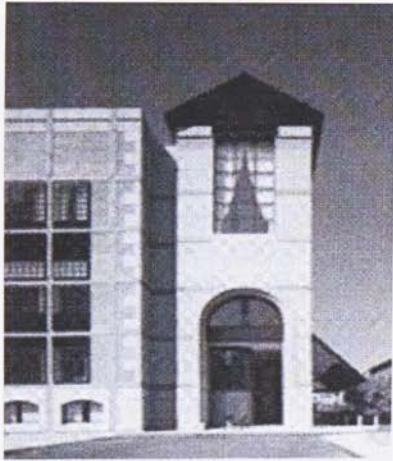


SENATE.....No. 2791

The Commonwealth of Massachusetts

**Report of the Hynes Convention Center & Boston
Common Parking Garage Legislative Study Commission**
(as required by Section 299 of Chapter 149 of the Acts of 2004)

December 22, 2006



**HYNES CONVENTION CENTER & BOSTON COMMON PARKING
GARAGE LEGISLATIVE STUDY COMMISSION**

**Senator Dianne Wilkerson & Representative Antonio Cabral
Commission Co-Chairs**

Final Report

December 19, 2006

Commission Members

Senator Dianne Wilkerson, Co-Chair
Representative Antonio Cabral, Co-Chair
Senator Brian Lees
Representative Bradley Jones
Patrick Moscaritolo
Bill Skoglund
Carlo DeSantis
Virgil Aiello
*Dean Stratouly**
Mark Maloney
Becky Collet
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Special thanks to our consultants, Curtis Davis and Bruce Cole who took all of our thoughts, ideas and conversations and put them to paper.

* Adam Kirsch originally appointed as the designee representative of the Chairman of the MCCA, was replaced by Dean Stratouly in 2005.

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HYNES CONVENTION CENTER & BOSTON COMMON PARKING GARAGE COMMISSION

Members

Co-Chair Senator Dianne Wilkerson
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Virgil Aiello
Carlo DeSantis
Dean Stratouly



Chair Representative Antonio Cabral
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Anne Finucane
Becky Collett

December 19, 2006

Dear Reader:

The Hynes Convention Center and Boston Common Parking Garage Commission ("Commission"), was created by the legislature under Massachusetts Law Section 593 of Chapter 266 of the Acts of 2004.

The four appointing authority's of the 12 member commission were; Governor, Mitt Romney, Senate President, Robert Travaglini, Speaker of the House, Sal DiMasi and the Mayor of Boston, Thomas Menino, who each made 3 appointments. The legislative appointments by the Senate President and the Speaker were established in the enabling legislation as the chairs of the Joint Committee on State Administration and Regulatory Oversight and the minority leader of each branch.

These twelve members and their staffs, along with support help from the Massachusetts Convention Center Authority ("MCCA") worked for over a year on the report and recommendations that you are about to read. The process consisted of bi-weekly meetings and one daylong public hearing. At the meetings experts in various fields made presentations to the Commission.

From the twelve-member board four Sub-committees were formed to do in-depth research on certain topics and report to the Commission as a whole. This was a very successful endeavor allowing the Commission to thoroughly examine all options by leveraging the enormous wealth of talent that existed among the members of this Commission.

The Commission established a priority from the outset that the Commission process must be fair and transparent. The public and the press were welcome at every meeting and time was set aside at the end of every meeting for the public to comment.

It is the hope of the Commission that you find the following report clear and unambiguous. A great deal of time and effort was spent over the past two years to create a report with recommendations that have been fully vetted by having all reasonable ideas, and suggestions thoroughly examined.

We thank the members for their time, the public for its participation and, all the appointing authorities for their confidence in us. We trust that this report will provide direction in allowing us to move forward. We welcome your review.

Sincerely,

Dianne Wilkerson
State Senator
Second Suffolk
For the Commission



II. HISTORY AND LEGISLATIVE MANDATE OF COMMISSION

On June 30, 2003, the Commonwealth enacted the General Appropriation Act (“GAA”) for fiscal year 2004. Within the GAA, the Commonwealth changed its funding mechanism for pension obligations, moving the funding “off budget”. The original pension-funding schedule called for an annual \$832.3 million appropriation. However, the fiscal year 2004 GAA amended General Law, Section 593 of Chapter 26 of the Acts of 2003 to include the scheduled amount less the value of any capital assets transferred to the Pension Reserves Investment Trust. In order to fund the fiscal year 2004 pension obligation of \$832.3 million, the 2004 GAA transferred \$687.3 million in cash from the General Fund. It also authorized, but did not effectuate, a transfer of the John B. Hynes Veterans Memorial Convention Center (the “Hynes”) and the Boston Common Parking Garage (the “Common Garage”) from ownership by the Massachusetts Convention Center Authority to the Pension Reserves Investment Trust. The legislation valued these two assets at \$145 million. If the transfer was effectuated, the PRIM was granted the authority to sell or lease the Hynes, first to a qualified convention center operator, and to keep, lease or sell the Common Garage with the provision that it will continue to operate as a garage.

The legislation resulted in uncertainty regarding the ownership status of the Hynes and the Common Garage. PRIM subsequently indicated that it has no interest in receiving these two assets. The Authority has indicated that it requires clarity of the situation to support its ability to book current and future events.

As a result, pursuant to M.G.L., Section 299 of Chapter 149 in the Acts of 2004, the Massachusetts Legislature convened the Hynes Convention Center and Boston Common Garage Study Commission with a mandate to perform analysis and make recommendations with regard to:

1. A comprehensive and coordinated strategy and plan for the use, reuse, lease, sale, conveyance or disposition of the Hynes Convention Center, including the development of air rights above the existing facility and the sale and/or expansion of the Boston Common Garage;
2. The continued use of the Hynes as a convention center venue owned, operated and maintained by the Authority after the opening of the new Boston Convention & Exhibition Center;
3. The use of the Hynes for any other purpose, other than as a convention center venue or as a convention center with other mixed uses, by any public or private entity or a combination thereof;
4. The interests of the state, city, community, and local business, including hotel, retail and restaurants involved and impacted by the Hynes and the Boston Common Garage;
5. The feasibility of the continued use of the Hynes as a convention center with secondary development of the property, as a joint public/private partnership with the Authority, including the development of air rights above the existing facility;
6. The ownership and operation of the Common Garage;

7. The feasibility of the proceeds, or a portion thereof, of any sale of the Hynes and/or the Common Garage to be allocated to the Authority; and
8. Any other issues, studies, proposals or impacts that may be relevant to the work of the Commission within available resources and prescribed timeframe.

The work of the Commission assists the Legislature in assuring that the Commonwealth's resources are being effectively and efficiently applied in support of a specific set of public policy missions, by weighing the various economic alternatives associated with the Authority's business model and the use of the assets. The observations, deliberations and findings of the Commission have yielded a set of recommendations associated with the future operations of these two facilities, with a focus on sustaining and enhancing the positive regional economic impacts generated through the assets and by the Authority in the conduct of its activities.

Chapter 149 requires that the Commission prepare a final report of its findings resulting from its study, including legislative recommendations. This report represents the fulfillment of that requirement.

III. DESCRIPTION OF THE FACILITIES

The Massachusetts Convention Center Authority is a quasi-public institution whose mission is to generate significant regional economic activity by attracting conventions, tradeshow, and other events to its world-class facilities while maximizing the investment return for the residents and businesses in the Commonwealth of Massachusetts. The Authority seeks to achieve this mission with four highly differentiated yet interdependent properties – the Boston Convention & Exhibition Center (the "BCEC")¹, the Hynes, the Common Garage, and the MassMutual Center in Springfield, Massachusetts.

A. John B. Hynes Veterans Memorial Convention Center

The Hynes is a 360,000 square foot convention facility located in Boston's world-famous Back Bay. The facility features 193,000 square feet of exhibit space, and over 70,000 square feet of meeting room space.

For many reasons the Hynes is recognized as an ideal facility for small and mid-sized events. Its location is in Boston's Back Bay, one of our nation's most beautiful and historic city settings; and is within a two-hour radius of the largest and most important attendee base in the United States. The Hynes is connected by pedestrian walkways to major Boston hotels (and 3,000 hotel rooms), world-renowned retail shopping (more than 200 fine shops), and several restaurants. Thousands of additional hotel rooms, hundreds of restaurants and Boston's best-known landmarks are all within walking distance. The facility has five exhibit halls, 38 dedicated

¹ The Boston Convention & Exhibition Center, recently opened in June 2004, is a 2.1 million square foot convention facility located on the South Boston waterfront. The largest building in New England, the BCEC offers 516,000 square feet of contiguous exhibit space, 84 meeting rooms comprising over 160,000 square feet, and a 40,000 square foot ballroom (the largest in Boston).

meeting rooms, and a 25,000 square foot ballroom, offering show producers and planners the flexibility and space options to configure any event.

B. Boston Common Parking Garage

The Common Garage is a 1,367-space underground parking facility conveniently located in downtown Boston underneath the Boston Common; adjacent to the historic Boston Public Garden. Expansion and renovations were completed in fiscal year 2003. It is currently operated by Central Parking System, Inc. via a management agreement that was entered into in July 2005.

Automobile access to and from the Common Garage is on Charles Street. Pedestrian access to and from the Garage is through four pavilions strategically located on the Boston Common. The facility serves the Back Bay / Beacon Hill residential and commercial districts, as well as daily commuters who work in the surrounding area and visitors from the surrounding region who drive to the Theater District, Downtown Crossing, the Boston Common and the Public Garden.

IV. THE NATURE OF CONVENTION CENTER OPERATIONS

In its purest form, a convention center is a venue with at least one large gathering space (typically called an "exhibition hall") several meeting rooms, and oftentimes one or more ballrooms. As with other real estate assets, convention centers may be of varying size, shape and configuration, and may possess an endless array of amenities and capabilities. In the end, however, the most important characteristic in defining a successful convention center structure is its usefulness, i.e., its ability to meet the purpose of accommodating off-site meetings and events for a variety of organizations. While meeting size may range from tens to tens of thousands, and event subject matter is only limited by the diversity of activities performed in the private and public sectors, in hosting these events convention centers are community gathering places that facilitate opportunities to advance knowledge, conduct business, and convene groups of people in a single location. The convention center is directly compensated for hosting events through rent and payment for services provided (e.g. food & beverage, telecommunications, power, and the like).

Convention centers are located in cities, towns, and municipalities across the globe. In the U.S. and Canada alone, there are approximately 425 facilities regarded as convention centers, representing over 80.5 million square feet of exhibition space.² In order to be viable, a convention center must be able to attract business from both within and external to its host community. As such, in addition to architecture and other intrinsic qualities, what makes each convention center unique is its relationship to its host community and the convention center's ability to leverage the identity (geography, history, weather, etc.) of that community in order to generate business. Thus, for each transient piece of business, in order for a convention center to truly differentiate itself it must present a compelling rationale for both the convention center as a physical asset and the host community and its many characteristics. The market result, given the

² Source: 2004 Tradeshow Week Directory. The convention center industry uses exhibition space square footage as the metric for comparing the relative size of different facilities.

large number of facilities in multiple locations domestically and internationally, is an incredibly competitive environment in which the 'consumer' has endless choices.

The larger events for which convention centers compete can be grouped in four basic categories: association meetings, tradeshows, conventions and consumer/public shows. The events can be segmented further by the different business sectors which originated the show, for example, medical/health care, government/non-profit, professional business services, telecommunications, and consumer/consumer goods. These events all come in different sizes – as may be measured by occupied exhibition square footage, number of attendees, and/or event duration – and are very seasonal in nature. While each of these event qualities (type, segment, size and season) can translate into a convention center operator ascribing different economic value to an event, size is, without doubt, the most sought after characteristic.

Convention centers are large capital assets and, as such, require significant capital investment to own and maintain. Much like in the hospitality business, profitable operations require successfully offsetting ownership and maintenance costs through both securing valuable pieces of business and maintaining sufficient occupancy throughout the year. For all convention centers, it is nearly impossible to achieve profitability as a stand alone cost center with only the alchemy of event revenues and occupancy. In fact, as financially distinct cost centers, virtually no convention center achieves break-even or better on a consistent basis. As such, convention center operators may use "coverage ratio", rather than profit margins, as a measure of a convention center's ability to improve its ability to cover expenses with direct revenue.³

Given this complex, competitive environment and the prospect of losing money as a direct cost center, what is the rationale for owning and operating a convention center? Whether publicly or privately owned,⁴ convention centers are highly prized for their ability to generate economic impact. That is, a successful convention center will attract numerous out-of-town attendees, resulting in hotel night stays, retail spending (restaurants, etc.) and other direct spending in the host community, which, in turn, boosts revenues for local businesses and produces tax revenues for the municipality. There are those destinations in higher demand than others, for which the magnitude of impact at stake can be hundreds of millions of dollars, and others for which the magnitude is significantly smaller. Regardless of the scale of investment, viewing and measuring the performance of convention centers as economic development "loss leaders" requires that effected stakeholders be able to capture and quantify the economic impact directly attributable to convention center activities.

The Boston, Massachusetts experience, with its two convention centers, should be viewed in the above context.

³ "Coverage ratio" is a simple expression of direct revenue over direct expenses. To be effective in comparing convention centers, only revenue and expenses from convention centers, as distinct cost centers, should be analyzed.

⁴ The overwhelming majority of convention centers are publicly or municipally owned. The most notable exceptions are Gaylord Hotels & Resorts (www.gaylordentertainment.com) in Nashville, Tennessee and Mandalay Bay Hotel & Casino (www.mandalaybay.com) in Las Vegas, Nevada. These private entities typically do not operate convention centers as distinct cost centers. By cross-subsidizing convention operations with income received from attached hotel and retail operations owned by the same private entity, private entities are able to remain viable. As such, just as with publicly owned convention centers, privately owned convention centers serve as loss leaders.

V. ECONOMIC OVERVIEW OF THE MASSACHUSETTS CONVENTION CENTER AUTHORITY

In laying the groundwork for fulfilling its statutory mandate, the Commission invested a considerable portion of its time reviewing, understanding and analyzing the Authority, its economic development business model, its performance and particularly the performance of the two assets in question, and the status of the larger meeting marketplace in which the Authority operates.

A. Economic Overview of the Authority

1. In General. The Authority measures its performance through a number of indicators – financial, to measure its financial strength (e.g. operating coverage, net profit (loss) from operations, etc.) and operational, to track activity levels (e.g. sales achieved, occupancy, etc.). In addition, in order to measure its performance against its regional economic development goals, the Authority employs ‘off balance sheet’ economic impact indicators designed to measure economic activity (e.g. number of hotel room nights, tax revenue generated, direct spending, etc.). These economic impact measures are also important in assessing the degree to which, after any subsidy required to cover the Authority’s “net cost of operations”⁵, the Authority’s activities generate a positive return on investment to the Commonwealth.

The Authority’s business model is designed to serve multiple and sometimes competing public policy and economic development imperatives. As such, in performing its mission, the Authority must sometimes make sacrifices to the detriment of one performance indicator (e.g. direct revenue) in order to increase another performance indicator (e.g. tax revenue generated). The Authority monitors these results to maximize the overall return it is generating for the Commonwealth. The Commission viewed the performance of the Authority in this context.

2. Five Year Retrospective. The combination of the events of September 11, 2001 and the collapse of the tech bubble had a significant negative effect on the financial and operational performance of the Authority. Prior to both occurrences, fiscal year 2001 was one of the Authority’s strongest years on record by most measures: the Hynes achieved \$9.9 million in revenues, its highest level to that date, Hynes net cost of operations was \$2.4 million, and overall Authority net cost of operations was \$6.3 million. In the year post-9/11, business sharply declined, with Hynes revenue decreasing 15%, the Authority’s overall revenues decreasing 12%, and Authority net cost of operations increasing 48% to \$9.3 million.

Fiscal years 2003 and 2004 were rebuilding years for the Authority. Its energies were focused on completing the construction of the BCEC, which officially opened for

⁵ “Net cost of operations”, also referred to as the operating loss, represents the difference between operating revenues and operating expenses (before capital and debt service). This measures, in absolute dollar terms, the degree to which the Authority or a cost center requires subsidy in order to balance its budget. As a measure of operations, this metric does not include tax revenues or other direct spending generated by activity.

business in June 2004, stabilizing business at the Hynes, commencing renovation and construction of the MassMutual Center in Springfield⁶, and, perhaps most importantly, completely overhauling its administrative and management structure. By the time BCEC came on-line, the Hynes revenues were \$9.4 million, only 5% shy of pre-9/11 levels, and Authority net cost of operations was \$4.4 million, lower than pre-9/11 levels.

Fiscal year 2005 was the BCEC's first full year of operations, and despite early concerns, the Hynes continued to perform exceptionally. Hynes revenues were the highest in its history, achieving \$10 million. As expected with the BCEC early in its ramp-up phase and assuming the facility's full operating costs, the Authority's net cost of operations grew significantly to \$14.3 million.

3. Fiscal Year 2006 Performance.

In fiscal year 2006, there were 41 major events held at the convention centers. In total, the convention centers accommodated approximately 580,000 attendees, and generated over 513,000 room nights, an increase of 23%.

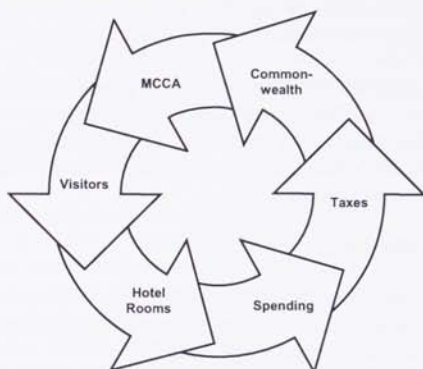
The total direct attendee spending attributable to the BCEC and the Hynes in 2006 was \$233.8 million, an increase of 36% over 2005. All direct spending, including hotel revenue, produced \$15.1 million in tax revenue for the Commonwealth of Massachusetts and for local government bodies in Boston, 31% higher than in 2005. Over half of the out of state convention attendees used airplane travel to arrive in Boston.

In 2006, the Authority booked future events representing over 1 million room nights in the City of Boston. In dollars, these room nights represent \$22.1 million in hotel tax revenue to the Commonwealth. In part because of this sales success, Trade Show Week, a national magazine that covers the convention & trade show business, recognized the City of Boston as the # 7 convention destination in North America.

⁶ The Springfield Civic Center project involved the major renovation of the existing Civic Center/Arena (approximately 214,916 square feet) and construction of an adjacent two-story convention center of approximately 146,976 gross square feet. The existing arena was completely renovated with a new center hung scoreboard, and new hockey rink, spectator seating, concessions stands, and locker rooms. The new convention center includes a 40,000 sq. ft. exhibition hall, a 15,000 sq. ft. ballroom, and 9,500 sq. ft. of meeting space.

B. Economic Overview of the Hynes Convention Center

MCCA/Convention Center Economic Impact Cycle



The amount of direct spending attributable to the Hynes' activities in 2006 is \$141.2 million, resulting in tax revenues of \$8.9 million. The Hynes negative net operating cash flow (before allocated overhead) of \$1.8 million is offset by the \$8.9 million in tax revenue generated, resulting in a net impact of \$7.1 million before even considering local job creation and visitor spending. The total number of room nights generated was 311,286, and the estimated number of jobs created through this activity is over 1,500.

Over the past six years, the Hynes has hosted an aggregate of nearly 1.25 million attendees to the Boston Area. These delegates, their guests, and the associations and groups connected to the conventions have generated approximately \$638.2 million in direct spending, including \$45.6 million in new tax revenue for the Commonwealth.

As one of 33 cities and municipalities in North America with multiple convention facilities (see Exhibit P), Boston (and the Authority) faces both challenges and opportunities in coordinating the efforts and results of the smaller Hynes and the larger BCEC. The Authority now has two years of history with which to assess its ability to operate both the BCEC and Hynes without one economically obstructing the success of the other. In those two years, the Hynes achieved its two highest annual revenue totals in its history (\$10.03 million in 2005 and 9.87 million in 2006), while BCEC revenue has increased to \$16.4 million. This brief operating history appears to validate that the meetings marketplace regards the two facilities as separate and distinct "products." While event planners consider a number of factors when deciding to book an event, generally the most important factor is access to the market for attendees.⁷ In other words, a meeting planner's decision is as significantly about Boston vs. other cities, as facility vs. facility. The experience is not that meeting planners will select Boston and then decide on the Hynes vs.

⁷ Other factors include: exhibition facility quality and amenities; hotel availability, quality and pricing; accessibility to local convention market for event attendees; availability of local transportation services; high quality and/or unique public realm including the variety and quality of restaurants entertainment/recreation venues and shopping; and quality of customer service.

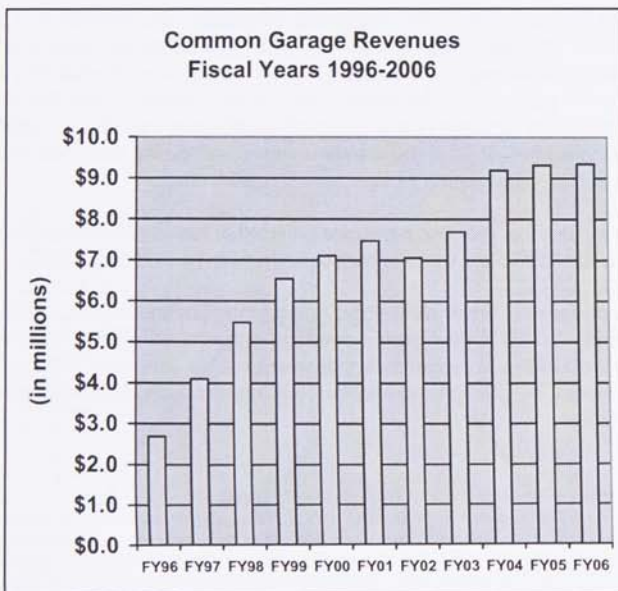
the BCEC. Meeting planners know whether they want the Hynes or they want the BCEC. Regional meetings (those required to be in New England), might be forced to select either the BCEC or the Hynes, if the other did not exist. National meetings will select an alternative city if the facility does not meet their needs.

C. Economic Overview of the Common Garage

The Commonwealth issued \$30.9 million worth of bonds in 1993 to cover the acquisition, construction, renovation and expansion of the Garage and related facilities. The MCCA reimburses the Commonwealth for Garage debt service requirements from Garage net proceeds, approximately \$2.5 million per year. Payback completion is scheduled in FY2014. As of September 1, 2006, the current debt balance is \$18.1 million.

The Boston Common Garage generates annual net cash flow of \$5 million. This is the main source of working capital used to offset the overall deficit spending of MCCA activities.

Gross revenues for the Boston Common Garage have consistently increased over the last ten years. The facility produces a stable source of revenue to subsidize MCCA operations.



D. Economic Outlook of MCCA Facilities and the Meetings Marketplace

The MCCA is the hub in a complex, but effective, regional economic development network focused on the meetings and events industry. There are varieties of external stakeholder groups that are impacted by and participate in this 'network' that, when effective, works to collectively deliver returns to the Commonwealth, businesses and residents alike. The Authority's business model is a discrete strategic response to the need to navigate and leverage the strength of this network, the market environment in which the Authority operates, as well as legislative mandates and policy initiatives.

There is on-going debate regarding the health of the meetings industry in general. By way of example, two reports published in early 2005 were critical of the rapid growth, over the past two decades, of convention facilities in North America. One by Heywood Sanders of The Brookings Institution entitled "*Space Available: The Realities of Convention Centers as Economic Development Strategy*", the other by Hans Detlefsen of HVS Convention, Sports & Entertainment Facilities Consulting entitled "*Convention Centers: Is the Industry Overbuilt?*" Both raise questions about the relative rate of growth between convention facilities and the number and size of hosted events... and the implications that these conditions should have on public policy.

In the Brookings Institution report, Sanders posits the case that the convention industry is in "structural decline"⁸ and that in aggregate, convention facilities are becoming a less sound investment strategy for the support of local/regional economic development. Detlefsen, on the other hand, takes the position that the industry has reached "maturity"⁹ and that understanding the nature of a particular facility's relative competitive advantage should help guide sound public policy decisions in support of local/regional economic development strategies. Both positions provide insight for the Commission's public policy considerations.

The two following areas of concern, which are reflected in the aforementioned articles are within the Commission's mandate and were, in part, considered in its deliberations:

1. What is preferred (long or short-term) return to the Commonwealth, holding and continuing to invest in the Hynes convention center, or selling the asset and investing in another local /regional economic development vehicle... or some other public purpose? (This assumes that public investment in local/regional economic development is sound public policy.)

⁸ "*The overall convention marketplace is declining in a manner that suggests that a recovery or turnaround is unlikely to yield much increased business for any given community, contrary to repeated industry projections. Moreover, this decline began prior to the disruptions of 9-11 and is exacerbated by advances in communications technology. Currently, overall attendance at the 200 largest tradeshow events languishes at 1993 levels.*" Sanders, "*Space Available: The Realities of Convention Centers as Economic Development Strategy.*"

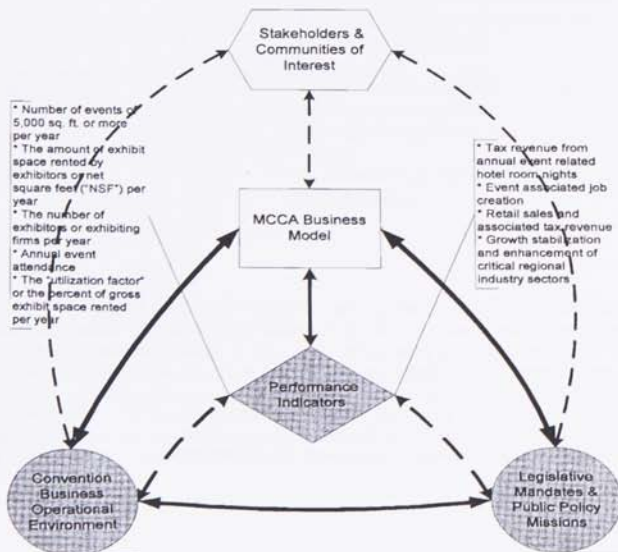
⁹ "*In a mature industry, new supply generally does not generate additional business because there is little or no latent demand to target. New facilities must compete for existing business. This dynamic characterizes the current state of affairs in the convention industry.*" Detlefsen, "*Convention Centers: Is the Industry Overbuilt?*" The MCCA utilizes a similar metric, occupied gross square feet, or OGSF, in tracking its on-going performance.

2. In our region – with its existing convention facilities and regional assets/characteristics – well positioned to gain an acceptable share of the global convention market? (Boston like San Francisco, Las Vegas, Orlando, and a few other locations are viewed as unique and desirable destinations that have significant competitive advantages in the market). If so, is the return on investment associated with Hynes convention activity adequate to meet public policy objectives?

Testimonies to the Commission from key stakeholders confirm that they experience significant economic benefits from Hynes Convention Center and Boston Common Garage operations. In the context of the Detlefsen and Sanders reports, one needs to assess whether publicly subsidized convention centers are the most cost effective public investment strategy to achieve these results. Stakeholders are unwilling to trade the current known impacts of Hynes operations for the indeterminate impacts of an alternative use(s). **More particularly, from their point of view, it has yet to be demonstrated that there is an effective alternative to the Hynes' demonstrated positive economic impacts.**

The following diagram illustrates the interrelationships between the various stakeholders in the Hynes' performance.

**Virtuous Cycle of Convention Center
Related Regional Economic Development**



Sanders argues that local leaders need to evaluate a specific facility's performance in light of other alternative investments to "boost the urban economy"... the proverbial, "glass is half empty" argument. He notes that as competition increases (for possibly decreasing convention business), investment and marketing strategies will have to respond in a manner that produces ever-decreasing margins. The returns on necessary future investments, from the public investor's point of view, will inevitably decline. Detlefsen, on the other hand, holds to the "glass is half full" argument. Based on "utilization factor"¹⁰ estimates he believes that one can compare overall performance of a particular venue to its competitive set. He notes that as growth in supply has accelerated, demand growth has declined. However, he does not conclude that convention center demand will experience continued declines, even though aggregate industry utilization factor estimates were at an 18-year low at the end of 2004. He accurately projected increased demand for exhibit space in 2004 and 2005 over the previous three years. Detlefsen further notes that most successful convention centers experience overall utilization rates in the range of 40 to 60 percent of capacity. This may reflect a sustainable performance target for MCCA administrators. Annual utilization factors for the Hynes are above industry norms.¹¹

VI. COMMISSION ANALYSIS

After an initial series of public hearings and presentations, the Commission developed four alternative scenarios to establish a focus for its deliberations. The following sub-committees were established to review and consider data and analysis associated with the future operations of the Hynes Convention Center & Boston Common Garage through the lens of the eight critical concerns the Commission was charged with by the legislature to investigate:

¹⁰ "By expressing the ratio of demand to supply, one can calculate a **utilization factor** for convention centers. This is similar to occupancy rates that are used to measure performance in the hospitality industry. The utilization factor of a convention center reflects the percent of gross exhibit space that is rented throughout the course of a given year." Detlefsen, "Convention Centers: Is the Industry Overbuilt?" The Authority uses a similar metric, occupied gross square feet, or **OGSF**, in tracking the operational performance of the convention centers.

¹¹ In fiscal year 2006, the Hynes' OGSF or "utilization rate" was 50% and the BCEC's was 35%. According to the 2005 Pricewaterhousecoopers Convention Center Report, the Hynes' utilization rate was 16 percentage points higher than the national average for convention centers with 100,000-500,000 square feet of exhibit space.

Commission Sub-Committee	<u>Legislative Mandate to Consider</u>
<ul style="list-style-type: none"> • <i>Maintain Current Strategy</i> 	<p>2) The continued use of the Hynes as a convention center venue owned, operated and maintained by the MCCA after the opening of the Boston Convention and Exhibition Center</p>
<ul style="list-style-type: none"> • <i>Hold & Develop/Improve/Reinvest</i> 	<p>3) The use of the Hynes for any other purpose, other than as a convention center venue or as a convention center with other mixed uses, by any public or private entity or a combination thereof</p> <p>5) The feasibility of the continued use of the Hynes as a convention center with secondary development of the property, as a joint public/private partnership with the MCCA, including the development of air rights above the existing facility</p> <p>8) Any other issues, studies, proposals or impacts that may be relevant to the work of the commission within available resources and prescribed timeframe</p>
<ul style="list-style-type: none"> • <i>Sell to another convention operator or Unconstrained Third Party</i> 	<p>1) A comprehensive and coordinated strategy and plan for the use, reuse, lease, sale, conveyance or disposition of the Hynes Convention Center, including the development of air rights above the existing facility and the sale and/or expansion of the Boston Common Garage</p> <p>7) The feasibility of the proceeds or a portion thereof of any sale of the Hynes and/or the parking garage to be allocated to the authority</p>
<ul style="list-style-type: none"> • <i>Boston Common Garage</i> 	<p>4) The interests of the state, city, community, and local business, including hotel, retail and restaurants involved and impacted by the Hynes and the Boston Common Garage;</p> <p>6) The ownership and operation of the Boston Common Parking Garage;</p>

A. Continued use as convention center

The Current Strategy sub-committee was established to review the current use and operations of the Hynes.

During various hearings and sub-committee meetings, the Authority presented highlights of the current Hynes operations. The Commission also reviewed current year financial statements, statements of economic impact, BCEC and Hynes current and future bookings, and space requirements of events at the facilities. Additionally, the Commission received presentations on the Authority's marketing plans for the convention centers, as well as its strategic planning.

Based on these materials and the discussions of the Commission, the Commission makes the following findings and recommendations:

1. Fiscal years 2005 and 2006 were the best revenue years in the Hynes' history, which were simultaneous with the first two full years of operations of the BCEC. Additionally, the debt on the Hynes Convention Center associated with its purchase from the City of Boston and the facility's renovation/expansion was retired in September 2005. Net revenues for fiscal years 2005 and 2006 were exceptionally strong, and Authority management forecasts that future annual subsidy requirements may be \$2-3 million.
2. Bookings for the Hynes remain on pace. Associated market segmentation for the Hynes has indicated a clear market niche for the facility that is complementary to the BCEC.
3. The Authority should continue to track its financial and operational performance and track the Hynes' success as market share of the BCEC grows.
4. The Authority's team effectively manages the Hynes and the BCEC in a strategic and professional manner.

B. Use of Hynes for any purpose including as a convention center with other mixed uses

The *Sell to Another Convention Center Operator* sub-committee was charged to review and consider sets of Hynes and third party facility operational data and analysis to inform public policy level findings and recommendations regarding actions that the MCCA should consider for maximizing the net value of the Hynes through a sale to a third party convention center operator. The sub-committee's overarching objective was to consider whether such a sale could reduce or eliminate the need for annual operating subsidies from the Commonwealth while providing the benefits of Hynes convention activity and not undermining BCEC convention activity.

The Committee considered, among other things:

- The Authority's RFP for private management of the MassMutual Center, and responses thereto, as one indication of the implications of and possibilities for private management of a convention facility in the Commonwealth.

- The potential private convention center operators in New England, and the fundamental distinction between private operation and private ownership
- The potential competition between the Hynes and the BCEC if Hynes were not owned by the MCCA (cross-elasticity of demand)

Based on these and other materials and discussions, the Commission makes the following findings and recommendations:

5. The marketplace and economics of convention centers favor a private operation rather than private ownership model. There is virtually no private ownership of stand-alone convention centers in North America. Convention centers are typically referred to as economic “loss leaders”, generating profits and revenues from an owner’s ability to capture ancillary yet integrated revenue streams (e.g. hotel room revenue, retail, etc.). As such, strength of balance sheet is only one of many factors that might determine the positioning of a private growing concern to own and maintain the operations of a stand-alone convention center such as the Hynes.
The Commission does not make any recommendation at this time to pursue private ownership as an alternative.
6. Outsourcing operations of the Hynes to private management is a theoretical alternative, but it comes at a high price. Private operation of a convention center, as an alternative, is typically pursued by a municipality attempting to achieve one of two general strategic goals – greater efficiency and lower expenses, or greater sales and high revenues. In the case of the Hynes, as noted in the previous section, the Commission found that the current Authority management has been able to produce solid revenue and expense goals at the Hynes. Further, management has been able to achieve operating efficiencies by sharing expenses and sales forces across the two Boston convention facilities, and has implemented a more active sales strategy that has produced short term and long term results. The Commission considered analysis that suggests these cost-sharing efficiencies would not be recouped under a private management scenario. Moreover, the private operation scenario does not eliminate the need for subsidy nor guarantee subsidy reduction. Lastly, private operation would potentially force the Authority to compete with the private operator for Boston resources and infrastructure necessary to the success of the BCEC (see below; e.g. hotel rooms and capacity).
The Commission makes no recommendation regarding the outsourcing of the Hynes’ operations at this time.
7. The cross-elasticity of demand between the Hynes and the BCEC is unclear. As noted in previous sections, fiscal year 2005 was the first full year of operations of the BCEC. The Authority’s management is actively engaged in booking space in the BCEC during its ‘ramp-up period’, and maintaining a consistent flow of bookings at the Hynes. Early results reviewed by the Commission show that bookings at both facilities are on pace. The limited data available on the BCEC shows that only four events have ‘migrated’ from the Hynes because of their size, and that the Authority, to a large extent, back-filled these dates in the Hynes with alternative, smaller shows appropriate to the space.

Notwithstanding these early indications, *the Commission recommends that the Authority continue its joint marketing and sales initiative with the Westin, Sheraton, Marriot hotels and greater Boston Convention Visitors Bureau and actively monitor and report to the legislature the sales and booking performance of each facility to ensure that the Boston convention facilities can perform in the same industry without competing with or eroding the base of each other.*

8. An option is available to sell the facility to the highest bidder with no reuse directives other than those that would be imposed by the redevelopment process of the City of Boston. It was further determined, however, that there are numerous risks and indeterminate factors associated with this option:

- Any major reuse occasioned by the sale of the Hynes to a legislatively unconstrained third party that would include major additions/reconstruction or demolition and reconstruction, would face significant entitlement risks¹²
- The entitlement process would present significant schedule, budget and legal constraints that would likely have a chilling effect on a proposed disposition.
- The disposition process would undermine the ability to book space at the Hynes and severely undermine MCCA financial performance and convention related regional economic development.
- It is unknown and indeterminate if a proposed reuse alternative would have offsetting economic development benefits to the Commonwealth and other stakeholders.
- It is likely that the current operational synergies being realized between the Hynes and the BCEC would be undermined.

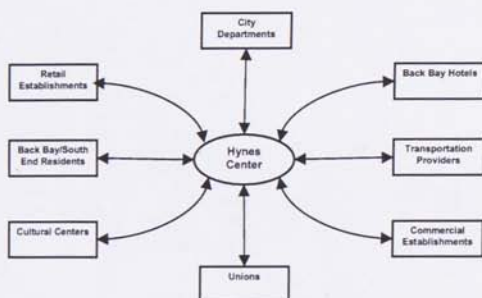
The Commission makes no recommendation regarding pursuing this option at this time.

¹² Although the Commonwealth does not have to follow local zoning ordinances, the Commonwealth's historic behavior has been to comply with local zoning or negotiate the required entitlements. A fee-simple sale or ground lease to a third party would require significant zoning relief to assure a project size that is economically viable. The Commission considered the formerly proposed Millennium Partners project at the nearby Mass Turnpike air rights site at Massachusetts Ave. and Boylston Streets which received formidable community opposition and the proposal was subsequently abandoned.

C. Impact on the interests of the State, City, Community and Local Businesses

The Commission considered stakeholders and their various interests that are impacted by the ongoing operations of the Hynes. Many of these interests testified and gave formal presentations during Commission hearings and the fact-finding process.

Hynes Stakeholder Map



There are numerous stakeholders who rely on the operation of the Hynes Convention Center and who would be affected by any decision related to disposition of these facilities. The Commission's findings regarding these stakeholders are below:

Retail Establishments

Events at the Hynes generate considerable business for restaurants and retail establishments located in the Back Bay and South End neighborhoods. The business generated translates into income for the owners, jobs for the employees and sales tax revenue for the City and Commonwealth. The Commission was sensitive to the perspective that different use, reuse or ownership scenarios, may result in greater or lesser impact on the welfare of the retail institutions that rely on the Hynes for the foot traffic it generates. The Hynes is one of the only convention centers in North America that offers four season, enclosed shopping and retail attached to the facility (the Prudential Center complex). It is that character, along with other proximate shopping and dining (e.g. Newbury Street, Copley Square), that consistently attracts Hynes event attendees. We would expect that the "maintain and improve" scenario would generate more foot traffic in the area from additional retail and program activity. This increased activity would directly benefit local businesses and increase local and state tax revenues. Conversely, if the Hynes were used for purposes other than conventions and exhibits (e.g., residential or institutional uses), we expect the foot traffic to take on different qualities and patterns (e.g., seasonal for academic institutions), have lower spending volume and ultimately have a deleterious impact on local businesses.

Back Bay/South End Residents (and the Public Realm)

South End Street Scene



There are many pros and cons related to the Hynes for Back Bay and South End neighborhoods. Most significantly, to the extent that the increased business generated from visitors attracted by events at the Hynes helps maintain the health and prosperity of local retail establishments, local and regional residents benefit. The business cycle partially supported by events at the Hynes helps to stabilize these neighborhoods, keeping them attractive, desirable and safe – not only for residents, but for the many workers, shoppers and visitors from around the region that daily benefit from this vibrant civic district. Additionally, the type of (out-of-town) visitor attracted by events at the Hynes typically produces a low “environmental” impact since they arrive to and navigate the area by means other than private automobile. This minimizes additional automobile impacts to the area’s congested roadways and limited on-street parking situation. The Commission weighed whether alternative uses may negatively affect automobile traffic, on-street parking, roadway congestion, and related traffic safety and pollution. With any of the disposition scenarios considered for the Hynes, the Commission could anticipate that there would need to be provisions made for additional off street parking with associated traffic impacts.

Cultural Centers

Back Bay: Trinity Church is an architectural and cultural focus of Copley Square which in-turn is the hub for a thriving regional cultural/commercial district



The Boston Public Library and Trinity Church are two of the main cultural attractions in the area. In addition, there are numerous galleries, cultural institutions and civic spaces, including Copley Square, Commonwealth Mall and the Public Gardens, that together, make the Hynes a unique and attractive venue for visitors from around the world. Should the Hynes change the nature of its operations, there would be minimal impact on these facilities and institutions. They are not supported by user fees, but property taxes, private philanthropic support and individual giving. However, were the Hynes to be used by a for-profit venture that subsequently paid property taxes... there would not likely be a direct correlation between any new taxes generated and additional benefits to the local cultural institutions.

Unions—Employment

Authority management estimates that the current Hynes operation generates approximately 1,500 jobs, particularly in area hotels, restaurants, shops and bars. Service unions represent the largest class of employee to benefit from the type of jobs generated by Hynes activity. A net loss of jobs would result from a decline in the number of events at the Hynes. The Commission found that sustaining or increasing the level of employment as a result of activity from the Hynes asset to be an important factor.

Transportation Providers

The Hynes is advantaged by the proximate multiple modes of transportation, and the vibrant 24/7 character of the surrounding neighborhood. As noted above, the walkability of the Hynes' surrounds remains one of the Hynes' most attractive qualities to attendees. Taxicabs and public transportation, are also critical to the ability of Hynes attendees to move about the area, and are readily available as part of the Prudential Center complex. In addition, depending on the size, needs and preferences of shows, the Hynes must supplement taxi and public transportation availability with limousine and tour buses.

Hotels

The hotel industry would receive the largest impact of any major program change at the Hynes. The Sheraton, Hilton, Marriott, Copley Plaza, Westin, Lenox and other hotels in the immediate area rely heavily on the convention business to support their revenue objectives. In fact, the continuation of the convention business is a key factor in the funding and development of several new hotels in the greater Boston area. Hotels (and resulting hotel availability) are the single most important external factor critical to the on-going success and growth of business at the BCEC and the Hynes. Convention planners are attracted to Boston in general, by the availability of proximate hotel rooms (although many are not at desirable rates), in addition to the overall quality and amenities of the venue. Therefore, hotels have a considerable financial interest in the continuation and enhancement of existing convention activities. Moreover, as noted in previous sections, hotel room tax revenue generated by convention attendees is a critical source of economic impact that undergirds the return on investment the Authority delivers. For example, in fiscal year 2005, the Authority estimates that the Hynes generated \$7.76 million in hotel room tax revenue, as compared to an operating deficit of \$0.95 million (before overhead allocations).

Commercial Establishments

In general, the commercial establishments, represented by the finance/investment community and other area office related businesses, would be unaffected by a programming change at the Hynes. The exceptions would be those companies that rely on the Hynes to support their business interests. These would include Boston Properties, which generates significant income through leasing retail space in the adjacent Prudential Center. There is a significant increase in retail sales in restaurants and stores in the Prudential Center and the surrounding retail districts that result from event traffic generated by the Hynes. As a result, retail rental property owners in the area would suffer in-turn if their tenants experienced decline in sales receipts due to a reduction in convention related revenues.

D. Feasibility of the continued use of the Hynes as a convention center with secondary development of the property, as a joint public/private partnership with the MCCA, including air rights

The *Hold & Develop* sub-committee reviewed and considered Hynes facility operational data and analysis that could inform public policy level findings and recommendations to the full Commission regarding actions that the MCCA should consider for increasing Hynes net revenues and reducing the annual operating subsidy through program/use enhancements and/or limited expansions to the existing facility.

The Commission reviewed and considered, among other things:

- Legal analysis to determine opportunities and constraints regarding ownership, long-term lease options and potential alternative uses.
- Reports by a structural engineer and an urban design consultant regarding the engineering, structural, massing and practical considerations attendant to secondary development, expansion or modification.

- o Hynes booking and operations data regarding future activities, future needs, and logistical issues associated with operating convention and meeting activities, and the effect secondary development on future activities.

The Commission noted that given the complexity of the engineering, planning, and logistical issues posed, the Authority would have to undertake substantial additional analysis beyond the Commission's scope of work to refine the Commission's deliberations.

Based on these and other materials and discussions, the Commission makes the following findings and recommendations:

1. **The MCCA should be asked to conduct planning and development constraints analysis that would address zoning, permitting and allowable use issues.** It is understood that the proponent of a specific project proposal most appropriately conducts this work. The BRA administers the local entitlement/approvals process. The MCCA, as a project proponent, may submit a specific proposal for review.
2. **A more detailed analysis of potential Hynes secondary development should include an analysis of current and future real estate market conditions in the Back Bay and, more broadly, the City of Boston.** Although an appraisal of value of the Hynes was conducted and completed, the Commission felt that the uniqueness of the facility and its location would require market validation from industry professionals for any proposed program enhancements, reuse alternatives and/or facility reconstruction/expansion. A methodology for accomplishing this task in an appropriate manner was discussed, and it was suggested that the MCCA and the Boston Redevelopment Authority take the lead on performing this task in partnership as a part of an overall investigation of any secondary development alternative.
3. **Development beyond the existing facility envelope requires substantial process and time.** As noted in previous sections, there are a number of stakeholder groups with interest in the Hynes, as well as any existing or future regulatory and zoning framework that impacts development in Boston. The Commission considered the overall environment that would impact on any significant redevelopment of the asset, and encouraged that such environment be factored into any analysis of redevelopment beyond the facility's existing envelope.
4. **It is recommended that the MCCA as soon as practical conduct a redevelopment alternatives analysis that determines the range of feasible secondary development options.** The Commission cited a clear need for ascertaining the realm of possible alternatives, acknowledging that what one could do is not necessarily what one should do. These alternatives should be weighed as to the most efficacious manner of generating additional net revenues, reducing subsidy, but not unreasonable eroding the Hynes' valuable convention activities. The analysis should be at a level of detail that exceeds the scope of the Commission's current charge and resources. A mechanism currently exists that the MCCA could use to secure the resources to implement a full

redevelopment analysis. Alternatively, a direct request to the Legislature could be made for funding the redevelopment analysis.

5. *It is recommended that the Legislature repeal its earlier action that directed the transfer of the Hynes and Common Garage to the Pension Reserves Investment Management Board of the Commonwealth.* The Commission cited a need for clear title and ownership, without confusion of transferability of the assets, before any future investment in the assets and secondary development could be conducted.
6. *It is recommended that the MCCA board and staff be fully empowered to develop a cost-benefit analysis to support a decision process to implement any feasible redevelopment option.* The Commission strongly encourages the Authority to think in terms of how the Hynes, as an asset, can be physically altered to improve its performance.¹³ By inference, this improved performance should not undermine but enhance BCEC performance. It was noted that the two facilities have become complementary in many performance dimensions.¹⁴ The cost-benefit analysis should also include evaluation criteria for any facility performance enhancing investments.
7. *It is recommended that the Authority develop a long term capital plan that considers capital depreciation associated with the Hynes asset.* Periodic facility replacements like roofs, elevators and other mechanical systems need to be factored into any investment analysis. Additionally, capital investments will periodically need to be made to maintain the facility's competitive advantage. The MCCA has an on-going capital program that is outside of the annual maintenance budget. An analytical framework for reflecting this information needs to be developed as a component of the proposed "total return on investment" analysis.

E. Ownership and Operation of the Boston Common Parking Garage

The Boston Common Garage sub-committee reviewed and considered Common Garage facility operational data and analysis that could inform public policy level findings and recommendations to the full Commission regarding actions that the MCCA should consider for program/use enhancements and/or limited expansions to the Garage that would increase net revenues.

The Commission reviewed and considered, among other things:

- o Legal analysis to determine opportunities and constraints regarding ownership, encumbrances, expansion and potential alternative uses.
- o A report by a construction engineer regarding the cost of, duration of, and construction activities necessary for expansion.

¹³ Elements of "performance" or a set of performance criteria need to be articulated.

¹⁴ Performance dimensions include facility/event complimentary, projected cash on cash returns, projected local and regional economic impacts, projected hotel bookings, projected tax revenues, Commonwealth debt liability exposure, etc.

- o Current utilization studies, transient, and monthly demographics, and current marketing activities.

Based on these and other materials and discussions, the Commission makes the following findings and recommendations:

1. *The MCCA has done a sound job of managing the Common Garage through overseeing major renovations to stabilizing the operation and yield profit.* The Garage is currently operating at approximately 80-85% capacity, and the Authority has grown net operating revenues from the facility by 459% in the past ten years. Operations performance of the Garage is comparable to if not stronger than similar facilities in the Downtown Boston market. It is forecast to generate over \$9 million in cash flow, before debt service, capital expenditures and overhead allocations. The cash flow is a major source of cross-subsidy to the Authority's other operations, and is critical to minimizing the annual subsidy required from the Commonwealth. One Commission member suggested that these net profits be repurposed for care of the Boston Common grounds; the Commission deemed this discussion to be outside the purview of its mandate.
2. *Any alternative use of the existing Common Garage is not feasible and not recommended.* Because of its existing configuration underneath the Common, the Garage was cited by the Commission as the highest and best use for the land. In addition, the MCCA would need specific legislative authority to use the Garage for an alternate use.
3. *A deeper understanding of the current Common Garage user demographic should be developed, along with more concrete marketing plans.* Any such deeper analysis will assist the Authority in further improving the current facility's operational performance.
4. *Under the existing legislative framework, the MCCA is authorized to expand the Garage further under the Boston Common.* The legal analysis suggests, however, that in order to exercise such authority, the MCCA would need to exercise powers of eminent domain to clear the title on the unused underground portion of the Common slated for expansion. This action would provide sufficient footprint to double the size of the existing Garage. Notwithstanding the legal analysis, however, *the Commission recommends that the Authority take affirmative steps to determine/clarify the statutory requirements to enable the development of the undeveloped portion of the original sub-surface easement.*
5. *The Commission recommends that the Authority conduct an extensive feasibility analysis regarding the need for any expansion of the existing Common Garage facility.* The Commission does not endorse any expansion of the facility at this time absent the Authority performing expansive analysis of existing and future conditions, including a market demand analysis, traffic impacts, and construction impacts. The Commission was not privy to any evidence addressing the demand for additional parking spaces in the vicinity of the current facility. The Commission would advise that included in the analysis be a determination of what, if any, impact the relocation of the seat of city government for the City of Boston might have on the facility.

VII. COMMISSION FINDINGS AND RECOMMENDATIONS

Based on these and other materials and discussions, the Commission makes the following findings and recommendations:

RE: HYNES

1. *The MCCA should be asked to conduct planning and development constraints analysis that would address zoning, permitting and allowable use issues.* It is understood that the proponent of a specific project proposal most appropriately conducts this work. The BRA administers the local entitlement/approvals process. The MCCA, as a project proponent, may submit a specific proposal for review.
2. *A more detailed analysis of potential Hynes secondary development should include an analysis of current and future real estate market conditions in the Back Bay and, more broadly, the City of Boston.* Although an appraisal of value of the Hynes was conducted and completed, the Commission felt that the uniqueness of the facility and its location would require market validation from industry professionals for any proposed program enhancements, reuse alternatives and/or facility reconstruction/expansion. A methodology for accomplishing this task in an appropriate manner was discussed, and it was suggested that the MCCA and the Boston Redevelopment Authority take the lead on performing this task in partnership as a part of an overall investigation of any secondary development alternative.
3. *Development beyond the existing facility envelope requires substantial process and time.* As noted in previous sections, there are a number of stakeholder groups with interest in the Hynes, as well as any existing or future regulatory and zoning framework that impacts development in Boston. The Commission considered the overall environment that would impact on any significant redevelopment of the asset, and encouraged that such environment be factored into any analysis of redevelopment beyond the facility's existing envelope.
4. *It is recommended that the MCCA as soon as practical conduct a redevelopment alternatives analysis that determines the range of feasible secondary development options.* The Commission cited a clear need for ascertaining the realm of possible alternatives, acknowledging that what one could do is not necessarily what one should do. These alternatives should be weighed as to the most efficacious manner of generating additional net revenues, reducing subsidy, but not unreasonable eroding the Hynes' valuable convention activities. The analysis should be at a level of detail that exceeds the scope of the Commission's current charge and resources. A mechanism currently exists that the MCCA could use to secure the resources to implement a full redevelopment analysis. Alternatively, a direct request to the Legislature could be made for funding the redevelopment analysis.
5. *It is recommended that the Legislature repeal its earlier action that directed the transfer of the Hynes and Common Garage to the Pension Reserves Investment Management Board of the Commonwealth.* The Commission cited a need for clear title and ownership, without confusion of transferability of the assets, before any future investment in the assets and secondary development could be conducted.

RE: GARAGE

6. *It is recommended that the MCCA board and staff be fully empowered to develop a cost-benefit analysis to support a decision process to implement any feasible redevelopment option.* The Commission strongly encourages the Authority to think in terms of how the Hynes, as an asset, can be physically altered to improve its performance.¹³ By inference, this improved performance should not undermine but enhance BCEC performance. It was noted that the two facilities have become complementary in many performance dimensions.¹⁴ The cost-benefit analysis should also include evaluation criteria for any facility performance enhancing investments.
7. *It is recommended that the Authority develop a long term capital plan that considers capital depreciation associated with the Hynes asset.* Periodic facility replacements like roofs, elevators and other mechanical systems need to be factored into any investment analysis. Additionally, capital investments will periodically need to be made to maintain the facility's competitive advantage. The MCCA has an on-going capital program that is outside of the annual maintenance budget. An analytical framework for reflecting this information needs to be developed as a component of the proposed "total return on investment" analysis.
8. *The MCCA has done a sound job of managing the Common Garage through overseeing major renovations to stabilizing the operation and yield profit.* The Garage is currently operating at approximately 80-85% capacity, and the Authority has grown net operating revenues from the facility by 459% in the past ten years. Operations performance of the Garage is comparable to if not stronger than similar facilities in the Downtown Boston market. It is forecast to generate over \$9 million in cash flow, before debt service, capital expenditures and overhead allocations. The cash flow is a major source of cross-subsidy to the Authority's other operations, and is critical to minimizing the annual subsidy required from the Commonwealth. One Commission member suggested that these net profits be repurposed for care of the Boston Common grounds; the Commission deemed this discussion to be outside the purview of its mandate.
9. *Any alternative use of the existing Common Garage is not feasible and not recommended.* Because of its existing configuration underneath the Common, the Garage was cited by the Commission as the highest and best use for the land. In addition, the MCCA would need specific legislative authority to use the Garage for an alternate use.
10. *A deeper understanding of the current Common Garage user demographic should be developed, along with more concrete marketing plans.* Any such deeper analysis will assist the Authority in further improving the current facility's operational performance.
11. *Under the existing legislative framework, the MCCA is authorized to expand the Garage further under the Boston Common.* The legal analysis suggests, however, that in order to exercise such authority, the MCCA would need to exercise powers of eminent domain to

¹³ Elements of "performance" or a set of performance criteria need to be articulated.

¹⁴ Performance dimensions include facility/event complementarity, projected cash on cash returns, projected local and regional economic impacts, projected hotel bookings, projected tax revenues, Commonwealth debt liability exposure, etc.

clear the title on the unused underground portion of the Common slated for expansion. This action would provide sufficient footprint to double the size of the existing Garage. Notwithstanding the legal analysis, however, *the Commission recommends that the Authority take affirmative steps to determine/clarify the statutory requirements to enable the development of the undeveloped portion of the original sub-surface easement.*

12. *The Commission recommends that the Authority conduct an extensive feasibility analysis regarding the need for any expansion of the existing Common Garage facility.* The Commission does not endorse any expansion of the facility at this time absent the Authority performing expansive analysis of existing and future conditions, including a market demand analysis, traffic impacts, and construction impacts. The Commission was not privy to any evidence addressing the demand for additional parking spaces in the vicinity of the current facility. The Commission would advise that included in the analysis be a determination of what, if any, impact the relocation of the seat of city government for the City of Boston might have on the facility.

VIII. EXHIBITS*

- A. Enabling Legislation creating Study Commission
- B. Commission Members
- C. The Enabling Act of The Massachusetts Convention Center Authority
- D. HCC & BCPG Commission: MCCA Informational Overview
- E. Massachusetts Convention Center Authority Financial Statement for the Year Ended June 30, 2005 and Independent Auditors Report and Report on Internal Control Over Financial Reporting and Compliance and Other Matters Statement for the Year Ended June 30, 2005
- F. Convention & Trade Show Industry: An Overview Presentation to The Hynes Commission
- G. Robert H. Hale Memorandum to HCC & BCPG Commission: Boston Common Parking Garage
- H. The Boston Common Garage: Informational Overview
- I. MCCA Economic Impact Report 2006
- J. Appraisal: Hynes Convention Center
- K. Appraisal: Boston Common Garage
- L. Structural Feasibility Study for Vertical & Lateral Expansion of the Hynes Convention Center in Boston, MA – Widlinger Report
- M. The Urban Consequences of Vertical Expansion of The Hynes Convention Center – Stull and Lee Report
- N. Chapter 593 of Acts of 2003 authorizing PRIM Transfer
- O. List of 33 municipalities with multiple convention facilities

*Available for review in Room 312C, Statehouse.

The Commonwealth of Massachusetts

In the Year Two Thousand and Six

AN ACT RELATIVE TO THE HYNES CONVENTION CENTER AND THE
BOSTON COMMON PARKING GARAGE.

Be it enacted by the Senate and House of Representatives in General Court
assembled, and by the authority of the same, as follows:

SECTION 1. Section 593 of chapter 26 of the acts of 2003 is hereby repealed.

The Commonwealth of Massachusetts

In the Year Two Thousand and Six

RELATIVE TO THE HYNES CONVENTION CENTER

SECTION 1. Section 593 of chapter 26 of the acts of 2003 is hereby repealed.

SECTION 2. The executive director of the Massachusetts Convention Center Authority, in this section called the Authority, shall submit a report to the joint committee on state administration and regulatory oversight and the house and senate committees on ways and means on or before 6 months after the effective date of this act, which shall include a comprehensive report on the feasibility of the continued utilization of the Hynes Convention Center, in this section call the Center, to attract and accommodate large gatherings of visitors and convention and meetings participants and the introduction, development and incorporation of additional commercial uses or facilities at the Center for the purposes of: enhancing the revenue and the economic growth of the facility; reducing the net cost of operation of the facility; maximizing efforts to attract large numbers of visitors and participants; and decreasing and eventually eliminating the commonwealth subsidy to the Authority for the Center.

The report shall include:

- (a) a timetable projecting decreasing and eventual elimination of the state subsidy;
- (b) a description of the expansion or incorporation of commercial uses or facilities at the Center;

- (c) a description of the lands, structures, fixtures, and facilities deemed necessary or appropriate by the Authority for the construction or reconstruction of the expansion or incorporation of commercial uses or facilities;
- (d) an estimate of the capital expenses estimated by the Authority as necessary for the construction or reconstruction of the expansion or the incorporation of the uses or facilities;
- (e) and estimate of the operational expenses estimated by the Authority as necessary for the operation and maintenance of the expansion and incorporation of the uses or facilities;
and
- (f) a proposal by the Authority for the provision of the funds sufficient to meet the capital and operating costs, including projected income, associated with the expansion or incorporation of the uses or facilities.

The Authority shall also submit any requests for the proposals that the Authority may issue relative to the expansion of the uses or facilities at the Center to the joint committee on state administration and regulatory oversight and the house and senate committees on ways and means, at least 30 days before issuance. The Authority shall also submit to the committees any contracts that the Authority or its agents may enter into before any such contracts are entered into.

There may be submitted as part of the report one or more studies conducted by independent consultants as to the feasibility of incorporating the uses and facilities for the foregoing purposes and upon completion and submission of the studies, the feasibility study requirements of section 38N of chapter 190 of the acts of 1982 shall be deemed satisfactorily completed.