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BGR MEDIA RELEASE

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BGR: Convention Center Can Secure New Hotel While Reducing Public Subsidies

The Bureau of Governmental Research (BGR) released a report today presenting several ways in which the New Orleans Ernest N. Morial Convention Center can restructure the public subsidies for its convention headquarters hotel project to save substantial tax dollars. And it can do so without jeopardizing this long-sought project to boost convention business and the regional economy.

The Convention Center hopes to finalize a deal in March 2026 for Omni Hotels to build a $600 million, 1,005-room convention headquarters hotel. The Convention Center has pursued this project for more than a decade to attract new conventions, increase attendance and remain competitive with other cities, many of which have added such convention hotels. The new upscale hotel would be the fifth largest hotel in New Orleans, and the first one with at least 1,000 rooms to be built in the city in more than 40 years.

In its report, BGR acknowledges the hotel's strategic importance and does not oppose the project. However, the report raises concerns about the structure and size of the public subsidies, particularly an estimated $836.7 million that Omni would receive over 45 years from taxes paid by hotel guests. The report shows how these tax rebates could continue for decades after they are no longer needed for Omni to hit its profit target. BGR offers four options to reduce the public contributions by about half a billion dollars. These new options would save substantial public resources for other pressing needs while having little or no impact on Omni's profits.

"In short, BGR's independent analysis finds several ways for the Convention Center to achieve a better financial structure for the public in the hotel deal," said Rebecca Mowbray, BGR president and CEO. "We urge the Convention Center, as well as State and City officials who must still approve the subsidies, to carefully consider these options to reduce the public's long-run costs."

There is still time to adjust the public subsidies to align them with the demonstrated need. The hotel must obtain a flurry of approvals in the next few months to meet the Convention Center's finalization target date. The

State of Louisiana and the Louisiana Stadium and Exposition District, which runs the Caesars Superdome and the Smoothie King Center, must agree to join the Convention Center in forgoing tax revenues they would receive from the hotel. The City of New Orleans must also approve height and zoning variances, a property tax incentive, and the sale of part 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 $836.7 million in tax rebates, the Convention Center would pay an estimated $23.7 million for the hotel site and make an $80 million investment payable to Omni to help cover construction costs. Omni, an industry leader in convention hotels, would cover the remaining $520 million and be liable for any cost overruns, limiting the public's financial risk. Omni would also make rent and profit-sharing payments to the Convention Center, resulting in an estimated net public contribution of $669.2 million over 45 years.

Because Omni applies an 11% corporate discount rate to future revenues, tax rebates received decades from now have relatively little present value to the company. From the public's perspective, however, those same rebates represent a significant long-term loss of tax revenue. BGR applied a 5% discount rate that is more in line with expected returns on public investments. In this case, Omni values the $576.4 million it would receive during the last 25 years of the tax rebates at just $20.7 million. But from the public's perspective, this revenue stream has a present value of $105.8 million, more than five times higher. This dynamic creates opportunities to shorten or restructure the rebates with little or no impact on Omni's profitability, while generating large public savings.

BGR identified four ways to reduce the public's long-term costs by roughly half a billion dollars, while preserving the Convention Center's ability to move forward with the hotel project. On a present value basis, BGR estimates the public could save $85.1 million to $117.6 million, while Omni would see little or no lost revenue, as shown in the report.

BGR urges the Convention Center and other public entities to carefully review and reduce the size and duration of the planned tax rebates before granting final approvals. Specifically, BGR recommends:

- **Reducing the duration of the tax rebates** to better align them with the demonstrated need, with 20 years as a maximum term; or

- **Replacing the long-term tax rebates with an equivalent lump-sum payment** that preserves value for Omni while substantially reducing long-term public costs.

BGR also recommends that City officials evaluate the necessity of the payment in lieu of property taxes (PILOT) incentive and work with the Convention Center and Omni to limit any PILOT to a maximum of 20 years and gradually increase the payment to reach full taxation.

By recalibrating the public subsidies, BGR concludes that the Convention Center can still achieve its goal of building a headquarters hotel while preserving hundreds of millions of dollars in future tax revenue for other critical public needs and investments.

Visit BGR's website to read the full report, *It's a Big Deal: Analyzing Ways to Reduce the Public Subsidies for the Convention Center Hotel Project*.

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BGR is a private, nonprofit, independent research organization. Since its founding in 1932, it has been dedicated to informed public policymaking and the effective use of public resources in the Greater New Orleans area. For more information, call (504) 525-4152 or visit BGR's website, www.bgr.org.