July 22, 2014

His Excellency Governor Deval Patrick
Office of the Governor
Room 105
Boston, MA 02133

Dear Governor Patrick:

First, please allow me to express my compliments for the leadership you demonstrated in thwarting the Legislature's attempt to allow the MBTA's pension plan to operate in secrecy. Your efforts to promote a more transparent government have been longstanding.

I ask that you once again exercise leadership to promote transparency.

The $1 billion bill to expand the Boston Convention and Exhibition Center (BCEC) passed with inadequate due diligence about the project's long-term finances. I believe it will saddle the next administration with hundreds of millions of dollars in deficiencies as a result of overly optimistic revenue projections.

I would appreciate your consideration of six facts that underscore the need to veto the bill:

1. The revenue projections for the Massachusetts Convention Center Fund are unrealistic. They assume that hotel tax receipts will increase over the next 30 years at an average annual rate nearly three times greater than the historical growth rate of the statewide hotel tax. Between 2000 and 2014, the rate was 2.3 percent according to the Department of Revenue. Yet, the Massachusetts Convention Center Authority (MCCA) projects increases of 12.5 percent, 10.2 percent, 10.2 percent and 12 percent from 2015 to 2018 and 6 percent thereafter. If the MCCA is proven wrong, the fund will operate at a deficit in the very near term and Boston hotel taxes will have to be raised, which would most certainly have a negative effect on the tourism industry. Boston already has some of the highest hotel and tourism-related taxes in the nation.

2. In the longer term, the convention center fund would require a larger share of the statewide room occupancy tax – reducing funds available for the general fund, the convention centers in Springfield and Worcester, and the tourism fund. In other words, if MCCA's projections are off, the entire commonwealth would end up subsidizing an underfunded convention center and find itself swimming in debt service payments for decades.

3. The MCCA says this project will not cost taxpayers anything because it will use existing tax revenue to fund the expansion, but this assumption is misleading. The original BCEC legislation required bonds to be retired by 2034. After that point, all tax revenue that had been used for debt service could be redirected to pay for other projects, such as school

renovations, transportation improvements, and other vital initiatives. Instead, the expansion legislation will extend the debt service to mid-century, directing billions in tax revenues over the next 30 years to the BCEC.

4. A leading independent study of the national convention center industry reported that convention attendance declined by 1.7% between 2000 and 2011, while the amount of available convention center exhibit hall space ballooned by 35% over the same period. For example, when the BIO conference was held at the BCEC in 2007, it drew an estimated 22,400 attendees. By 2014, the event had shrunk to only 15,000 in San Diego. Similar convention center expansions across the country have failed to deliver promised economic impact; in many cases, post-expansion attendance and hotel room stays have actually fallen, leaving taxpayers on the hook. The BCEC itself has never come close to realizing its original projections. Even if MCCA's current predictions are realized, annual room stays generated after the 2018 expansion would still be below those projected in the facility's original 1997 feasibility study.

5. The hundreds of millions in economic impact the MCCA claims is generated annually by BCEC is an artificially inflated amount because it includes "savings" based on the assumption that every local attendee at a BCEC convention would have travelled to the same event if it were held elsewhere. This assumption does not comport with the fact that about half of convention attendees nationwide are local residents. The MCCA's economic impact estimate ignores this fact and includes local attendees' spending as a savings, despite the fact that a significant proportion of these attendees would not have travelled to the convention if it were held elsewhere.

6. Finally, the legislation exempts the MCCA from the public records law in dangerous ways. The MCCA and its private contractors, vendors, and developers would be allowed to withhold any information they deem to be "commercial or financial information regarding the operation of any business" – a subjective, vague, and overly-broad term. This will prevent taxpayers and policy-makers from being able to review the MCCA's business dealings with the same degree of scrutiny routinely applied to other public entities.

I urge you to scrutinize the revenue projections that underlie this legislation and the public disclosure exemptions that it includes. From Pioneer Institute's perspective, MCCA's revenue estimates are unreliable and its requested public records exemption is unnecessary. For these reasons, I urge you to veto the legislation.

Regards,

Greg Sullivan

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