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# It's a Big Deal

*Analyzing Ways to Reduce Public Subsidies for the Convention Center Hotel Project*


DECEMBER 2025

# 2025

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# EXECUTIVE SUMMARY

## OVERVIEW

The New Orleans Ernest N. Morial Convention Center is finalizing a long-sought deal with a private company to build a $600 million, 1,005-room convention headquarters hotel next to the center. The hotel is the centerpiece of a major capital plan that includes a comprehensive renovation of the 40-year-old center and the planned River District development of commercial, residential and office space at the center's upriver end. The Convention Center views the hotel as essential to attract new meetings, boost attendance and keep pace with competing cities, many of which have added such hotels. The Convention Center hopes to finalize a deal in March 2026 with Omni Hotels to design, build and operate the hotel, limiting the public's financial risk in the project.

However, BGR's analysis of the deal's current financial terms raises concerns about the structure and size of the public subsidies that the Convention Center has agreed to provide Omni. The hotel would keep a projected $836.7 million over 45 years from the taxes that hotel guests pay. BGR demonstrates with this report that these tax rebates could remain in place for decades after they are no longer necessary for Omni to hit its profit target. The report presents four options to reduce the cumulative public contributions by about half a billion dollars, saving substantial resources for other pressing needs while having little or no impact on Omni's profits.

Fortunately, there is still time to reduce the size of the tax rebates. State entities must approve the tax rebates that the Convention Center is asking them to provide. The City of New Orleans must also provide height and zoning variances, approve a property tax incentive, and sell a portion of a street to the Convention Center to expand the hotel site. All these steps create opportunities for reviewing the project to achieve more efficient public subsidies. In addition to the tax rebates, the public contributions include an $80 million Convention Center investment payable to Omni to help cover construction costs and an estimated $23.7 million for the hotel site.

The tax rebates remain subject to change until finalization of the deal. In fact, the Convention Center's board amended the deal's terms as recently as November 19, when it increased the center's investment in the project by $10 million to help cover additional costs due to a change in the hotel's design to avoid encroaching on a public park. Thus, the parties have demonstrated a willingness — and the ability — to amend the financial terms of the deal in light of new circumstances and information. This willingness to modify the deal should extend to the new information BGR is providing on the structure and size of the tax rebates.

Prior to BGR's inquiries, the Convention Center had not provided the public with information on the value of the tax rebates. The center's development agreement with Omni lists the tax rates but includes no estimates of their dollar value. The center's own board did not have information on the dollar value of the rebates when it approved the agreement. Clearly, it is not possible to gauge the necessity of these public subsidies to Omni without knowing their size. This BGR report follows two others published in 2018 and 2020 that called attention to the insufficient review of the proposed public contributions for a previous unsuccessful effort to build a convention hotel.

In raising concerns about the current hotel deal's financial terms, BGR is not taking a position against the hotel project itself. The Convention Center and its consultants have studied how the hotel will attract new conventions and meetings once it opens in 2030. That forecasted business, if realized, plus Omni's estimated $520 million private investment in the hotel would boost the city's economy at a time when many residents are concerned about the lack of growth.

BGR's intent is to pursue a better financial structure for the public. The public has a strong interest in ensuring the hotel project does not waste limited tax dollars, especially as the community faces pressing needs for drainage upgrades, street repairs and other improved services. Some of the savings from reducing the public subsidies to the hotel project could be directed to these needs. BGR's independent review is the first on the proposed subsidies and is consistent with its longstanding commitment to promote the efficient and effective use of public resources for better government in the greater New Orleans area.

## ANALYZING THE PUBLIC'S CONTRIBUTIONS

**Valuing the Public Contributions.** BGR estimates the gross public contribution to Omni at $940.4 million over 45 years. This total includes the $836.7 million in tax rebates, the $80 million investment payable to Omni, and $23.7 million for the hotel site. The rebates are from hotel taxes that guests pay on the room charges and sales taxes from the hotel's restaurants and bars. Subtracting Omni's rent payments to the Convention Center results in a net public contribution of $669.2 million over 45 years.

As the table indicates, BGR estimates the net public contribution has a present value of $319.6 million from the public's perspective at a 5% discount rate and $211.6 million from Omni's perspective at its preferred 11% discount rate. The discount rate is the percentage by which future revenue streams are reduced each year to estimate their present value, enabling an apples-to-apples comparison of different streams. The discount rate is usually set at the rate of return the entity can expect on an alternative investment. Omni uses a higher discount rate because it can assume more risk than a public entity, such as the Convention Center, and therefore expects a higher rate of return on its investment in the hotel.

Omni's high discount rate and the lengthy 45-year time frame reduce tax rebates to negligible amounts in the later years. For example, in the final year of the tax rebates, Omni is projected to receive $30.5 million. At an 11% discount rate, this has a present value from Omni's perspective of just $309,000. That is a mere 1% of the undiscounted value. By contrast, the present value at a 5% discount rate from the public's perspective is $3.6 million. This shows how tax rebates in the later years have far less value to Omni than the public. This is an important dynamic that can allow the rebates to expire much sooner at substantial savings to the public, but with a minimal impact on Omni's projected profits.

### BREAKDOWN OF PUBLIC CONTRIBUTIONS FOR CONVENTION HOTEL PROJECT AND THEIR RELATIVE VALUE TO THE PUBLIC AND TO OMNI

| Public contribution | Cumulative value over 45 years (Undiscounted) | Present value from the public's perspective (5% discount rate) | Present value from Omni's perspective (11% discount rate) |
|---|---|---|---|
| **Investment by the Convention Center** (Paid to Omni to help cover construction costs) | $80 million | $80 million | $80 million |
| **Land purchase by the Convention Center*** | $23.7 million | $23.7 million | $23.7 million |
| **Hotel tax rebates** (9.45% of room revenues) | $600.2 million | $202.9 million | $91.3 million |
| **Sales tax rebates** (4.45% of food and beverage revenue) | $236.5 million | $80.4 million | $36.3 million |
| **GROSS PUBLIC CONTRIBUTION** | **$940.4 million** | **$387 million** | **$231.3 million** |
| Less Omni's rent payments: | | | |
| **"Base Rent"** (for use of hotel site) | -$29.2 million | -$9.9 million | -$4.5 million |
| **"Percentage Rent"** (profit sharing with Convention Center) | -$242 million | -$57.5 million | -$15.2 million |
| **NET PUBLIC CONTRIBUTION** | **$669.2 million** | **$319.6 million** | **$211.6 million** |

* The land cost for the hotel site includes $21.2 million that the Convention Center paid to acquire the Sugar Mill site and an estimated $2.5 million that it may cost to buy a one-block segment of John Churchill Chase Street from the City of New Orleans.

BGR estimates based on data provided by the Convention Center. Numbers may not add up due to rounding.

Financial projections over a 45-year time span contain many variables that affect their precision. Accordingly, citizens and policymakers should view the calculations of the hotel's performance and tax revenues as best estimates based on available information.

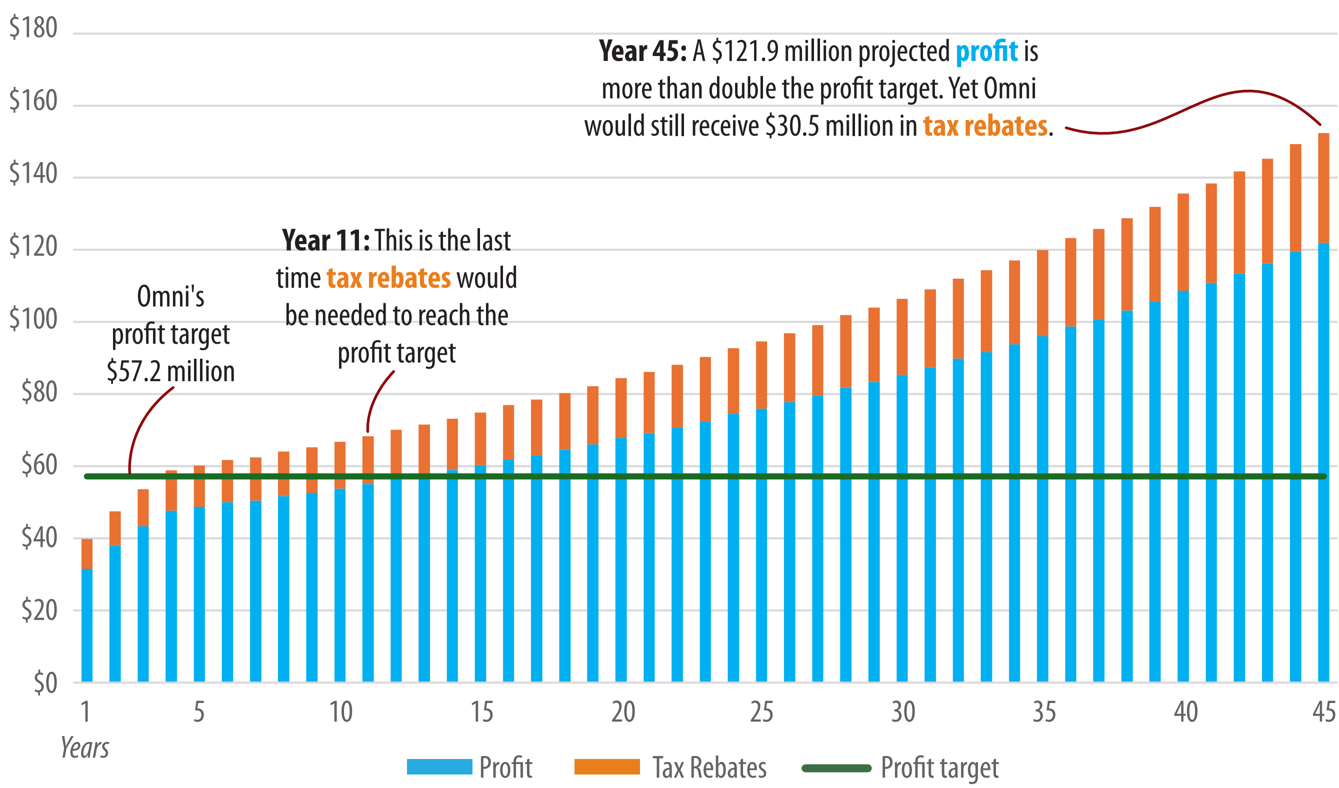
**Impacts on Entities Forgoing Tax Revenue.** Several State entities would rebate taxes to Omni for 45 years:

- **State of Louisiana**, $265.1 million ($90 million present value at a 5% discount rate)
- **Louisiana Stadium and Exposition District**, which operates the Caesars Superdome and Smoothie King Center, $254.1 million, ($85.9 million present value)
- **Convention Center**, $190.5 million, ($64.4 present value)
- **An economic development district** that the Convention Center controls, $127 million ($42.9 million present value)

These entities would still receive a cumulative total of $157.4 million ($55.1 million present value) from other taxes paid by hotel guests that would not be rebated to Omni. The Convention Center also would receive an estimated $271.2 million ($67.4 million present value) in rent payments from Omni. The City of New Orleans, the Orleans Parish School Board and the Regional Transit Authority would retain all of their hotel and sales taxes from the new hotel.

**Identifying Excess Public Subsidies.** Convention Center officials said the tax rebates are necessary to make the project financially feasible for Omni. But BGR used the Convention Center's projections for the hotel's performance to show that the tax rebates would continue long after Omni reaches its annual profit target of $57.2 million. Starting in the 12th year of operation, the hotel's projected profit without counting the tax rebates would exceed the profit target by a margin that grows each year. Yet the rebates would continue for another 33 years at a cumulative public cost of more than half a billion dollars. The chart below shows the build-up of the profit margin over time.

## PROJECTED HOTEL PROFITS AND TAX REBATES COMPARED TO OMNI'S PROFIT TARGET ($ figures in millions)




BGR estimates based on data provided by the Convention Center. Numbers may not add up due to rounding. Operating profits are net of Omni's rent payments. Figures are not discounted to present value.

## OPTIONS TO REDUCE THE PUBLIC'S COSTS

The Convention Center can achieve its goal of building a headquarters hotel at a lower public cost. As currently structured, the deal fails to leverage the relatively low value that Omni places on tax rebates beyond 20 years. BGR presents four options that take advantage of this dynamic to generate cumulative public savings of around half a billion dollars for each option. The options, which are not ranked in order of BGR's preference, can each lower public costs substantially. Applying the public's 5% discount rate, the present value of the savings ranges from $85.1 million to $117.6 million. Notably, two of the options achieve these substantial savings while remaining revenue neutral to Omni. The chart below summarizes the options for reducing the tax rebates.

### BGR ANALYSIS OF PROJECTED SAVINGS FROM OPTIONS TO REDUCE THE PLANNED TAX REBATES FOR THE CONVENTION HOTEL PROJECT

| Option | Present value of public savings | Present value of lost revenue from Omni's perspective |
|---|---|---|
| **1. End tax rebates after 20 years** | $105.8 million | $20.7 million |
| **2. End tax rebates after 20 years, provide a lump-sum payment to offset lost revenue** | $85.1 million | $0 |
| **3. Lump sum payment equal to 45 years of tax rebates** ($118.6 million bond issue*) | $98.8 million | $0 |
| **4. Lump sum payment equal to 20 years of tax rebates** ($97.9 million bond issue*) | $117.6 million | $20.7 million |

Note: The savings figures are net of reductions in the profit-sharing payments (Percentage Rent) that the Convention Center would receive. Likewise, the lost revenue figures for Omni are net of the savings it would realize from the reduced profit-sharing payments.

* BGR estimated the cost of the lump-sum payment assuming 30-year bonds at 7% interest.

BGR estimates based on data provided by the Convention Center.

**Option 1: End the tax rebates after 20 years.** This option would save the public an estimated $504.4 million ($105.8 million present value). From Omni's perspective, applying its 11% discount rate, this option would reduce the present value of its public subsidies by $20.7 million. Limiting the tax rebates to 20 years still allows for a cushion for inaccurate financial projections. It also aligns with economic development research that suggests concentrating tax incentives in the early years of a project better fits corporate profit goals and helps avoid excessive subsidies. In addition, an Omni official told BGR it typically receives 20 to 25 years of tax rebates for convention hotels and has never received rebates lasting 45 years.

**Option 2: End the tax rebates after 20 years and give Omni a lump-sum payment to offset its lost revenue.** Option 2 also ends the tax rebates after 20 years, but it provides a $20.7 million lump-sum payment to Omni to offset its lost revenue. The public would still realize estimated savings of $483.7 million, with a present value of $85.1 million.

**Option 3: Replace the 45 years of tax rebates with an equivalent lump-sum payment of $118.6 million.** The Convention Center could fund this payment with proceeds from bonds backed by the taxes that would otherwise be rebated to Omni. This option would save the public an estimated $471.7 million, with a $98.8 million present value. It would be revenue neutral to Omni because $118.6 million is the present value of the 45 years of tax rebates from Omni's perspective. An Omni official told BGR that the company is indifferent about whether it receives the revenue in a lump sum or spread out over 45 years.

**Option 4: Eliminate all tax rebates and provide Omni a lump-sum payment equal to 20 years of rebates, or $97.9 million.** Like Option 3, this would require issuing bonds to fund the payment. It would produce the highest estimated public savings at $509.8 million ($117.6 million present value). From Omni's perspective, applying its 11% discount rate, this option would reduce the present value of its public subsidies by $20.7 million.

**Tapping additional revenue streams.** Convention Center officials said the new debt for Options 3 and 4 would ultimately be a liability for the center. The debt could reduce its bonding capacity to complete renovations to the center and assist the River District development. However, the Convention Center has a strong bond rating that is backed by substantial reserves. To mitigate the risk and reduce the interest rate, the center could dedicate some of the rent payments and non-rebated tax revenues it would receive from the hotel to support the bonds. After the Convention Center's initial $80 million investment, it would receive more revenue from Omni's rent payments and the taxes that it keeps ($330 million) than it returns in tax rebates to Omni ($190.5 million). This strongly suggests that the Convention Center could tap these additional revenues to help make the lump-sum option work at substantial public savings.

Several months after BGR began raising questions about the public subsidies and reviewing ways to reduce them, Convention Center officials said in December 2025 that they are exploring alternative structures similar to the options in this report.

**Preserving Property Tax Revenue for Municipal Needs.** In addition to the tax rebates, the hotel development agreement calls for Omni to make a payment in lieu of property taxes, or PILOT. A PILOT is an economic development incentive in which a developer makes an agreed-upon payment instead of paying property taxes. The PILOT provides greater certainty compared to variable property taxes and is often set lower than the taxes would be, providing a subsidy to the project. In this case, the PILOT would be based on the average per-room property tax paid by seven competing hotels, rather than the new hotel's own assessed value. Because both the hotel's assessed value and the amount of the PILOT are not yet known, it is not possible to estimate the savings Omni might realize from the PILOT, which would be another form of public subsidy.

The PILOT would not apply to the Orleans Parish School Board, which would instead receive its full property taxes based on the hotel's assessed value. Convention Center officials said this recognizes the essential role schools play in the community and local economy. That same logic could be applied to the City and other tax-recipient bodies that face unmet funding needs for their services and infrastructure. The City Council would have to approve any PILOT for the hotel. It should obtain estimates of how much revenue each tax-recipient body would forgo to inform its decision. Convention Center officials noted that the proposed PILOT on the new hotel would be a significant net gain of revenue to the City and other entities compared to the previous use of the site. However, the hotel development agreement does not define a maximum term for the PILOT. BGR's research suggests a maximum term of 20 years, for reasons similar to those discussed under Option 1 above.

## CONCLUSION AND RECOMMENDATIONS

Proponents see the planned upscale hotel as both a symbolic and economic catalyst that will draw new visitors and commercial investment to the city. And the development agreement limits the public's risk by making Omni responsible for the ultimate project costs, even if they exceed its projected $520 million investment.

But BGR's analysis demonstrates how ending the tax rebates when they are no longer necessary can save the public substantial sums with little or no impact on Omni's projected profits. Ending the tax rebates after 20 years, for example, could save a projected $504.4 million in public dollars. The present value of Omni's 45-year projected profit would decrease by just 3%. This is because the tax rebates after the 20th year have a substantially lower value to Omni than those in the initial years of the deal. In another option, the Convention Center could replace the tax rebates with an equivalent lump-sum payment, netting a projected $471.1 million in savings for the public while remaining revenue neutral to Omni.

Potential savings of this magnitude demand that the Convention Center and its board take action to reduce or restructure the tax rebates to align them with the demonstrated need. BGR's analysis shows that the Convention Center can preserve those public resources while still achieving its strategic goal of building a convention headquarters hotel. BGR calls upon Convention Center officials to examine alternative options for the deal that would better serve the public. BGR also urges other elected and public officials to engage in that effort as the project pursues necessary approvals.

Before the hotel deal is finalized, BGR recommends:

- **The Convention Center should negotiate with Omni to reduce the tax rebates by either shortening their term to align them with the demonstrated need or replacing them with a lump-sum payment.** BGR strongly suggests a maximum term for any rebates of 20 years, which is in line with norms and best practices as well as the demonstrated need for this specific project. BGR offers four potential options to reduce the rebates. To make the lump-sum option more feasible, the Convention Center and other tax-rebating entities should consider supplementing the rebates with other tax revenues they would receive from the hotel. As the report demonstrates, this could save more public dollars in the long run. The Convention Center's board – which approved the current 45-year tax rebates without information on their dollar value – should ensure that all public contributions are the minimum necessary for the project to succeed. This would support the project while saving future tax dollars for other public purposes. Such additional capital could be important at a time when the convention business is becoming more competitive.

- **The State and the Louisiana Stadium and Exposition District should scrutinize the size and duration of their planned tax rebates before approving them.** BGR strongly suggests a maximum term of 20 years for the tax rebates. The entities could back the hotel project while also securing substantial savings to apply to their own capital needs in support of New Orleans' economy during the next 45 years.
- **The City administration and the City Council should evaluate the necessity of a payment in lieu of taxes (PILOT) and work with the Convention Center and Omni to (1) limit any such PILOT to a maximum of 20 years and (2) bring the hotel project up to full taxation on its own assessed value over the course of the PILOT term.** City officials should inform their decision on the PILOT by reviewing how much revenue tax recipients would forgo. The maximum term would align the PILOT more closely to Omni's demonstrated need. By gradually ramping up the annual PILOT amount over the course of the PILOT term, the City and other tax-recipient bodies would see steady increases in their tax receipts until they get 100% of the taxes based on the hotel's assessed valuation as determined by the Orleans Parish Assessor. This approach would allow the City and other tax-recipient bodies to enhance their net gain in tax revenues for public services that benefit residents and visitors alike.


# INTRODUCTION

The New Orleans Ernest N. Morial Convention Center is finalizing a long-sought deal with a private company to build a headquarters hotel adjacent to the center. Convention Center officials say the $600 million, 1,005-room hotel will attract new meetings, boost convention attendance and keep pace with competing cities, many of which have added such hotels. The hotel is the centerpiece of a $1 billion-plus capital plan that also includes a comprehensive renovation of the 40-year-old exhibition venue and the River District mixed-use development at the center's upriver end. The Convention Center hopes to finalize a deal in March 2026 with Omni Hotels to design, build and operate the hotel, limiting the public's financial risk in the project.

BGR acknowledges the strategic importance of the hotel in the Convention Center's plan to stay competitive nationally and further its general mission to support the local and state economies. However, BGR's analysis of the deal's current financial terms raises concerns about the structure and size of the public subsidies to Omni. The hotel would keep a projected $836.7 million over 45 years from the taxes that hotel guests pay. BGR demonstrates with this report that these tax rebates could remain in place for decades after they are no longer necessary for Omni to hit its profit target. The report presents four options to reduce the cumulative public contributions by about half a billion dollars, saving substantial resources for other pressing needs while having little or no impact on Omni's profits.

Fortunately, there is time to reduce the size of the tax rebates because the project must still clear several hurdles. The State of Louisiana and the Louisiana Stadium and Exposition District (Stadium District), which operates the Caesars Superdome and Smoothie King Center, have not yet formally agreed to join the Convention Center in giving Omni tax revenues they would receive from the new hotel. The project needs height and zoning variances from the City of New Orleans (City). The Convention Center also wants to buy part of a City street to expand the hotel site. Finally, the deal calls for Omni to make a payment in lieu of property taxes, which would require the City Council's approval. All these steps create opportunities for reviewing the project to achieve more efficient public subsidies. The tax rebates represent a large portion of the public's contributions to the hotel project, which also include an $80 million Convention Center investment payable to Omni to help cover construction costs and an estimated $23.7 million for the hotel site.

The public contributions remain subject to change until finalization of the deal, anticipated in March 2026. In fact, the Convention Center's board amended the deal as recently as November 19, when it increased the center's investment by $10 million to help cover additional costs due to a change in the hotel's design to avoid encroaching on a public park. Thus, the parties have demonstrated a willingness — and the ability —to amend the terms of the deal in light of new circumstances and information. This willingness to modify the deal as needed should extend to the new information BGR is providing on the structure and size of the tax rebates.

Prior to BGR's inquiries, Convention Center officials had not provided the public with information on the value of the tax rebates. The development agreement lists the tax rates but includes no estimates of their dollar value. The Convention Center's own board did not have information on the value of the tax rebates when it approved the agreement. This is problematic because it clearly is not possible to assess the necessity of the tax rebates without knowing their value.

BGR's review of the public subsidies to identify potential savings reflects its longstanding commitment to promote the effective and efficient use of public resources for better government in the greater New Orleans area. In raising concerns about the deal's financial terms, BGR is not taking a position against the hotel project, which represents a substantial private investment in the city's economy at a time many residents are concerned about a lack of growth. Rather, this report finds that the Convention Center can achieve its strategic goal of building a headquarters hotel while also creating a better deal for the public that preserves resources for the center and other public entities and purposes.

## How the Public Can Benefit from a Better Deal

The more efficient use of tax revenues from visitors can lighten the tax burden on residents and businesses to address community priorities, such as basic infrastructure and public services. The Convention Center and state entities that reduce their tax rebates to the hotel can reinvest a portion of the savings in ways that benefit the city as a whole and its tourism industry.

BGR has demonstrated the importance of taking a more holistic view of local tax revenues in a series of reports in recent years.* Because taxes are the primary source of funding for local public functions, inefficiencies in the use of tax revenues in one area reduce the revenue available for other purposes. BGR has called for a comprehensive reevaluation of tax dedications in Orleans Parish to achieve a more optimal allocation of local tax revenue.

Policymakers have made some incremental steps toward this objective, including agreements for tourism-promoting entities to provide funding for infrastructure.** To its credit, the Convention Center – which is authorized by its enabling legislation to provide surplus revenues to the City – has provided $85 million for various public projects in recent years, including $28 million for the Sewerage and Water Board of New Orleans and $23 million for the City of New Orleans Real Time Crime Center.***

* BGR, *The $1 Billion Question: Do the Tax Dedications in New Orleans Make Sense?*, November 2015, and *The $1 Billion Question Revisited: Updating BGR's 2015 Analysis of Orleans Parish Tax Revenues*, May 2019.

** BGR, *How Has 'Fair Share' Fared? The Impact of the 2019 Deal to Increase Tourism Taxes for New Orleans Infrastructure*, September 2024.

*** La. R.S. 33:4710.16. See also, BGR, *How Has 'Fair Share' Fared? The Impact of the 2019 Deal to Increase Tourism Taxes for New Orleans Infrastructure*, September 2024, p. 18.

# BACKGROUND

## OVERVIEW OF THE HOTEL DEAL

As a state entity created by the Louisiana Legislature, the Convention Center operates independently of the City. Its governing board consists of 10 members appointed by the governor and three by the City's mayor with the consent of the City Council.[1] The Convention Center's mission is to finance, construct and operate facilities to attract conventions, trade shows and other events that support and expand the economies of the State of Louisiana and the New Orleans region.[2]

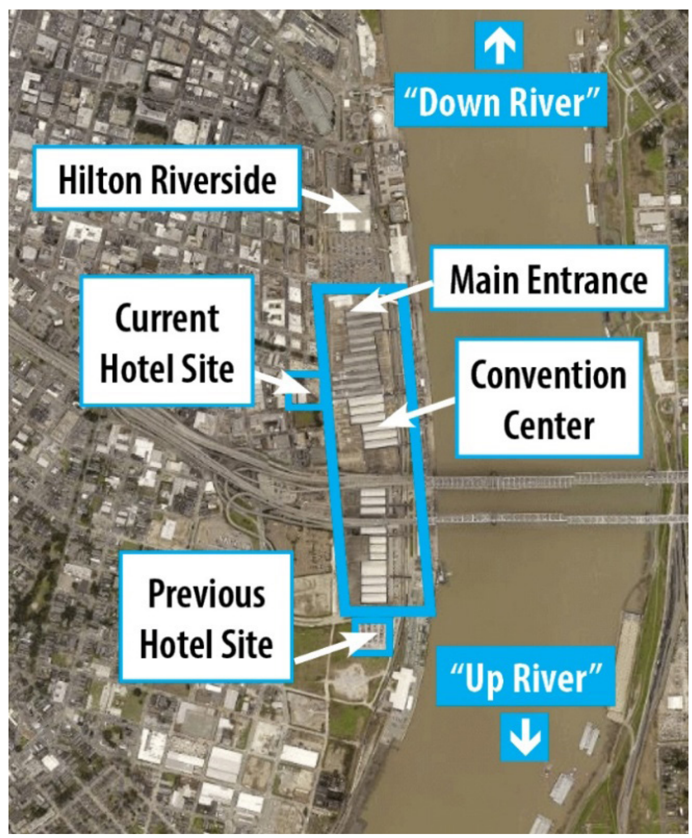
With 1.1 million square feet of event space, the Convention Center is the sixth largest convention facility in the country.[3] Originally built for the 1984 World's Fair, the Convention Center has undergone two major expansions. Plans for a third expansion were canceled after Hurricane Katrina. Since then, Convention Center officials have focused on making the existing facility more competitive at the national level. Adding a headquarters hotel is the centerpiece of their strategy. From 2018 to 2024, the center completed $268 million of renovations and improvements, including a $64 million linear park and transportation center.[4] Its 2025-2030 capital improvement plan totals $763 million. The plan budgeted $631 million of interior and exterior renovations and other facility upgrades, $106 million for the land and upfront payments to the hotel project and $26 million for infrastructure to support development of the River District.[5] The River District's future is uncertain after lease negotiations stalled between the developers and the Convention Center.[6] However, the developers continue to pursue an affordable housing component.[7]

In the past decade or so, many convention centers across the country have added hotels that are attached or adjacent to the centers. These headquarters hotels appeal to meeting planners who seek to assemble large blocks of rooms in as few hotels as possible within reasonable walking distance of the center. Currently, the 1,622-room Hilton New Orleans Riverside Hotel, located near the downriver end of the sprawling center, serves as the primary headquarters hotel. But Convention Center officials said its location is not ideal because of the walking distance for convention attendees. They also note that a growing number of competing convention centers have two headquarters hotels.

Convention Center officials view the lack of a connected or adjacent hotel as damaging to New Orleans' ability to attract conventions, trade shows and other large-scale meetings. A study by a Convention Center consultant found that the planned hotel would increase hotel room rentals by convention attendees by more than 20%. Without the hotel, room rentals linked to conventions would decline by about 3%.[8]

Two previous attempts to develop a hotel at the Convention Center's upriver end failed in the past decade. Omni was part of a multiparty development team for the most recent effort that fell apart during the pandemic. Under the current deal, Omni is solely responsible for designing, building and operating the hotel. This avoids the fragmented responsibilities among the five entities that were part of the last deal. In another change, the hotel's location has moved closer to the center of the Convention Center at the former Sugar Mill site in the Warehouse District, as shown in Chart A. Convention Center officials said Omni prefers the new site, in part, because it is also closer to the Central Business District and French Quarter. Omni has opened convention headquarters hotels in several cities in recent years, including Boston, Dallas, Nashville, Louisville and Oklahoma City. Convention Center officials said this track record combined with Omni's ability to handle all aspects of the hotel's financing, development and operation makes it uniquely qualified for the project.

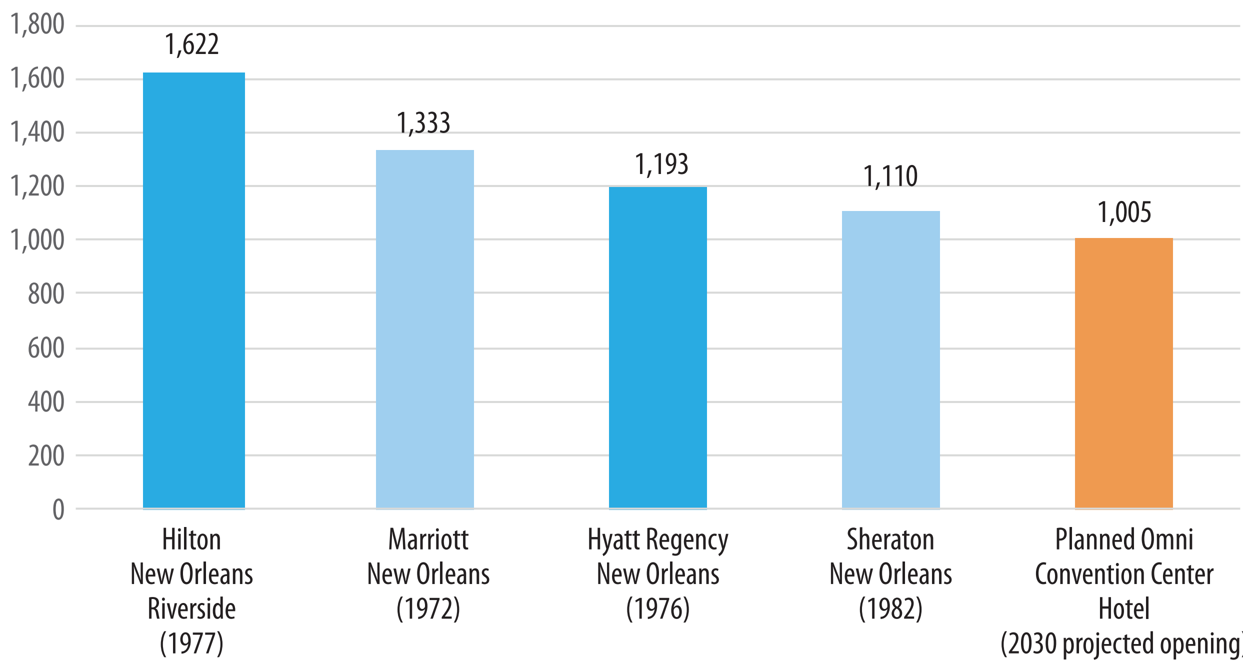
### CHART A. SITE CHANGE FOR THE PROPOSED CONVENTION HOTEL




BGR illustration using base map from City of New Orleans Property Viewer, https://property.nola.gov.

The Convention Center's board approved a development agreement and a land lease with Omni in January 2025.[9] It anticipates several more agreements with Omni and other entities, such as the tax rebate agreements, before closing the deal and starting construction.[10] As envisioned in the development agreement, the hotel would have 1,005 guest rooms, a 335-space concealed parking garage, and 108,000 square feet of meeting space, including a 30,000-square-foot ballroom.[11] The hotel's projected cost is approximately $600 million. As Chart B shows, it would be the fifth largest hotel in New Orleans, and the first hotel with at least 1,000 rooms to be built in the city in more than 40 years. Omni officials would like to break ground on the hotel in September 2026 with a 2030 opening date.

## CHART B. LARGEST HOTELS IN NEW ORLEANS BY NUMBER OF GUEST ROOMS (Year Opened)




Source: HVS Convention, Sports & Entertainment, Market Study: Proposed Hotel, New Orleans, LA, February 10, 2025.

As amended in November 2025, the development agreement requires the Convention Center to make an $80 million investment payable to Omni for construction costs.[12] Omni would provide the remaining $520 million and would have to cover any costs beyond that amount, limiting the public's financial risk. This extends to future repairs and renovations. However, the public has several other roles in facilitating the hotel project.

**Hotel and Sales Tax Rebates.** Omni would receive 45 years of hotel and sales tax rebates as analyzed in the next section. The four entities that would rebate tax revenue to Omni are:

- The State of Louisiana (State)
- The Stadium District
- The Convention Center
- An economic development district the Convention Center controls.[13]

The State and the Stadium District have not yet formally agreed to join the Convention Center in giving or rebating to Omni tax revenues they would receive from the new hotel. The Convention Center will pursue agreements with each entity.

The City of New Orleans and Orleans Parish School Board are among the entities whose hotel and sales taxes would not be rebated, meaning they would still receive the tax revenue. Overall, roughly half of the hotel and sales tax revenue that the new hotel would generate would be rebated to Omni.

**Height and Zoning Variances.** The project needs height and zoning variances from the City of New Orleans. These must still be approved by the City Planning Commission and the New Orleans City Council.

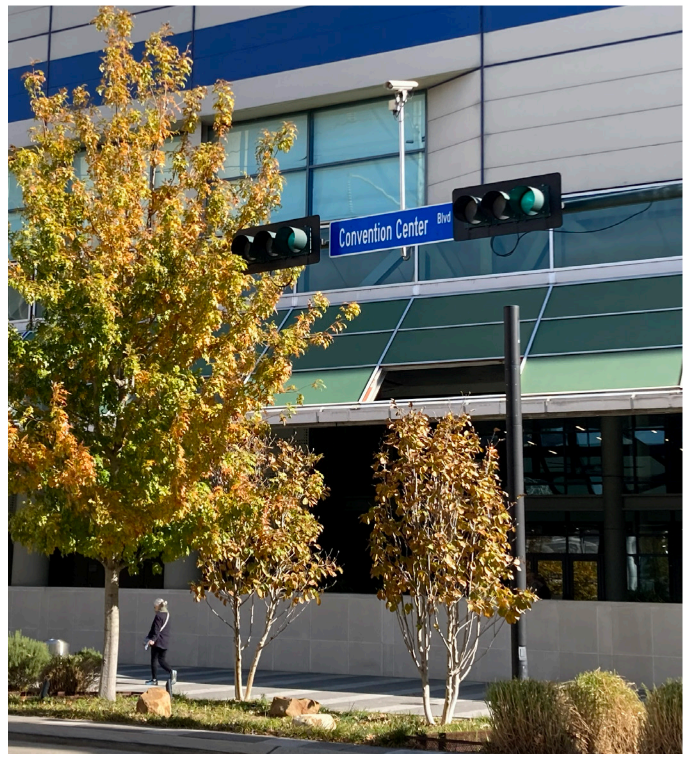
**Hotel Site.** The Convention Center has purchased the Sugar Mill site for the hotel. It also wants to buy part of a City street to expand the hotel site. The City Council must approve the street purchase. Omni would make rent payments to the Convention Center under a 60-year ground lease for the hotel site. The rent would include payments for use of the site and profit-sharing payments to the Convention Center in consideration of its $80 million investment in the project.

**Property Tax Incentive.** The deal calls for Omni to make a payment in lieu of taxes (PILOT) that is tied to the average property taxes paid by competing hotels.[14] As its name implies, this annual payment takes the place of property taxes that would otherwise be due on a development. In this case, the PILOT would apply to all property taxes except the Orleans Parish School Board's, which would remain payable by Omni. The New Orleans City Council must approve the PILOT.

## PUBLIC PARTICIPATION IN ECONOMIC DEVELOPMENT PROJECTS

For many years, BGR has called for government entities to take a rigorous approach to reviewing public involvement in economic development projects. It is not enough for a project to show it will enhance tax revenues or create jobs or boost the economy. BGR's research on recommended practices indicates a public entity should consider participating in an economic development project only if it can demonstrate that the investment is strategic, necessary, efficient, effective and fair, as shown in the box.

BGR applied this analytical framework in two reports on a previous Convention Center hotel proposal that failed. (See the sidebar on the next page for more information on these reports.) This report focuses primarily on the third analytical question about whether the public contributions are in line with the demonstrated need. But first BGR provides a brief discussion of the other four questions.



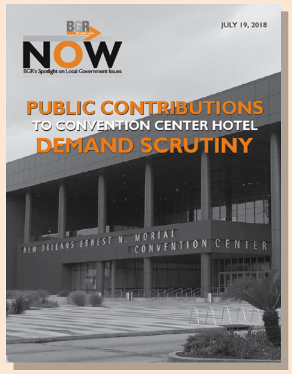

### BGR's Analytical Framework for Public Investment in Economic Development Projects

1. Does the project advance a **strategic** economic development priority?
2. Is public participation **necessary** to produce the desired strategic outcome for the site?
3. **Is the public contribution financially efficient, providing the minimum public support necessary for the project to succeed?**
4. Will the project **effectively** produce a significant positive ratio of benefits to costs for the public?
5. Does the contribution of public resources maintain a **fair** competitive environment?

## BGR's Analysis of a Previous Convention Center Hotel Deal

In two previous reports, BGR raised concerns about the size and duration of the proposed public contributions to a Convention Center hotel project that did not come to fruition.

In a July 2018 report, BGR analyzed the requested public contributions in a development team's proposal to build a 1,200-room Omni hotel attached by a pedestrian bridge to the Convention Center's upriver end. The five-party development team sought a $41 million upfront payment, a free land lease, a full property tax exemption, and 40 years of hotel and sales tax rebates. BGR estimated the cumulative value of the requested public contributions at $738.8 million, with a present value of $329.5 million at a 5% discount rate.




The report laid out BGR's analytical framework for public participation in economic development projects and showed how the Convention Center could use it to evaluate the developers' proposal.


The report found the proposal made no attempt to quantify or justify the requested tax rebates. The report also showed how a property tax exemption would deprive the City of New Orleans, the Orleans Parish School Board and other taxing entities of a combined total of more than $100 million in tax revenues.

After the Convention Center reached a tentative deal with the development team, BGR issued a follow-up report in April 2020 at the onset of the COVID-19 pandemic. The deal at that time included $767 million in rebated hotel and sales taxes over 40 years and an upfront payment of $7 million. The Convention Center would also spend about $56 million on infrastructure to facilitate the project, including a parking garage. The center would receive $36 million in cumulative lease payments, resulting in a net public cost of $794 million.

BGR's report highlighted the risks of moving forward with the project absent an informed analysis of the pandemic's longer-term impacts on tourism and conventions. The report also raised questions about the size and necessity of the planned public contributions. It showed how the Convention Center could reduce the public contributions by more than $500 million by replacing the 40 years of tax rebates with an equivalent upfront payment from bonds backed by the taxes that would have been rebated.

Soon after BGR's report, the Convention Center put the project on hold for further study. The deal fell apart in late 2020 when the development team's financial partner pulled out due to the pandemic's impact on the hotel sector. After the pandemic, the Convention Center announced it was in negotiations with Omni. This led to the current deal for Omni to handle all aspects of the hotel project.

**Advancing a Strategic Economic Development Priority.** To make the best use of limited public resources, projects receiving public contributions should advance priorities set forth in a strategic plan for economic development. Without such a plan, the public risks supporting low-priority projects, diverting resources that could have been better utilized elsewhere. The opportunity cost of poor prioritization is greater for projects that receive substantial public revenues.

In this case, the Convention Center prioritized the hotel project based on a capital planning process that included studies it commissioned on market demand and the best use for a 47-acre tract it purchased for the expansion project it canceled after Katrina. The studies concluded that while the Convention Center does not currently need additional exhibition space, it could make better use of its existing space. Convention Center officials characterized the hotel project as integral to their strategic plan to renovate the 40-year-old building, increase usage of the upriver end furthest from the French Quarter and remain competitive with top exhibition halls across the country.

Convention Center officials note that three direct rivals in neighboring Texas – Dallas, Houston and Austin – are investing a combined $7 billion to rebuild or modernize their convention centers. Meanwhile, the addition of convention headquarters hotels in cities such as Indianapolis and Oklahoma City has made these locations stronger competitors.

Noting that New Orleans' four existing hotels with at least 1,000 rooms were all built more than 40 years ago, a consultant for the Convention Center found that the planned hotel would increase demand for hotel rooms and be a catalyst for further upgrades to the city's aging hotel stock.[15]

This planning process demonstrates that within the context of its mission, the Convention Center has taken a strategic approach in prioritizing the hotel project.

**Demonstrating the Necessity of a Public Contribution.** Independent market studies and a financial analysis should demonstrate that public resources are necessary to complete the project. The Convention Center has provided evidence in a 10-year projection of the hotel's performance that some level of public subsidy is necessary to make the hotel project economically feasible. However, as this report will show, the size and duration of the planned subsidies are not well aligned with the demonstrated need.

**Producing a Significant Positive Ratio of Public Benefits to Costs.** Public funding for an economic development project should be effective, producing a significant positive benefit-to-cost ratio for the public. A Convention Center consultant projects that the hotel will generate more than $200 million in annual economic impacts and create nearly 1,400 jobs. These impacts, in turn, would produce more than $15 million in annual new tax collections for state and local governments.[16] It is beyond the scope of this report to analyze the consultant's findings. Regardless, reducing the public's financial contributions would enhance the benefit-to-cost ratio.

**Maintaining a Level Playing Field.** Public support for the hotel project should maintain a fair competitive environment for other hotels. A Convention Center consultant's market study shows that the new hotel expects to draw significant business from existing hotels in the early years, but then hotel occupancy levels in the market will rebound.[17] Convention Center officials told BGR that the hotel's role in maintaining and potentially increasing convention attendance in a highly competitive national environment should more than offset any short-term negative impact on other hotels. However, to the extent that the public subsidies are higher than necessary to make the new hotel financially feasible – as BGR's analysis suggests – those subsidies could create an unfair advantage. This risk is greater for subsidies with lengthy terms, such as the 45-year tax rebates.

In summary, carefully assessing the third analytical question on minimizing public contributions is fundamental to confirming their necessity as well as estimating the net public benefit from the project. Indirectly, it also speaks to the overall strategic investment of public funds and fairness to other hotel operators.

# ANALYZING THE PUBLIC'S CONTRIBUTIONS

## HOW MUCH WOULD THE PUBLIC PAY?

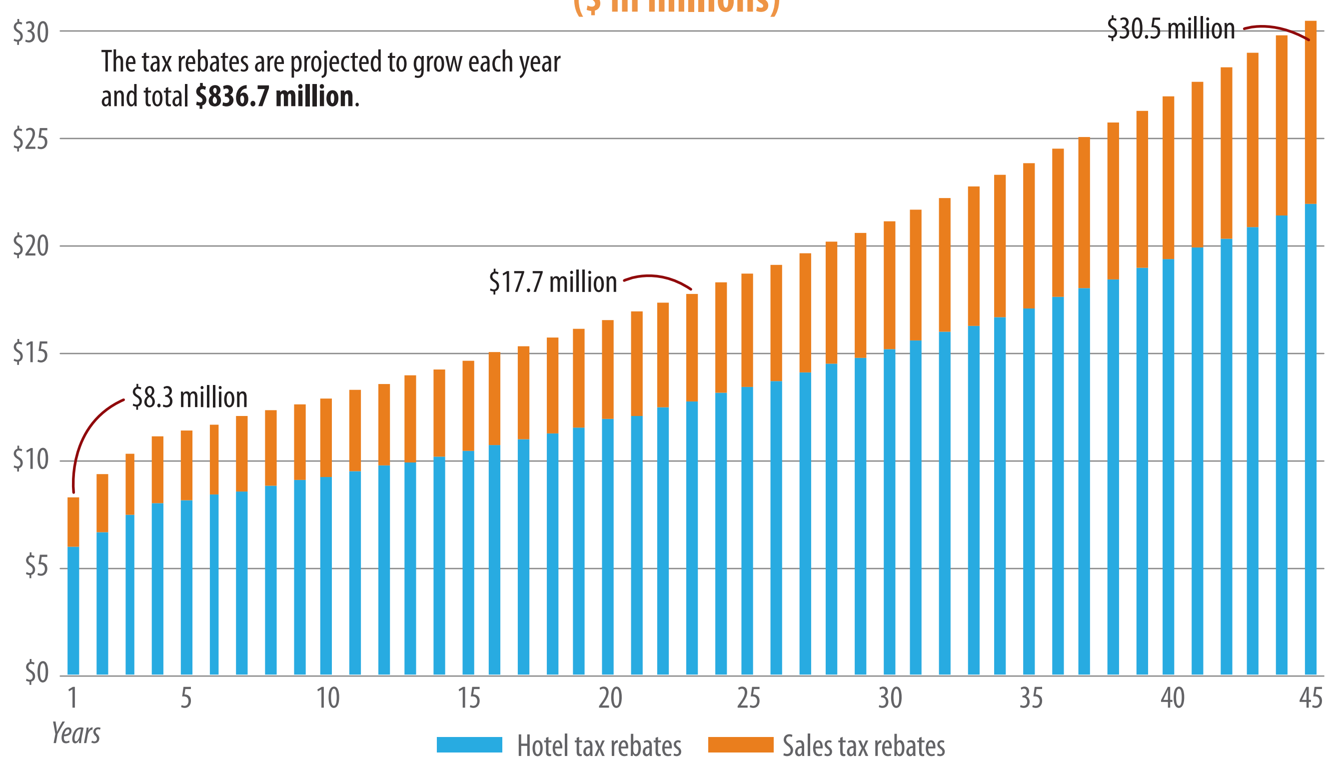
**Tallying the Tax Rebates.** The first step in assessing the necessity of the public's contributions to an economic development project is to quantify them. This is straightforward for the Convention Center's $80 million investment and the $23.7 million for the hotel site.[18] But when it comes to the 45 years of hotel and sales tax rebates, the size of the public's contribution is far less transparent.

The hotel agreement provides the rates for the tax rebates that Omni would receive, but there are no estimates of the dollar value. Omni would receive hotel tax rebates equal to 9.45% of room charges and sales tax rebates of 4.45% of sales at restaurants and bars in the hotel. But nowhere in the agreement or any other publicly available document is there an estimate of how much revenue these rebates would generate for Omni. Because of this, it has not been possible for residents to evaluate the public costs of the hotel deal.

Not only has this essential information about the value of the tax rebates not been available to the public, but the Convention Center's own board did not have it when the board approved the hotel agreement. BGR requested copies of any projections on the value of the tax rebates that the board received, and the Convention Center responded that there were none. In the absence of this fundamental piece of information, it would not have been possible for the board to comprehensively evaluate the necessity of the substantial tax rebates. The board approved the deal without discussing what it would cost the public.

To estimate the value of the tax rebates, BGR requested data on the hotel's projected performance and the planned public contributions. The Convention Center provided a spreadsheet with highly detailed projections for the first 10 years of operation. It includes occupancy rates, room charges, food and beverage sales, tax rebates, various expenses and estimated profits. Convention Center officials said a consultant helped them develop the projections, with input from Omni. BGR extended the projections out to 45 years using the same growth rates assumed in the original spreadsheet. This enabled BGR to estimate the value of the tax rebates by applying the 9.45% hotel tax rate to the projected room charges and the 4.45% sales tax rate to the food and beverage sales. This resulted in cumulative hotel tax rebates of $600.2 million and sales tax rebates of $236.5 million for a total of $836.7 million over 45 years. As Chart C shows, the combined annual tax rebates would grow steadily from $8.3 million in the first year to $30.5 million in the 45th year.

### CHART C. PROJECTED HOTEL AND SALES TAX REBATES TO OMNI
### ($ in millions)



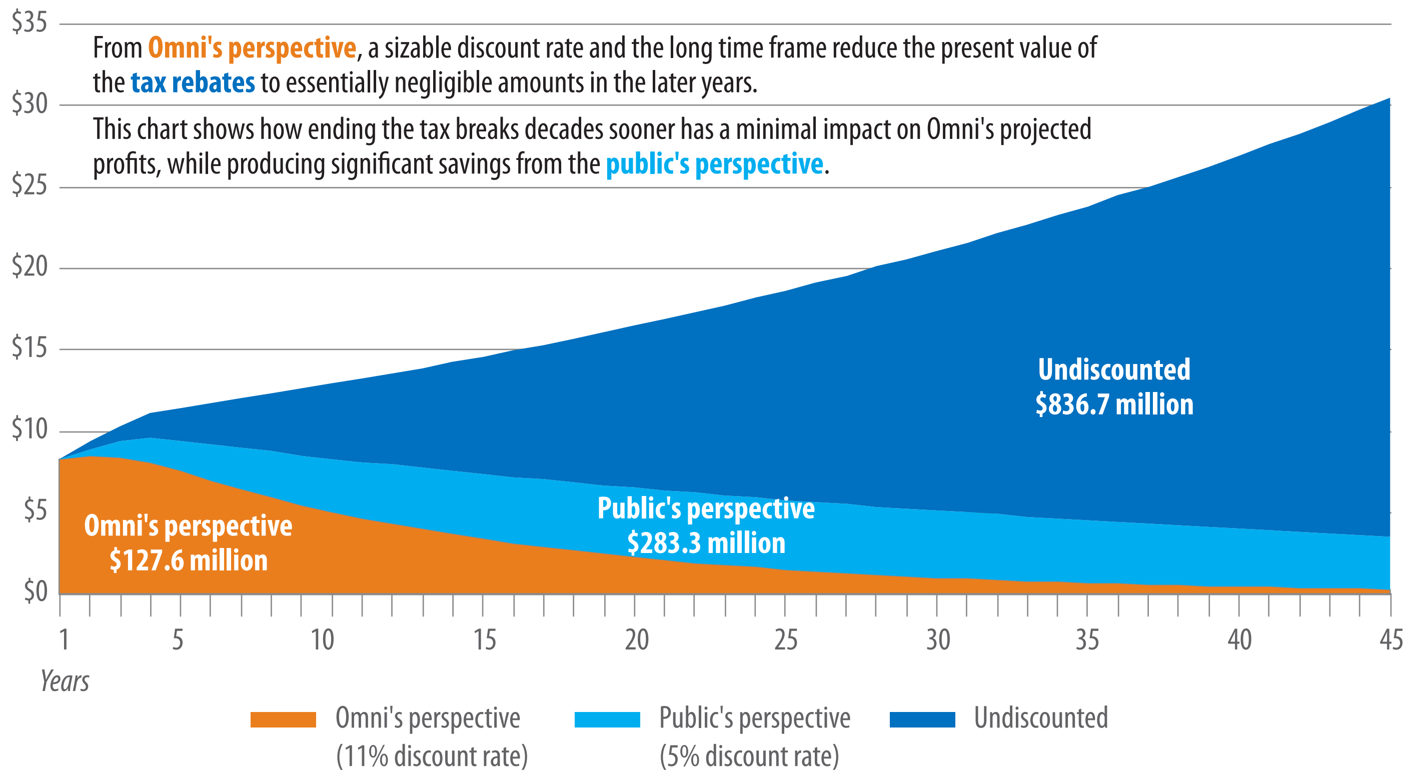

BGR analysis of 10-year hotel performance projections provided by the Convention Center. BGR extended the projections out to 45 years using the same growth rates assumed in the original spreadsheet. Figures are not discounted to present value

**Present Value.** When analyzing revenue streams that accrue over a period of years, it is useful to estimate their present value by applying a discount rate. This enables apples-to-apples comparisons of the values of different revenue streams. The discount rate is typically set at the rate of return that the investor or public entity would expect to receive. The future cash flows are then reduced by this annual rate to estimate their present value. The higher the discount rate, the lower the present value of the revenue stream.

Omni told BGR it expects an annual return of 11% on its investment in the hotel. BGR estimated the present value of the tax rebates at the point they begin, which is the start of hotel operations. Applying an 11% discount rate to the $836.7 million in tax rebates spread over 45 years yields a present value of $127.6 million. BGR uses Omni's preferred 11% discount rate when discussing the hotel deal from Omni's perspective.

But it is also necessary to view the tax rebates from the public's perspective. Government finance experts have told BGR that an 11% investment return is not realistic for public entities. This is because they typically cannot take on as much risk as a private investor. For example, State law limits the Convention Center to low-risk investments for its available cash, such as federal bonds, to safeguard the principal. The experts told BGR that a 3% to 5% rate of return is reasonable for public entities. Also, a public entity's cost of borrowing – i.e., the opportunity cost of putting its money elsewhere – can inform the selection of a discount rate. The Convention Center's most recent bond sale for its facility renovations achieved an approximate 5% interest rate.[19] Applying a 5% discount rate to the 45 years of tax rebates results in a present value of $283.3 million. Chart D compares the undiscounted value of the tax rebates to their present value with discount rates of 11% from Omni's perspective and 5% from the public's perspective.

## CHART D. VALUING 45 YEARS OF TAX REBATES FROM THE PUBLIC'S AND OMNI'S DIFFERENT PERSPECTIVES
## ($ figures in millions)




BGR calculations using data provided by the Convention Center.

The chart illustrates how the lengthy time frame of 45 years combined with Omni's sizable discount rate of 11% reduce tax rebates in the latter years to negligible amounts. For example, in the final year of the tax rebates, Omni is projected to receive $30.5 million. At an 11% discount rate, this has a present value from Omni's perspective of just $309,000. That is a mere 1% of the undiscounted value. By contrast, the present value at a 5% discount rate from the public's perspective is $3.6 million. This shows how rebates in the latter years have far less value to Omni than the public. As shown later in the report, this important dynamic can allow the tax breaks to expire much sooner at substantial savings to the public, but with a minimal impact on Omni's projected profits.

**Impacts on Entities Rebating Their Taxes.** Table 1 provides a breakdown of the entities that would rebate taxes to Omni under the terms of the hotel deal. The Convention Center must still reach agreements with the entities to give up these tax revenues. The State of Louisiana would forgo the most revenue, with a projected $265.1 million in rebated taxes over 45 years, primarily from sales taxes. The State's contribution would have a present value of $90 million at a 5% discount rate for a public entity. The Stadium District would forgo a projected $254.1 million in cumulative hotel taxes, with a present value of $85.9 million.

The Convention Center would rebate its 3% hotel tax, forgoing an estimated $190.5 million in cumulative revenue, with a present value of $64.4 million. Finally, an economic development district that the Convention Center's board controls would levy a new 2% hotel tax and rebate the revenue to Omni.[20] The tax would yield an estimated $127 million in cumulative revenue for a present value of $42.9 million. The tax would apply only within the district's boundaries, which include the site for the new hotel while excluding existing hotels near the Convention Center.

## TABLE 1. BREAKDOWN OF TAX REBATES TO OMNI BY ENTITY PROVIDING THE REBATE ($ figures in millions)

| Tax recipient | Type of tax rebated | Cumulative value over 45 years | Present value (5% discount rate) |
|---|---|---|---|
| **State of Louisiana** | 4.45% sales tax and 0.45% hotel tax | $265.1 | $90 |
| **Louisiana Stadium and Exposition District** (Superdome, Smoothie King Center and other facilities) | 4% hotel tax | $254.1 | $85.9 |
| **New Orleans Ernest N. Morial Convention Center** | 3% hotel tax | $190.5 | $64.4 |
| **New Orleans Exhibition Hall Authority Economic Growth and Development District** (run by the Convention Center's board) | 2% hotel tax | $127 | $42.9 |
| **TOTAL** | **9.45% hotel tax and 4.45% sales tax** | **$836.7** | **$283.3** |

BGR We report to you.

BGR estimates based on data provided by the Convention Center. Numbers may not add up due to rounding.

As the tax rebates are currently structured, the State, the Convention Center and the Stadium District would each still receive significant streams of tax revenue from the hotel. Those revenues total $157.4 million over 45 years for a present value of $55.1 million. Later in the report, BGR shows how including some or all of this additional revenue in the deal would make a lump-sum alternative to the tax rebates more feasible, saving all the entities more money in the long run. The increased revenue would help provide more cushion in paying off bonds to make the lump-sum payment. The 45-year streams of tax revenues that are not currently part of the hotel deal include:

- An estimated $58.9 million ($21.7 million present value) for the Convention Center from two taxes. These are a flat hotel tax of $2 per night and a sales tax of 0.75% on food and beverages.
- About $63.5 million ($21.5 million present value) for the Stadium District from a 1% hotel tax that the State dedicates to the district.
- An estimated $35 million ($11.9 million present value) for the State from recent increases in the State's sales and hotel tax rates that went into effect after the Convention Center and Omni negotiated the tax rebate rates in the hotel development agreement.[21]

The City of New Orleans, the Orleans Parish School Board and the Regional Transit Authority are among the entities that would not rebate their hotel and sales taxes. See the appendix for a complete breakdown of the taxes that would be rebated and those that would not.

**Convention Center Land Purchases.** The Convention Center paid $21.2 million to acquire the Sugar Mill for the hotel site. It plans to buy a one-block segment of John Churchill Chase Street from the City to expand the site at an estimated cost of $2.5 million, bringing the total cost for the land to $23.7 million. While the land is not a direct contribution to Omni, it is an essential public component of the project that the Convention Center must provide under the terms of the hotel agreement.

**Payment in Lieu of Property Taxes.** The agreement also calls for the Convention Center and Omni to jointly pursue a payment in lieu of taxes, or PILOT, agreement.[22] A PILOT is an economic development incentive in which a developer makes an agreed-upon payment instead of paying property taxes. The PILOT provides greater certainty compared to variable property taxes and is often set lower than the taxes would be, providing a subsidy to the project. In this case, the PILOT would be based on the average per-room property tax paid by seven competing hotels, rather than the hotel's own assessed value.[23] Because both the hotel's assessed value and the amount and duration of the PILOT are not yet known, it is not possible to estimate any savings Omni might realize from the PILOT.

The hotel development agreement specifically excludes the Orleans Parish School Board's property taxes from the PILOT.[24] The hotel would pay those taxes in full based on its annual property assessment. According to Convention Center officials, this recognizes the essential role schools play in the community, the economy, and the future workforce of the tourism industry. The exclusion ensures the schools do not receive less revenue under the PILOT.

That same logic could be applied to the City and other tax-recipient bodies, which face unmet funding needs for their services and infrastructure.[25] The City Council would have to approve any PILOT for the hotel, following a review by the City's Office of Economic Development.[26] The City should obtain estimates of how much revenue each tax-recipient body would forgo to inform the council's decision. Convention Center officials noted that the proposed PILOT on the new hotel would be a net gain of revenue to the City and other tax-recipient bodies compared to the previous use of the site. However, the hotel development agreement does not define a maximum term for the PILOT. BGR's research supports a maximum term of 20 years. This time frame aligns with economic development research that suggests concentrating tax incentives in the early years of a project better fits corporate profit goals.[27]

**Omni's Rent Payments.** The hotel deal requires Omni to make two kinds of rent payments. Both must be subtracted from the subsidies Omni would receive to arrive at the net public contribution.

Convention Center officials said the first type of rent called "Base Rent" is intended as compensation for use of the hotel site. The Base Rent is 0.25% of gross hotel operating revenues each year. Based on the Convention Center's projections of the hotel's performance, this rent would total an estimated $29.2 million over 45 years, or $9.9 million in present value to the Convention Center at a 5% discount rate. This is significantly less than the $23.7 million that the Convention Center expects to pay for the site. This suggests the lease is below market rate, making the difference between the purchase price and the value of the Base Rent another public subsidy for Omni.

Convention Center officials said the other type of rent called "Percentage Rent" is intended as a profit-sharing vehicle in compensation for the center's $80 million investment. As previously noted, Omni expects to earn an annual 11% return or profit on its investment in the hotel project. Based on Omni's estimated project costs of $520 million, that amounts to a profit of $57.2 million a year. After the hotel's sixth year of operation, any profit above that threshold would be shared with the Convention Center, which would receive 12.5% in proportion to the size of its investment. Based on the hotel's projected performance, Omni's Percentage Rent payments to the Convention Center would total an estimated $242 million over 45 years. This revenue stream has a present value of $57.5 million to the Convention Center at a 5% discount rate. Such a return would offset a significant portion of the Convention Center's $80 million investment.

**Recap of the Net Public Contributions.** Table 2 recaps the public contributions and Omni's rent payments. Omni would receive a projected net public contribution of $669.2 million over 45 years. This revenue stream has a $319.6 million present value at a 5% discount rate from the public's perspective and a $211.6 million present value at an 11% discount rate from Omni's perspective. This is very close to Omni's own $199 million projection of the public contributions, which excludes the cost of the land.

BGR notes that financial projections over a 45-year time span contain many variables that affect their precision. Accordingly, citizens and policymakers should view the calculations as best estimates based on available information. However, they illustrate that the magnitude of the public's contributions extends far beyond the $80 million upfront investment that typically gets the most attention in discussions of the project. The projections also show that those public contributions are worth significantly more from the public's perspective than Omni's. As such, public officials involved in the hotel deal should carefully consider opportunities to reduce those costs and conserve more future public resources from the hotel for other purposes.

## TABLE 2. BREAKDOWN OF PUBLIC CONTRIBUTIONS FOR CONVENTION HOTEL PROJECT AND THEIR RELATIVE VALUE TO THE PUBLIC AND TO OMNI

| **Public contribution** | **Cumulative value over 45 years** (Undiscounted) | **Present value from the public's perspective** (5% discount rate) | **Present value from Omni's perspective** (11% discount rate) |
|---|---|---|---|
| **Investment by the Convention Center** (Paid to Omni to help cover construction costs) | $80 million | $80 million | $80 million |
| **Land purchase by the Convention Center*** | $23.7 million | $23.7 million | $23.7 million |
| **Hotel tax rebates** (9.45% of room revenues) | $600.2 million | $202.9 million | $91.3 million |
| **Sales tax rebates** (4.45% of food and beverage revenue) | $236.5 million | $80.4 million | $36.3 million |
| **GROSS PUBLIC CONTRIBUTION** | **$940.4 million** | **$387 million** | **$231.3 million** |
| Less Omni's rent payments: | | | |
| **"Base Rent"** (for use of hotel site) | -$29.2 million | -$9.9 million | -$4.5 million |
| **"Percentage Rent"** (profit sharing with Convention Center) | -$242 million | -$57.5 million | -$15.2 million |
| **NET PUBLIC CONTRIBUTION** | **$669.2 million** | **$319.6 million** | **$211.6 million** |

* The land cost for the hotel site includes $21.2 million that the Convention Center paid to acquire the Sugar Mill site and an estimated $2.5 million for a one-block segment of John Churchill Chase Street from the City of New Orleans.

BGR estimates based on data provided by the Convention Center. Numbers may not add up due to rounding.

## ARE THE TAX REBATES WELL SIZED TO THE DEMONSTRATED NEED?

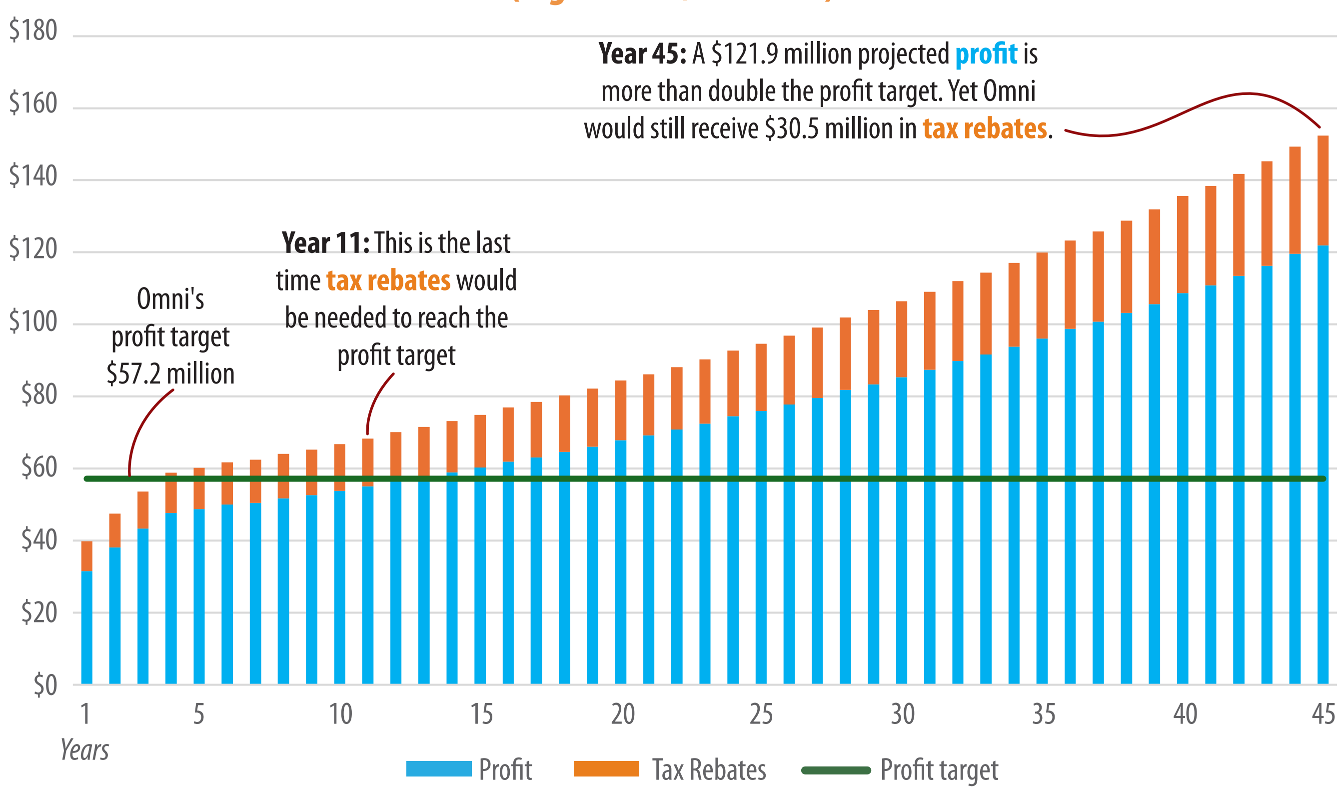
Having quantified the proposed tax rebates, it is now possible to compare them to the demonstrated need. Public subsidies to an economic development project should be financially efficient, providing only the minimum amount needed for the project to proceed. Public participation should not compensate for basic financial weaknesses in a project or a lack of demand for a service or product.[28]

Across the country, convention headquarters hotels have typically received some form of public contribution, though not always. For example, a 600-room Omni convention hotel in Oklahoma City received $85.4 million in direct public investments, while a 1,054-room Omni convention hotel in Boston received no public contributions. These differences illustrate the importance of assessing the need for a public contribution for each project individually.

BGR asked Convention Center officials for evidence that demonstrates the necessity of the public contributions for the New Orleans project, particularly the 45 years of tax rebates. The officials said the rebates are necessary for Omni to reach its annual $57.2 million profit target, which is measured by the hotel's net operating income before tax incentives. As supporting evidence, they cited their projection of the hotel's performance over the first 10 years. The projection shows that even with the tax rebates, the hotel would fall short of the profit target in all 10 years. But the gap narrows every year. And their analysis did not examine what happens after year 10.

BGR's analysis of the expanded projections of the hotel's performance over the full 45 years of tax rebates shows that the rebates could remain in place for decades after Omni reaches its profit target. As Chart E indicates, the hotel's 11th year of operation is the last time the tax rebates (represented by the orange bars) are projected to be needed to reach the profit target (represented by the flat black line). For the next 34 years, the revenue from the rebates would add to profits that exceed the target by a growing amount each year. The Convention Center's spreadsheet refers to this revenue stream as "excess CF," or excess cashflow. Over 45 years, the cumulative, undiscounted value of this stream of revenue would exceed the profit target by an estimated $1.7 billion. This figure is net of Omni's rent and profit-sharing payments to the Convention Center.

### CHART E. PROJECTED HOTEL PROFITS AND TAX REBATES COMPARED TO OMNI'S PROFIT TARGET
### (Figures in $ millions)




BGR estimates based on data provided by the Convention Center. Operating profits are net of Omni's rent payments. Figures are not discounted.

By the 45th year, the hotel would have a projected profit (represented by the blue bars) of $121.9 million after subtracting Omni's rent payments. This projection is more than double the profit target. Yet Omni would still receive an estimated $30.5 million in tax rebates. The rebates would raise Omni's projected profits to $152.4 million, nearly $100 million more than the target.

Some supporters of the hotel project say the rebated taxes would not exist without the project and therefore the rebates are not true public costs. However, a Convention Center consultant's analysis shows that a significant portion of the planned hotel's business, especially in the beginning, is predicted to come from convention attendees and visitors who otherwise would have stayed at existing hotels and paid taxes that would not be rebated.[29] Thus, the taxes they would pay at the new hotel would not be additional new revenue for the public. Also, even if all the rebated taxes were new revenues, this would not justify providing public subsidies beyond what is necessary for the hotel project to succeed.

## OPTIONS TO REDUCE THE PUBLIC'S COSTS

The Convention Center can achieve its goal of building a headquarters hotel at a lower public cost. As currently structured, the deal fails to leverage the relatively low value that Omni places on tax rebates beyond 20 years. BGR presents four options that take advantage of this dynamic to generate cumulative public savings of around half a billion dollars for each option. They are not ranked in order of BGR's preference – each can lower public costs substantially. Applying the public's 5% discount rate, the present value of the savings ranges from $85.1 million to $117.6 million. Notably, two of the options achieve these substantial savings while remaining revenue neutral to Omni. Chart F summarizes the options for reducing the tax rebates.

## CHART F. BGR ANALYSIS OF PROJECTED SAVINGS FROM OPTIONS TO REDUCE THE PLANNED TAX REBATES FOR THE CONVENTION HOTEL PROJECT

| Option | Present value of public savings | Present value of lost revenue from Omni's perspective |
|---|---|---|
| **1. End tax rebates after 20 years** | $105.8 million | $20.7 million |
| **2. End tax rebates after 20 years, provide a lump-sum payment to offset lost revenue** | $85.1 million | $0 |
| **3. Lump sum payment equal to 45 years of tax rebates** ($118.6 million bond issue*) | $98.8 million | $0 |
| **4. Lump sum payment equal to 20 years of tax rebates** ($97.9 million bond issue*) | $117.6 million | $20.7 million |

Note: The savings figures are net of reductions in the profit-sharing payments (Percentage Rent) that the Convention Center would receive. Likewise, the lost revenue figures for Omni are net of the savings it would realize from the reduced profit-sharing payments.

* BGR estimated the cost of the lump-sum payment assuming 30-year bonds at 7% interest.

BGR estimates based on data provided by the Convention Center.

**Option 1: End the tax rebates after 20 years.** BGR's analysis demonstrates that at some point after the 11th year, the tax rebates are no longer necessary and could be discontinued. There is arguably a need for some buffer in case the hotel's performance falls short of projections. For illustrative purposes, BGR presents a scenario in which the tax rebates are discontinued after 20 years. Developers tend to place little value on incentives beyond 20 years, as shown by the impact of Omni's 11% discount rate and research on economic development subsidies cited in the PILOT discussion above.

A 20-year duration for public subsidies also fits norms for convention hotel projects. An Omni official told BGR that tax rebates for its hotels in other cities typically last for 20 to 25 years. The official said Omni has never received rebates for 45 years. However, the official said the roughly $200 million present value of the public contributions that Omni would receive represents a third of the $600 million construction costs, a ratio that is in line with 25% to 50% range for similar convention hotel projects.[30]

In year 21, the hotel's profit, not counting the tax rebates, is projected to exceed the $57.2 million profit target by $12 million. This represents a 21% cushion. The projected tax rebates of $16.9 million for that year would increase the cushion to $28.9 million or 51% of the profit target. The hotel would have to fall well short of its projections to need a subsidy that large.

Ending the tax rebates after 20 years would save the public a projected $504.4 million over the remaining 25 years.[31] From the public's perspective, this revenue stream has a present value of $105.8 million at a 5% discount rate. By contrast, the present value to Omni is just $20.7 million at an 11% discount rate.

Looking at this scenario from another perspective, Omni's cumulative projected profits with the full 45 years of tax rebates would be $4.2 billion, which has a present value of $655.5 million. Ending the tax rebates after 20 years would reduce Omni's profits by just 3.6% to $631.9 million.

**Option 2: End the tax rebates after 20 years and give Omni a lump-sum payment to offset its lost revenue.** This is similar to Option 1 except it would compensate Omni for the revenue it would lose by ending the tax rebates sooner than the current deal. As noted above, the lost revenue of $504.4 million from ending the rebates after 20 years would have a present value impact on hotel profits of $20.7 million. Thus, the Convention Center could give Omni a lump-sum payment in that amount to offset the lost tax rebates. This $20.7 million payment would reduce the present value of the public's savings from $105.8 million in Option 1 to $85.1 million in Option 2, which is still a significant savings.

The Convention Center may be able to make a $20.7 million payment by tapping its $193 million reserves.[32] Otherwise, it could amend its $763 million capital plan to include the payment. The Convention Center could then make the payment using proceeds from bonds that it issues to fund the plan.

**Option 3: Replace the 45 years of tax rebates with an equivalent lump-sum payment.** Another savings option that would not reduce Omni's profits is to replace the full 45 years of tax rebates with a lump-sum payment of equal value. According to BGR's calculations, the 45 years of tax rebates have a present value of $118.6 million, net of profit-sharing payments. This suggests that the Convention Center could make a lump-sum payment of $118.6 million to replace the 45 years of tax rebates because they have the same value in Omni's eyes. An Omni official told BGR that the company is indifferent about whether it receives the revenue in a lump sum or spread out over 45 years. Omni reached a similar present value estimate of $119 million.

The Convention Center likely could not include a payment of this size in its capital plan without eliminating other projects it deems necessary. However, it could issue $118.6 million in bonds. The bonds could be backed by the same tax revenues that would be rebated to Omni under the current deal. Other communities have taken a similar approach, including projects involving Omni in Nashville, Louisville, Oklahoma City, and Raleigh, North Carolina.

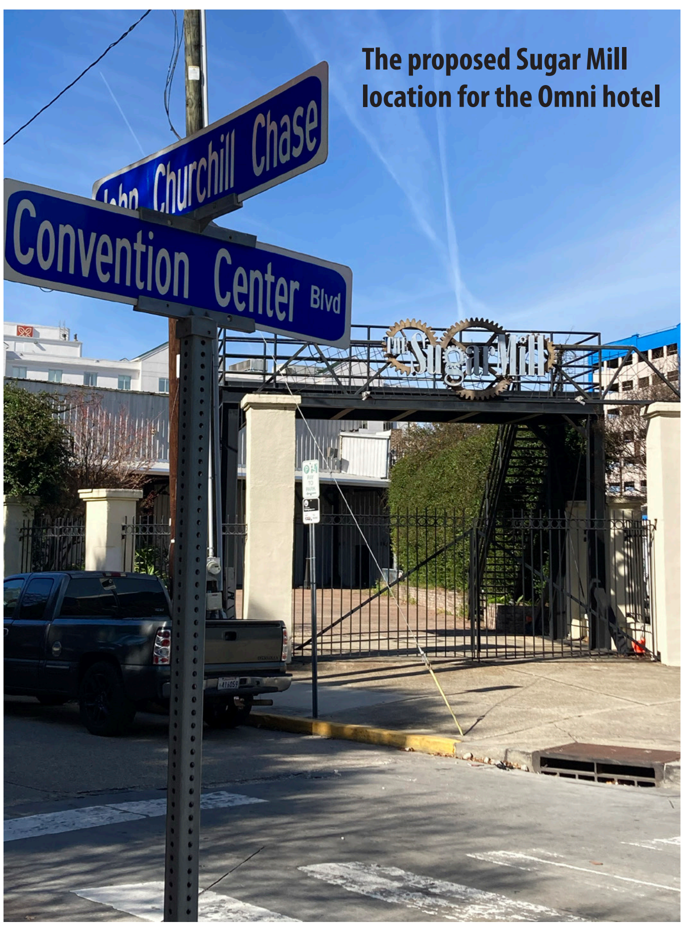
Convention Center officials told BGR they prefer to avoid any ongoing financial involvement and risk associated with the hotel project, including an obligation to repay debt. They said the bonds for a lump-sum payment, even if issued by the economic development district it controls, would ultimately be an obligation of the Convention Center. The officials said this could limit the center's bonding authority to complete the ongoing renovations to the center and any additional assistance it may provide to the development of the River District.

However, given the large potential cost savings, it is worth exploring a possible bond financing solution. The Convention Center has a strong bond rating, backed by substantial reserves.[33] The reserves provide a cushion for both debt service and operations. They are fed by the Convention Center's tax revenues over and above what the center uses to cover its annual operations.[34]

In analyzing Option 3, BGR assumes the Convention Center issues the bonds through its economic development district. State law authorizes such districts to use the additional hotel and sales taxes that an economic development project generates to pay off bonds used to help finance the project.[35] To reduce interest rates, the law authorizes the districts to build up debt service reserve funds equal to three years of average principal and interest payments.[36] This practice gives the bondholders greater assurance that the economic development district can continue making the payments during downturns in market conditions.

The interest rate that the Convention Center could receive for $118.6 million in bonds for a lump-sum payment to Omni is difficult to project as it depends on many factors, including would-be investors' assessments of the project's viability. For illustrative purposes, BGR analyzed a conservative scenario with a 7% interest rate on 30-year bonds. BGR assumed the bonds would be issued during the hotel's first year of operation because that is when Omni would otherwise begin receiving the tax rebates that the lump-sum payment would replace. With those parameters, the annual borrowing costs would be about $9.5 million. Tax receipts above that amount would go into the reserve fund. When the fund equaled three years of principal and interest payments approximately in year 10, the excess tax revenues would revert to the taxing entities. Under this scenario, the public would save a projected $471.7 million over 45 years for a present value of $98.8 million.

The Convention Center could consider dedicating additional revenue streams to reduce both the borrowing costs and the impact on the Convention Center's ability to issue bonds for its other capital projects. As previously discussed, the hotel deal does not include three tax revenue streams totaling more than $150 million over 45 years. Dedicating one or more of these additional revenue streams to support the bonds could improve coverage ratios and reduce interest costs by accelerating retirement of the debt. The Convention Center could also consider using the rent payments it receives from Omni to further bolster the feasibility of using bonds to make a lump-sum payment.



The proposed Sugar Mill location for the Omni hotel

It is noteworthy that after making the initial investment of $80 million, the hotel project would be a revenue generator for the Convention Center. As the deal is currently structured, the Convention Center will receive more revenue from the hotel than it returns in tax rebates to Omni. The Convention Center's rebated taxes would total an estimated $190.5 million ($64.4 million present value). But it would receive $330 million ($89.1 million present value) in rent payments and tax revenues that it would not rebate to Omni. The Convention Center could tap these revenues to help make the far less costly lump-sum option work.

**Option 4: Eliminate the tax rebates and provide a lump-sum payment equal to 20 years of rebates.** This option maximizes the public savings. It provides Omni with an upfront payment equivalent to the first 20 years of tax rebates. If Omni needs only 20 years of tax rebates to provide sufficient cushion to reach its profit target as BGR's analysis suggests, then it should not matter whether that revenue comes from a stream of annual tax rebates or an equivalent lump-sum payment.

BGR estimates the present value of the tax rebates to Omni through the first 20 years at $97.9 million, net of profit-sharing payments to the Convention Center. Using the same 7% interest rate and 30-year payback schedule for bonds to fund this payment, the public could save an estimated $509.8 million over 45 years, with a present value of $117.6 million. Like Option 1, this option would reduce the present value of Omni's public subsidies by $20.7 million.

BGR does not take a position on which is the best option. Each option has its advantages and tradeoffs. But all would deliver immense savings to the public at little or no cost to Omni. Several months after BGR began raising questions about the public subsidies and reviewing ways to reduce them, Convention Center officials said in December 2025 that they are exploring alternative structures similar to the options in this report.

# CONCLUSION AND RECOMMENDATIONS

Proponents see the planned upscale hotel as both a symbolic and economic catalyst that will draw new visitors and commercial investment to the city. And the development agreement limits the public's risk by making Omni responsible for the ultimate project costs, even if they exceed its projected $520 million investment.

But BGR's analysis demonstrates how ending the tax rebates when they are no longer necessary can save the public substantial sums with little or no impact on Omni's projected profits. Ending the tax rebates after 20 years, for example, could save a projected $504.4 million in public dollars. The present value of Omni's 45-year projected profit would decrease by just 3%. This is because the tax rebates after the 20th year have a substantially lower value to Omni than those in the initial years of the deal. In another option, the Convention Center could replace the tax rebates with an equivalent lump-sum payment, netting a projected $471.1 million in savings for the public.

Potential savings of this magnitude demand that the Convention Center and its board take action to reduce or restructure the tax rebates to align them with the demonstrated need. BGR's analysis shows that the Convention Center can preserve those public resources while still achieving its strategic goal of building a convention headquarters hotel. BGR calls upon Convention Center officials to examine alternative options for the deal that would better serve the public. BGR also urges other elected and public officials to engage in that effort as the project pursues necessary approvals.

Before the hotel deal is finalized, BGR recommends:

- **The Convention Center should negotiate with Omni to reduce the tax rebates by either shortening their term to align them with the demonstrated need or replacing them with a lump-sum payment.** BGR strongly suggests a maximum term for any rebates of 20 years, which is in line with norms and best practices as well as the demonstrated need for this specific project. BGR offers four potential options to reduce the rebates. To make the lump-sum option more feasible, the Convention Center and other tax-rebating entities should consider supplementing the rebates with other tax revenues they would receive from the hotel. As the report demonstrates, this could save more public dollars in the long run. The Convention Center's board – which approved the current 45-year tax rebates without information on their dollar value – should ensure that all public contributions are the minimum necessary for the project to succeed. This would support the project while saving future tax dollars for other public purposes. Such additional capital could be important at a time when the convention business is becoming more competitive.
- **The State and the Louisiana Stadium and Exposition District should scrutinize the size and duration of their planned tax rebates before approving them.** BGR strongly suggests a maximum term of 20 years for the tax rebates. The entities could back the hotel project while also securing substantial savings to apply to their own capital needs in support of New Orleans' economy during the next 45 years.
- **The City administration and the City Council should evaluate the necessity of a payment in lieu of taxes (PILOT) and work with the Convention Center and Omni to (1) limit any such PILOT to a maximum of 20 years and (2) bring the hotel project up to full taxation on its own assessed value over the course of the PILOT term.** City officials should inform their decision on the PILOT by reviewing how much revenue tax recipients would forgo. The maximum term would align the PILOT more closely to Omni's demonstrated need. By gradually ramping up the annual PILOT amount over the course of the PILOT term, the City and other tax-recipient bodies would see steady increases in their tax receipts until they get 100% of the taxes based on the hotel's assessed valuation as determined by the Orleans Parish Assessor. This approach would allow the City and other tax-recipient bodies to enhance their net gain in tax revenues for public services that benefit residents and visitors alike.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# APPENDIX: WHICH TAXES WOULD BE REBATED?

This appendix details the hotel and sales taxes that would be rebated to the new Omni Hotel, based on the hotel development agreement, and places them in context. Table 3 breaks down the rebated and non-rebated portions of:

- The projected 19.25% hotel taxes and assessments applicable to the new Omni Hotel in 2030, which assumes:
  - A new 2% additional hotel tax will be imposed by the Convention Center's Economic Growth and Development District on guests at the Omni Hotel, as contemplated in the hotel development agreement.
  - New Orleans & Company wins approval from its member hotels to increase their hotel assessment from 1.75% to 2.5% in a current vote that is set to conclude on December 19, 2025.
  - The State Legislature does not alter the planned reduction of its hotel and sales taxes by 0.25% each in 2030.
- The projected 10.5% sales tax applicable to the new Omni Hotel in 2030, which includes the Convention Center's food and beverage tax.

The table provides the primary recipients of New Orleans hotel taxes and assessments and sales taxes. It does not account for revenue-sharing agreements that transfer certain portions of tax revenue to other entities.

The hotel development agreement, approved by the Convention Center in January 2025, calls for rebating to Omni only the State's 0.45% hotel tax and the State's 4.45% sales tax rates that were in effect in 2024. However, starting in 2025, the State increased those rates to 1% and 5%, respectively. These rates will run through 2029. They will then decline to 0.75% and 4.75% starting in 2030, the year of the hotel's projected opening. The Convention Center and Omni told BGR they negotiated the rates for the rebated taxes in the development agreement before the State changed the general hotel and sales tax rates. They are not currently considering the increases in those rates for rebate.

## TABLE 3. PROJECTED SALES TAXES AND HOTEL TAXES AND ASSESSMENTS APPLICABLE TO THE FUTURE OMNI HOTEL IN NEW ORLEANS

| | HOTEL TAXES | | SALES TAXES | |
|---|---|---|---|---|
| **Primary Tax Recipient** | **Rebated hotel taxes** | **Non-rebated hotel taxes** | **Rebated sales taxes** | **Non-rebated sales taxes** |
| Louisiana Stadium and Exposition District | 4% | 1% (a) | | |
| New Orleans Ernest N. Morial Convention Center | 3% | $.50 to $2 per night | | 0.75% (b) |
| New Orleans Exhibition Hall Authority Economic Growth and Development District (run by Convention Center board) | 2% (c) | | | |
| State of Louisiana | 0.45% | 0.3% (d) | 4.45% | 0.3% (d) |
| New Orleans & Company (private nonprofit that promotes tourism and conventions) | | 0.97% (a) and 2.5% (e) | | |
| City of New Orleans | | 2.5% | | 2.5% |
| Orleans Parish School Board | | 1.5% | | 1.5% |
| Regional Transit Authority | | 1% | | 1% |
| New Orleans Tourism and Cultural Fund | | $0.50 to $1 per night | | |
| Louisiana Tourism Promotion District | | 0.03% (a) | | |
| **TOTAL** | **9.45%** | **9.8% and $1 to $3 per night** | **4.45%** | **6.05%** |

(a)These are State hotel taxes that the Legislature dedicates to the entity in question.

(b) This tax applies only to sales of food and beverages.

(c) This is a new tax that would be levied upon completion of the hotel deal.

(d) From 2025 through 2029, the non-rebated portion would be 0.55%. Starting in 2030, the year of the hotel's projected opening, the non-rebated portion would decrease to 0.30%. This rate is shown in the table above. For the Louisiana tax rate changes, see La. Acts 2024, Third Extraordinary Session, No. 11, pp. 137-140.

(e) This is a hotel assessment that is the functional equivalent of a tax from the perspective of hotel guests. New Orleans & Company is seeking approval from its member hotels to raise the assessment from 1.75% to 2.5% in a vote being conducted through December 19, 2025. If approved, the organization anticipates the new rate will take effect on January 1, 2026.

# ENDNOTES

1 La. R.S. 33:4710.12.

2 See the Convention Center's website, https://mccno.com/about

3 HVS Convention, Sports & Entertainment, *Market Study: Proposed Hotel, New Orleans, LA, February 10, 2025*, p. 2-4.

4 Ernest N. Morial – New Orleans Exhibition Hall Authority, Official Statement, $125,000,000 Special Tax Revenue Bonds, Series 2025, May 21, 2025, p. 5.

5 Ibid.

6 McAuley, Anthony, "Future of New Orleans River District project in turmoil after developer pulls out of deal," *The Times-Picayune | NOLA.com*, October 30, 2025.

7 Robinson, Jasmine, "River District developers inch closer to securing affordable housing amid uncertainty for the riverside development," *Verite News*, November 28. 2025.

8 The Convention Center provided projections from its consultant, HVS, that hotel room nights due to conventions would increase from 688,000 to 843,600 per year with the new hotel while hotel room nights would decrease to 666,900 per year without the hotel.

9 Hotel Development Agreement for a New Orleans Convention Center Headquarters Hotel by and among Ernest N. Morial-New Orleans Exhibition Hall Authority and Omni Hotels Development Company, LLC and TRT New Orleans QOZ Sub, LP, effective March 10, 2025 (the "Hotel Development Agreement"). Ground Lease Agreement by and between Ernest N. Morial-New Orleans Exhibition Hall Authority, as Lessor, and TRT New Orleans QOZ Sub, LP, as Lessee, effective March 10, 2025 (the "Ground Lease").

10 The Hotel Development Agreement evidences the "mutual intent of the parties with respect to the design, development, construction, ownership, operation and maintenance of the Hotel Project." The Hotel Development Agreement, the Ground Lease and several other agreements still to come will make up the set of "Project Documents" constituting the transaction. A tax rebate agreement, for example, would be part of that set of documents.

11 Hotel Development Agreement, p. 2.

12 Ibid., p. 3.

13 Ibid., pp. 10-11.

14 Ibid., p. 11.

15 HVS *Market Study*.

16 Ibid., pp. A2-11 and A2-12. The estimates total $7.4 million for the state taxing bodies and $7.8 million for local taxing bodies. The study did not further break down the estimates by tax recipient.

17 Ibid., p. 4-31.

18 The $21.8 million for the hotel site includes $19.3 million the Convention Center paid for the Sugar Mill tract and an estimated $2.5 million to buy a one-block segment of John Churchill Chase Street from the City.

19 Official Statement, $125,000,000 Special Tax Revenue Bonds, Series 2025.

20 The district could also levy a 2% sales tax, but Convention Center officials said they do not plan to do so.

21 This reflects the difference between (1) the 9.45% in hotel taxes and 4.45% in sales taxes subject to the rebate in the hotel development agreement and (2) the actual rates, which total 10% and 5%, respectively, through 2029, and then 9.75% and 4.75% thereafter.

22 Hotel Development Agreement, p. 11.

23 The seven competing hotels are: Hilton New Orleans Riverside (1,622 rooms), Marriott New Orleans (1,333 rooms), Hyatt Regency New Orleans (1,193 rooms), Sheraton New Orleans Hotel (1,110 rooms), Roosevelt New Orleans (504 rooms), JW Marriott (501 rooms) and Loews New Orleans (285 rooms). The average of their property taxes may be computed on a "per-key" or overall basis, subject to applicable law. Hotel Development Agreement, p. 11.

24 Ibid.

25 BGR, *New Orleans Needs a Sustainable Budget to Meet Residents' Demands*, September 11, 2025, p. 3. See also BGR reports on the Sewerage & Water Board, the Orleans Parish jail, and other tax-recipient bodies, available at https://www.bgr.org/our-reports

26 The Convention Center told BGR it intends to seek the PILOT under authority in the economic development district's statute, La. R.S. 33:130.865.1, which requires City Council approval.

27 For more information, see BGR's letter to the New Orleans City Council, April 4, 2024, p. 6 of the attached policy, and *Look Before You Leap: Tax Increment Financing in Jefferson Parish*, July 2008, pp. 9 and 11.

28 BGR, *Public Contributions to Convention Center Hotel Demand Scrutiny*, July 19, 2018, p. 8.

29 The Convention Center provided a projection by HVS that indicated the Omni hotel would create demand for an addition 169,000 room nights in its

fourth years of operation. The hotel's projected occupancy for that year is 270,840 room nights. Thus, the new hotel would draw an estimated 101,840 room nights for guests who would otherwise have stayed at existing hotels.

30 Omni counts only its $119 million present value of the 45-year stream of tax rebates and the $80 million proposed upfront payment as public subsidies for its hotel. It does not count the value of the land, as BGR does in its calculations.

31 This savings figure is net of a projected $72.1 million reduction in the profit-sharing payments, or Percentage Rent, that the Convention Center would receive.

32 The financial reserve figure is reported in Fitch Ratings, "Fitch Rates Ernest N. Morial-New Orleans EHA, LA $125MM Special Tax Bonds 'AA+'; Outlook Stable," news release, May 8, 2025.

33 Ibid.

34 The Convention Center's 2024 financial results show that it offset an operating loss of $62.5 million with tax revenues of $69.6 million. It also received nearly $10 million of other net revenue, mainly from investment income, for a $15.6 million overall net increase in its net position. Ernest N. Morial New Orleans Exhibition Hall Authority, Audits of Financial Statements, for the years ending December 31, 2024 and 2023, p. 12.

35 The authority for the Convention Center's New Orleans Exhibition Hall Authority Economic Growth and Development District to use this financing mechanism is found at La. R.S. 33:130.865 (9).

36 La. R.S. 33:9038.34 (I).

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