

ZA00D
Miscellaneous Grant Programs

Baltimore City Convention Center (Baltimore City)

General Obligation Bonds **\$2,500,000**

Summary of Recommended Bond Actions

	<u>Funds</u>
1. Baltimore City Convention Center	\$2,500,000 GO
Delete funds for the preliminary design for the Baltimore City Convention Center expansion.	
Total Reductions	\$2,500,000

Bill Text: Provide a grant to the Maryland Stadium Authority to assist in the preliminary design of an expansion to the Baltimore City Convention Center (Baltimore City).

Program Description: The funds would be used for preliminary design of an expanded Baltimore City Convention Center (BCCC) and to help define the scope and cost of the proposed expansion and enable the development of a funding plan for the project. The proposal to expand the convention center is a component of a larger development project to construct a 500-room hotel and 18,500-seat arena within the same footprint.

Project Analysis

Background

The Baltimore City Convention Center first opened in 1979. Cost to construct the facility was \$51.4 million. The State financed \$35.0 million of the total cost using a combination of general obligation and revenue bonds. Baltimore City financed the remaining costs.

Legislation enacted in 1993 outlined the agreement between Baltimore City and the State for the joint effort to expand and renovate the BCCC. In general, the State was to contribute two-thirds of the capital cost of construction and the city one-third. The Maryland Stadium Authority (MSA) was authorized to manage the construction and issue revenue bonds in support of construction costs.

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Expansion of the convention center was completed in 1996 at a total cost of \$178.4 million. The State's financial contribution to the project totaled \$109.0 million, which included \$58.0 million in general obligation bonds and \$51.0 million in MSA lease-revenue bonds. The debt outstanding on the MSA bonds totaled \$17.6 million as of June 30, 2011. The MSA's fiscal 2013 allowance includes debt service payments of \$5.1 million in general funds. The allowance also provides \$200,000 for MSA's statutorily required contribution to a BCCC capital improvement fund and \$3.9 million for the center's operating deficit.

Current Proposal

In May 2011, private business leaders in Baltimore City introduced the concept of an expanded convention center in conjunction with a new arena and hotel. The arena and the hotel would be located on the corner of Conway and Charles Streets – the current site of the Sheraton Inner Harbor Hotel. Both would be privately funded.

The new hotel would be built on top of the arena. The new arena's concourse would be connected to a new convention center wing that would expand the center's size to 760,000 square feet (sq. ft.) – more than twice the size of the existing convention center. The convention center expansion would be built on the site of the existing convention center's east wing that is located on a Pratt Street site adjacent to the proposed site of the new arena.

Preliminary cost estimates for these projects are \$175 million to build the hotel, \$325 million to build the arena, and \$400 million to build the convention center expansion.

Market and Feasibility Study

In July 2011, Baltimore City requested the MSA to assist with the completion of an expanded convention center given a new hotel and arena. The MSA released its report early March 2012. Findings conclude that some indicators suggest that the market demand has potentially exceeded the convention center's current supply of space. It reports that without an expansion, convention and tradeshow activity will decline.

The study recommends the expansion of exhibit hall space (200,000 sq. ft. of new space), ballroom space (50,000 sq. ft.), and meeting space (40,000 sq. ft.). The new space would allow the center to host additional shows that cannot currently be accommodated, host more events simultaneously, and improve logistical efficiency. The study projects that an expanded center would host 17 to 25% more conventions and tradeshow and attract 30 to 38% greater attendance.

The study also addresses the potential operating revenues of an expanded convention center. This is particularly important because Section 10-640 of the Economic Development Article requires the State to contribute two-thirds toward the annual operating deficit of the BCCC through December 31, 2014. It is likely that legislation will extend the sunset in the next legislative session. The fiscal 2013 general fund allowance for MSA's contribution to the BCCC operating deficit is

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\$3,863,400. However, it is estimated that the fiscal 2013 allowance is underfunded by approximately \$1.1 million. The study expects that the annual operating subsidy would increase by 18 to 26%.

To contrast the increase in costs to the State, the study concludes that the expanded convention center results in an increase in tax revenue between 32 and 43%. Of that, 68% would occur at the State level. The project in total, including the convention center expansion, the new hotel and the new arena, would result in direct spending of \$138 to \$181 million annually and support 2,360 to 3,100 new jobs according to the study.

Financing

The fiscal 2013 allowance includes \$2.5 million for preliminary design of the expanded center. The Department of Budget and Management reports that the funds will help define the scope and cost of the proposed expansion and enable the development of a funding plan for the project.

Discussions in the private sector and reports in the media indicate there is willingness to privately support the construction of the new arena and the new hotel. This would leave the estimated \$400 million convention center expansion as the responsibility of the public sector.

The 2012 *Capital Improvement Program* does not include any plans for funding the convention center expansion beyond the fiscal 2013 allowance for preliminary design. Further, Baltimore City has not made a financial commitment. Also, the MSA does not have the statutory capacity to financially support the project. Finally, despite the expressed willingness for private sector investment in the larger development project, the State is not in possession of any written commitment toward that end.

Prior Authorization and Capital Improvement Program

**Authorization Uses
(\$ in Millions)**

<i>Fund Uses</i>	<i>Prior Authorization</i>	<i>2013 Request</i>	<i>2014 Estimate</i>	<i>2015 Estimate</i>	<i>2016 Estimate</i>	<i>2017 Estimate</i>
Acquisition	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Planning	0.000	2.500	0.000	0.000	0.000	0.000
Construction	0.000	0.000	0.000	0.000	0.000	0.000
Equipment	0.000	0.000	0.000	0.000	0.000	0.000
Total	\$0.000	\$2.500	\$0.000	\$0.000	\$0.000	\$0.000

**Authorization Sources
(\$ in Millions)**

<i>Fund Sources</i>	<i>Prior Authorization</i>	<i>2013 Request</i>	<i>2014 Estimate</i>	<i>2015 Estimate</i>	<i>2016 Estimate</i>	<i>2017 Estimate</i>
GO Bonds	\$0.000	\$2.500	\$0.000	\$0.000	\$0.000	\$0.000
Total	\$0.000	\$2.500	\$0.000	\$0.000	\$0.000	\$0.000

GO Bond Recommended Actions

- Delete funds for the preliminary design for the Baltimore City Convention Center expansion.

ZA00D	Baltimore City Convention Center	\$ 0
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<u>Allowance</u>	<u>Change</u>	<u>Authorization</u>
2,500,000	-2,500,000	0

Explanation: It is premature to provide funds for the preliminary design of a \$400 million project that does not have a commitment of funding from either the State or Baltimore City. The 2011 *Capital Improvement Program* does not provide a plan for funding beyond the funds for preliminary design. Further, there is not a firm commitment from the private sector partners regarding the hotel/arena components of the larger development project.

Total General Obligation Bonds Reduction	\$2,500,000
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