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May 10, 2019

The Honorable Nancy King
Chair, Budget and Taxation
3 W. Miller Senate Building
Annapolis, MD 21401

The Honorable Maggie McIntosh
Chair, Appropriations
121 House Office Building
Annapolis, MD 21401

Dear Chairpersons King and McIntosh:

I have enclosed a copy of the report entitled "Baltimore Convention Center Economic and Fiscal Impact Analysis FY18" prepared by Crossroads Consulting Services, as required by the Financial Institutions Article.

In FY 2018, the Baltimore Convention Center generated almost \$466.6 million in total spending for the State of Maryland. This resulted in State sales tax, State motor vehicle rental tax, State personal and corporate income tax totaling \$38.3 million in State revenues. In FY 2018, the State's share of the operating deficit and \$200,000 capital improvements contribution was about \$5.7 million.

Please contact me if you have any questions.

Sincerely,

Michael J. Frenz
Executive Director

Enclosure

cc: See Distribution List

Distribution List

Honorable Larry Hogan, Governor
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Patrick Frank, Policy Analyst
Max Gross, Budget Analyst

**Baltimore Convention Center
Economic and Fiscal Impact Analysis
Fiscal Year 2018**



Submitted to:

Maryland Stadium Authority

Submitted by:



**Final Report
February 2019**



February 2019

Mr. David Raith, Chief Financial Officer
Maryland Stadium Authority
333 West Camden Street, Suite 500
Baltimore, Maryland 21201

Dear Mr. Raith:

Crossroads Consulting Services, LLC has completed its economic and fiscal impact analysis for the Maryland Stadium Authority associated with operations of the Baltimore Convention Center in Fiscal Year 2018. The report presented herein includes the summary of our analysis.

The information contained in the report reflects analysis of secondary sources of information including, but not limited to, data obtained from management at Maryland Stadium Authority, Baltimore Convention Center and Visit Baltimore. We have utilized sources that are deemed to be reliable but cannot guarantee their accuracy. All information provided to us by others was not audited or verified and was assumed to be correct. We have no obligation, unless subsequently engaged, to update our report or revise the information contained therein to reflect events and transactions occurring after the date of this report.

In accordance with the terms of our engagement letter, the accompanying report is restricted to internal use by the Maryland Stadium Authority and may not be relied upon by any third party for any purpose including financing. Notwithstanding these limitations, it is understood that this document may be subject to public information laws and as such can be made available to the public upon request.

Although you have authorized reports to be sent electronically for your convenience, only the final hard copy report should be viewed as our work product.

We have enjoyed our ongoing relationship with the Maryland Stadium Authority and look forward to providing you with continued service in the future.

Sincerely,

Crossroads Consulting Services, LLC

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EXECUTIVE SUMMARY

Established by the State General Assembly in 1986, the mission of the Maryland Stadium Authority (MSA) is to plan, finance, build and manage sports and entertainment facilities in Maryland; provide enjoyment, enrichment, education and business opportunities for citizens; and develop partnerships with local governments, universities, private enterprise and the community. Its projects promote historic preservation, adaptive reuse, community redevelopment, cultural arts and civic pride. In planning selected projects, the MSA has the latitude to negotiate with other government jurisdictions and other departments within the State. Its mandate includes creating public-private partnerships for financing and operating facilities. The Baltimore Convention Center (BCC) is one of the projects with which MSA is involved.

The BCC is a unique business entity that generates significant economic activity to downtown Baltimore (City) and the State of Maryland (State). The primary purpose of this study is to estimate the total economic and fiscal impacts associated with the ongoing BCC operations to the local and State economies. Total economic impacts are estimated in terms of output, jobs and earnings which create fiscal impacts and are reflected as changes in tax revenues. In addition, this report compares the State tax revenues generated by BCC operations to the State’s financial investment in the BCC during Fiscal Year (FY) 2018.

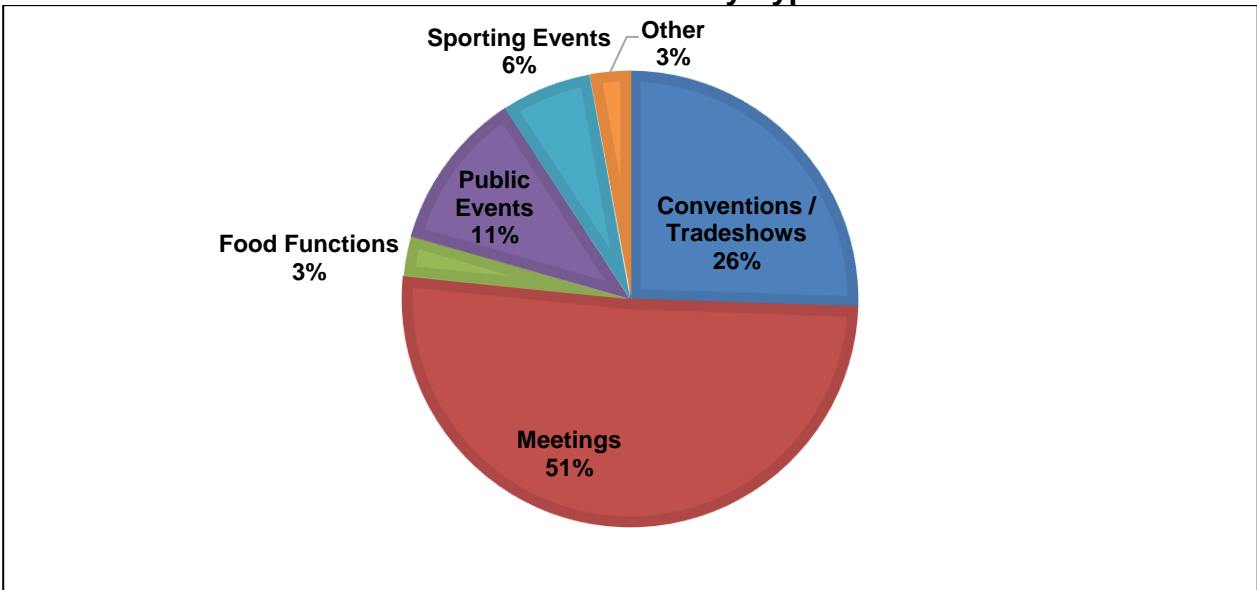
In FY 2018, the BCC hosted 141 events that attracted approximately 473,100 in total attendance which represented a 16% increase in the number of events and an 8% decrease in total attendance from FY 2017. Attendance at convention and tradeshow, which generate significant economic activity, decreased by 27% between FY 2017 and FY 2018.

Summary of Utilization at the BCC - FY 2018				
Event Type	Number of Events	Total Attendance	Attendee Days	Average Attendance Per Event
Conventions/Tradeshows	36	193,407	580,221	5,372
Meetings	72	34,677	52,016	482
Food Functions	4	1,623	1,623	406
Public Events	16	190,423	190,423	11,901
Sporting Events	9	48,513	97,026	5,390
Other	4	4,471	4,471	1,118
Total	141	473,114	925,780	

Source: BCC.

Conventions/tradeshows, which generate significant economic impact, accounted for 36 (or 26%) of the total events at the BCC in FY 2018. Meetings accounted for 72 (or 51%) of the total events at the BCC.

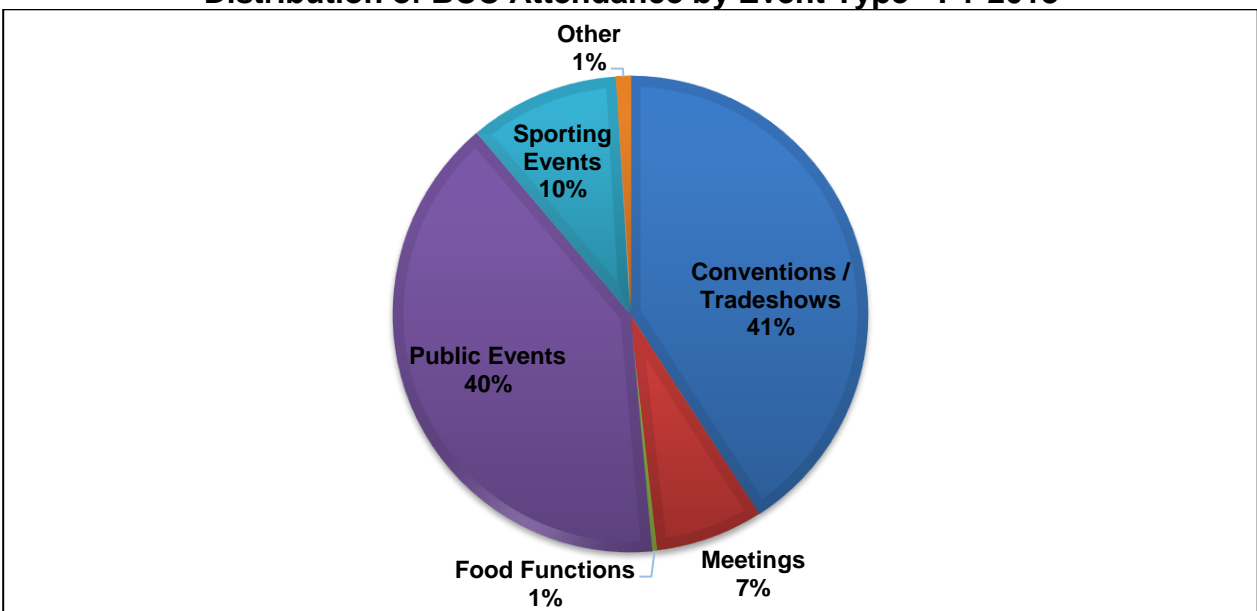
Distribution of BCC Events by Type - FY 2018



Source: BCC.

Conventions/tradeshows accounted for 41% of total attendance in FY 2018 closely followed by public events which represented 40%. Total attendance at conventions/tradeshows in FY 2018 was approximately 193,400 which was 27% less than in FY 2017. Total attendance at public events increased by 12% from approximately 170,500 in FY 2017 to 190,400 in FY 2018.

Distribution of BCC Attendance by Event Type - FY 2018



Source: BCC.

As shown in the table below, event activity at the BCC was estimated to generate approximately \$466.4 million in total output which supported 4,500 total jobs and created \$176.3 million in total earnings at the State level in FY 2018.

Estimated Total Economic Impacts Generated from BCC Operations - FY 2018		
Category	City of Baltimore	State of Maryland
Output		
Direct Spending	\$255,123,000	\$267,297,000
Indirect/Induced Spending	113,278,000	199,094,000
Total Output	\$368,401,000	\$466,391,000
Total Jobs	3,470	4,500
Total Earnings	\$163,603,000	\$176,281,000

Notes: Earnings represent the wages and salaries earned by employees of businesses associated with or impacted by the facility.
Local and State amounts are not additive.

Tax revenues generated from BCC-related activities were estimated to be approximately \$38.3 million in FY 2018, of which approximately \$26.1 million (or 68%) was estimated to occur at the State level.

Estimated Total Fiscal Impacts Generated from BCC Operations - FY 2018	
Entity	Amount
City of Baltimore	\$12,203,000
State of Maryland	\$26,118,000
GRAND TOTAL	\$38,321,000

In FY 2018, the State’s investment in the BCC was approximately \$5.7 million which included contributions towards the operating deficit. The estimated tax revenues generated from BCC operations at the State level resulted in a 4.6 to 1.0 ratio of fiscal benefits to costs for the State, which represents a significant return on investment.

GENERAL METHODOLOGY OVERVIEW

This analysis estimates the total economic contribution generated in the region from the ongoing operations of the BCC including facility operations as well as spending by attendees on items such as lodging, restaurants, retail, entertainment/recreation and transportation. Once the amount for direct spending is quantified, a calculated multiplier is applied to generate the indirect and induced effects. The sum of direct, indirect and induced effects equals total economic impact which is expressed in terms of spending (output), employment (jobs) and personal earnings. This analysis also estimates tax revenues generated from ongoing operations of the BCC.

Methodology – Economic Impact Analysis

Regional input-output models are typically used by economists as a tool to understand the flow of goods and services among regions and measure the complex interactions among them given an initial spending estimate.

Direct Spending

Estimating direct spending is the first step in calculating economic impact. Direct spending represents the initial change in spending that occurs as a direct result of BCC operations. Direct spending occurs both inside and outside of the facility by both local and out-of-town attendees. It is reasonable to assume that a portion of spending from attendees originating in the region is “displaced” or would have occurred somewhere in the regional economy if the event had not been held. On the other hand, attendees from outside the region may not have made purchases in the local economy if the event had not occurred.

No intercept surveys with attendees were conducted as part of this study. Spending estimates are based on data provided by BCC management, Visit Baltimore and other secondary industry research from sources that are deemed to be reliable, but accuracy cannot be guaranteed.

With the increasing number of attendees booking hotels through various online hotel services rather than directly through their event producer or the host city destination marketing organization (DMO), hotel room nights reported are often under reported. DMOs and convention centers are continually improving their data tracking and methods for capturing the number of room nights generated by facility activity. Visit Baltimore and BCC management continually work together to refine estimates that accurately reflect the number and type of attendees and their related spending. Direct spending assumptions used in this report were based on data provided by Visit Baltimore and BCC management as well as other secondary sources.

Multiplier Effect

In an effort to quantify the inputs needed to produce the total output, economists have developed multiplier models. The estimation of multipliers relies on input-output models, a technique for quantifying interactions between firms, industries and social institutions within a local economy. This analysis uses IMPLAN software and databases which are developed under exclusive rights by the Minnesota IMPLAN Group, Inc. IMPLAN, which stands for *Impact Analysis for Planning*, is a computer software package that consists of procedures for estimating local input-output models and associated databases. The IMPLAN software package allows the estimation of the multiplier effects of changes in final demand for one industry on all other industries within a defined economic area. Its proprietary methodology includes a matrix of production and distribution data among all counties in the U.S.

As such, the advantages of this model are that it is sensitive to both location and type of spending and can provide indirect/induced spending, employment and earnings information by specific industry category while taking into account the leakages associated with the purchase of certain goods and services outside the economy under consideration.

Once the direct spending amounts are assigned to a logical category, the IMPLAN model estimates the economic multiplier effects for each type of direct new spending attracted to or retained in the local area and the State resulting from BCC operations. The multipliers used in this analysis reflect IMPLAN's latest available economic data for transactions.

Indirect/Induced Impacts

The economic activity generated by BCC operations affects more than just the facility itself. In preparation for new spending in the economy, several other economic sectors are impacted and jobs are created. Indirect effects reflect the re-spending of the initial or direct expenditures or the business-to-business transactions required to satisfy the direct effect. Induced effects reflect changes in local spending on goods and services that result from income changes in the directly and indirectly affected industry sectors. The model generates estimates of these impacts through a series of relationships using local-level average wages, prices and transportation data, considering commute patterns and the relative interdependence of the economy on outside regions for goods and services.

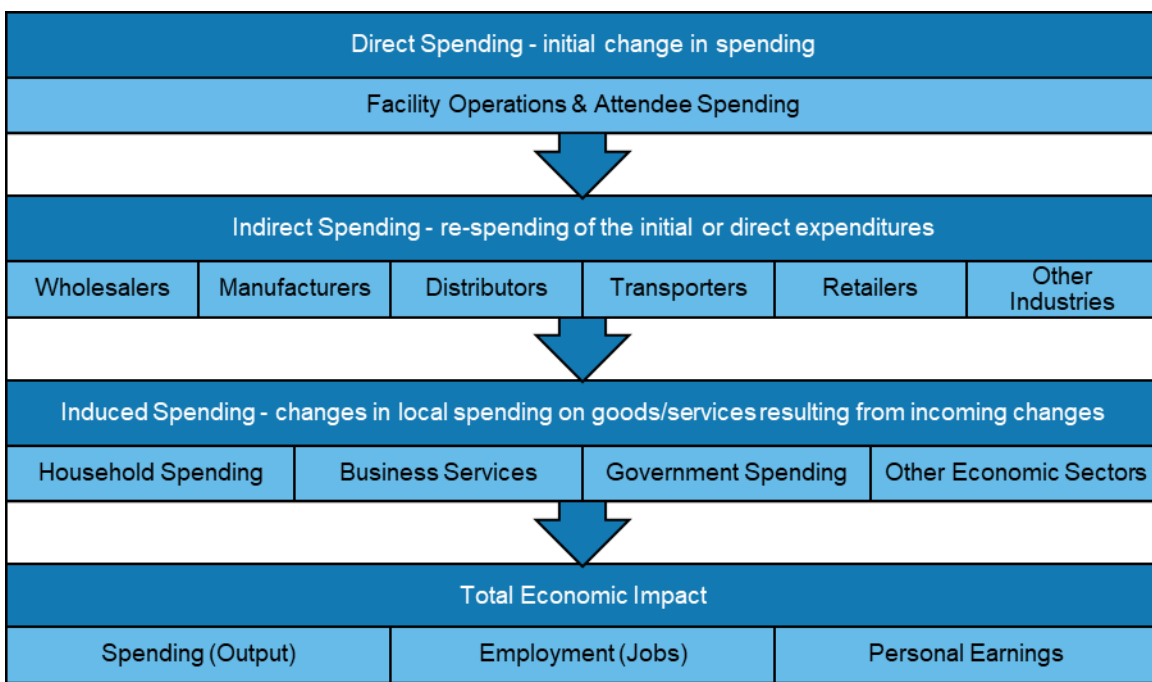
Total Economic Impact

The calculated multiplier effect is then added to the direct impact to quantify the total economic impact in terms of output, employment and earnings which are defined below:

- *Output* represents the total direct, indirect and induced spending effects generated by BCC operations. This calculation measures the total dollar change in spending (output) that occurs in the local economy for each dollar of output delivered to final demand.

- *Employment (jobs)* represents the number of full and part-time jobs supported by BCC operations. The employment multiplier measures the total change in the number of jobs supported in the local economy for each additional \$1.0 million of output delivered to final demand.
- *Personal earnings* represent the wages and salaries earned by employees of businesses associated with or impacted by BCC operations. In other words, the multiplier measures the total dollar change in earnings of households employed by the affected industries for each additional dollar of output delivered to final demand.

The following graphic illustrates the multiplier effects for calculating total economic impact.



Methodology - Fiscal Impact Analysis

The estimated spending generated by ongoing BCC operations creates tax revenues for the City and State. Experience in other markets suggests that while a significant portion of the direct spending likely occurs near the facility, additional spending occurs in other areas within the State, particularly spending on items such as business services and everyday living expense of residents. Major tax sources impacted by facility operations were identified and taxable amounts to apply to each respective tax rate were estimated. Although other taxes, such as property taxes, may also be positively impacted by ongoing BCC operations, this analysis estimated the revenues generated from admissions and amusement tax, hotel/motel tax, local personal income tax and parking tax at the City level as well as sales and use tax, income tax and motor vehicle tax at the State level.

In general terms, all State tax proceeds are collected in the State's General Fund and then allocated to variety of program areas such as education, transportation, public safety and others. As such, individual revenue sources, such as the sales and use tax, are not designated to fund specific programs. As a result of this process, municipalities and counties may benefit from a variety of State and locally administered programs. For purposes of this analysis, only collections have been quantified, without regard as to how these funds are ultimately spent through the individual State departments/funds.

ECONOMIC/FISCAL IMPACT ANALYSIS

General Overview of the BCC

The BCC has been recognized as one of the country's leading convention centers. The state-of-the-art venue is the premier location in the Mid-Atlantic for organizations to host conventions, meetings and other events. The facility has 1,225,000 gross square feet of total space which includes:

Exhibit Space: 300,000 total square feet divisible into seven separate halls

Ballroom Space: 36,700 total square feet divisible into four sections

Meeting Space: 70,500 square feet including 50 meeting rooms that can accommodate between 85 and 1,600 people.

In addition, the facility offers other features including pre-function space, an outdoor terrace and covered pavilion as well as access to the Skywalk, Inner Harbor and hotels via the mezzanine level. The BCC employs approximately 150 full-time and 37 part-time employees.

The City and the State benefit from the facility's operations in several ways, including such tangible and intangible benefits as:

- Enhancing the area's image as a business, meetings and tourist destination;
- Receiving increased regional and national exposure through destination marketing and visitation;
- Providing a first-class meeting venue for area residents and out-of-town delegates/attendees;
- Serving as a catalyst for further urban redevelopment initiatives; and
- Generating additional economic activity and enhanced fiscal revenues.

Each of these benefits is important in assessing the overall impacts of ongoing BCC operations to the region. While the value of many of these benefits is difficult to measure, the economic activity can be quantified. Based on information from a variety of sources including, but not limited to, representatives from area governmental agencies, BCC management, Visit Baltimore and secondary research, this report summarizes the estimated total economic and fiscal impacts at the City and State levels generated from ongoing BCC operations in FY 2018.

Summary of Event Activity at the BCC

The following table summarizes the event activity at the BCC for FY 2018.

Summary of Utilization at the BCC - FY 2018				
Event Type	Number of Events	Total Attendance	Attendee Days	Average Attendance Per Event
Conventions/Tradeshows	36	193,407	580,221	5,372
Meetings	72	34,677	52,016	482
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Public Events	16	190,423	190,423	11,901
Sporting Events	9	48,513	97,026	5,390
Other	4	4,471	4,471	1,118
Total	141	473,114	925,780	

Source: BCC.

The number of attendee days is an important component in the methodology used to calculate economic impact. For all event types other than food functions, public events and other events, an attendee day is defined as total attendance multiplied by the event length. For example, a three-day convention with 600 delegates equates to 1,800 attendee days which reflects that the same delegates return to the event each of the three days. Attendee days for food functions, public events and other events are the same as total attendance since these attendees generally attend only once during the event. Conventions and tradeshows are a primary driver of economic impact because attendees at these events typically generate more overnight stays than other event types. Conventions and tradeshows combined accounted for 41% of total attendance at the BCC in FY 2018. However, attendance at conventions and tradeshows decreased by 27% from FY 2017.

Estimated Total Economic Impacts from BCC Operations

The table below summarizes the estimated total economic impacts generated from ongoing BCC operations in terms of output, jobs and earnings and is followed by a discussion of each component.

Estimated Total Economic Impacts Generated from BCC Operations - FY 2018		
Category	City of Baltimore	State of Maryland
Output		
Direct Spending	\$255,123,000	\$267,297,000
Indirect/Induced Spending	113,278,000	199,094,000
Total Output	\$368,401,000	\$466,391,000
Total Jobs	3,470	4,500
Total Earnings	\$163,603,000	\$176,281,000

Notes: Earnings represent the wages and salaries earned by employees of businesses associated with or impacted by the facility.

Local and State amounts are not additive.

Direct Spending

Attendee Spending – Attendee spending occurs both inside and outside of the BCC. Utilization at the BCC was used to calculate attendee spending. Daily spending amounts were assigned to overnight attendees, who were estimated to stay overnight in a hotel, and daytripper attendees, who likely originate from the area or just drive in for the day.

Sponsoring Organization/Event Producer & Exhibitor Spending – Sponsoring organizations/event producers have substantial investments in the events that they host. These organizations purchase goods and services from either the BCC or from outside sources. In addition, exhibitors often spend money outside of the facility to entertain existing and potential clients.

BCC Operations – This category refers to operating revenues generated by the BCC from sources such as rental income, food service, event services (e.g., electrical fees/utility commissions, phone commissions, audio/visual fees) and other miscellaneous income. The majority of BCC revenues are included in attendee and sponsorship organization/event producer and exhibitor spending.

Summary of Direct Spending Inputs – Based on this information, the direct spending related to attendees, sponsoring organizations/event producers, exhibitors and facility operations at the BCC is estimated to be \$267.3 million at the State level, of which \$255.1 million was estimated to occur in the City.

Indirect and Induced Impacts

Based on the IMPLAN model, indirect/induced spending spurred by BCC operations is estimated to generate \$199.1 million at the State level, of which \$113.3 million is estimated to occur in the City.

Total Output

Outputs from the IMPLAN model indicate that total spending (i.e., direct, indirect and induced) from BCC operations in FY 2018 is estimated to be \$466.4 million at the State level, of which \$368.4 million was estimated to occur in the City.

Total Jobs

Based on the IMPLAN model, which calculates the number of jobs per \$1.0 million in direct spending, the economic activity associated with BCC operations in FY 2018 is estimated to generate 4,500 total jobs at the State level, of which 3,470 jobs were estimated to be at the City level. These jobs are created in many sectors of the economy, which both directly and indirectly support the increased level of business activity in the area.

Total Earnings

Outputs from the IMPLAN model indicate that total earnings generated from BCC operations in FY 2018 were estimated to be \$176.3 million at the State level, of which \$163.6 million was estimated to occur in the City.

Estimated Total Fiscal Impacts from BCC Operations

As summarized in the table below, the total annual tax revenues related to ongoing operations of the BCC were estimated to be \$12.2 million at the City level and \$26.1 million at the State level. Approximately 68% of estimated tax revenues occur at the State level primarily driven by sales and use tax.

Estimated Total Fiscal Impacts Generated from BCC Operations - FY 2018	
Entity	Amount
City of Baltimore	\$12,203,000
State of Maryland	\$26,118,000
GRAND TOTAL	\$38,321,000

The following provides a description of the taxes estimated in this analysis.

City of Baltimore Taxes

Hotel/Motel Tax – The City of Baltimore levies a hotel/motel tax of 9.5% on all gross amounts of money paid to the owners or operators of hotels in the City by transient guests or tenants for renting, using or occupying a room or rooms in those hotels for sleeping accommodations. The hotel/motel tax does not include State sales tax.

Local Personal Income Tax – The City of Baltimore imposes a local personal income tax of 3.2% which is calculated as a percentage of taxable income. For purposes of this analysis and based on information provided by the Comptroller of Maryland, an effective tax rate was calculated. Because local income tax is based on where you live, not where you work, only a portion of the personal income taxes generated by operations of the BCC occur in the City of Baltimore.

Parking Tax – The parking tax is a local tax collected by the State Comptroller’s Office for local municipalities based on the gross amount paid for occupying a parking space. The parking tax rate is currently 20% in the City of Baltimore.

Admissions and Amusement Tax - The admissions and amusement tax is a local tax collected by the Comptroller’s Office for Maryland’s counties and Baltimore City, incorporated cities and towns and the MSA. The tax is imposed on the gross receipts from admissions, the use or rental of recreational or sports equipment and the sale of merchandise, refreshments or services at a nightclub or similar place where entertainment is provided. Admissions and amusement tax rates are set by local officials and vary by locality and by activity with a few exceptions and special situations. The City of Baltimore applies a 5% tax on movies on the historic register and single-screen movie theatres and a 10% tax on the admission or amusement cost for all other activities such as movies, athletic events, concerts and golf. If the gross receipts from the activity is also subject to the sales and use tax, the admissions and amusement tax is limited to 5%.

State of Maryland Taxes

Sales and Use Tax – The State of Maryland collects 6% sales and use tax from sales and leases of tangible personal property and services throughout the State and a 9% tax on alcoholic beverages. For purposes of this analysis, the 6% tax rate is applied to estimated taxable spending at the State level generated by BCC operations which represents a conservative estimate relative to the sale of alcoholic beverages.

Personal Income Tax – The State of Maryland imposes a personal income tax assessed against personal income earned in the State. The State income tax is a graduated rate ranging from 2.0% to 5.75% of taxable income. Non-residents are subject to a special nonresident tax rate of 1.75% in addition to the State income tax rate. For purposes of this analysis and based on information provided by the Comptroller of Maryland, an effective tax rate was calculated and applied to a portion of total earnings at the State level.

Corporate Income Tax – A corporate income tax of 8.25% of corporate federal taxable income adjusted by State modifications is also levied by the State of Maryland on corporations. For purposes of this analysis and based on information provided by the Comptroller of Maryland, an effective tax rate was calculated and applied to a portion of total output at the State level.

Motor Vehicle Rental Tax – The State imposes an 11.5% tax on short-term passenger car and recreational vehicle rentals.

Summary of Estimated Total Economic and Fiscal Impacts for BCC – FY 2018

The BCC is a unique business entity that generates significant economic activity to downtown Baltimore and the State of Maryland. In FY 2018, the BCC hosted 141 events that attracted approximately 473,100 in total attendance and approximately 926,000 attendee days which was estimated to generate direct spending of approximately \$255.1 million in the City and \$267.3 million in the State (including the City). Outputs from the IMPLAN model indicate that BCC operations in FY 2018 generated total spending (i.e., direct, indirect and induced impacts) of approximately \$368.4 million in the City and \$466.4 million in the State (including the City). This spending was estimated to support approximately 4,500 jobs in the State that created \$176.3 million in personal earnings at the State level. In addition, these transactions were subject to taxes that were estimated to generate approximately \$38.3 million in FY 2018 including \$26.1 million at the State level.

In FY 2018, the State's investment in the BCC was approximately \$5.7 million which included contributions towards the operating deficit. The estimated tax revenues generated from BCC operations at the State level resulted in a 4.6 to 1.0 ratio of fiscal benefits to costs for the State, which represents a significant return on investment.