



ECONOMIC AND FISCAL IMPACT ANALYSIS

OF THE HIPPODROME THEATRE
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 Hippodrome Theatre 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 Hippodrome Theatre. 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 MSA oversaw the design and construction of the renovated Hippodrome Theatre.

The Hippodrome Theatre, which is part of the France-Merrick Performing Arts Center complex, 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 contribution associated with Hippodrome Theatre operations in Fiscal Year (FY) 2023 to local and State economies. 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 Hippodrome Theatre operations in FY 2023.

Total economic impacts are estimated in terms of output (spending), employment (jobs) and labor income which create fiscal impacts and are reflected as changes in tax revenues. In addition, this report compares the State tax revenues generated by Hippodrome Theatre operations to the State's financial investment in the Hippodrome Theatre during FY 2023.

In FY 2023, the Hippodrome Theatre hosted 142 performances that attracted 257,550 in paid attendance which represented a 39% increase in the number of performances and a 63% increase in paid attendance over FY 2022.

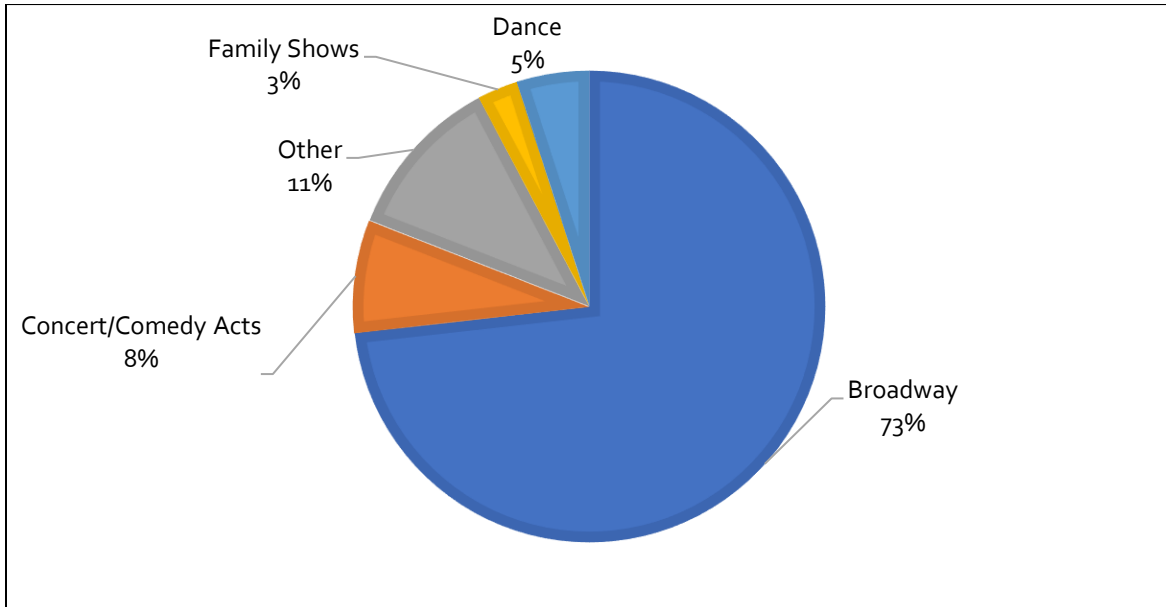
Summary of Utilization at the Hippodrome Theatre - FY 2023			
Event Type	Performances	Paid Attendance	Average Attendance
Broadway	104	211,290	2,030
Concert/Comedy	11	14,060	1,280
Family Shows	4	5,670	1,420
Other	16	16,050	1,000
Dance	7	10,480	1,500
TOTAL	142	257,550	

Note: Other events include private events and community outreach.

Source: Hippodrome management.

In FY 2023, Broadway performances accounted for 73% of total performances at the Hippodrome Theatre. Between FY 2022 and FY 2023, the number of Broadway performances increased by 58%. By contrast, concerts/comedy acts decreased by 42%.

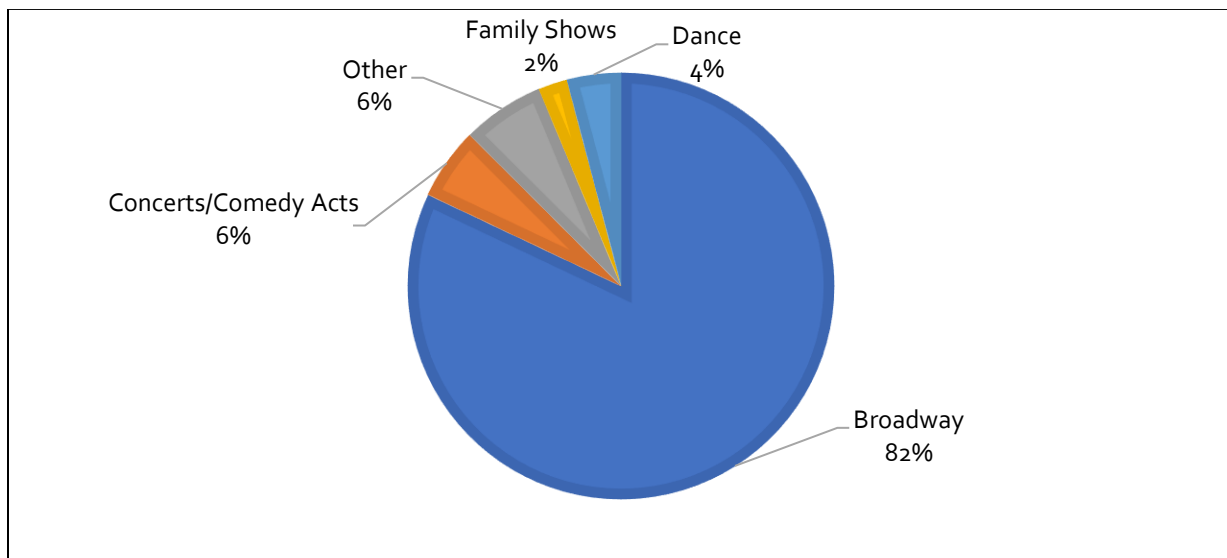
Distribution of Hippodrome Theatre Performances by Event Type - FY 2023



Source: Hippodrome management.

Broadway performances accounted for 82% of total attendance in FY 2023. Between FY 2022 and FY 2023, paid attendance increased for all event types other than concert/comedy events which decreased by 35%. Attendance at Broadway performances increased by 75% between FY 2022 and FY 2023.

Distribution of Hippodrome Theatre Paid Attendance by Event Type - FY 2023



Source: Hippodrome management.

As shown in the table below, event activity at the Hippodrome Theatre was estimated to generate approximately \$39.9 million in total output which supported 240 total jobs and \$14.0 million in total labor income at the State level in FY 2023. Total output at the State level increased by 33% over FY 2022.

Estimated Total Economic Contribution From Hippodrome Theatre Operations - FY 2023		
Category	City of Baltimore	State of Maryland
Output		
Direct Spending	\$22,300,000	\$22,800,000
Indirect & Induced Spending	9,600,000	17,100,000
Total Output	\$31,900,000	\$39,900,000
Total Jobs (Full-Time & Part-Time)	180	240
Labor Income	\$12,100,000	\$14,000,000

Note: Local and State amounts are not additive.

Tax revenues generated from Hippodrome Theatre-related activities were estimated to be approximately \$2.9 million in FY 2023, of which \$2.4 million (or 81%) was estimated to occur at the State level. Tax revenues at the State level increased by 76% over FY 2022.

Estimated Tax Revenues Generated From Hippodrome Theatre Operations - FY 2023	
Entity	Amount
City of Baltimore	\$570,000
State of Maryland	\$2,360,000
GRAND TOTAL	\$2,930,000

In FY 2023, the State's investment in the Hippodrome Theatre was approximately \$0.33 million which included contributions towards utilities and donations to the Hippodrome Foundation. The State's contribution towards debt serviced ended in FY 2022. The estimated tax revenues generated from Hippodrome Theatre operations at the State level resulted in a 7.3 to 1.0 ratio of fiscal benefits to costs for the State.

2. GENERAL METHODOLOGY

This analysis estimates the total economic contribution at the City and State levels generated from Hippodrome Theatre operations in FY 2023 including facility operating expenses as well as spending by attendees on items such as lodging, restaurants/bars, retail, entertainment/recreation, transportation and business services. 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 Hippodrome Theatre operations in FY 2023.

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 operations of the Hippodrome Theatre in FY 2023.

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 the Hippodrome operations including operating expenses and capital improvements. Direct spending also occurs 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 area 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 facility management and other secondary industry research from sources that are deemed to be reliable, but accuracy cannot be guaranteed.

Multiplier Effect

Additional economic impacts are produced through the re-spending of direct spending. 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 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 can provide indirect and 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 an appropriate 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 Hippodrome Theatre operations.

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 a restaurant require the restaurant owner to purchase food and items from suppliers. The portion of these restaurant 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 a 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

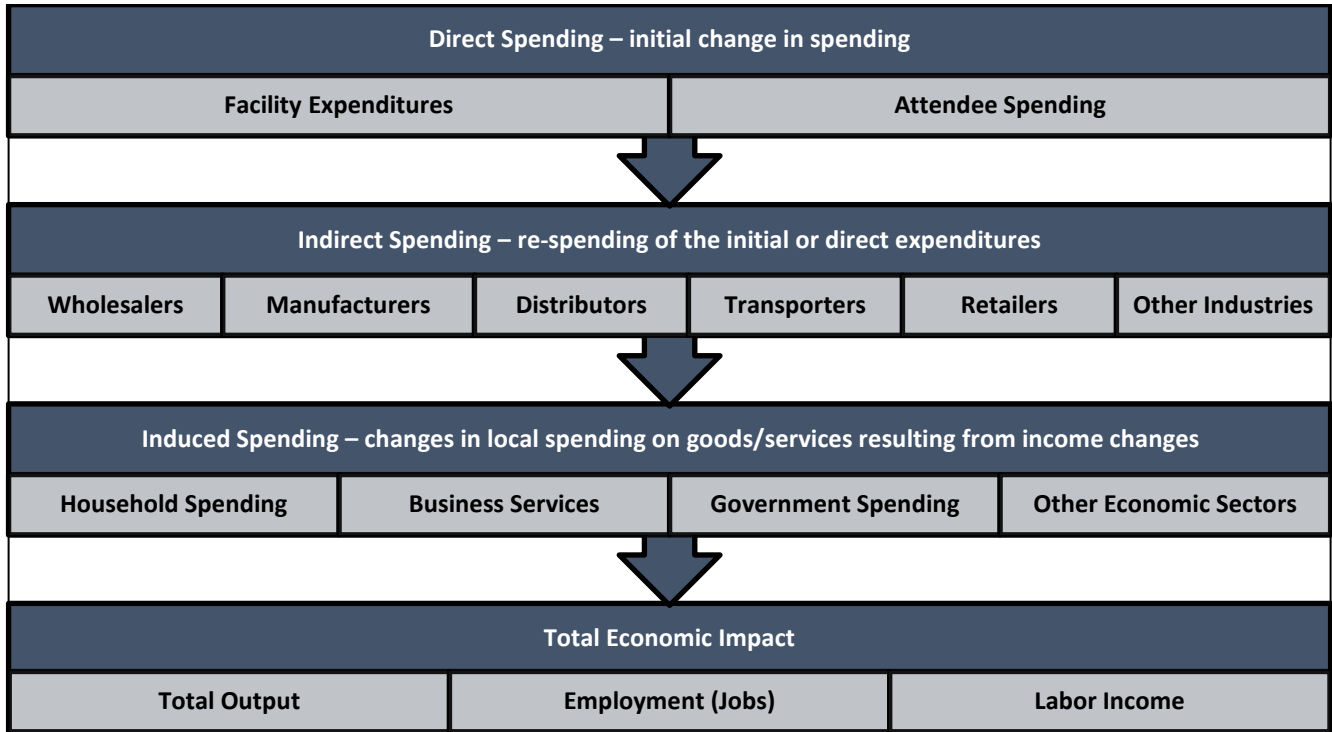
The calculated multiplier effect is then added to the direct impact to quantify the total economic impact in terms of output, employment and labor income which are defined as follows:

Total Output is the measure of the total estimated value of the production of goods and services supported by Hippodrome Theatre 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 Hippodrome Theatre 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 Hippodrome Theatre operations in FY 2023.

Labor Income represents the wages and salaries earned by employees of businesses associated with or impacted by Hippodrome Theatre 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 Hippodrome Theatre operations also produces 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 Hippodrome Theatre operations, this analysis estimated the revenues generated from hotel room tax, local personal income tax and parking tax at the City level as well as sales and use tax, ticket surcharge 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 a variety of 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 as a result of Hippodrome Theatre operations and other business activity that supported the facility in FY 2023.

General Overview of the Hippodrome Theatre

Originally designed by Thomas W. Lamb, the historic Hippodrome Theatre was built in 1914. After being abandoned for 10 years, the Hippodrome Theatre underwent a \$70 million renovation which included the absorption of two banks and other property on the block bordered by Fayette, Eutaw, Paca and Baltimore Streets. Reopened in February 2004 and reborn as the France-Merrick Performing Arts Center, this complex encompasses three restored historic landmark buildings (the Western National Bank, the Eutaw Savings Bank and the original Hippodrome Theatre) as well as the Constellation Energy Pavilion. The Western National Bank is now the grand north lobby of the Hippodrome Theatre; the Eutaw Savings Bank is the M&T Bank Pavilion, a multi-purpose space used for receptions and special events; and the Hippodrome Theatre currently seats 2,280 people.

The Hippodrome Theatre is currently managed by Broadway Across America, a promoter and producer of live theatrical events in the United States and Canada with over 30 years of experience in the entertainment industry. The City and the State benefit from the facility's operations in several ways, including such tangible and intangible benefits as:

- Supporting the vibrancy of the City of Baltimore by attracting residents and visitors to business establishments
- Contributing to arts educational institutions
- Generating public awareness and funding of arts organizations
- Providing an alternative entertainment option for both residents and visitors
- Attracting in-kind and cash contributions from local arts supporters
- Serving as a catalyst for further urban redevelopment initiatives
- Generating additional economic activity and enhanced fiscal revenues

Each of these benefits is important in assessing the overall impact of Hippodrome Theatre 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 Hippodrome Theatre

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

Summary of Utilization at the Hippodrome Theatre - FY 2023			
Event Type	Performances	Paid Attendance	Average Attendance
Broadway	104	211,290	2,030
Concert/Comedy	11	14,060	1,280
Family Shows	4	5,670	1,420
Other	16	16,050	1,000
Dance	7	10,480	1,500
TOTAL	142	257,550	

Note: Other events include private events and community outreach.

Source: Hippodrome management.

According to information provided by management, the Hippodrome Theatre hosted 142 performances that attracted 257,550 in paid attendance. The number of performances and total attendance increased by 39% and 63%, respectively, between FY 2022 and FY 2023. Approximately 82% of total attendance was attributable to Broadway shows which generate economic impact by attracting overnight attendees as well as cast, crew and production members from out-of-town that generate spending on items such as lodging, restaurants/bars, entertainment and transportation.

Estimated Total Economic Contribution from Hippodrome Theatre Operations

The table below summarizes the estimated total economic contribution generated from Hippodrome Theatre 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 Hippodrome Theatre Operations - FY 2023		
Category	City of Baltimore	State of Maryland
Output		
Direct Spending	\$22,300,000	\$22,800,000
Indirect & Induced Spending	9,600,000	17,100,000
Total Output	\$31,900,000	\$39,900,000
Total Jobs (Full-Time & Part-Time)	180	240
Labor Income	\$12,100,000	\$14,000,000

Note: Local and State amounts are not additive.

Direct Spending

Hippodrome Operations – This category refers to operating expenses generated by the Hippodrome operations such as salaries, wages and labor, other personnel costs, contractual services, materials and supplies, equipment, etc. as well as capital outlay. Operating expenses in FY 2023 increased 94% over FY 2022, which was primarily a result of higher event related costs including talent fees.

Attendee/Event-Related Spending Outside the Facility – Utilization at the Hippodrome Theatre was used to calculate attendee spending. Daily spending amounts were assigned to local attendees, who likely originate from the area or just drive in for the event, and overnight attendees, who were estimated to stay overnight in a hotel.

The *Arts & Economic Prosperity Report 6 (AEP6)*, which was commissioned by Americans for the Arts, is an economic and social impact study of the nation's nonprofit art and culture industry. Nearly 300 local and state research partners representing 373 communities collected expenditure and attendance data from 16,399 arts and culture organizations and the event-related spending information from 224,667 of their attendees to measure total industry spending. The IMPLAN model was used to customize data for each study region and provide specific economic impact. The survey provides insights as to the origin of attendees as well as their level and distribution of spending. Based on a zip code analysis of survey respondents, the national sample indicated that 30% of attendees traveled from outside of the county where the event took place while the remaining 70% of attendees resided in the county and were considered local. On average, the typical attendee to a nonprofit arts and culture event spent \$38.46 per person, per event (not including the cost of admission of food and drink purchased on-site during the event). Further, nonlocal attendees averaged \$60.57 per person, per event on event-related spending which was twice as much as local attendees (\$29.77).

The Broadway League's *Economic Impact of Touring Broadway Report*, which included 58,694 completed surveys of individual audience members at performing arts venues in 38 cities, was also reviewed with regard to Broadway audience spending. For markets similar in size to Baltimore, this study cites that touring Broadway shows' audiences travel an average of 47 miles to the theatre and nearly two-thirds responded that the theatre event was a very important reason they came to the area.

Resident performing arts organizations and other show producers make substantial investments in the events that they host. These organizations purchase goods and services from either the Hippodrome Theatre or from outside sources. Items such as facility rental and various event services are typically provided by the Hippodrome Theatre which is reflected as revenues for the venue. Since this spending is eventually reflected in the budgetary spending by the Hippodrome Theatre, these amounts are excluded from event producer spending to avoid double counting. Further, producer spending with external vendors that takes place before or during a show such as advertising, printing, security, transportation, etc. is considered part of the indirect and induced spending that is generated by Hippodrome Theatre operations.

In addition, cast and crew members involved in various productions from out-of-town generate spending on lodging, food/beverage, retail, entertainment and transportation. As with attendee spending, the estimated event producer spending amounts reflect those items assumed to be purchased outside the Hippodrome Theatre. Based on data from various primary and secondary research including surveys with production companies representing Broadway shows, an estimate of producer personnel per event attendee

was calculated. Different spending amounts were allocated to local and overnight cast and crew members and producer personnel spending.

Summary of Direct Spending Inputs – Based on this information, the direct spending related to attendees, event producers and cast/crew as well as facility expenditures at the Hippodrome Theatre in FY 2023 was estimated to be \$22.3 million at the City level and \$22.8 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 by Hippodrome Theatre operations in FY 2023 was estimated to generate \$9.6 million at the City level and \$17.1 million at the State level.

Total Output

Outputs from the IMPLAN model indicate that total spending (i.e., direct, indirect and induced) from Hippodrome Theatre operations in FY 2023 was estimated to be \$31.9 million at the City level and \$39.9 million at the State level.

Total Jobs

Based on the IMPLAN model, the economic activity associated with Hippodrome Theatre operations in FY 2023 was estimated to generate 180 jobs at the City level and 240 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 Hippodrome Theatre operations in FY 2023 were estimated to support \$12.1 million in total labor income at the City level and \$14.0 million in total labor income at the State level.

Estimated Tax Revenues from Hippodrome Theatre Operations

As summarized in the following table, total tax revenues related to Hippodrome Theatre operations in FY 2023 were estimated to be \$0.6 million at the City level and \$2.4 million at the State level. Approximately 81% of estimated tax revenues occur at the State level which was primarily driven by sales and use tax.

Estimated Tax Revenues Generated From Hippodrome Theatre Operations - FY 2023	
Entity	Amount
City of Baltimore	\$570,000
State of Maryland	\$2,360,000
GRAND TOTAL	\$2,930,000

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

City of Baltimore Taxes

Hotel Room Tax – The City of Baltimore levies a hotel 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 room 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. Revenues generated from this tax are used to fund marketing campaigns aimed at attracting overnight stays in Baltimore. Although not quantified in this analysis, which reflects a conservative approach, the surcharge provided additional tax revenues to the City.

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 total labor income at the local level. Because local income tax is based on where a person lives, not where a person works, only a portion of the personal income taxes generated by operations of the Hippodrome Theatre occurs 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.

State of Maryland Taxes

Corporate Income Tax – A corporate income tax of 8.25% of corporate federal taxable income adjusted by State modifications is levied by the State on corporations. 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 State-level output.

Personal Income Tax – The State 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 purposes of this analysis, the 6% tax rate is applied to estimated taxable spending at the State level generated by Hippodrome Theatre operations which represents a conservative estimate relative to the sale of alcoholic beverages.

Ticket Surcharge – The MSA imposes a \$2 statutory ticket surcharge on each paid admission to Hippodrome Theatre events. The surcharge is remitted to the State and used for bond repayment. For the purposes of this analysis, the ticket surcharge reflects the actual amount paid (\$667,000) based on data provided by the MSA.

Summary

The Hippodrome Theatre is a unique business entity that generates significant economic activity to Baltimore City and the State. In FY 2023, the Hippodrome Theatre hosted 142 performances that attracted 257,550 in paid attendance which was estimated to generate direct spending of approximately \$22.3 million in the City and \$22.8 million in the State. Outputs from the IMPLAN model indicate that Hippodrome Theatre operations in FY 2023 generated total output (i.e., direct, indirect and induced impacts) of approximately \$31.9 million in the City and \$39.9 million in the State. This spending was estimated to support approximately 240 total jobs and \$14.0 million in total labor income in the State. In addition, these transactions were subject to taxes that were estimated to generate \$2.9 million in FY 2023 including \$2.4 million at the State level.

In FY 2023, the State's investment in the Hippodrome Theatre was approximately \$0.33 million which included contributions towards utilities and donations to the Hippodrome Foundation. The estimated tax revenues generated from Hippodrome Theatre operations at the State level resulted in a 7.3 to 1.0 ratio of fiscal benefits to costs for the State.