

Department of Legislative Services
Maryland General Assembly
2000 Session

FISCAL NOTE

House Bill 1302 (Chairman, Rules and Executive Nominations Committee)
(Departmental - Stadium Authority)

Appropriations

Economic Development - Property Tax Payments - Hippodrome Performing Arts Center

This departmental bill provides that the Hippodrome Performing Arts Center Facility and site are subject to property taxes unless: (1) the property is used principally as a performing arts center; and (2) the owner negotiates a payment in lieu of property taxes with the Baltimore City Board of Estimates.

This bill is effective July 1, 2000, contingent upon the enactment of House Bill 1301.

Fiscal Summary

State Effect: Increase in Hippodrome Performing Arts Center Financing Fund expenditures of approximately \$44,200 in FY 2001 and 2002. Future year expenditures would depend upon the negotiated payment in lieu of taxes. Minimal increase in Annuity Bond Fund revenue in FY 2001 and 2002 and minimal decrease in revenue in future years.

Local Effect: Increase in revenues for Baltimore City in FY 2001 and 2002 of approximately \$8,300 due to the taxation of a previously exempted property. Increase in revenues for Baltimore City in future years based on a negotiated payment in lieu of taxes.

Small Business Effect: The Maryland Stadium Authority has determined that the bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Current Law: The Hippodrome Performing Arts Center site includes the Hippodrome theater itself and the five properties that surround the theater. There are no special property tax provisions regarding these properties.

The Hippodrome Performing Arts Center Financing Fund is a continuing, nonlapsing fund from which the Maryland Stadium Authority (MSA) must pay any and all expenses related to the Hippodrome Performing Arts Center Facility. The fund consists of: (1) appropriations; (2) interest or other income earned on the investment of money in the fund; (3) any money made available from any public or private source; and (4) any other revenue collected or received from any source related to the facility.

Background: The Hippodrome is seen as the cornerstone of the West Side revitalization effort. The MSA is working in conjunction with the Baltimore Center for the Performing Arts (BCPA) in developing the Hippodrome Performing Arts Center. The new Hippodrome is planned to be a state-of-the-art theatrical facility larger than other theater facilities in the city that will attract larger Broadway touring shows. The facility will be capable of accommodating 420,000 theater patrons annually. Construction on the theater and surrounding buildings is expected to begin in July 2000. The MSA anticipates that opening day will be in the fall of 2002.

House Bill 1301 alters the powers and duties of the MSA pertaining to the Hippodrome Performing Arts Center Facility. It further allows for the transfer of specified tax credits and exempts transfers of specified properties from transfer and recordation taxes.

State Fiscal Effect: The Hippodrome theater is owned by the MSA and therefore is currently exempt from property taxes. The bill requires that to be eligible for a payment in lieu of taxes, the theater must be used principally as a performing arts center. The Department of Assessments and Taxation advises that during the construction phase of the Hippodrome project, the theater will not meet this criteria. Accordingly, upon enactment of this bill, the Hippodrome property will be subject to tax until such time that the site is functioning as a performing arts center. The current assessed value of the property is \$337,200. Baltimore City's tax rate is \$5.82 per \$100 of assessed value. The MSA would thus be required to pay \$7,850 to the city. Further, the property is located in a special taxing district with an additional tax rate of \$.3455 per \$100 of assessed value, increasing the MSA tax liability by \$466. Additionally, a transfer of \$280 to the Annuity Bond Fund would be required due to the State tax rate of \$.21 per \$100 of assessed value.

The remaining properties that encompass the Hippodrome site are currently privately held and are subject to taxation. The MSA is in the process of acquiring the properties. The MSA will continue to pay the applicable tax on the acquired properties until the theater is operational. The city currently collects \$35,569 on the surrounding properties. The MSA would be liable for such taxes until the opening of the theater, scheduled in fiscal 2003. It is assumed that the total tax liability of \$44,165 will be paid from the Hippodrome Performing

Arts Center Financing Fund.

Following the opening of a functioning theater, the MSA, or its authority affiliate acting as the theater's owner, will negotiate a payment to Baltimore City in lieu of taxes. The property tax exemption would be restored and no tax payments would be made to Baltimore City or to the Annuity Bond Fund. Estimates on the negotiated payment amount are not readily available, however, it is assumed to be less than the tax that would be due on a completely renovated theater site. As renovated, the taxes on the Hippodrome site are estimated at \$1.2 million.

Local Fiscal Effect: As discussed above, Baltimore City would receive approximately \$8,316 from the MSA in property tax revenue for fiscal 2001 and 2002 for the taxes due on the Hippodrome theater. The remaining properties that encompass the Hippodrome site are currently privately held and are subject to taxation. Baltimore City collects \$35,569: \$33,575 in annual property tax revenue; and \$1,994 in special taxing district revenue. As the MSA acquires the properties and before the theater is in operation, the MSA will continue to pay the applicable tax.

Once the Hippodrome begins operation as a performing arts center as required by the bill, the owner may negotiate a payment in lieu of taxes.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Stadium Authority, Department of Assessments and Taxation, Department of Legislative Services

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