

MEMORANDUM

SEPTEMBER 12, 2013

**TO:** BOSTON REDEVELOPMENT AUTHORITY AND  
PETER MEADE, DIRECTOR

**FROM:** ALVARO LIMA, DIRECTOR OF RESEARCH  
KELLY DOWD, RESEARCH MANAGER  
ROBERT LUISI, DIRECTOR OF ADMINISTRATION AND FINANCE

**SUBJECT:** SELECTION OF REGIONAL ECONOMIC MODELS, INC. AS THE  
CHOICE FOR THE ECONOMETRIC MODELING CONSULTANT FOR  
THE BOSTON REDEVELOPMENT AUTHORITY FOR 2013-2014

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**SUMMARY:** This Memorandum requests authorization to select Regional Economic Models, Inc. ("REMI") of Amherst, MA as the econometric modeling consultant for the Boston Redevelopment Authority ("BRA") for the period of one year at a cost not to exceed \$18,200.

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**BACKGROUND**

On November 14, 2013, the Boston Redevelopment Authority's ("BRA") one-year contract with REMI will expire. BRA staff requests that the BRA Board authorize another one year contract with REMI extending from November 15, 2013 to November 14, 2014. There are four main reasons that the Research Division wants to renew this 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 fourteen 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 REMI model is crucial to the mission of the BRA and its Research Division in preparing economic impact and economic simulation studies for the BRA and for the City of Boston. We have looked at other similar consultants and have found no source of the same services and have analyzed the pricing for other similar products that could

be identified. Based on this analysis, we recommend that REMI be selected and approved for another one-year contract. Over the preceding years, the REMI product and services have been excellent. Our studies using REMI have been vital to both evaluating development and policy decisions, and the price of our REMI model has remained very reasonable and competitive with similar providers. There have been no significant problems with the model during its use and subsequently no cause to terminate the contract or seek other vendors.

### **BRA HISTORY WITH REMI**

On October 14, 1999, the BRA board originally approved the selection of the REMI econometric model for a contract to run five years; lasting from November 14, 1999 to November 14, 2004. The selection was made following a fully competitive Request for Proposals (“RFP”) process in which there were only two candidates participating. The RFP outlined three specifications for an econometric model for use by the BRA: (1) forecasting future economic conditions in Boston and the metropolitan region; (2) providing alternative economic impact results from planning efforts and economic development projects in Boston and the metropolitan region; and (3) producing economic policy simulations upon the Boston economy. The econometric model subsequently has been of vital importance to the BRA in its mission to forecast future economic trends in greater Boston and to project the economic impact of specific development projects and planning efforts in Boston and the metropolitan region.

The BRA Board voted to authorize one-year contracts with REMI for the succeeding eight years from 2005 through 2013.

Over the course of the years that the REMI model has been used by the BRA, the Research Division has completed studies for the BRA Director’s office, the Planning Department, the Economic Development Division, the City of Boston’s Office of Special Events and Tourism, the City of Boston’s Collector-Treasurer’s Office, and the Mayor’s Office. A full list of some of the studies and analysis produced using the REMI model is attached as document Appendix One.

The price quote for a one-year 2014 REMI contract is \$18,200, with no increase over the cost of the 2013 contract. The 5-year REMI contract for 1999-2004 was for \$127,800 or an average of \$25,600 annually. The 5-year contract included the cost to build the model (\$56,000) allocated into the first two years of the contract plus annual maintenance and user fees of \$16,800. Because the model had already been built, the fee for the 2005 and 2006 contracts remained at \$16,800. On May 23, 2005, the BRA Board authorized a change to the REMI contract to include adding a new state-wide sector for analysis. This change caused an increase in the contract price to \$18,200 beginning with the 2007 contract and staying the same each year through 2013.

In order to determine the competitive price of REMI, a review of the other RFP costs from 1999 was made and other options for similar products and services were reviewed. The other bid in 1999 by Data Resources Incorporated/Standard and Poor's was for \$324,425 for five years (or an annual average of \$64,885). The current econometric firm which succeeded DRI is named IHS/Global Insight and reviewing its web site offering of products shows that they offer some similar econometric products and services but that an exact replacement product of the REMI – Boston model would require a custom-built product of considerable cost to build. Given this review it is our view that the REMI econometric model for Boston is a unique product with a very competitive price compared with what IHS offers.

A review of IMPLAN, an economic consulting firm located in Wisconsin, which offers data packages that comprise Input-Output multipliers for the U.S., States and Counties was made because these are widely used similar competitors to REMI. An October 2012 review of their web site was made to see which products and services were offered and the prices of such. IMPLAN's annual cost of about \$10,000 was deemed somewhat cheaper but not for exactly comparable products and services at the same level of industry detail as used by REMI. IMPLAN's only comparable product is Input-Output multiplier model at the state and county levels. This a static model (one point in time) not a dynamic (over many years) model with input-output multipliers for economic impact and it also does not have econometric modeling capabilities, economic forecasting abilities, or econometric simulation options within a dynamic general equilibrium framework all of which are offered in the REMI model.

Therefore it is determined that the REMI product is unique and custom built for Boston at an annual maintenance price that is highly competitive and, as such, the product best meets the BRA's needs. The only other two comparable providers with similar products and services available as presented above are not specially built for Boston and do not have all of the same capabilities. And, in addition, the recent use of the REMI model shows no problematic issues which give cause to seek other providers at this time.

### **RECOMMENDATION**

BRA staff recommends that the Director be authorized to extend the REMI contract for one year at a cost not to exceed \$18,200.

An appropriate vote follows:

**VOTED:** That the Director be, and hereby is, authorized to award to Regional Economic Models, Inc. a one-year contract extending from November 15, 2013 through November 14, 2014 for the purpose of providing and maintaining an econometric model for Boston at a cost not to exceed \$18,200.



## APPENDIX ATTACHMENTS

1. Economic Studies Using the Boston REMI Model 2000-2013
2. The current 2012-2013 contract
3. 2011-2012 contract
4. 2010-2011 contract
5. 2009-10 contract
6. 2008-9 contract
7. 2007-8 contract
8. 2006-7 contract
9. 2005 REMI "Upgrade Agreement"
- 9a. 2005-6 contract
10. 2004-5 contract
11. Original 1999 5-Year contract for 2000-2004 (6 pages)
12. Original 1999 REMI bid (2 pages)
13. IMPLAN 2012 pricing for similar but not exact product (5 pages)
14. Global Insight pricing 1999 for similar but not exact product (4 pages)
15. Proposed REMI contract for 2013-2014
16. Proposed BRA contract for 2013-2014