

**Montgomery County Conference 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 Montgomery County Conference 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 and Montgomery County Conference Center. 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

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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 Montgomery County Conference Center (MCCC) is one of the projects with which MSA is involved.

The MCCC is part of the Bethesda North Marriott Hotel and Conference Center. The MCCC generates significant economic activity to Montgomery County (County) 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 operations of the MCCC as a stand-alone entity. This report only accounts for the conference center component. 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 MCCC operations to the State's financial investment in the MCCC during Fiscal Year (FY) 2018.

In FY 2018, the MCCC hosted 950 functions that generated approximately 103,900 total covers (meals) and 52,700 room nights. A cover, a common measurement in the hotel/conference center industry, is defined as a table setting or a meal for a person. For example, one-person eating breakfast, lunch and dinner equals three covers.

Between FY 2017 and FY 2018, total covers decreased by 19% and the number of total covers from group business decreased by 46%. However, the MCCC experienced an 8% increase in the number of daytrippers and a 5% increase in the number of room nights between FY 2017 and FY 2018. In addition, total spending per attendee day for both daytrippers and group business increased in FY 2018.

As shown in the following table, event activity at the MCCC was estimated to generate approximately \$44.5 million in total output which supported 440 jobs and created \$16.3 million in personal earnings at the State level in FY 2018. Between FY 2017 and FY 2018, total spending increased by over 25% at the State level.

Estimated Total Economic Impacts Generated From MCCC Operations - FY 2018	
Category	State of Maryland
<b>Output</b>	
Direct Spending	\$26,659,000
Indirect/Induced Spending	17,832,000
Total Output	<u>\$44,491,000</u>
<b>Total Jobs</b>	440
<b>Total Earnings</b>	\$16,276,000

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

Tax revenues generated from MCCC-related activities were estimated to be approximately \$3.8 million in FY 2018, of which approximately \$2.9 million (or 76%) was estimated to occur at the State level. These estimates represent a 23% increase at the County level and 40% increase at the State level over FY 2017.

Estimated Total Fiscal Impacts Generated From MCCC Operations - FY 2018	
Entity	Amount
Montgomery County	\$909,000
State of Maryland	\$2,896,000
<b>GRAND TOTAL</b>	<b>\$3,805,000</b>

In FY 2018, the State’s investment in the MCCC was approximately \$1.6 million towards debt service. The estimated tax revenues generated from MCCC operations at the State level resulted in a 1.9 to 1.0 ratio of fiscal benefits to costs for the State.

## GENERAL METHODOLOGY OVERVIEW

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This analysis estimates the total economic contribution generated from the ongoing operations of the MCCC. No intercept surveys with attendees were conducted as part of this study. Spending estimates are based on data provided by facility management.

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 MCCC.

### 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 MCCC operations. The spending quantified in this analysis relates to attendee and event-related spending that occurs inside the MCCC. Although it is likely that attendees spend money outside of the facility, no data was available to provide a realistic estimate. As such, this category of spending was not included in this analysis. Therefore, the resulting economic and fiscal impacts represent a conservative estimate.

#### 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 effects, 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 an appropriate category, the IMPLAN model estimates the economic multiplier effects for each type of direct new spending attracted to or retained in the State resulting from MCCC operations. The multipliers used in this analysis reflect IMPLAN's latest available economic data for transactions.

### Indirect/Induced Impacts

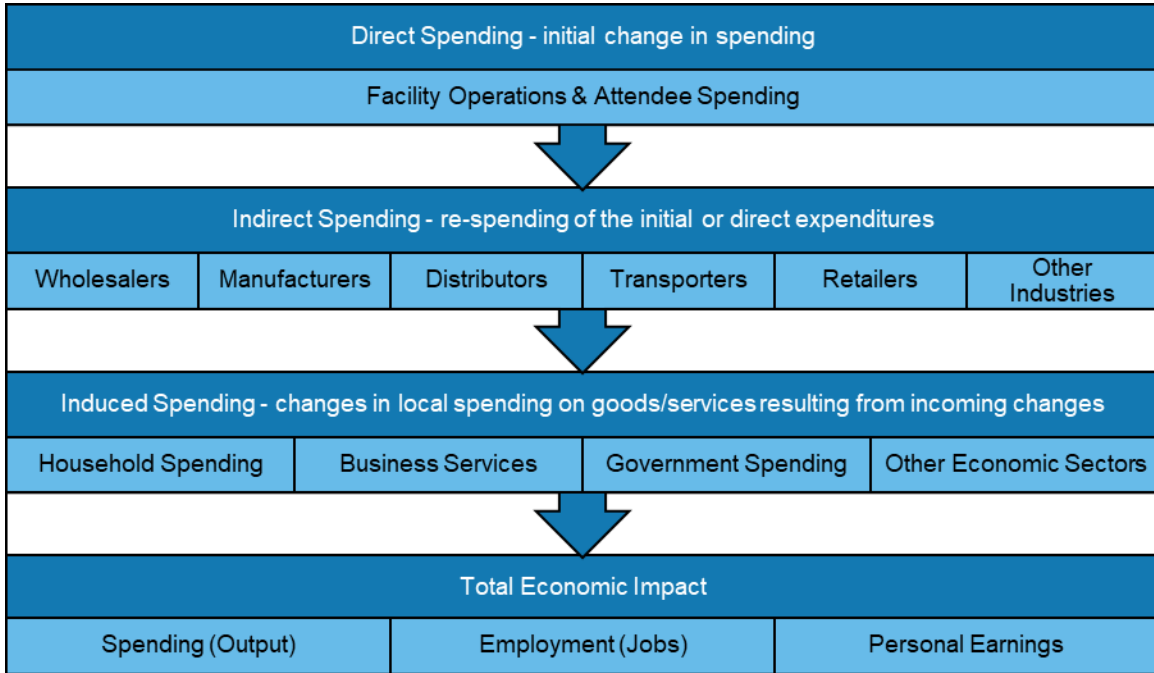
The economic activity generated by MCCC operations affects more than just the facility itself. In preparation for new spending in the economy, several other economic sectors are impacted and jobs are created. Indirect effects reflect the re-spending of the initial or direct expenditures or the business-to-business 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 MCCC 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 MCCC 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 MCCC 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 MCCC operations creates tax revenues for the County 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 MCCC operations, this analysis estimated the revenues generated from hotel/motel tax and local personal income at the County level as well as sales and use tax and income 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**

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### **General Overview of the MCCC**

Completed in 2004 and located in the heart of Bethesda, the MCCC was built in conjunction with the Bethesda North Marriott Hotel that was developed by Quadrangle Development Corporation in association with Marriott Hotels. In January of 2009, the Bethesda North Marriott Hotel completed an expansion that increased its number of rooms from 225 to 436.

The MCCC features approximately 39,000 SF of total meeting space including 13 meeting rooms. The 23,000 SF Grand Ballroom can accommodate receptions for up to 2,500 guests and seated banquets for approximately 1,600 patrons. The center also includes a 2,500 SF amphitheater with seating for 120. All lower level meeting rooms are compliant with the standards established by the International Association of Conference Centers (IACC). The hotel is also equipped with state-of-the-art technology that enables conferences to be broadcast throughout the country.

The State benefits 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 State and regional 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 development initiatives in the area; and
- Generating additional economic activity and enhanced fiscal revenues.

Each of these benefits is important in assessing the overall impacts of ongoing MCCC operations. 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, MCCC management and secondary research, this report summarizes the estimated total economic and fiscal impacts generated from ongoing MCCC operations in FY 2018 .

### **Summary of Event Activity at the MCCC**

According to information provided by management, the MCCC generated approximately 103,900 total covers (meals) and 52,700 room nights between July 1, 2017 and June 30, 2018. The total number of group business-related covers (meals) decreased by 46% between FY 2017 and FY 2018. However, the MCCC experienced an 8% increase in the number of daytrippers and a 5% increase in the number of room nights between FY 2017 and FY 2018. In addition, total spending per attendee day for both daytrippers and group business increased in FY 2018.

## Estimated Total Economic Impacts from MCCC Operations

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

Estimated Total Economic Impacts Generated From MCCC Operations - FY 2018	
Category	State of Maryland
<b>Output</b>	
Direct Spending	\$26,659,000
Indirect/Induced Spending	17,832,000
<b>Total Output</b>	<b>\$44,491,000</b>
<b>Total Jobs</b>	440
<b>Total Earnings</b>	\$16,276,000

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

### Direct Spending

Because multiple functions can occur during one event and covers (meals) can attract the same person several times (e.g., breakfast, lunch and dinner), it is difficult to accurately measure attendance and per day spending amounts. As such, MCCC management provided lodging, food/beverage and other revenues for daytrippers, who likely originated from the area, and for group business that stayed overnight and generated room nights. Based on these spending amounts by category, the number of hotel room nights generated and the average daily room rate supplied by MCCC management, direct spending generated from MCCC operations in FY 2018 was estimated to be \$26.7 million.

### Indirect and Induced Impacts

Based on the IMPLAN model, indirect/induced spending spurred by MCCC operations is estimated to generate \$17.8 million at the State level.

### Total Output

Outputs from the IMPLAN model indicate that total spending (i.e., direct, indirect and induced) from MCCC operations in FY 2018 is estimated to be \$44.5 million at the State level.

### 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 MCCC operations in FY 2018 is estimated to generate 440 total jobs at the State 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 IMPLAN model indicate total earnings generated from MCCC operations in FY 2018 were estimated to be \$16.3 million at the State level.

**Estimated Total Fiscal Impacts From MCCC Operations**

As summarized in the table below, the total annual tax revenues related to ongoing operations of the MCCC were estimated to be \$909,000 at the County level and \$2.9 million at the State level. Approximately 76% of estimated tax revenues occur at the State level primarily driven by sales and use tax.

Estimated Total Fiscal Impacts Generated From MCCC Operations - FY 2018	
Entity	Amount
Montgomery County	\$909,000
State of Maryland	\$2,896,000
<b>GRAND TOTAL</b>	<b>\$3,805,000</b>

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

Montgomery County Taxes

*Hotel/Motel Tax* – The County taxes the furnishings of lodging within the County. The hotel/motel tax does not include State sales tax. The current hotel/motel tax rate is 7.0%. This rate was applied to 100% of the estimated direct hotel spending.

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

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 MCCC 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.

## **Summary of Estimated Total Economic and Fiscal Impacts for MCCC – FY 2018**

The MCCC is a unique business entity that generates significant economic activity to the State. In FY 2018, the MCCC hosted 950 functions that generated approximately 52,700 room nights and 103,900 total covers, a common measurement in the hotel/conference center industry.

The functions held at the MCCC were estimated to generate approximately \$26.7 million in direct spending to the County and the State. Outputs from the IMPLAN model indicate that MCCC operations in FY 2018 generated total spending (i.e., direct, indirect and induced impacts) of approximately \$44.5 million in the State. This spending was estimated to support approximately 440 jobs in the State that created \$16.3 million in personal earnings. In addition, these transactions were subject to taxes that were estimated to generate \$3.8 million in FY 2018 including \$2.9 million at the State level.

In FY 2018, the State's investment in MCCC was approximately \$1.6 million towards debt service. The estimated tax revenues generated from MCCC operations at the State level resulted in a 1.9 to 1.0 ratio of fiscal benefits to costs for the State.