional debt that would be sold for the \$1 billion project costs. CCF receipts were projected to increase meaningfully, particularly given the favorable business climate of the Boston/Cambridge hospitality market and the growth in development in South Boston Waterfront district. However, to strengthen the security of the



**Every year this project is delayed, project costs will increase \$20-50 million.**

bonds that would be sold under Chapter 195, the legislation authorized state officials to broaden pledged receipts to include all state hotel occupancy taxes, which could be drawn upon to "backstop" any shortfalls in CCF revenue collections should they occur.

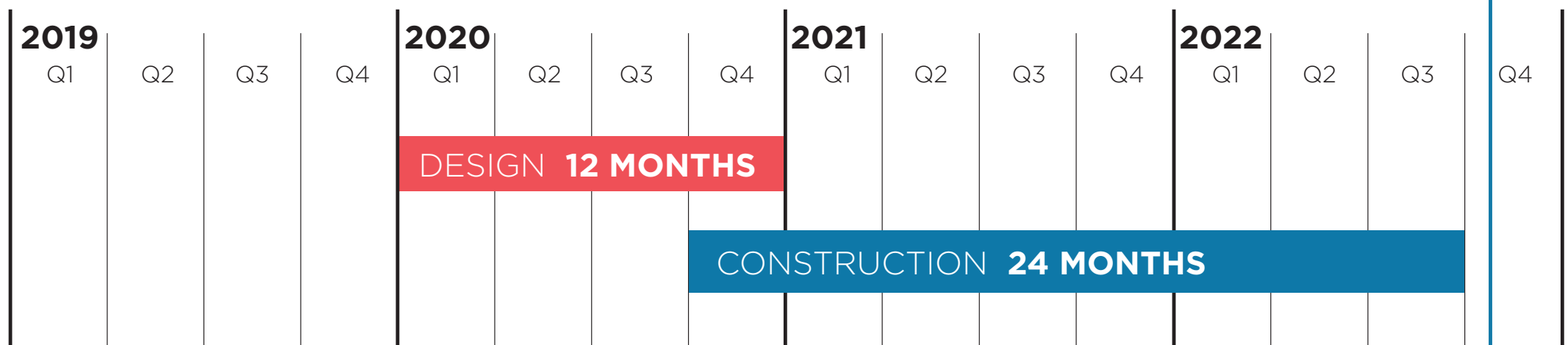
Under Chapter 195, for the first time broader state finances could be impacted if the CCF performance did not meet projected levels. The legislation did require that, should state hotel taxes be required to meet debt payments, the state portion of Boston hotel taxes was authorized to increase to an amount necessary to meet the shortfall in funding.

The option to fund state and local development through the issuance of debt is commonly pursued by policymakers when considering how to finance a project. But in some cases, other options can present themselves that can help avoid borrowing. The CCF's strength and expected potential for future growth provides an opportunity to fund a large project with available cash balances rather than paying substantially greater sums over the life of the debt.

In all cases the financing plan for the BCEC's optimization should meet the key objectives of (1) limiting the amount of future CCF resources that are committed to any project, and (2) presenting zero risk to the broader state budget under all circumstances.

# NEW BCEC

ESTIMATED OPEN Q4 2022



DESIGN DURATION

CONSTRUCTION DURATION

\* ESTIMATE ONLY





# 08

## About the MCCA



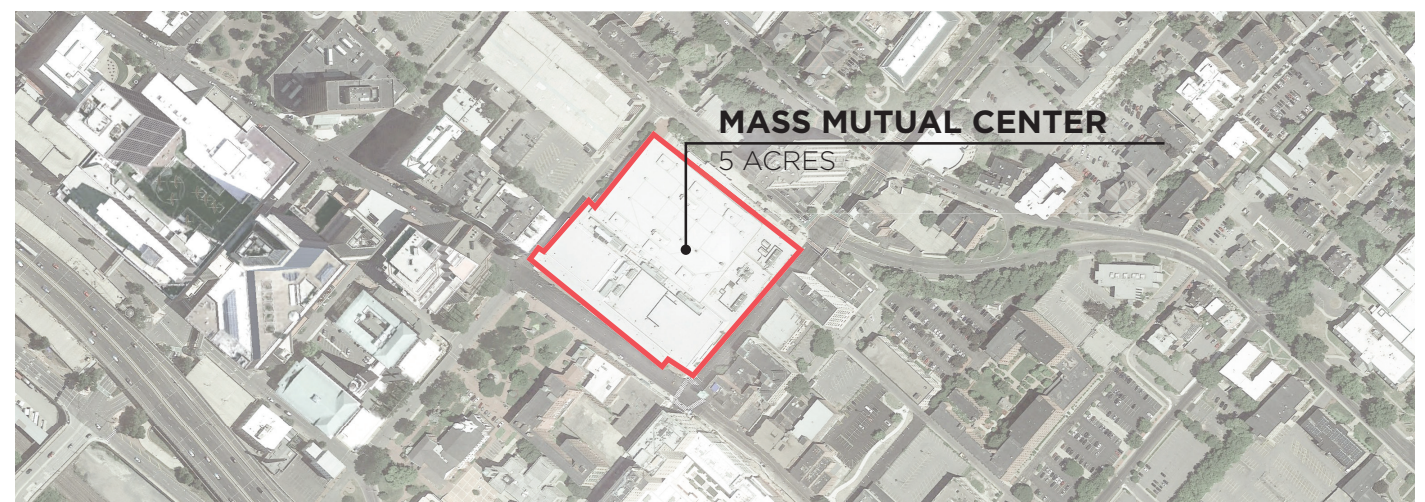
# The MCCA's Mission and Assets

## ABOUT THE MCCA

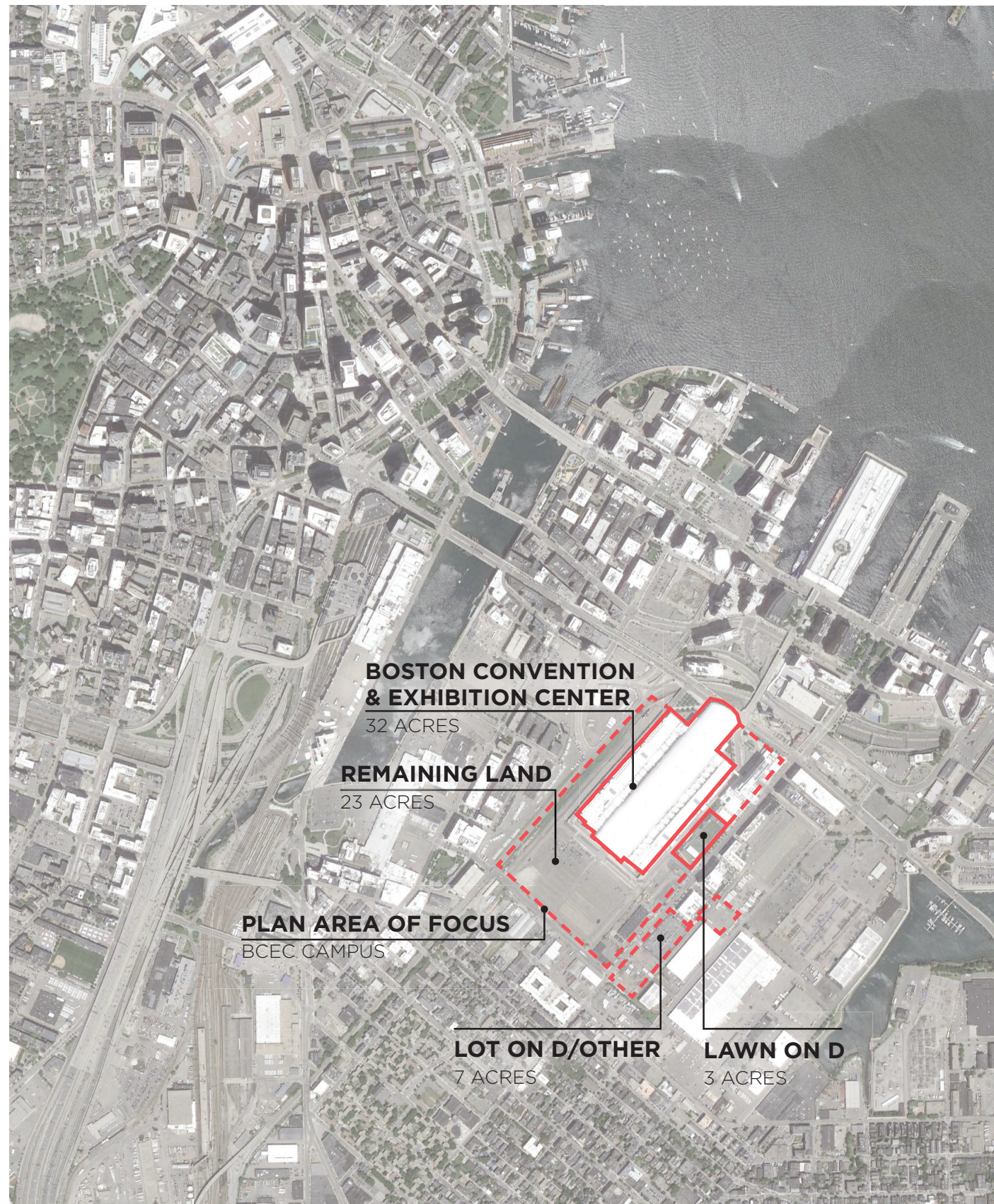
The Massachusetts Convention Center Authority (the MCCA) owns and oversees the operations of the BCEC, The Lawn On D Powered by Citizens Bank, Lot On D, the John B. Hynes Veterans Memorial Convention Center, the MassMutual Center in Springfield, Mass. and the Boston Common Garage.

## BCEC-FOCUSED STUDY

While this study considered prior analysis of the MCCA's other assets, its primary focus was on optimizing and adapting the BCEC campus for the future.







EXPANDED BCEC	
Total Land Area Owned By the MCCA	75 Acres
Total Undeveloped Land Area	30 Acres <i>(South of BCEC, Lot on D / Other)</i>
Open Space GSF	3 Acres <i>(Lawn on D)</i>
BCEC Net Leasable SF	707,000
Hynes Net Leasable SF	286,850



# Financial Summary

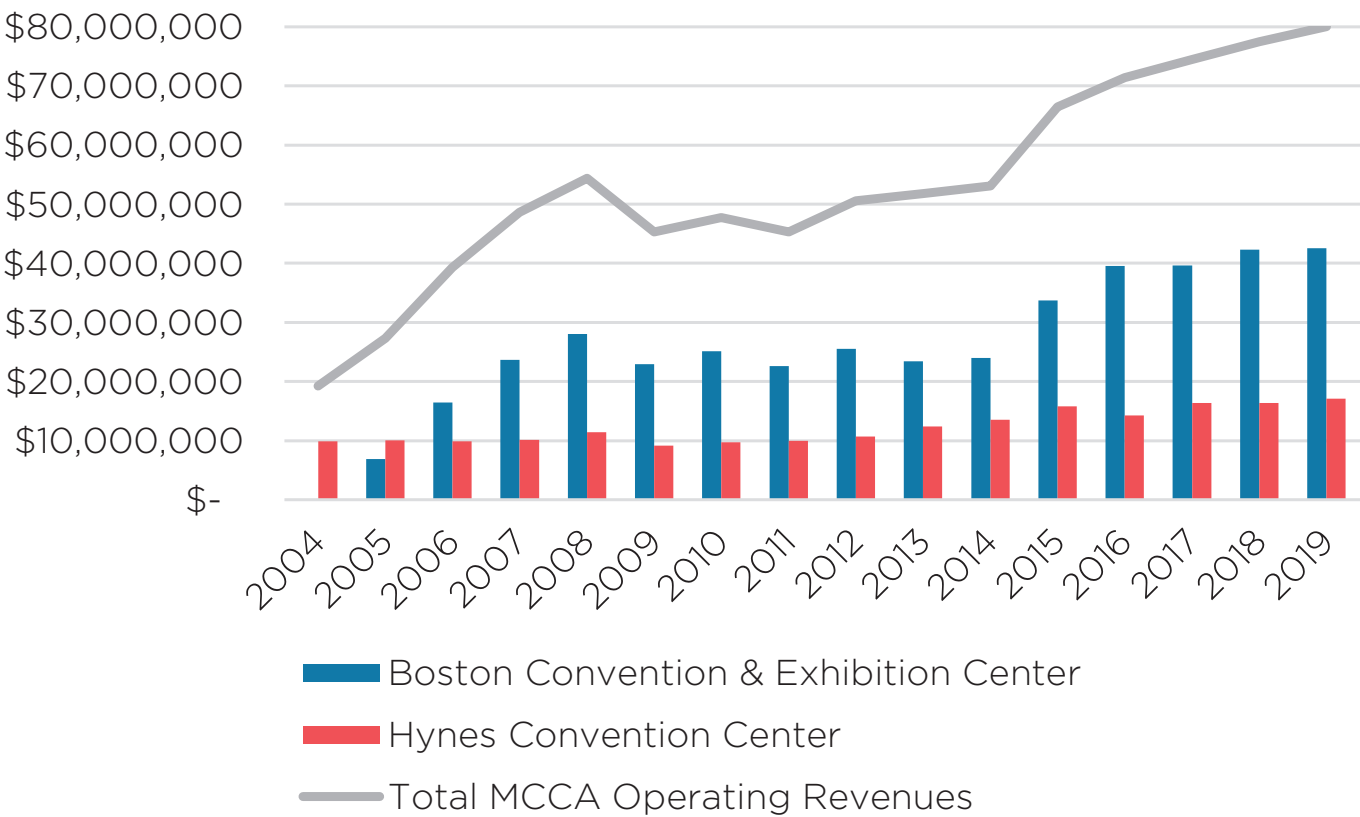
The opening of the BCEC in 2004 was a watershed moment for the MCCA. The new venue established the City of Boston as a premier global destination for major events in North America. Within a few years the BCEC's annual revenues stabilized, and by FY 2008 the MCCA was generating 280 percent more in annual revenues compared to pre-BCEC opening\*.

The BCEC's subsequent financial performance maps closely with the economic conditions of the region and United States; following 2008 there was a notable drop in annual revenues followed by limited growth in the ensuing years. However, beginning in 2015 and corresponding to the continued improving market conditions, the BCEC's annual revenue increased substantially, from \$24 million in 2014 to \$34 million in 2015. BCEC revenues reached nearly \$40 million in 2016 and have met or performed above that level each subsequent year.

While the BCEC has dramatically increased the performance of the MCCA, other MCCA assets have not kept pace with the BCEC's success. From 2014 to 2018, while the BCEC experienced 76% growth in annual revenue, total MCCA revenues grew by only 46%.

The BCEC has benefited from strong customer demand, helping to drive building occupancy and increased annual event revenues. However, future growth will be effectively capped without the proposed combination of new hotel inventory and additional ballroom, exhibit hall, and meeting space.

## HISTORIC MCCA OPERATING REVENUES



*\*Source: MCCA FY2004 audited financials, Operating Revenues of \$19.2M; MCCA FY2008 audited financials, Operating Revenues of \$54.4M*







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