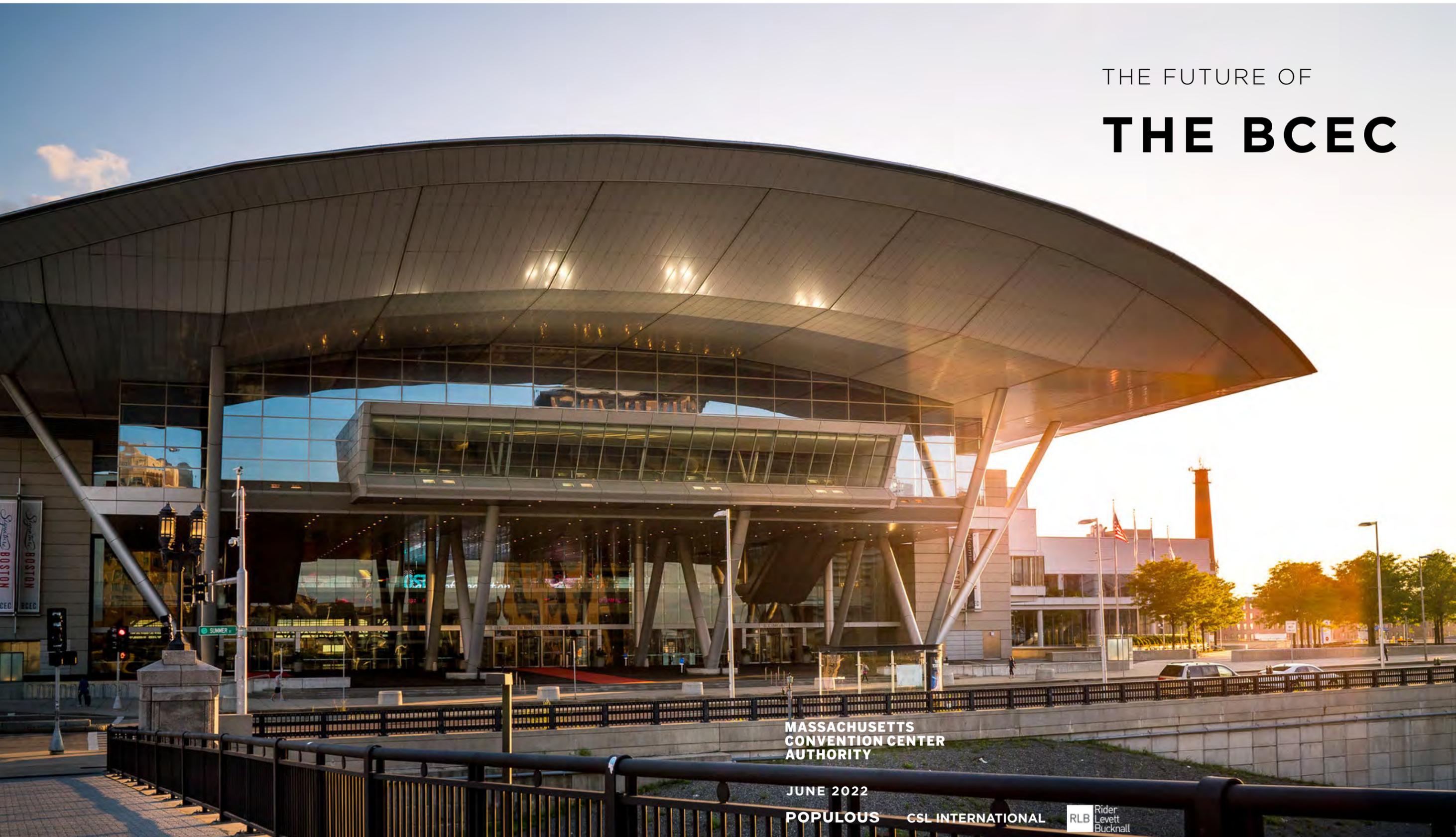


THE FUTURE OF
THE BCEC



MASSACHUSETTS
CONVENTION CENTER
AUTHORITY

JUNE 2022

POPULOUS CSL INTERNATIONAL

RLB
Rider
Levett
Bucknall

T A B L E O F C O N T E N T S

01

Introduction

02

Moving
the BCEC
Campus into
the Future

03

MCCA: a
Catalyst for
Economic
Activity

04

Competitive /
Comparable
Analysis

05

Access and
Opportunity

06

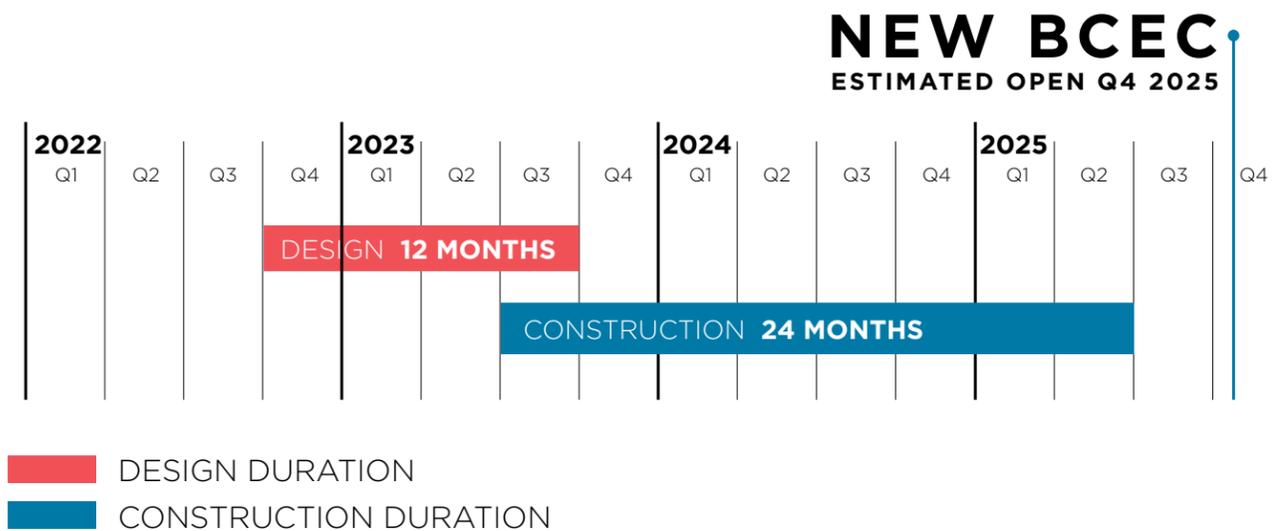
Sustainability

07

Schedule and
Financing



01 Introduction



Unlike a previous authorization to expand the BCEC, this financing plan does not rely on the issuance of any debt by the Commonwealth to pay for project costs. 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.

TIMING AND PHASING

In order to provide an accurate assumption of project cost, it was assumed that the design of the BCEC expansion project could begin in late-2022, with the goal of issuing an early structural package in late 2023 and completing construction before the close of 2026.



Every year this project is delayed, project costs will increase \$15 million.



David Gibbons
Executive Director
Massachusetts Convention
Center Authority

SINCE OPENING IN 2004, the Boston Convention & Exhibition Center (BCEC) is recognized as being among the industry's premier venues for meetings and events. The BCEC has proven to be a popular destination for the industry's most impactful shows, welcoming millions of attendees from around the world and generating billions of dollars in economic impact for the City of Boston and the Commonwealth of Massachusetts. In 2019, the Massachusetts Convention Center Authority (MCCA) was celebrating a record year with more than \$80 million in revenue, 400 events and an exciting plan to improve the BCEC and further enhance the MCCA's competitive advantage in the convention marketplace.

The MCCA's 'BCEC Expansion 2019 Project Report' included a building program that aimed to right size the BCEC and allow the venue to host consecutive events creating a constant and predictable demand for local hotel rooms. In the report we asked and answered 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?**

By the middle of March 2020 there was effectively no convention industry. The COVID-19 pandemic collapsed global travel and hundreds of meetings and events were canceled in Boston. The MCCA's focus quickly turned toward planning to emerge from the COVID-19 pandemic in the strongest possible competitive position to lead the industry's return - not to normal - but to what comes next.

Today, when considering 'what comes next', three new questions were added to help guide our thinking as we adapt the to a changed convention marketplace and position the BCEC to welcome the next generation of meetings and events.

- **Do people still want to meet in person?**
- **Where and How do people want to meet and Who are they?**
- **What types of spaces will create experiences that remind us of the magic of meeting in person?**

Post-pandemic demand for in person meetings has rebounded strongly and the current positive momentum is expected to continue. **However, the preferences and expectations of meeting attendees has accelerated existing trends favoring maximum flexibility that delivers 'events within events', while on-site and hybrid options extend the event's reach.** The evolution of space and placemaking has also changed significantly as attendees want more open space both inside and outside to gather. Event planners and attendees focus on health and safety is now at the heart of planning when large groups convene.

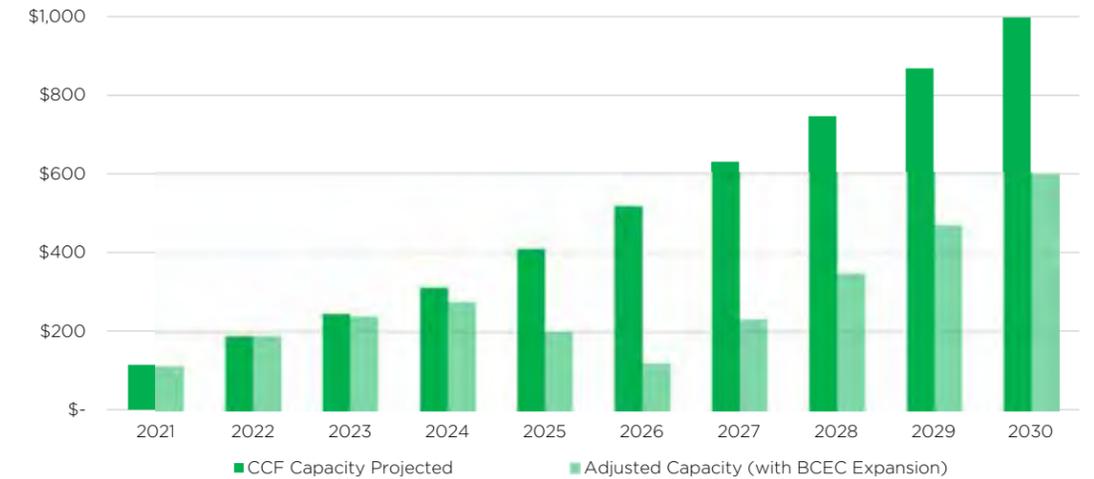
The MCCA's investment in technology has always led the industry as evidenced by turning the BCEC into Boston Hope medical center during the height of the COVID-19 pandemic. The new spaces at the BCEC will build on an already robust infrastructure to create a safe and welcoming environment for every visitor.

The MCCA plans to again reset the bar in the convention industry by further activating the D Street corridor and Lawn On D. **Our proposal will add a total of 200,000 square feet to the existing BCEC. The highlight of this addition is the Pavilion on D - a revolutionary 100,000 square foot space that can transform as needed into a ballroom, exhibit hall and entertainment space, giving events the opportunity to not only think, but get outside the box.** The Pavilion On D is a smart, adaptable and exciting venue where intellect, innovation and capital will meet in Boston to create the future.

This future will be created without any borrowing or new taxes due to the continued robust performance of the Commonwealth's Convention Center Fund (CCF). The Pavilion on D and related investments at the BCEC will be paid for in their entirety from the current and future revenues of the CCF. Funds are generated through revenue streams tied directly to visitor spending and the success of Massachusetts' overall hospitality and visitor industry. **The \$400 million program will include tens of millions in participatory economic development opportunities for MBE, WBE and veteran-owned businesses in addition to more than 2,200 high quality construction and service jobs during and after completion.**

On behalf of the MCCA Board of Directors, I want to thank all our stakeholders for their support and commitment to further enhancing the BCEC's competitive edge in the global convention marketplace. This strategic investment in the BCEC will deliver a low-risk, high-reward program in support of the Authority's mission to facilitate economic activity for Massachusetts and the region.

CONVENTION CENTER FUND CAPACITY, CURRENT AND WITH BCEC EXPANSION PROJECT IMPACT, BY FISCAL YEAR \$'S IN MILLIONS



*Fund capacity represents annual CCF cash balances in excess of 1.5X annual CCF debt service level, or \$80 million.

FINANCING PROPOSAL

The costs of the \$400 million BCEC expansion project would be paid for through available cash balances of the CCF. Under its enabling statute, the CCF is authorized to fund capital projects of the Massachusetts Convention Center Authority (MCCA), provided that all annual revenue sufficiency requirements are met first.

Chapter 152 was a critical act of legislation passed in 1997 that provided for the construction of the BCEC. 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:

The MCCA has projected available CCF capacity - defined as annual CCF cash balances after accounting for annual pledged receipts and all other required or authorized expenses, such as annual debt service or support of MCCA operations, while ensuring a minimal balance of the CCF equal to 150% of the annual debt service from the Fund. These projections show that the CCF's total capacity would grow from \$190 million to \$520 million from June 2022 to June 2026. Even after accounting for the use of the capacity to fund the BCEC expansion project, balances in the Fund would grow substantially, with projected capacity of the CCF of close to \$600 million by June 2030.

- 1. Only the "pledged receipts" serve as the security for the bondholders for their repayment, rather than broader full faith and credit of the Commonwealth (typically offers the security of most state operating revenues).**
- 2. 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 (known as the administrative "bond cap"). Therefore, the Chapter 152 bonds 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 to be a success.**



\$400 million program
will include tens of millions in participatory economic opportunity



1,000
New, Permanent Jobs
+ **1,100** Temporary Construction Jobs



+130,000 - 140,000
New room nights = \$130-\$140 million in additional, annual direct spending



+\$275 million
In additional, annual total output

07 Schedule and Financing

COST ESTIMATE

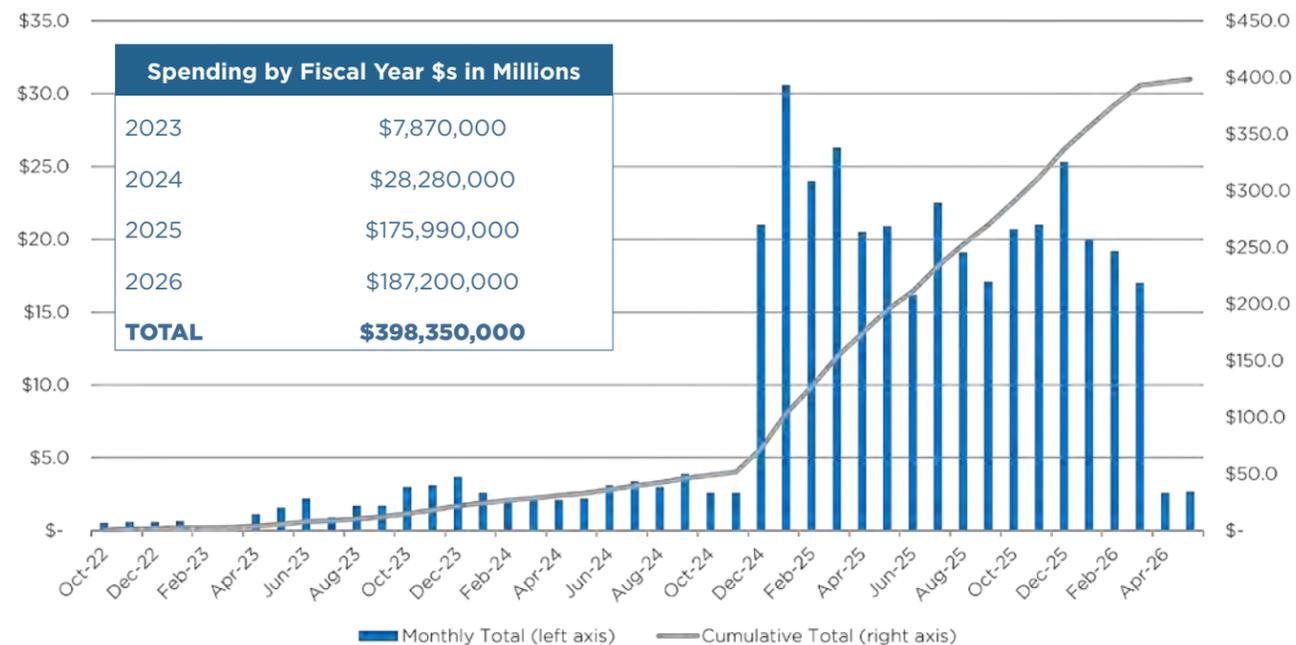
The BCEC expansion project is estimated to cost \$400M. Boston remains one of the most expensive markets in the U.S. to build new construction. Since 2013, Turner Construction's Building Cost Index increased by approximately 43% nationally and 47% in Boston, mostly due to skilled labor shortages and rising material costs.

To ensure the feasibility of the BCEC expansion project, Rider Levett Bucknall (RLB) was engaged 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 \$301 million, plus an additional \$97 million for "soft costs," such as architecture, engineering, permitting, etc. for a total project cost of \$400 million. Assuming construction and capital costs will continue to rise, significant annual escalation costs could be avoided if the project breaks ground in mid-2023.

SUCCESSFUL AND STABLE FUNDING SOURCE

Chapter 152 of the Acts of 1997 established the Massachusetts Convention Center Fund (CCF), which is funded with dedicated hotel and sales taxes and other fees to pay for the costs of borrowing for the construction of the BCEC. Annual CCF receipts were "pledged" to the bondholders who lent the money to the Commonwealth. As of the close of 2021, the outstanding balance on the original \$687 million in issued debt is \$480 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.

MONTHLY AND CUMULATIVE PROJECT SPENDING, \$S IN MILLIONS



02 Moving the BCEC Campus into the Future

The roof structure of the Pavilion on D provides solar panels combined with a green roof to demonstrate BCEC's commitment to sustainability. The new balcony overlooks the enhanced Lawn on D to create unique opportunities for convention and community events.



06 Sustainability

Since the BCEC's LEED Silver Certification in 2016, energy, water and waste conservation continue to be the focus of the buildings daily operation strategy. The new Pavilion on D will seek to exceed LEED Silver requirements with features like a solar / green rooftop, EV charging, composting, comprehensive daylight and water reclamation strategies.

- 1 GREEN / SOLAR ROOF**
Given a 30,000 sf solar zone, a 100-125kW array is possible, producing up to 150,000 kwh per year reducing electricity costs and perhaps offset 15-20% of the buildings annual energy usage among other distributed energy system strategies
- 2 LOW EMBODIED CARBON**
Using building materials that are ethically sourced, fabricated, installed and recycled with lowering the carbon footprint in mind
- 3 EV CHARGING ZONE**
While the electric and autonomous vehicles are parked as guests use the building, EVs battery power can be shared with the building and community
- 4 CLIMATE RESILIENT**
Incorporating improved infrastructure and building systems with sea level rise and increased extreme weather event resiliency in mind



05 Access and Opportunity

INTRODUCTION

While the MCCA proposes a different way to finance the BCEC's expansion project than the previous authorization, Chapter 195 of the Acts of 2014, it plans to meet or exceed the objective of the previous Act to include meaningful participation of minority, women and service-disabled veteran-owned business enterprises in the project. Furthermore, it is the MCCA's goal to ensure the establishment and implementation of a workplace diversity program to achieve meaningful participation of Boston residents, minority persons and women as construction employees and other classifications. Specifically, key steps to achieve these goals would include:

- Supplier diversity, including pre- and post-construction activities until building operations commence;
- Workforce diversity and a construction workforce training program designed and implemented to provide access and training to those traditionally under-represented in the construction trades, including minority persons and women;
- Direct the MCCA's owner's project management (OPM) team to develop a selection process that encourages the participation of a minority business enterprise,

a service-disabled veteran-owned small business enterprises or a women businesses enterprise as part of the owner's project management team. The owner's PM team shall serve as the Authority's agent and consultant during the planning, design and construction of the BCEC expansion project;

- Robust reporting on the number and type of contracts entered into by the Authority, and the participation within such contracts by minority, women and service-disabled veteran-owned business enterprises. The MCCA will report regularly on the total number of employees working on the project broken down by race, ethnicity and gender, as well as the total number of Boston residents working on the project;
- An Access and Opportunity Monitoring Committee which shall be charged with overseeing the MCCA's compliance with its goals and provide recommendations for the successful implementation of the supplier diversity program and workforce diversity program. The committee will be appointed from a wide community of stakeholders, who can draw on their experience, mission and expertise to ensure successful outcomes for the project.



\$400 million program

will include tens of millions in participatory economic opportunity

1 NEW PAVILION ON D

- 75,000 sf of multi-purpose space
- 26,500 sf of flexible pre-function space
- New 30,000 sf drop-off and Pavilion entry adjacent to Lawn on D

2 OPTIMIZING EXISTING 1ST FLOOR SPACE

- Renovation for kitchen, loading and support space for new Pavilion
- Renovation for 16,100 sf connection from new Pavilion to existing exhibit space

3 FINISHING THE 3RD FLOOR OF BCEC

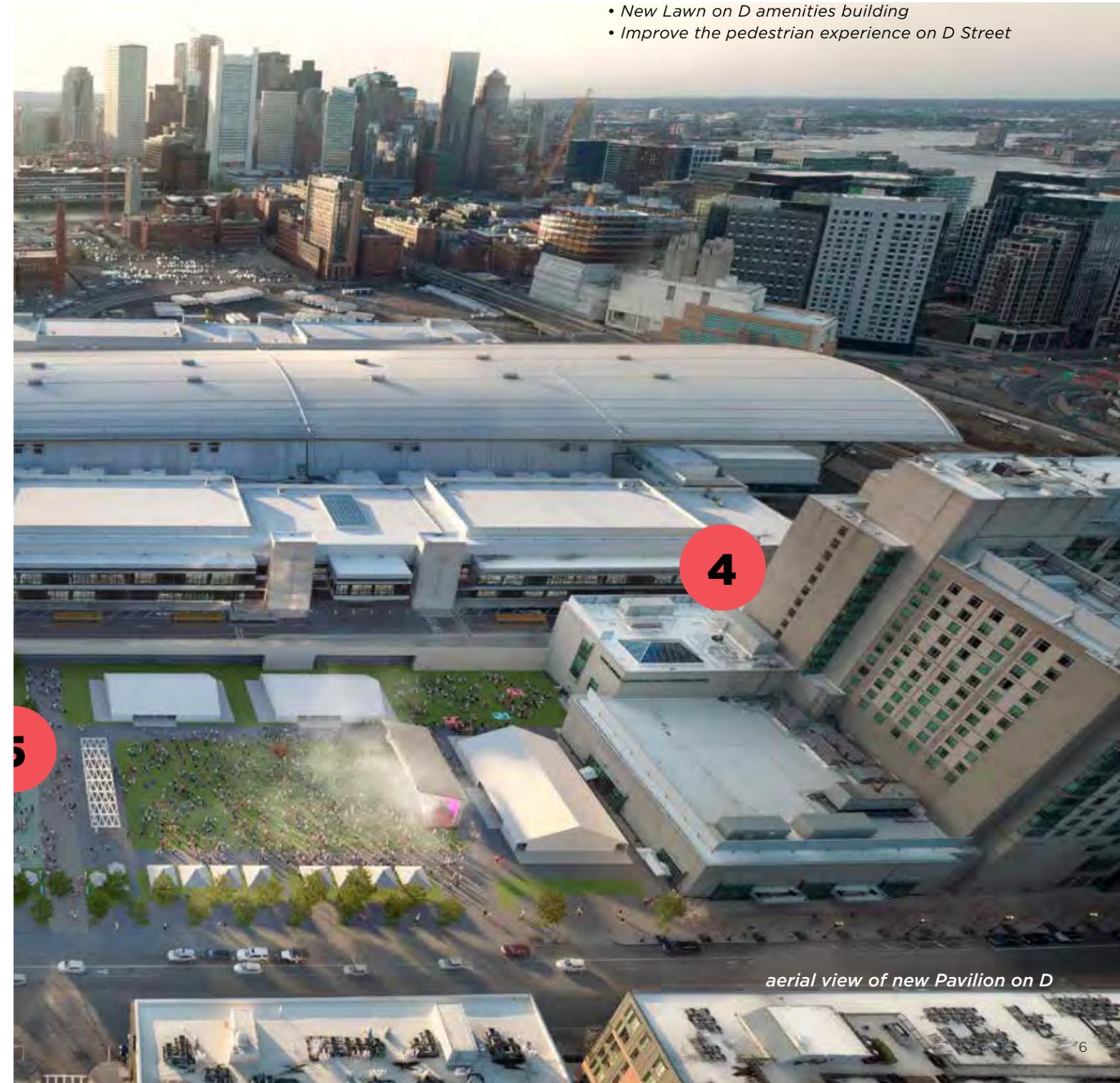
- Construct space removed from the original BCEC design (structure already in-place)
- 14,200 sf pre-function
- 23,200 sf flexible meeting space

4 DIRECT CONNECTION TO THE OMNI

- Remove 20,000 SF of Administrative Space
- Convert to indoor Connection to Omni Hotel

5 ENHANCED LAWN ON D

- 10,000 sf "Deck on D"
- New Lawn on D amenities building
- Improve the pedestrian experience on D Street



aerial view of new Pavilion on D

Activating D Street

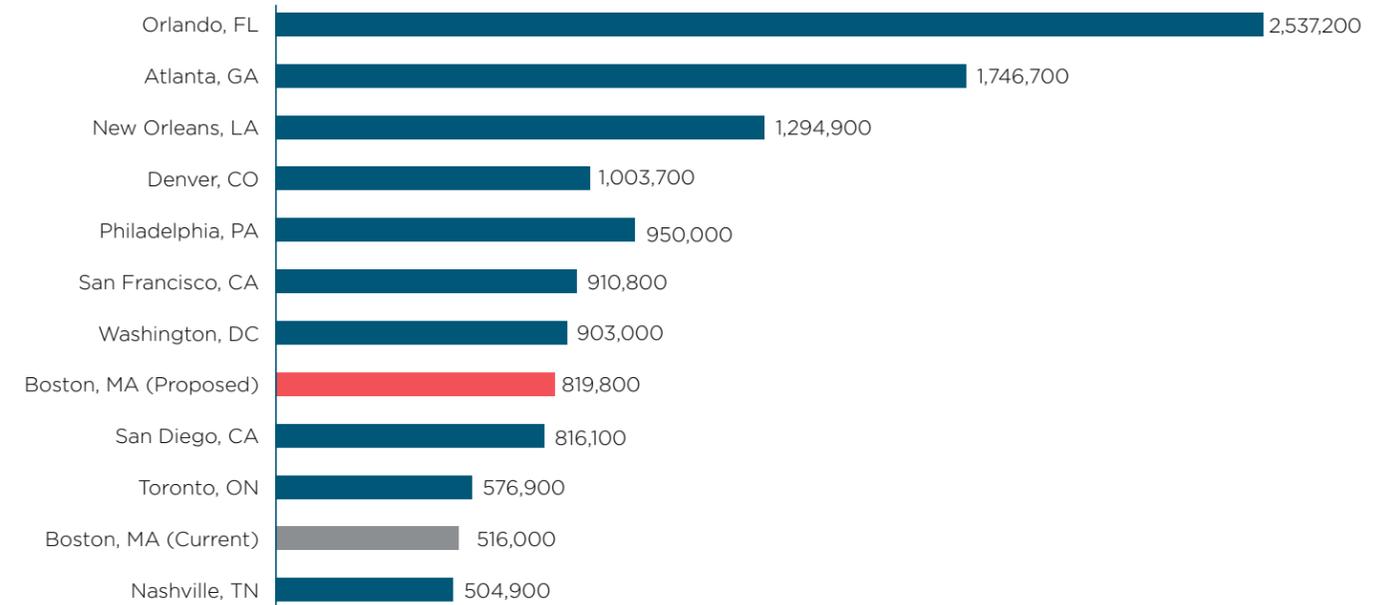
The new Pavilion on D enhances the Lawn on D by creating a backdrop for interactive events. Large operable glass walls invite the community to enter the building from the Lawn on D, while also allowing convention events to spill outside. An events balcony allows patrons to view the Lawn on D from above, creating a dynamic experience for convention and community guests to the site.

ACTIVATING D STREET

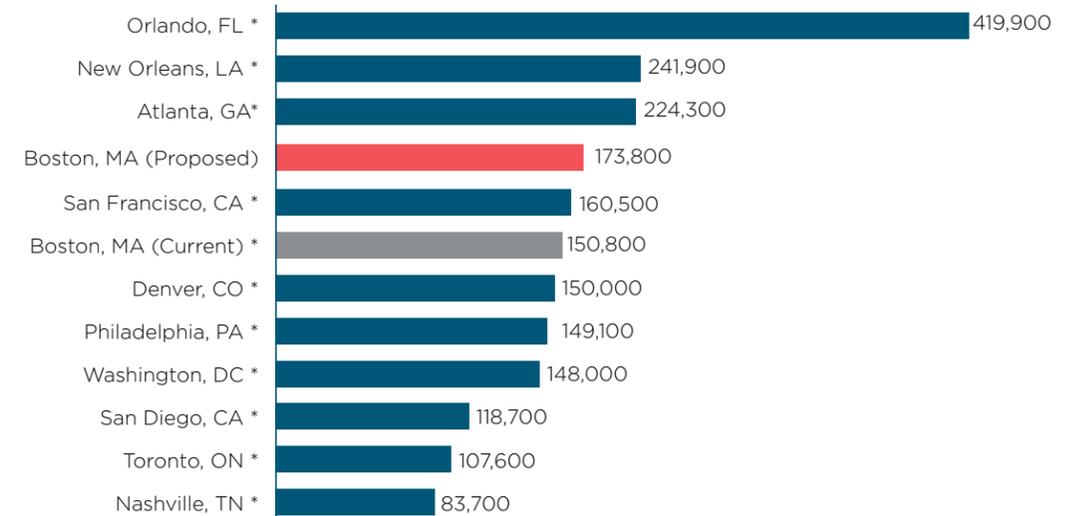
With events that blur the lines between inside and outside, the BCEC and D Street become a new community destination



TOTAL SELLABLE SPACE



TOTAL MEETING SPACE



Source: CS&L

04 Competitive / Comparable Analysis

COMPETITION

The competition for non-local conventions and tradeshows 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.

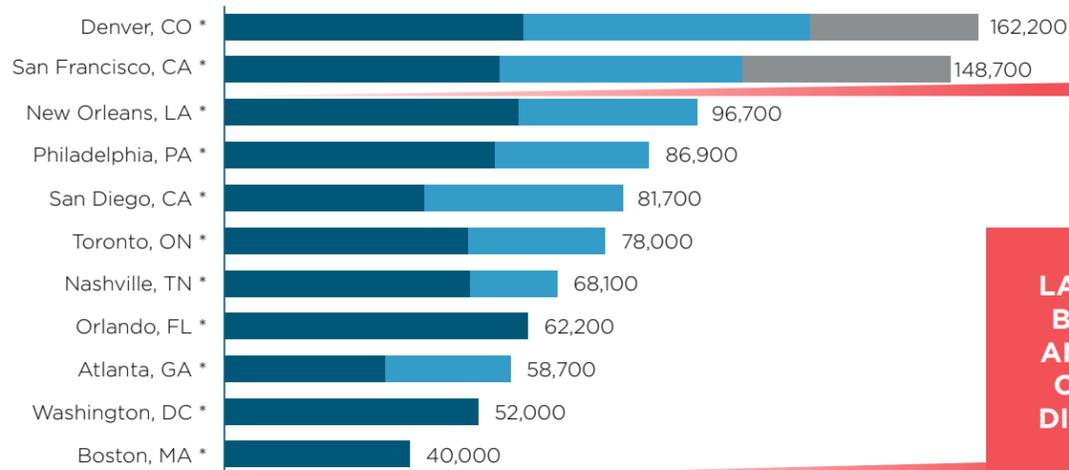
As our economy, technology and population demographics change, the unique benefits of person-to-person interaction created by the convention and tradeshow industry will remain relevant into the distant future.

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.

The total sellable space at the BCEC (including exhibit, meeting and ballroom space) ranks low relative to large market comparable and competitive venues.

BCEC meeting space ranks closer to the comparable/competitive set average, however the single BCEC ballroom ranks last in space. In fact, the BCEC and the Washington DC Convention Center are the only venues with a single ballroom space. Denver (with its new ballroom project) and San Diego currently offer three separate ballroom spaces.

SHORTCOMING: EXISTING BALLROOM SPACE



**BCEC EXPANSION
115,000 SF
(3RD IN INDUSTRY)**

LACK OF A 2ND BALLROOM IS AN IMPORTANT COMPETITIVE DISADVANTAGE

■ Primary Ballroom Space
■ Secondary Ballroom Space
■ Tertiary Ballroom Space

Source: CS&L

NEW PAVILION ON D

A flexible event deck provides unique opportunities to integrate events between the Lawn and Pavilion on D

NEW LAWN ON D AMENITIES

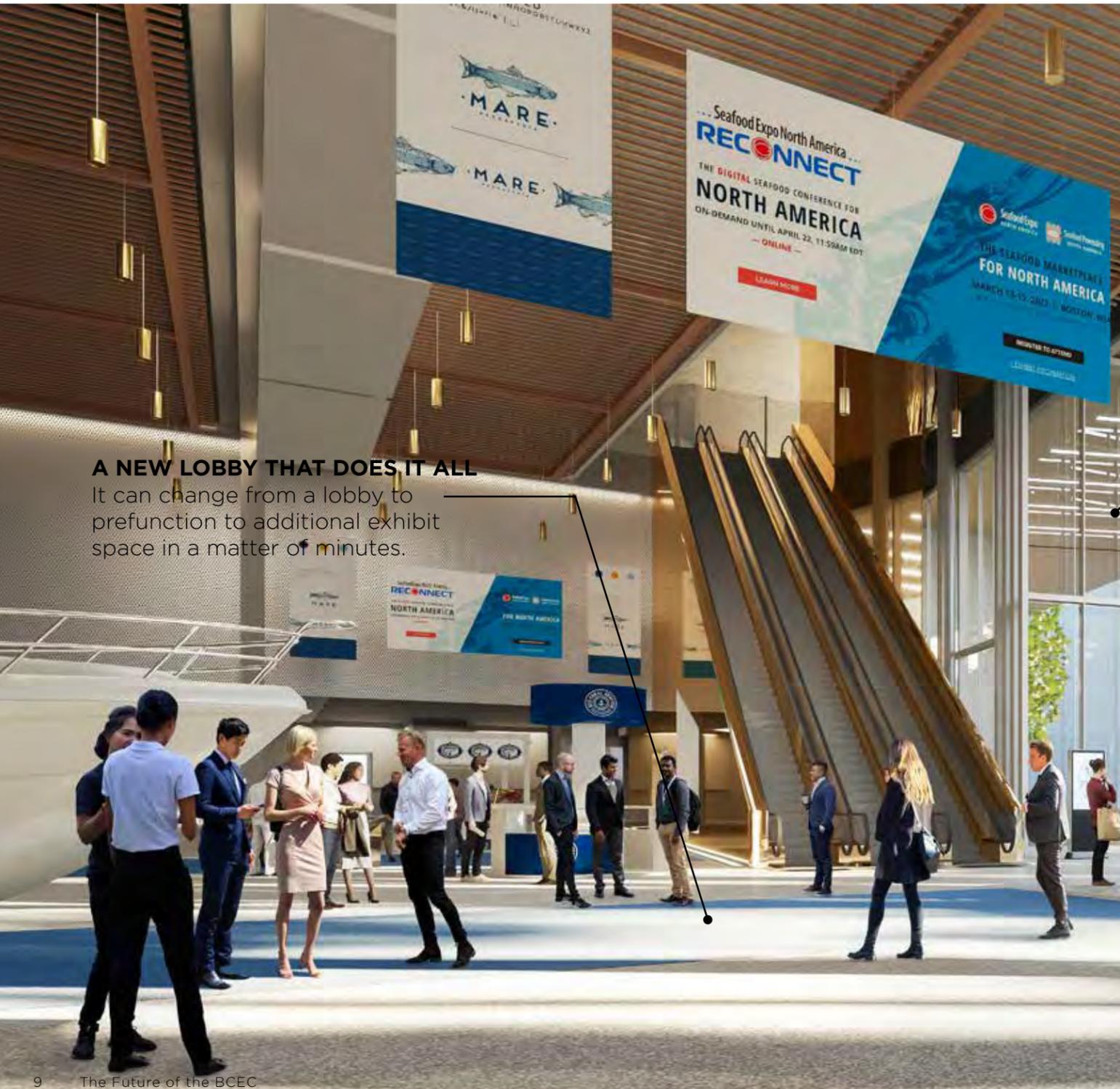
Restrooms, Storage and Support spaces enhance the customer experience of events on the Lawn on D



view of new Pavilion on D from Lawn on D

A Second Front Door

Floor to ceiling glass walls combined with large operable panels create an inside/outside experience for convention guests. Large prefunction areas create opportunities for conventions and exhibitions to take advantage of the hyper-adaptable venue by utilizing every built square foot for revenue generating experiences.



A NEW LOBBY THAT DOES IT ALL

It can change from a lobby to prefunction to additional exhibit space in a matter of minutes.

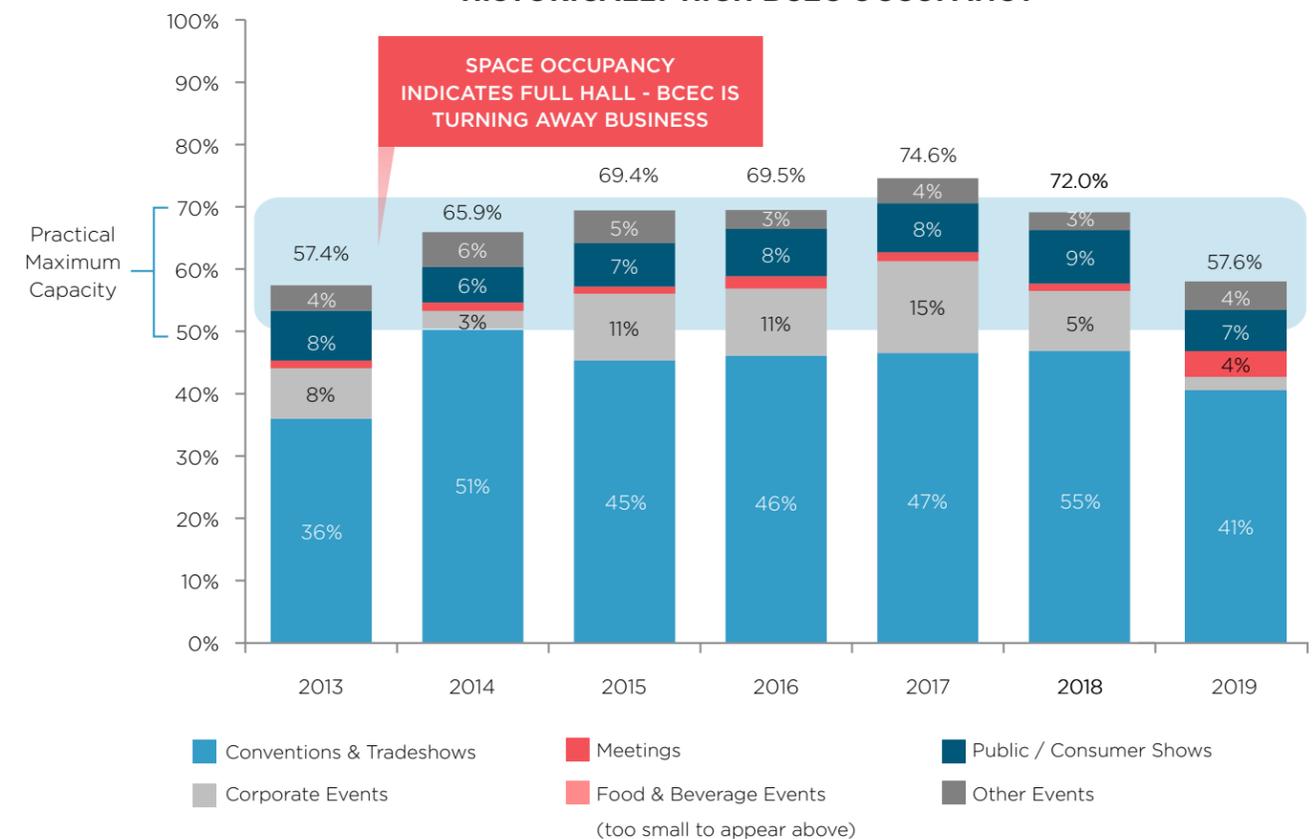
- The availability of the new multi-purpose space will allow sales staff to book more and greater-impacting events, particularly with respect to the demand they generate for hotels, restaurants, transportation services and other attractions in the region.
- A new rigging grid will be installed in the exhibit hall addressing added costs and time to provide rigging for large conventions and tradeshows given the significant ceiling height in the hall, resulting in fewer event set up and tear down days, and creating additional capacity for high impact events.

Given the high occupancy of the existing BCEC and high event planner interest in hosting an event at the BCEC, it is reasonable to expect that

added event activity could be accommodated assuming the proposed BCEC enhancements and added ballroom/multi-use and meeting space is undertaken.

As the added BCEC exhibit space capacity is filled by high impact conventions and other events that could not be booked without the BCEC campus investment project, increases will be generated in economic output, employment and room nights. MCCA sales leadership have conducted their own analysis of potential increased room nights based on historical event activity, lost business lists, recent booking momentum and newly available gaps in the exhibit space schedule. Their analysis suggests that new room nights (including the 30 percent of attendees booking outside the formal block) could reach as high as an additional 173,000.

HISTORICALLY HIGH BCEC OCCUPANCY



Notes: Event types based on BCEC classifications
Source: CS&L International; facility management 2022

03 MCCA: A Catalyst for Economic Activity

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, the activity at the BCEC has generated \$464 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.

ATTRACTING NEW EVENTS

Proposed investment in the BCEC campus will create opportunities to attract new events. Three initiatives will create added exhibit hall capacity to accommodate event demand that, in past years, has been turned away due to lack of dates and space:

- An added ballroom or multi-use space will allow food functions, general session and other activities that have used the exhibit hall in the past to move to more appropriate space, freeing up BCEC exhibit space for added event activity.

ANNUAL HOTEL NIGHTS*

415,000
CURRENT
AVERAGE

545,000
WITH
EXPANSION



ATTENDEES



490,000

CURRENT
AVERAGE



660,000

WITH
EXPANSION

TOTAL ANNUAL ECONOMIC IMPACT



\$ 464 MILLION
CURRENT
AVERAGE



\$738 MILLION
WITH
EXPANSION



INDOOR / OUTDOOR FLEXIBILITY

Operable glass walls will allow flexibility for exhibition spaces and prefunction lobbies to open to Lawn on D

EXHIBITS ON D

Flexible outdoor event space allows exhibits to spill into outdoor space for maximum activation of Lawn on D and D Street

view of new multipurpose space, prefunction and event plaza on D

The Future of Meetings

The elevated balcony of the new Pavilion on D creates a unique environment for the future customer. The events balcony and the Lawn on D can work together to create additional revenue generation opportunities as well as unique experiences for attendees of conventions, festivals and community events.



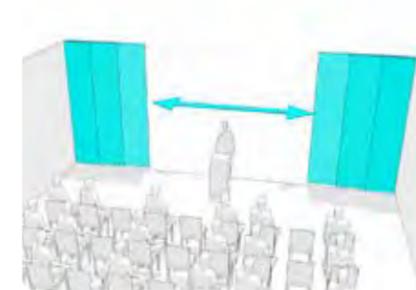
view of new Deck on D and Lawn on D activation

CONCEPTS FOR THE FUTURE OF CONVENTION CENTERS

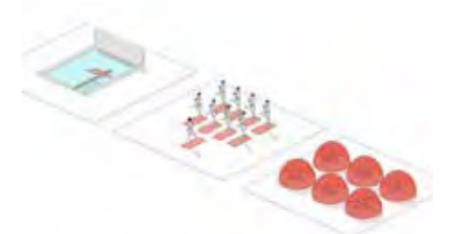
GARDENS / OUTDOOR MEETING SPACE



OPERABLE WALLS AND ROOF



THERAPEUTIC MEETING



- Many events may be moving away from hosting only traditional sit-down banquets and other food functions, in favor of more flexible pop-up food and beverage experiences. These new food experiences will feature products unique to the city and region, and will be offered in many areas of the campus (indoor and outdoor), and will allow for greater flexibility and adaptability in how attendees participate in the event. BCEC's campus investment will leverage and expand on existing strengths to address these trends.

- The traditional and stark lobby space in many convention centers will be replaced by active and programmable open space learning concepts. Event attendees will be able to utilize redesigned lobby areas to gather in small and large groups for scheduled functions or informal get-togethers. The layout of the spaces, furniture, audio/visual capabilities, acoustics, lighting and other amenities will incorporate industry considerations, and will be fully addressed into the BCEC campus investment.

Some Things Never Change, yet Change is Good.

THE MEETINGS INDUSTRY HAS ALREADY MADE A STRONG COMEBACK

Events are projected to ramp up to pre-pandemic levels by 2025. People are eager to meet face to face again. Likewise, meeting planners are eager to provide more unique experiences at in-person events outside of large exhibit hall settings, reducing the demand for additional exhibit hall expansion in the next 3-5 years. 2022 meeting planner surveys indicate that planners would prefer to book multiple, flexible ballrooms, meeting rooms, pre-function and outdoor spaces as a priority in the near future.

The COVID-19 pandemic has introduced new concepts related to convention center technology and virtual meetings, event space design and outdoor activation opportunities. We also note that the pandemic-related acceleration of retirements in all industries has the potential to change the convention attendee, exhibitor and planner demographic. The next generation of event attendees 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

2025

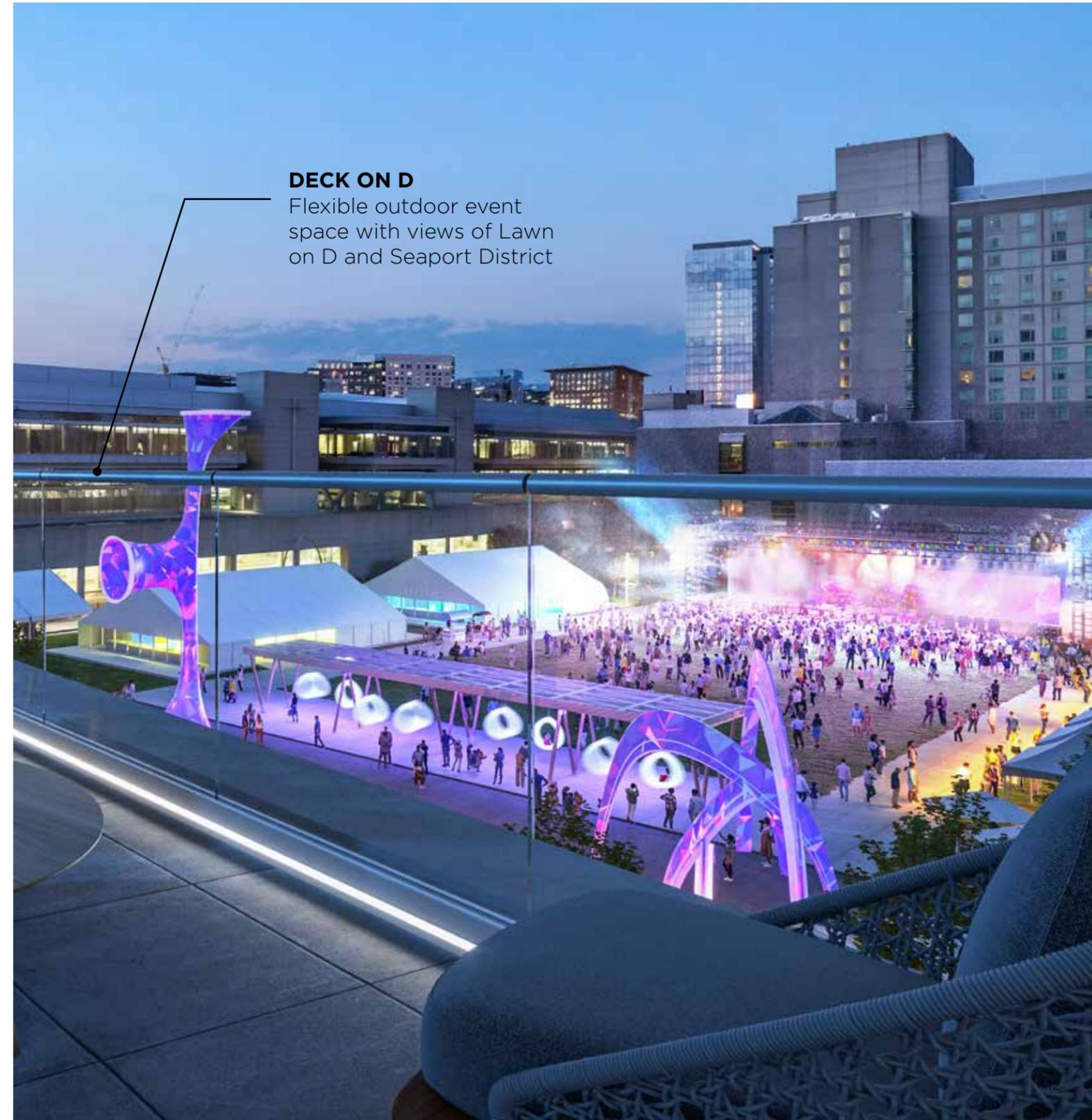
THE YEAR MEETINGS WILL
RETURN TO POST-PANDEMIC
LEVELS

of a destination to offer a unique, authentic and productive experience. Ongoing industry research suggests that an emphasis on several areas of convention center planning should consider COVID-19 and demographic-related trends:

- While in-person attendance will grow significantly, returning to pre-pandemic levels, introducing virtual event alternatives will be commonplace. A company may be able to expand their attendee participation to a broader array of staff by allowing some to attend an event virtually. These participants can enjoy the important content created during the event without incurring significant travel and related expenses. To accommodate the potential for this type of event participation, various content creation, streaming and broadcast technologies at the BCEC will be made available to event planners.
- Even prior to the pandemic, outdoor space used for event functions, informal gatherings and entertainment was increasing in importance. The Lawn on D represents an important component of the overall BCEC campus. Plans for improving the outdoor space, inclusive of event production capabilities, will be a focus of the BCEC and campus area investment.

DECK ON D

Flexible outdoor event space with views of Lawn on D and Seaport District



The Smartest Room in the Industry

The hyper-adaptable Pavilion on D can convert from a 75,000 square foot black box Ballroom to a 100,000 square foot daylit pavilion with the flip of a switch. Skyfold walls retract into the ceiling to create one of the most flexible venues in the industry. Combined with a flexible rigging grid, floor boxes and additional operable partitions, the Pavilion on D will be the "Smartest Room in the Industry".

GREEN / SOLAR ROOF

Given a 30,000 sf solar zone, a 100-125kW array is possible, producing up to 150,000 kwh per year reducing electricity costs and perhaps offset 15-20% of the buildings annual energy usage

NEW FLEXIBLE BALLROOM

23,000 sf that can also be converted to (3) large meeting rooms

EXHIBIT CONNECTOR

15,000 sf flexible connection for enhanced event packages in existing, renovated space

DEDICATED LOADING / SERVICE

10,000 sf of loading space and 16,000 sf kitchen adjacent to the new multipurpose space and ballroom

NEW MULTIPURPOSE SPACE

75,000 sf of multipurpose space that can be used for exhibits, ballroom events, hybrid meetings, or a combination of all three of these event types

FUTURE HOTEL

(3 ACRES)

SKYFOLD FLEXIBILITY

Allows for re-configuration of multipurpose, prefunction and outdoor event space

NEW PREFUNCTION AND LOBBY

12,200 sf of dedicated prefunction and 7,000 sf dedicated lobby for new Ballroom / Meeting Rooms

NEW DECK ON D

10,000 sf of dedicated outdoor event space overlooking Lawn on D

MULTIPLE: EVENT PACKAGES

Building can now host continuous events, significantly reducing "downtime"

NEW LAWN AMENITIES

4,000 sf of much needed support for the existing Lawn on D (restrooms, storage, etc.)

NEW FLEXIBLE PREFUNCTION

26,000 sf of dedicated prefunction, optional exhibit and lobby space for the new Pavilion

BLURRED INDOOR / OUTDOOR CONNECTIONS

Flexible outdoor event space directly connected to Lawn on D, D Street and multipurpose space allows events to spill out of the building and truly activate D Street year-round

ENHANCING D STREET

Activating D Street with enhanced landscaping and events