



ECONOMIC AND FISCAL IMPACT ANALYSIS

OF THE MONTGOMERY COUNTY CONFERENCE 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 Montgomery County Conference 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 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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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 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 which completed a \$25 million renovation in 2019. 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 contribution associated with the operations of the MCCC as a stand-alone entity 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 MCCC in FY 2023.

This report only accounts for the conference center component. Additional benefits are generated from hotel guests not using the MCCC. 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 MCCC operations to the State's financial investment in the MCCC during FY 2023.

Based on data provided by MCCC management, the MCCC hosted 543 functions that generated approximately 122,600 total covers (meals) and 47,350 room nights in FY 2023. 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.

The number of functions increased by 26% from 432 in FY 2022 to 543 in FY 2023. Daytripper covers increased by 27% and group business-related covers increased by 18%, resulting in an overall increase of 22% in total covers. The number of room nights increased by 117%, from 21,850 in FY 2022 to 47,350 in FY 2023.

As shown in the following table, event activity at the MCCC was estimated to generate approximately \$32.5 million in total output which supported 240 total jobs and \$11.3 million in total labor income in the State in FY 2023. Between FY 2022 and FY 2023, total output increased by 51% at the State level.

Estimated Total Economic Contribution from MCCC Operations - FY 2023	
Category	State of Maryland
Output	
Direct Spending	\$18,800,000
Indirect & Induced Spending	13,700,000
Total Output	\$32,500,000
Total Jobs (Full-Time & Part-Time)	240
Labor Income	\$11,300,000

Tax revenues generated from MCCC-related activities were estimated to be approximately \$2.6 million in FY 2023, of which \$2.1 million (or 82%) was estimated to occur at the State level. These estimates represent a 56% increase in total tax revenues over FY 2022.

Estimated Tax Revenues Generated From MCCC Operations - FY 2023	
Entity	Amount
Montgomery County	\$460,000
State of Maryland	\$2,100,000
GRAND TOTAL	\$2,560,000

In FY 2023, 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 1.4 to 1.0 ratio of fiscal benefits to costs for the State.

2. GENERAL METHODOLOGY

This analysis estimates the total economic contribution at the State level generated from ongoing MCCC 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 MCCC in FY 2023.

No intercept surveys with attendees were conducted as part of this study. 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 MCCC operations.

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

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 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 MCCC 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

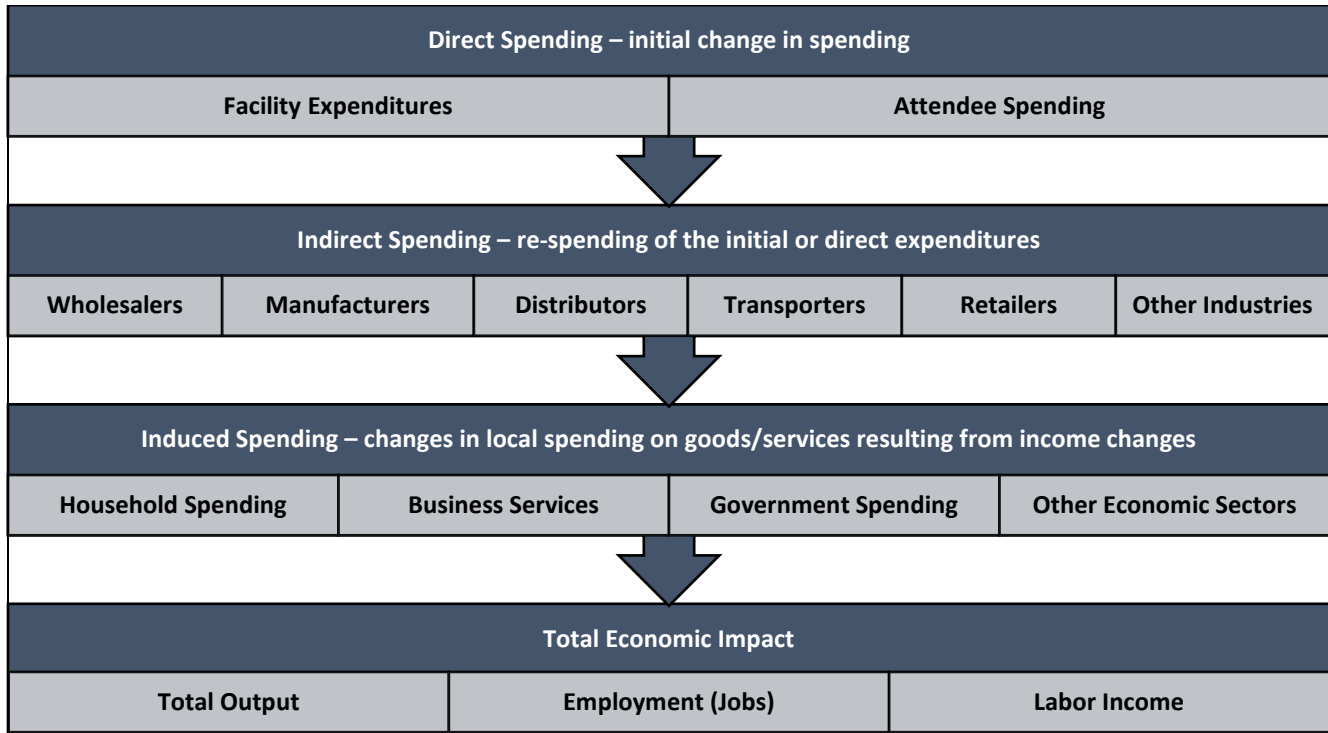
The calculated multiplier effect is then added to the direct impact to quantify the total economic impact in terms of output, employment and labor income which are defined as follows:

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

Labor Income represents 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 MCCC operations also produces tax revenues for the County 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 MCCC operations, this analysis estimated the revenues generated from room rental-transient 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 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 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 generated as a result of ongoing MCCC operations in FY 2023.

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. The hotel has 445 guest rooms including 14 suites. The MCCC features approximately 50,000 square feet (SF) of flexible event and exhibit space including a 23,000 SF Grand Ballroom that can accommodate up to 2,500 guests as well as a 4,000 SF Junior Ballroom. The hotel also offers various food and beverage options. The MCCC also has a parking garage adjacent to the event space for easy accessibility.

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
- Generating additional economic activity and enhanced fiscal revenues

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

Summary of Event Activity at the MCCC

According to information provided by management, the MCCC generated approximately 122,600 total covers (meals) and 47,350 room nights in FY 2023. The total number of group business-related covers (meals) increased by 18% between FY 2022 and FY 2023. The MCCC experienced a 27% increase in the number of day trippers and a 117% increase in the number of room nights between FY 2022 and FY 2023.

Estimated Total Economic Contribution from MCCC Operations

The table below summarizes the estimated total economic impacts generated from MCCC 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 MCCC Operations - FY 2023	
Category	State of Maryland
Output	
Direct Spending	\$18,800,000
Indirect & Induced Spending	13,700,000
Total Output	\$32,500,000
Total Jobs (Full-Time & Part-Time)	240
Labor Income	\$11,300,000

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 day trippers, 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 and the average daily room rate supplied by MCCC management, direct spending generated from MCCC operations in FY 2023 was estimated to be \$18.8 million.

Indirect and Induced Impacts

Based on the IMPLAN model, indirect and induced spending generated by MCCC operations in FY 2023 was estimated to be \$13.7 million at the State level.

Total Output

Based on the IMPLAN model, total output (i.e., direct, indirect and induced spending) from MCCC operations in FY 2023 was estimated to be \$32.5 million at the State level.

Total Jobs

Based on the IMPLAN model, the economic activity associated with MCCC operations in FY 2023 was estimated to support 240 total jobs in the State. These jobs are created in many sectors of the economy, which both directly and indirectly support the increased level of business activity in the State.

Total Labor Income

Outputs from IMPLAN model indicate that MCCC operations in FY 2023 were estimated to support \$11.3 million in total labor income at the State level.

Estimated Tax Revenues from MCCC Operations

As summarized in the table below, total tax revenues related to MCCC operations in FY 2023 were estimated to be \$0.5 million at the County level and \$2.1 million at the State level. Approximately 82% 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 MCCC Operations - FY 2023	
Entity	Amount
Montgomery County	\$460,000
State of Maryland	\$2,100,000
GRAND TOTAL	\$2,560,000

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

Montgomery County Taxes

Room Rental-Transient Tax (Hotel Tax) – The County imposes a Room Rental-Transient Tax upon every person, who for a period of 30 or fewer days occupies, for compensation, sleeping accommodations in a public or private hotel, motel, inn, hostelry, tourist home, a residential house or a room within a house, and or any other lodging located in the County. This tax does not include State sales tax. The Room Rental-Transient Tax rate is 7% of the total room rental collected.

Local Personal Income Tax – The County imposes a local personal income tax rate 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. Because local income is based on where a person lives, not where they work, only a portion of the personal income taxes generated by operations of the MCCC occurs in Montgomery County.

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 MCCC operations which represents a conservative estimate relative to the sale of alcoholic beverages.

Summary

The MCCC is a unique business entity that generates significant economic activity to the State. In FY 2023, the MCCC hosted 543 functions that generated 47,350 room nights and approximately 122,600 total covers, a common measurement in the hotel/conference center industry.

The functions held at the MCCC were estimated to generate approximately \$18.8 million in direct spending to the State. Outputs from the IMPLAN model indicate that MCCC operations in FY 2023 generated total output (i.e., direct, indirect and induced impacts) of approximately \$32.5 million in the State. This spending was estimated to support approximately 240 total jobs and \$11.3 million in total labor income in the State. In addition, these transactions were subject to taxes that were estimated to generate \$2.6 million in FY 2023 including approximately \$2.1 million at the State level.

In FY 2023, 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 1.4 to 1.0 ratio of fiscal benefits to costs for the State.