



ECONOMIC AND FISCAL IMPACT ANALYSIS OF THE BALTIMORE CONVENTION CENTER

FISCAL YEAR 2023

SUBMITTED TO: MARYLAND STADIUM AUTHORITY



December 2023

Ms. Dawn Abshire, Chief Financial Officer
Maryland Stadium Authority
The Warehouse at Camden Yards
333 West Camden Street, Suite 500
Baltimore, Maryland 21201

Dear Ms. Abshire:

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 2023. 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 Baltimore Convention 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.

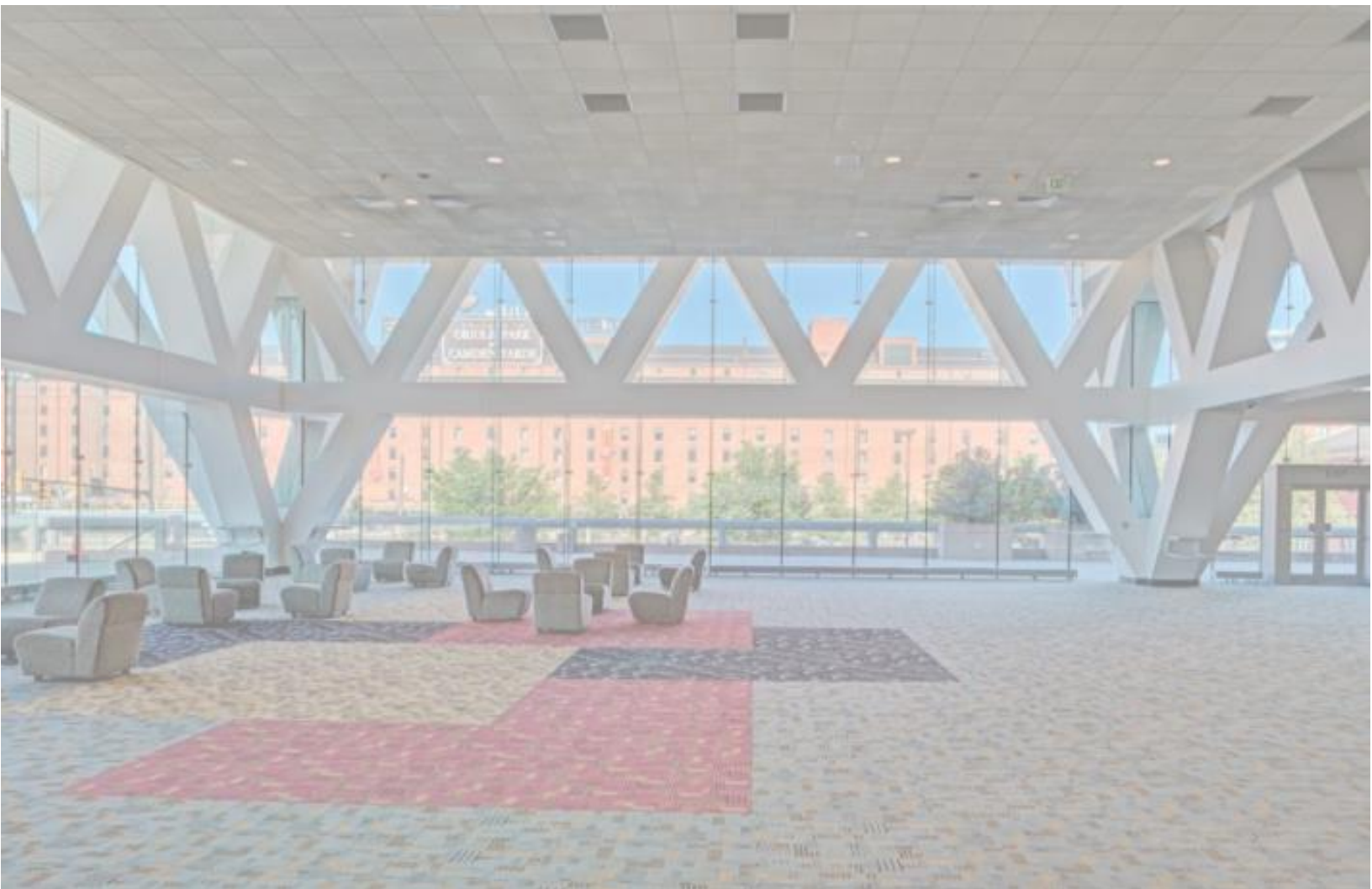
We have enjoyed our ongoing relationship with the Maryland Stadium Authority and look forward to providing you with continued service in the future.

Sincerely,

Crossroads Consulting Services, LLC

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1. EXECUTIVE SUMMARY

Established by the State General Assembly in 1986, the original mission of the Maryland Stadium Authority (MSA) was to build, manage and maintain quality facilities to retain major league baseball, and return NFL football to Maryland. For over 35 years, MSA has completed projects in partnership with local governments, universities and the private sector throughout Maryland. These include convention centers, museums, theaters, parks and campus centers in addition to sports arenas. MSA is committed to enhancing the Maryland experience for those who live, work and visit here. In addition, MSA currently oversees projects such as 21st Century School Buildings Program and Project C.O.R.E (Creating Opportunities for Renewal and Enterprise) which orchestrates the demolition of blighted structures throughout Baltimore City. The sports commission for the State, known as Maryland Sports, is a division of MSA and has been since its existence in 2008.

MSA's 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 generates significant economic activity to downtown Baltimore (City) and Maryland (State). The primary purpose of this study is to estimate the total economic and fiscal impacts associated with the operations of the BCC in Fiscal Year (FY) 2023. There are different methods used by economists to estimate economic impact. One method is to exclude spending by residents and only estimate the impact of spending by visitors. Another method is to include both resident and visitor spending, which provides an understanding of the total economic contribution generated to a specific economy. This analysis includes both resident and visitor spending and, as such, estimates the total economic contribution of the BCC in FY 2023. Total economic impacts are estimated in terms of output (spending), employment (jobs) and labor income which create tax revenues. In addition, this report compares the State tax revenues generated by BCC operations to the State's financial investment during FY 2023.

The BCC hosted 104 events that accounted for 401 use days and 405,560 in total attendance in FY 2023.

| Summary of Utilization at the BCC - FY 2023 | | | | | | |
|---|------------------|----------------|------------------|----------------|------------------------------|--|
| Event Type | Number of Events | Total Use Days | Total Attendance | Attendee Days | Average Attendance Per Event | |
| Conventions & Tradeshows | 20 | 124 | 92,077 | 245,326 | 4,604 | |
| Meetings | 49 | 122 | 52,382 | 104,764 | 1,069 | |
| Food Functions | 4 | 7 | 17,500 | 17,500 | 4,375 | |
| Public Events | 18 | 68 | 145,875 | 145,875 | 8,104 | |
| Sporting Events | 12 | 39 | 97,726 | 195,452 | 8,144 | |
| Other | 1 | 41 | 0 | 0 | 0 | |
| TOTAL | 104 | 401 | 405,560 | 708,917 | | |

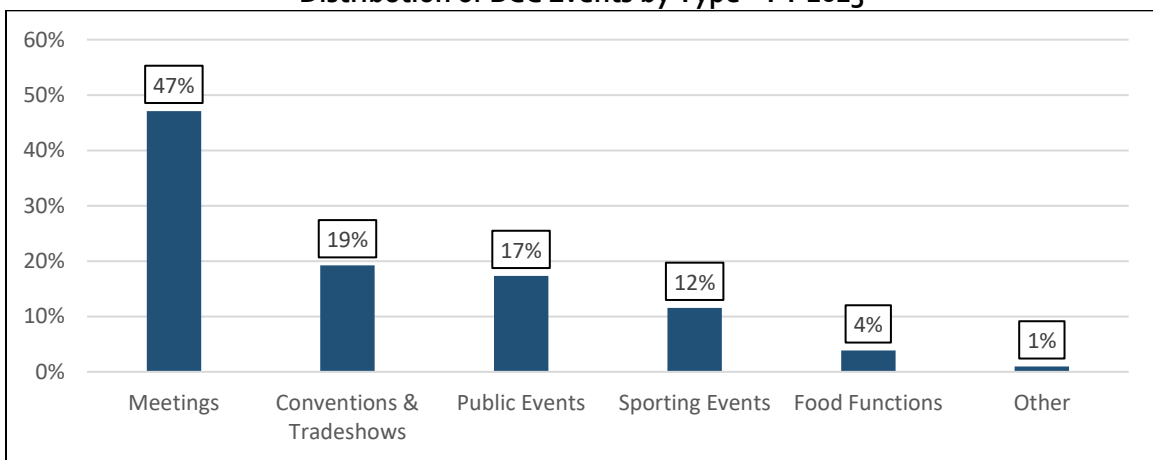
Note: Total use days include event days and move-in/move-out days.

Source: BCC.

The BCC hosted events in conjunction with the Central Intercollegiate Athletic Association (CIAA) Men’s and Women’s Basketball Championship that was held in February 2023. As provided by BCC management, attendance and related economic impact associated with the CIAA is included in this analysis under sporting events. The BCC hosted multiple activities including the Capital One CIAA Career Expo, John B. McLendon, Jr. CIAA Hall of Fame Breakfast, Capital One CIAA Battle of the Bands, CIAA Fan Fest Wendy’s CIAA Step Show Throwdown and Steppoff and U.S. Army CIAA NBA 2K23 Tournament. The CFG Bank Arena hosted the basketball games and other area venues held various entertainment activities, meetings and social functions associated with the event.

In FY 2023, meetings accounted for 47% of total events at the BCC followed by conventions/trade shows (19%) and public events (17%).

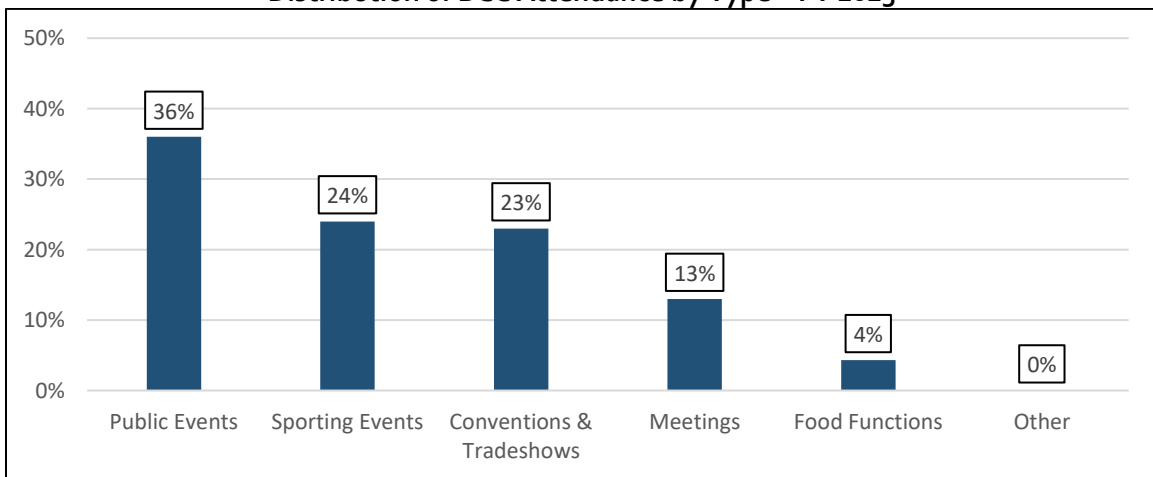
Distribution of BCC Events by Type – FY 2023



Source: BCC management.

Public events accounted for 36% of total attendance in FY 2023 followed by sporting events which represented 24% and conventions/trade shows at 23%. In FY 2023, total attendance at conventions/trade shows, which generate significant economic activity, was 92,077 which was 10% more than in FY 2022. Overall, total attendance increased by 44% from FY 2022 to FY 2023.

Distribution of BCC Attendance by Type – FY 2023



Source: BCC management.

As shown in the following table, event activity at the BCC was estimated to generate approximately \$225.5 million in total output which supported 1,600 total jobs and approximately \$82.5 million in total labor income at the State level in FY 2023.

| Estimated Total Economic Contribution from BCC Operations - FY 2023 | | |
|---|-------------------|-------------------|
| Category | City of Baltimore | State of Maryland |
| Output | | |
| Direct Spending | \$121,810,000 | \$134,160,000 |
| Indirect & Induced Spending | 46,640,000 | 91,320,000 |
| Total Output | \$168,450,000 | \$225,480,000 |
| Total Jobs (Full-Time & Part-Time) | 1,200 | 1,600 |
| Labor Income | \$67,780,000 | \$82,480,000 |

Note: Local and State amounts are not additive.

Tax revenues generated from BCC-related activities were estimated to be approximately \$17.0 million in FY 2023, of which \$12.3 million (or 72%) was estimated to occur at the State level.

| Estimated Tax Revenues Generated from BCC Operations - FY 2023 | |
|--|---------------------|
| Entity | Amount |
| City of Baltimore | \$4,700,000 |
| State of Maryland | \$12,300,000 |
| GRAND TOTAL | \$17,000,000 |

In FY 2023, the State's investment in the BCC was approximately \$10.7 million which included its contribution towards the operating deficit and capital. The estimated tax revenues generated from BCC operations at the State level resulted in a 1.2 to 1.0 ratio of fiscal benefits to costs for the State.

2. GENERAL METHODOLOGY

This analysis estimates the total economic contribution generated from BCC operations in FY 2023. There are different methods used by economists to estimate economic impact. One method is to exclude spending by residents and only estimate the impact of spending by visitors. Another method is to include both resident and visitor spending, which provides an understanding of the total economic contribution generated to a specific economy. This analysis includes both resident and visitor spending and, as such, estimates the total economic contribution of the BCC in FY 2023.

Direct 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 output (spending), employment (jobs) and labor income. This analysis also estimates tax revenues generated from BCC operations in FY 2023.

The amount and type of event activity, origin of attendees, facility financial operations, industry trends, economic conditions, spending estimates, distribution of spending, multipliers and specific taxes quantified are variables that influence the economic and fiscal impact estimates.

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 including operating expenses and capital improvements. Direct spending also occurs outside the facility by both local and out-of-town attendees on items such as lodging, restaurants, retail, entertainment/recreation, transportation and business services. 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 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.

Multiplier Effect

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 IMPLAN Group, LLC. 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.

Advantages of this model are that it is sensitive to both location and type of spending and provides indirect and induced spending, employment and earnings information by specific industry category while considering 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 industry category, the IMPLAN model estimates the economic multiplier effects for each type of direct 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 and Induced Impacts

Indirect impacts reflect the re-spending of the initial or direct expenditures, or the business-to-business transactions required to satisfy the direct effect (e.g., impacts from non-wage expenditures). For example, an attendee's direct expenditures at the hotel restaurant require the hotel owner to purchase food and items from suppliers. The portion of these purchases that are spent within the area economy are indirect impacts.

Induced impacts reflect changes in local spending by households on goods and services that result from income changes in the directly and indirectly affected industry sectors (e.g., impacts from wage expenditures). For instance, a waitress at the hotel restaurant could have more personal income due to an attendee's visit to the restaurant. The amount of increased income that the employee spends in the community is an induced impact.

The model generates estimates of these impacts through a series of relationships using 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

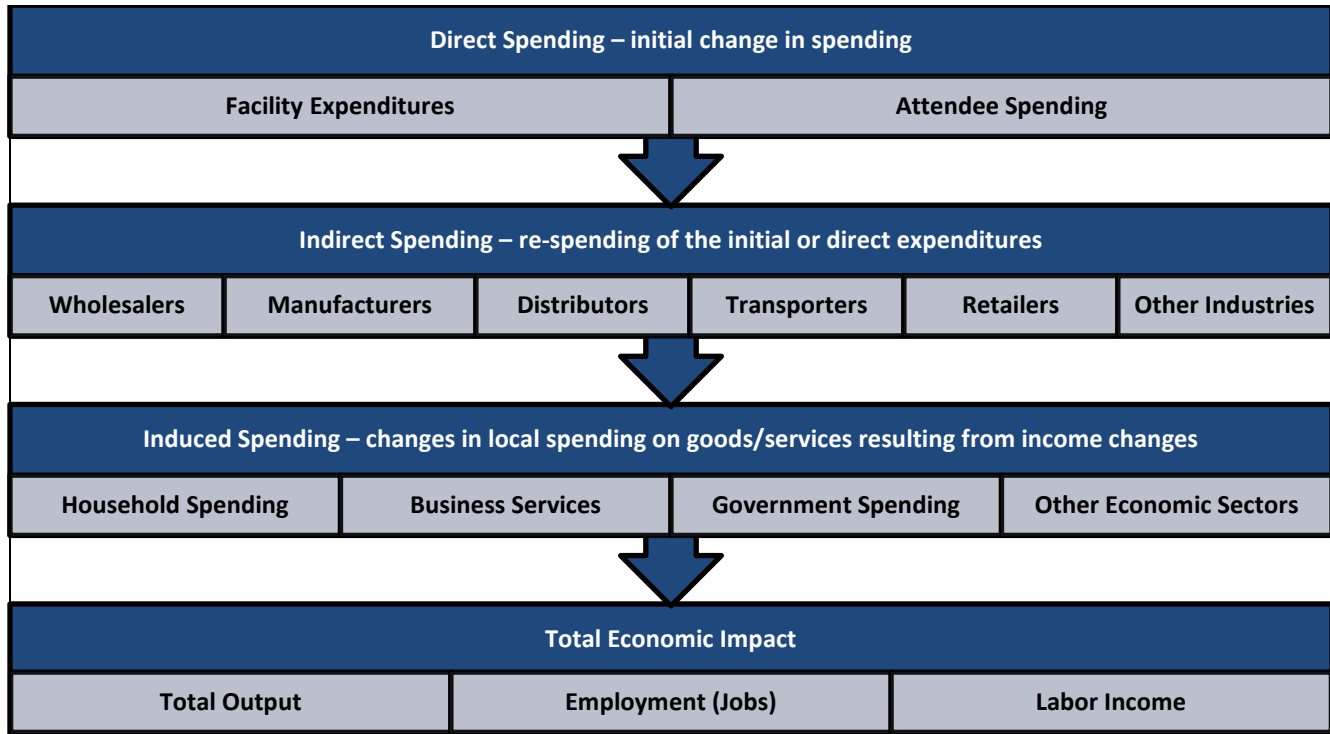
The calculated multiplier effect is then added to the direct impact to quantify the total economic impact in terms of output, employment and labor income which are defined as follows:

Total Output is the measure of the total estimated value of the production of goods and services supported by BCC operations in FY 2023. Total output is the sum of all intermediate sales (business to business) and final demand (sales to consumers and exports). This calculation measures the total dollar change in spending (output) that occurs in the economy for each dollar of output delivered to final demand.

Employment (Jobs) represents the number of full-time and part-time jobs supported by BCC operations in FY 2023. 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. It should be noted that a person can hold more than one job, so the total number of jobs is not necessarily the same as the number of employed people. Further, the total number of jobs does not only reflect employees working at the facility but rather the total number of jobs that were directly and indirectly supported in multiple sectors of the economy from BCC operations in FY 2023.

Labor Income represents the wages and salaries earned by employees of businesses associated with or impacted by BCC operations in FY 2023. 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 BCC operations also produces tax revenues for the City and the 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 may also be positively impacted by BCC operations, this analysis estimated the revenues generated from room rental-transient tax and local personal income at the City 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 various 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 various State and locally administered programs. For the 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.

3. ECONOMIC AND FISCAL IMPACT ANALYSIS

This section summarizes the estimated total economic contribution at the City and State levels generated from BCC operations in FY 2023.

General Overview of the BCC

The BCC has been recognized as one of the country’s leading convention centers. The venue is a 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. Management reported that the BCC has 144 full-time staff and 34 part-time staff.

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
- Drawing a critical mass of visitors to help support area businesses
- Offering an attractive venue to residents and visitors that host diverse event activities
- Serving as a catalyst for further urban redevelopment initiatives
- Generating economic activity and enhanced tax revenues

Each of these benefits is important in assessing the overall impact of BCC operations to the local and State economies. While the value of many of these benefits is difficult to measure, the economic activity can be quantified.

Summary of Event Activity at the BCC

The following table summarizes the event activity at the BCC for FY 2023.

| Summary of Utilization at the BCC - FY 2023 | | | | | |
|---|------------------|----------------|------------------|----------------|------------------------------|
| Event Type | Number of Events | Total Use Days | Total Attendance | Attendee Days | Average Attendance Per Event |
| Conventions & Tradeshows | 20 | 124 | 92,077 | 245,326 | 4,604 |
| Meetings | 49 | 122 | 52,382 | 104,764 | 1,069 |
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| Public Events | 18 | 68 | 145,875 | 145,875 | 8,104 |
| Sporting Events | 12 | 39 | 97,726 | 195,452 | 8,144 |
| Other | 1 | 41 | 0 | 0 | 0 |
| TOTAL | 104 | 401 | 405,560 | 708,917 | |

Note: Total use days include event days and move-in/move-out days.

Source: BCC.

Conventions/trade shows combined accounted for 23% of total attendance at the BCC in FY 2023. Attendance at conventions and trade shows combined increased by 10% over FY 2022. The estimated 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 trade shows are a primary driver of economic impact because attendees at these events typically generate more overnight stays than other event types.

Estimated Total Economic Contribution from BCC Operations

The table below summarizes the estimated total economic contribution generated from BCC operations in FY 2023 in terms of output, jobs and labor income and is followed by a discussion of each component.

| Estimated Total Economic Contribution from BCC Operations - FY 2023 | | |
|---|-------------------|-------------------|
| Category | City of Baltimore | State of Maryland |
| Output | | |
| Direct Spending | \$121,810,000 | \$134,160,000 |
| Indirect & Induced Spending | 46,640,000 | 91,320,000 |
| Total Output | \$168,450,000 | \$225,480,000 |
| Total Jobs (Full-Time & Part-Time) | 1,200 | 1,600 |
| Labor Income | \$67,780,000 | \$82,480,000 |

Note: Local and State amounts are not additive.

Direct Spending

Attendee Spending – 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 day tripper 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 clients.

BCC Operations – This category refers to operating expenses generated by the BCC operations such as salaries, wages and labor, other personnel costs, contractual services, materials and supplies, equipment, etc. as well as capital outlay. In FY 2023, operating expenses increased 19% over FY 2022; however, event activity at the BCC in FY 2022 was adversely impacted by COVID-19 which reduced operating costs in that year.

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 in FY 2023 was estimated to be \$121.8 million at the City level and \$134.2 million at the State level. These direct spending estimates were applied to the multipliers previously discussed to calculate estimates for total output, total jobs and total labor income.

Indirect and Induced Impacts

Based on the IMPLAN model, indirect and induced spending generated from BCC operations was estimated to be \$46.6 million at the City level and \$91.3 million at the State level.

Total Output

Outputs from the IMPLAN model indicate that total output (i.e., direct, indirect and induced impacts) from BCC operations in FY 2023 was estimated to be \$168.5 million at the City level and \$225.5 million at the State level.

Total Jobs

Based on the IMPLAN model, the economic activity associated with BCC operations in FY 2023 was estimated to support 1,200 jobs at the City level and 1,600 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 Labor Income

Outputs from the IMPLAN model indicate that BCC operations were estimated to support \$67.8 million in total labor income at the City level and \$82.5 million at the State level.

Estimated Tax Revenues from BCC Operations

As summarized in the following table, total tax revenues related to BCC operations in FY 2023 were estimated to be \$4.7 million at the City level and \$12.3 million at the State level. Approximately 72% of tax revenues were estimated to occur at the State level which was primarily driven by sales and use tax.

| Estimated Tax Revenues Generated from BCC Operations - FY 2023 | |
|---|---------------------|
| Entity | Amount |
| City of Baltimore | \$4,700,000 |
| State of Maryland | \$12,300,000 |
| GRAND TOTAL | \$17,000,000 |

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

City of Baltimore Taxes

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%.

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 the purposes of this analysis and based on information obtained online from the Comptroller of Maryland’s office, an effective tax rate was calculated and applied to a portion of City-level labor income. Because local income tax is based on where a person lives, not where they work, only a portion of the personal income taxes generated by BCC operations occurs in the City of Baltimore.

Hotel Room 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. In addition to the 9.5% tax, hotel rooms within the Tourism Improvement District are subject to a 2% surcharge which became effective in December 2019. The surcharge is used to fund marketing campaigns aimed at attracting overnight stays in Baltimore. Because these funds go directly to Visit Baltimore, they are not included in this analysis. As such, only the 9.5% hotel/motel tax rate is applied to estimated direct hotel spending in the City.

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.

State of Maryland Taxes

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 the purposes of this analysis and based on information obtained online from 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. This tax was applied to a portion of the estimated direct transportation at the State level.

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. Nonresidents are subject to a special nonresident tax rate of 2.25% in addition to the State income tax rate. For the purposes of this analysis and based on information obtained online from the Comptroller of Maryland’s office, an effective tax rate was calculated and applied to a portion of total labor income at the State level.

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 the 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.

Overall Summary

The BCC is a unique business entity that generates significant economic activity to downtown Baltimore and the State of Maryland. In FY 2023, the BCC hosted 104 events that attracted 405,560 in total attendance and approximately 708,900 attendee days which was estimated to generate direct spending of approximately \$121.8 million in the City and \$134.2 million in the State. Outputs from the IMPLAN model indicate that BCC operations in FY 2023 generated total output (i.e., direct, indirect and induced impacts) of approximately \$168.5 million to the City and \$225.5 million in the State. This economic activity was estimated to support approximately 1,600 total jobs and \$82.5 million in labor income at the State level. In addition, tax revenues associated with BCC operations were estimated to generate approximately \$17.0 million in FY 2023 including \$12.3 million at the State level.

In FY 2023, the State's investment in the BCC was approximately \$10.7 million which included its contribution towards the operating deficit and capital. The estimated tax revenues generated from BCC operations at the State level resulted in a 1.2 to 1.0 ratio of fiscal benefits to costs for the State.