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BGR Media Release

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BGR Questions Consultant’s Analysis of Convention Hotel Project

Today, BGR releases an [open letter](#) to the New Orleans Ernest N. Morial Convention Center. The letter sets forth BGR’s concerns about a Convention Center consultant’s recent [analysis](#) of the feasibility and economic impact of a proposed 1,200-room convention hotel. The letter focuses on areas where the consultant’s projections and findings differ from BGR’s [July 19 report](#) on the development team’s proposal. Enclosed with today’s letter is an expanded discussion of BGR’s concerns, presented as a series of questions to Convention Center officials for their response. BGR also is requesting that the Convention Center provide data used by the consultant to prepare the August 22 presentation, as well as any larger, more detailed report that the consultant may have prepared.

The purpose of BGR’s letter is to reconcile its analysis with the consultant’s findings. BGR’s objective is to help ensure the public has the best information possible to evaluate the development team’s requested public contributions and any tentative deal that may emerge

from the ongoing negotiations. BGR is not taking a position on the hotel project itself.

BGR's July 19 report called for careful scrutiny of the public contributions requested by the development team. These include a \$41 million upfront payment from the Convention Center, a free land lease, a full exemption from property taxes, and 40 years of hotel and sales tax rebates. BGR's report estimated the present value of the requested contributions at \$330 million (\$739 million undiscounted). If approved, they would represent the largest public contribution to an economic development project in New Orleans in recent memory.

"An open public dialogue is essential when contemplating a project of this magnitude," said Amy L. Glovinsky, BGR President and CEO. "The Convention Center consultant's initial analysis of the proposal raises a number of questions and concerns that should be addressed in furtherance of efficient and effective outcomes and to protect the public's interest."

The following summarizes the concerns about the consultant's August 22 presentation the BGR describes in its letter, which was delivered today to Convention Center officials and made publicly available on [BGR's website](#):

- The consultant's presentation appears to substantially underestimate the value of the proposed public contributions by using a high discount rate to reduce them to present value in today's dollars. This accounts for a difference between the consultant's estimate and BGR's of about \$100 million.
- The consultant further undervalues the public's contributions by excluding a free land lease worth \$28.9 million in today's dollars.
- The consultant's estimate of the hotel's value in 40 years – when ownership could revert to the Convention Center – is four times higher than the development team's own estimate.
- The consultant's presentation attempts to justify the size of the requested public contributions based on a questionable comparison to other hotel projects.

- The consultant did not go beyond this comparative analysis and evaluate the proposed deal on its own terms.
- The presentation does not provide sufficient data and analysis to support its conclusions about the hotel's economic and fiscal impacts.
- The consultant's projection of the hotel's fiscal benefits for local tax recipient entities does not appear to take into account the substantial tax rebates and 100% property tax exemption that the development team has requested.
- The consultant does not assess the potential competitive impact of the proposed hotel on other hotels in the market.

To read the full letter and the July 19 report, visit BGR's website, www.bgr.org.

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BGR is a private, nonprofit, independent research organization. Since its founding in 1932, it has been dedicated to informed public policy-making and the effective use of public resources in the Greater New Orleans area. For more information, call 525-4152 or visit BGR's website, www.bgr.org.