

MEMORANDUM

APRIL 11, 2013

TO: BOSTON REDEVELOPMENT AUTHORITY AND
PETER MEADE, DIRECTOR

FROM: ALVARO LIMA, DIRECTOR OF RESEARCH
ROBERT LUISI, DIRECTOR OF ADMINISTRATION AND FINANCE

SUBJECT: ECONOMETRIC MODELING AND REPORT BY REGIONAL
ECONOMIC MODELS, INC. THROUGH AN EXISTING CONTRACT

SUMMARY: This Memorandum requests authorization to enter into an amendment/extension to the existing, or a new, contract with Regional Economic Models, Inc. ("REMI") of Amherst, Massachusetts, for econometric modeling and a report to be provided to the City of Boston at a cost not to exceed \$19,000.

The City of Boston ("City") has requested the Boston Redevelopment Authority's assistance in obtaining economic modeling and a report on economic impacts in connection with the City's review of a preliminary proposal to the City regarding gaming at Suffolk Downs in East Boston. The City has determined that the economic modeling and report are crucial to their review. The City has requested the BRA's assistance because the BRA has already been working with REMI under a contract for services that originated under a Request For Proposal and authorization in 1999. By working under the BRA's existing contract, REMI can use the BRA's existing model and avoid a model procurement fee that would have been required by the City.

On November 13, 2012, the BRA Board authorized a one year contract with REMI extending from November 15, 2012 to November 14, 2013. As part of the BRA Board approval, the BRA determined that there are four main reasons that the Research Division wanted to renew the existing contract with REMI: (1) the REMI model for the BRA was custom built in 1999 as a state-of-the-art econometric model of Boston, the surrounding four counties, and the state of Massachusetts, after a competitive bidding process had selected REMI as the most qualified firm and with the lowest competitive cost pricing; (2) the model has had an excellent track record in the preparation of economic impact studies and economic policy simulations over the last thirteen years; (3) use of the REMI model results has allowed the Research Division to make very strategic and economically efficient decisions on policy actions and economic development plans; and (4) even thirteen years after its construction and with annual data upgrading and various timely model improvements no other similar econometric

model could provide the full range of economic tools that the BRA requires for econometric research analysis at such a competitive annual maintenance fee.

The City now needs the REMI economic modeling and report for East Boston. Because no other econometric model exists, REMI is the only practicable source for the required service, and therefore is the sole-source.

The price quote for the amendment/extension to, or a new contract is \$19,000. The City will reimburse the BRA for the contract. The Scope of Work to be provided by REMI is attached to this Board memorandum as Exhibit A.

RECOMMENDATION

BRA staff recommends that the Director be authorized to amend, extend, or enter into a new contract with REMI, using the existing Boston econometric model at a cost not to exceed \$19,000, which cost shall be reimbursed by the City.

An appropriate vote follows:

VOTED: That the Director be, and hereby is, authorized to amend, extend, or enter into a new contract with Regional Economic Models, Inc. ("REMI") for econometric modeling and a report to be provided to the City of Boston at a cost not to exceed \$19,000.

Proposal and Scope of Work for Gaming Analysis for the Boston Redevelopment Authority and City of Boston

Introduction

As part of the upcoming expansion of gaming in Massachusetts, each applicant for a license will submit a proposal that includes estimates of its socioeconomic impacts. It is clear that the host communities will want to fact check or, at the very least, verify the order of magnitude of these predicted impacts. REMI will partner with the Boston Redevelopment Authority (BRA) to provide a third-party analysis of the potential impacts of an expansion of gaming on the current site of Suffolk Downs. The text below summarizes the proposed approach and methodology, data needs, and fees.

Approach

The approach revolves around two main pieces: the PI^+ model and the input data. The proposed model will be the model currently used by BRA which is a three-region, 70-sector, PI^+ model. The regions are Suffolk County, Surrounding Counties (Essex, Middlesex, Norfolk, and Plymouth Counties combined), and Rest of Massachusetts. The sectors roughly align with the three-digit NAICS sectors.

The input data will be provided by Boston to REMI, who acknowledges the receipt of a draft of the data on March 29, 2013. Once Boston confirms that the data collection is complete, REMI will begin the modeling process.

Task 1) Preparation of data. This task includes the collection, aggregation, formatting, editing, and validation of the data provided to REMI and may include requests for clarification or expansion of the data.

Task 2) Selection of model variables. This task is where REMI will define the analytical frame for the gaming expansion. For example, increases in retail at the casino site can be modeled in different ways: with or without displacement of existing activity. It is during this task that REMI will make decisions and assumptions that will affect the final outcome of the project. REMI will document and discuss these assumptions with Boston in Task 4 and make any necessary changes in future drafts.

Task 3) Running of simulation. With variables selected and data prepared, REMI will run the simulations. This task will also include decisions of which data should be presented and in what format.

Task 4) Preparation and discussion of draft results. REMI will provide Boston with electronic copies of the results selected in Task 3 along with a brief detailing any assumptions REMI made in taking the input data and converting it to model inputs. REMI expects that Boston will have suggestions and comments that will require the draft simulation to be rerun. This task concludes when Boston is satisfied with the inputs and assumptions and REMI is satisfied that the simulation objectively and accurately portrays the economic impacts of the input data.

Task 5) Preparation and discussion of draft report. REMI will provide Boston with electronic copies of the report drafted with the simulation results agreed upon in Task 4. Based on guidance provided in previous conversations, REMI will produce a text that is concise and to-the-point and will avoid excessive length. REMI expects that Boston will have suggestions and comments that will require edits to the report's text. This task concludes when Boston is satisfied that the report meets the project's goals and REMI is satisfied that the report objectively and accurately portrays the economic impacts of the input data.

Task 6) Submission of final report.

Fees

Because REMI is using BRA's existing model without modification, there is no model procurement fee associated with this project. REMI proposes a fixed-fee for consulting of \$19,000 for the completion of the above tasks. Any additions to this scope may require additional fees.