



ECONOMIC AND FISCAL IMPACT ANALYSIS OF THE OCEAN CITY CONVENTION CENTER

FISCAL YEAR 2024

SUBMITTED TO: MARYLAND STADIUM AUTHORITY



December 2024

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 Ocean City Convention Center in Fiscal Year 2024. 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 the Maryland Stadium Authority and the Ocean City 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 the 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 Roland E. Powell Convention Center, also known as the Ocean City Convention Center (OCCC), is one of the projects with which MSA is involved.

The primary purpose of this study is to estimate the total economic and fiscal contribution associated with OCCC operations in Fiscal Year (FY) 2024 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 OCCC operations in FY 2024. 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 OCCC operations to the State's financial investment in the facility in FY 2024.

In FY 2024, OCCC hosted 145 events and approximately 626,100 total attendees which represented a 31% increase in the number of events and a 5% increase in the number of total attendees over FY 2023. The increase in total attendees from FY 2023 to FY 2024 was primarily attributable to competitions, meetings and consumer shows.

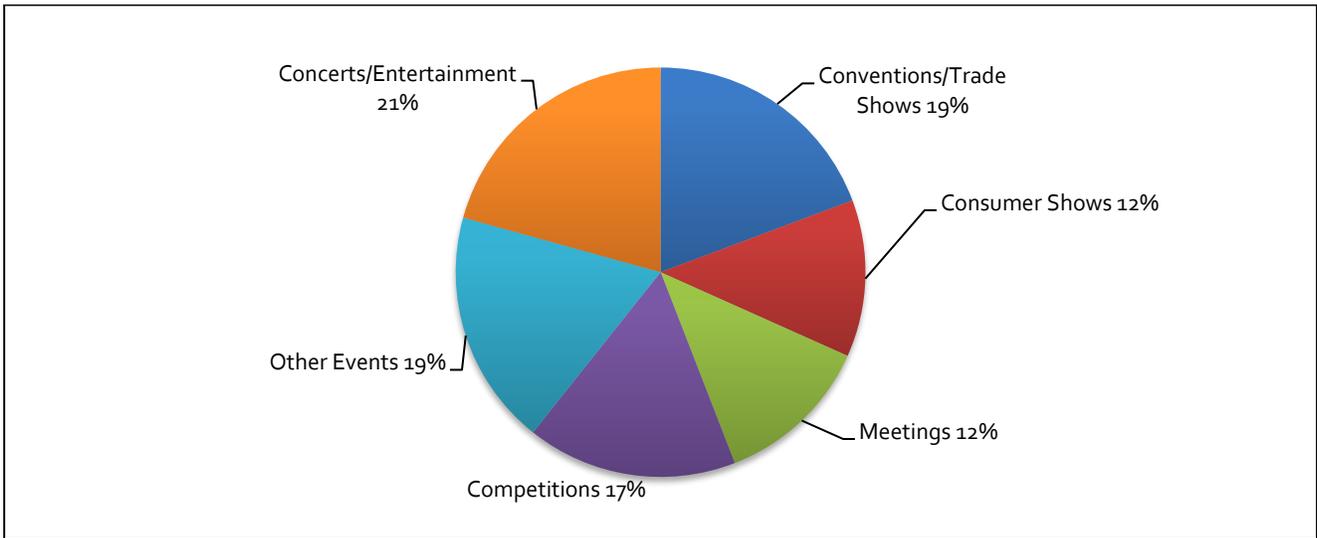
| Summary of Utilization at the OCCC - FY 2024 | | | | |
|--|------------|------------|-----------------|---------------------------------|
| Event Type | Events | Use Days | Total Attendees | Average Attendee Days Per Event |
| Conventions/Trade Shows | 28 | 113 | 172,200 | 6,150 |
| Consumer Shows | 18 | 85 | 229,900 | 12,770 |
| Meetings | 18 | 46 | 39,600 | 2,200 |
| Competitions | 24 | 85 | 146,700 | 6,110 |
| Other Events | 27 | 64 | 12,500 | 460 |
| Concerts/Entertainment | 30 | 47 | 25,200 | 840 |
| TOTAL | 145 | 440 | 626,100 | |

Notes: Total attendees are rounded to the nearest hundred.
 Other events include banquets and community events such as graduations.
 Concerts/entertainment events represent stand-alone events held at the Performing Arts Center.

Source: OCCC management.

Concert/entertainment events accounted for the highest percentage of total events (21%), followed by conventions/tradeshows (19%), other events (19%) and competitions (17%). Conventions/trade shows typically generate significant economic impact to the local and State economies. Some events such as conventions, competitions and meetings also utilized the Performing Arts Center in conjunction with other OCCC spaces.

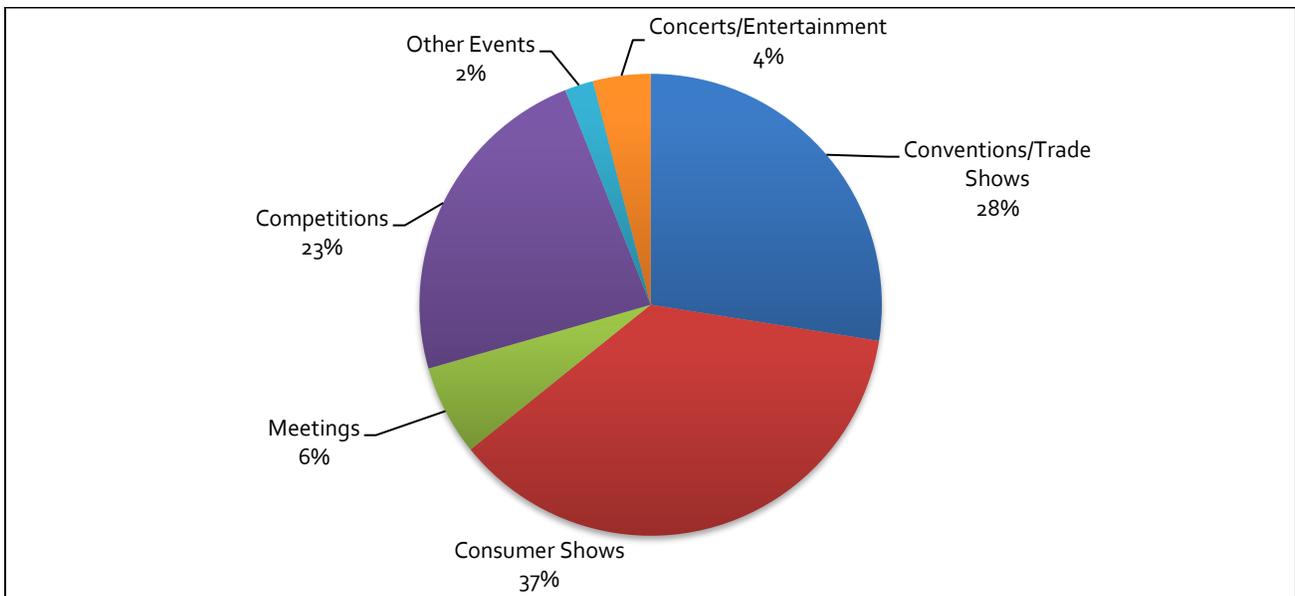
Distribution of OCCC Events by Type - FY 2024



Source: OCCC management.

In FY 2024, consumer shows accounted for 37% of total attendees followed by conventions/tradeshows (28%) and competitions (23%).

Distribution of OCCC Total Attendees by Event Type - FY 2024



Source: OCCC management.

As shown in the table below, OCCC event activity was estimated to generate approximately \$202.5 million in total output which supported 1,400 total jobs and \$74.2 million in total labor income at the State level in FY 2024.

| Estimated Total Economic Contribution from OCCC Operations - FY 2024 | | |
|--|------------------|-------------------|
| Category | Worcester County | State of Maryland |
| Output | | |
| Direct Spending | \$115,000,000 | \$125,000,000 |
| Indirect & Induced Spending | 37,500,000 | 77,500,000 |
| Total Output | \$152,500,000 | \$202,500,000 |
| Total Jobs (Full-Time & Part-Time) | 1,200 | 1,400 |
| Labor Income | \$52,000,000 | \$74,200,000 |

Note: Local and State amounts are not additive.

Tax revenues generated from OCCC-related activities were estimated to be approximately \$13.8 million in FY 2024, of which approximately \$10.9 million (or 79%) was estimated to occur at the State level.

| Estimated Tax Revenues Generated from OCCC Operations - FY 2024 | |
|---|---------------------|
| Entity | Amount |
| Worcester County ¹ | \$2,900,000 |
| State of Maryland | \$10,900,000 |
| GRAND TOTAL | \$13,800,000 |

Note: ¹Tax revenues shown include Worcester County room taxes that are distributed to the Town of Ocean City.

In FY 2024, the State’s investment in OCCC was approximately \$3.6 million which included contributions towards debt service, operations and capital improvements. The estimated tax revenues generated from OCCC operations at the State level resulted in a 3.0 to 1.0 ratio of fiscal benefits to costs for the State, which represents a significant return on investment.

2. GENERAL METHODOLOGY

This analysis estimates the total economic contribution generated from OCCC operations in FY 2024 including facility operations as well as spending by attendees on items such as lodging, restaurants/bars, retail, entertainment/recreation, transportation and business services before and after events. 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 OCCC operations.

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 OCCC 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

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 industry 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 OCCC 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 a restaurant require the restaurant owner to purchase food and items from suppliers. The portion of these restaurant purchases spent within the area economy is an indirect impact.

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 Contribution

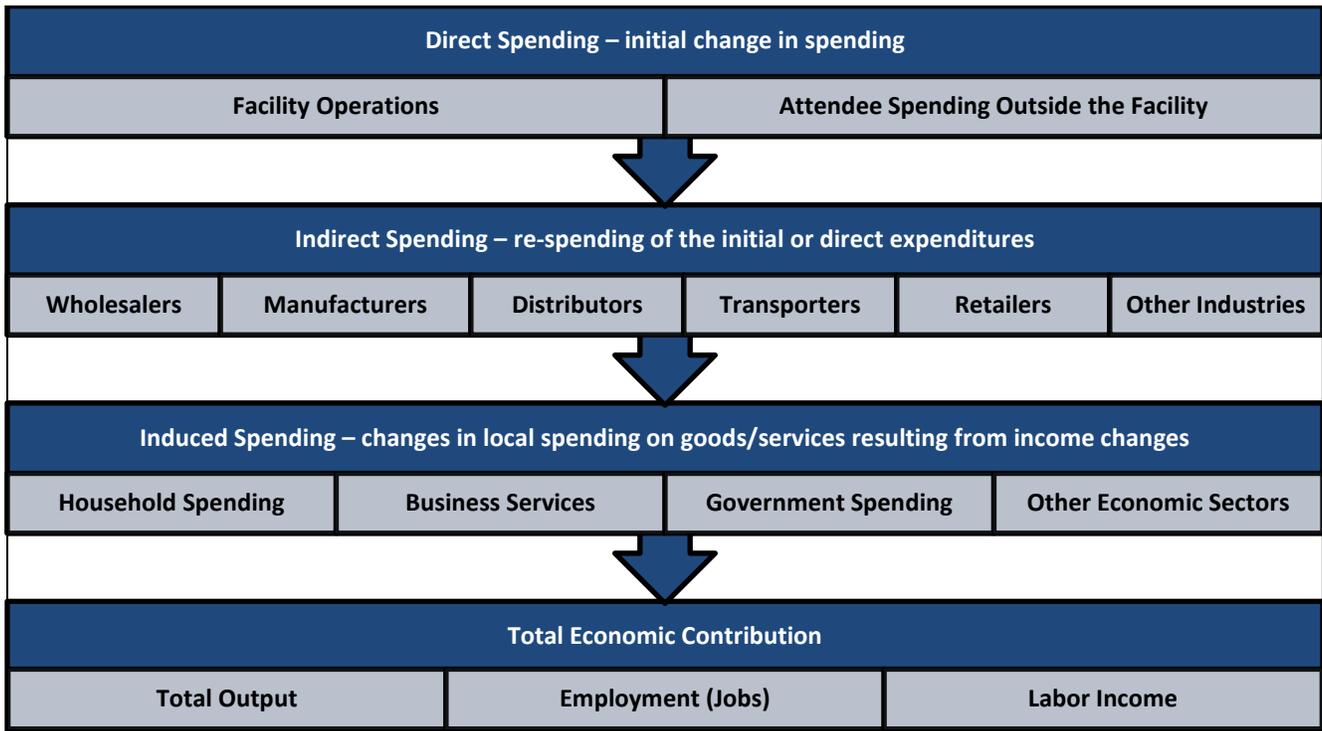
The calculated multiplier effect is then added to the direct impact to quantify the total economic contribution in terms of output, employment and labor income which are defined as follows:

Total Output is the measure of the total estimated value of the production of goods and services supported by OCCC 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-time and part-time jobs supported by OCCC 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 OCCC operations in FY 2024.

Labor Income represents the wages and salaries earned by employees of businesses associated with or impacted by OCCC 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 contribution.



Methodology - Fiscal Impact Analysis

The estimated spending generated by OCCC operations also produces tax revenues for the Town of Ocean City, Worcester 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 OCCC operations, this analysis estimated the revenues generated from admissions and amusement tax, room tax, local personal income tax and food and beverage tax at the local level as well as sales and use tax, income tax and motor vehicle tax at the State level.

In general terms, all State tax proceeds are collected in the State’s General Fund and then allocated to 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 local and State levels generated as a result of ongoing OCCC operations in FY 2024.

General Overview of OCCC

Ocean City is in Worcester County, which is one of the most popular, year-round vacation destinations on the East Coast providing a safe, clean and fun environment for visitors. OCCC serves as the primary venue in the area for conventions, trade shows, public shows, meetings and events/competitions and offers approximately 89,800 SF of exhibit space in multiple halls (including Dockside Hall); 19,000 SF of ballroom space; 18 meeting rooms; and a 1,200-seat Performing Arts Center. In FY 2024, management reported that OCCC employed 35 full-time and 15 part-time employees.

The County 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 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 OCCC operations. While the value of many of these benefits is difficult to measure, the economic activity can be quantified.

Summary of Event Activity at OCCC

The following table summarizes the event activity held at OCCC in FY 2024.

| Summary of Utilization at the OCCC - FY 2024 | | | | |
|--|------------|------------|-----------------|---------------------------------|
| Event Type | Events | Use Days | Total Attendees | Average Attendee Days Per Event |
| Conventions/Trade Shows | 28 | 113 | 172,200 | 6,150 |
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| TOTAL | 145 | 440 | 626,100 | |

Notes: Total attendees are rounded to the nearest hundred.
 Other events include banquets and community events such as graduations.
 Concerts/entertainment events represent stand-alone events held at the Performing Arts Center.

Source: OCCC management.

The number of total attendees is used to calculate economic impact. For example, a three-day convention with 600 delegates equates to 1,800 total attendees (or attendee days), which reflects that the same delegates return to the event each of the three days. Based on information provided by facility management, OCCC generated approximately 626,100 total attendees in FY 2024, which was 5% more than in FY 2023.

Estimated Total Economic Contribution from OCCC Operations

The table below summarizes the estimated total economic activity generated from OCCC operations in FY 2024 in terms of output, jobs and labor income and is followed by a discussion of each component.

| Estimated Total Economic Contribution from OCCC Operations - FY 2024 | | |
|--|------------------|-------------------|
| Category | Worcester County | State of Maryland |
| Output | | |
| Direct Spending | \$115,000,000 | \$125,000,000 |
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| Total Output | \$152,500,000 | \$202,500,000 |
| Total Jobs (Full-Time & Part-Time) | 1,200 | 1,400 |
| Labor Income | \$52,000,000 | \$74,200,000 |

Note: Local and State amounts are not additive.

Direct Spending

Delegate/Visitor Spending – Data provided from OCCC management for the 145 events held at the venue from July 1, 2023 through June 30, 2024 was used to calculate attendee spending. Daily spending amounts were assigned to overnight attendees and day tripper attendees, who likely originate from the area or just drive in for the day. Ocean City’s destination characteristics including the beach, family-friendly environment, variety of attractions, overall affordability and proximity to a large population base make it attractive for drawing additional travel party members other than just OCCC attendees. In addition, these same demographic characteristics encourage attendees and their travel parties to extend their stay beyond the length of the event held at OCCC. Based on previously conducted surveys with event promoters by facility management, attendees at conventions/trade shows and competitions were assumed to extend their stay in Ocean City, which is accounted for in this analysis.

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 OCCC or from outside sources. In addition, exhibitors often spend money outside of the facility to entertain existing and potential clients.

OCCC Operations – This category refers to operating expenses generated by OCCC operations such as salaries and wages, other personnel costs, contractual services, materials and supplies, equipment, etc. as well as capital outlay.

Summary of Direct Spending Inputs – Based on this information, the direct spending related to attendees, sponsoring organizations/event producers, exhibitors and facility operations was estimated to be \$115.0 million at the County level and \$125.0 million at the State level.

Indirect and Induced Impacts

Based on the IMPLAN model, indirect and induced spending generated from OCCC operations was estimated to be \$37.5 million at the County level and \$77.5 million at the State level.

Total Output

Based on the IMPLAN model, total output (i.e., direct, indirect and induced spending) from OCCC operations in FY 2024 was estimated to be \$152.5 million at the County level and \$202.5 at the State level.

Total Jobs

Based on the IMPLAN model, the economic activity associated with OCCC operations in FY 2024 was estimated to support 1,200 total jobs at the County level and 1,400 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 OCCC operations in FY 2024 were estimated to support \$52.0 million in total labor income at the County level and \$74.2 million at the State level.

Estimated Tax Revenues from OCCC Operations

As shown below, total tax revenues related to OCCC operations in FY 2024 were estimated to be \$2.9 million at the County level and \$10.9 million at the State level. Approximately 79% of estimated tax revenues were estimated to occur at the State level which was primarily driven by sales and use tax.

| Estimated Tax Revenues Generated from OCCC Operations - FY 2024 | |
|---|---------------------|
| Entity | Amount |
| Worcester County ¹ | \$2,900,000 |
| State of Maryland | \$10,900,000 |
| GRAND TOTAL | \$13,800,000 |

Note: ¹Tax revenues shown include Worcester County room taxes that are distributed to the Town of Ocean City.

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

Worcester County 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. The admissions and amusement tax rate varies by locality and by activity and is 3.0% in Ocean City. For the purposes of this analysis, this tax rate was applied to the estimated direct spending on entertainment in the County as well as an estimate of admissions revenue generated at OCCC.

Food and Beverage Tax – A 0.5% local sales tax on food and beverages is imposed in Ocean City for the purpose of paying the principal and interest on bonds issued to finance the construction, reconstruction, repair,

renovation and equipment of OCCC. The tax is applicable to most of the food and beverage sales except those for consumption off premises or vending machine sales. For the purposes of this analysis, the tax rate was applied to a portion of County-level direct spending at eating/drinking establishments.

Local Personal Income Tax – Worcester County imposes a personal income tax of 2.25% and 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 County-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 OCCC operations occurs in Worcester County.

Room Tax – Worcester County imposes a tax on accommodations at a rate of 5.0%. Proceeds from this tax are allotted to the Town of Ocean City’s general fund of which a portion is dedicated to the Town of Ocean City’s tourism advertising efforts. The hotel/motel tax does not include State sales tax.

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 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.

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

Summary

OCCC is a unique business entity that generates significant economic activity to Ocean City and the State. In FY 2024, OCCC hosted 145 events that attracted approximately 626,100 total attendees which was estimated to generate direct spending of approximately \$115.0 million in the County and \$125.0 million in the State (including the County). Outputs from the IMPLAN model indicate OCCC operations in FY 2024 generated total output (i.e., direct, indirect and induced impacts) of approximately \$152.5 million in the County and \$202.5 million in the State. This spending was estimated to support approximately 1,400 total jobs and \$74.2 million in total labor income at the State level. In addition, these transactions were subject to taxes that were estimated to generate approximately \$13.8 million in FY 2024 including \$10.9 million at the State level.

In FY 2024, the State’s investment in OCCC was approximately \$3.6 million which included contributions towards debt service, operations and capital improvements. The estimated tax revenues generated from OCCC operations at the State level resulted in a 3.0 to 1.0 ratio of fiscal benefits to costs for the State, which represents a significant return on investment.