

Department of Legislative Services
 Maryland General Assembly
 2019 Session

FISCAL AND POLICY NOTE
Third Reader

Senate Bill 177

(The Minority Leader, *et al.*) (By Request -
 Administration)

Budget and Taxation

Appropriations

Maryland Stadium Authority - Ocean City Convention Facility - Renovation

This Administration bill authorizes the Maryland Stadium Authority (MSA) to issue new bonds and structure financing terms for a renovation/expansion of the Ocean City Convention Center (OCCC) and makes related changes. **The bill takes effect July 1, 2019.**

Fiscal Summary

State Effect: General fund expenditures increase by \$50,000 annually in FY 2020 and 2021 and approximately \$1.8 million annually from FY 2022 through 2024. Similar expenditures continue through FY 2039. The bill does not directly affect State revenues.

(in dollars)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	50,000	50,000	1,800,000	1,800,000	1,800,000
Net Effect	(\$50,000)	(\$50,000)	(\$1,800,000)	(\$1,800,000)	(\$1,800,000)

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: Town of Ocean City expenditures increase to \$15.0 million in capital contributions and by \$50,000 (and up to \$100,000 in later years) annually for the capital reserve fund through the required payment period.

Small Business Effect: The Administration has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment.

Analysis

Bill Summary/Current Law: In addition to minor and conforming changes, the bill makes the following substantive changes to the laws governing MSA’s financial assistance for OCCC, as summarized in **Exhibit 1**.

Exhibit 1 Convention Center Financial Support Terms Current Law vs. the Bill

<u>Agreement Provision</u>	<u>Current Law</u>	<u>The Bill</u>
MSA debt capacity	\$17.34 million	\$24.5 million
Ocean City capital construction cost contribution	\$14.7 million	\$15.0 million
MSA capital construction cost contribution	\$14.7 million	All bond proceeds, net of issuance cost ¹
Ownership of leasehold improvements	50%/50%	60% MSA/ 40% Ocean City ²
Annual capital improvement fund contributions by MSA and Ocean City ³	\$50,000	\$100,000
Threshold for cost savings to be returned, cost savings allocation	\$29.4 million, 50%/50%	\$37.5 million, proportionally to contributions

¹According to MSA, \$22.7 million.

²Or at such percentages as may be required for the bonds.

³Current law requires these payments to continue to be made for 20 years after MSA bonds are retired.

MSA: Maryland Stadium Authority

Source: Department of Legislative Services

Background: OCCC currently provides approximately 60,000 square feet of exhibit space, 19,000 square feet of ballroom space, and 23 meeting rooms. The ballroom and a performing arts center replaced an exhibit hall and were added in 2012 and 2015, respectively, as part of a two-phase expansion and renovation. Inquiries from groups interested in using OCCC indicate that the available space is inadequate – specifically there is not enough exhibit space. Consequently, in 2016, at the request of Ocean City, MSA

procured a feasibility analysis to examine the market and economic impact of expanding the existing facility with an additional 30,000 square feet of exhibit space. That analysis estimated that incremental annual tax revenues due to the expansion range from \$736,000 to \$1.0 million at the county level and \$2.6 million to \$3.5 million at the State level. The full analysis is available on MSA's [website](#).

Plans for a \$34 million, 30,000 square foot OCCC expansion and improvement project were approved by the Mayor and City Council of Ocean City in November 2016.

State Expenditures: The fiscal 2019 capital budget preauthorized \$18.7 million in fiscal 2020 for the proposed OCCC project. However, the Governor's proposed fiscal 2020 capital budget *does not* include funding or preauthorization for the project. Therefore, this analysis assumes that the bill facilitates the project. To the extent that some or all of the funding is provided in the capital budget, the fiscal impact of the bill decreases or is eliminated.

MSA advises that the debt service payments on the bonds that it intends to issue (\$24.5 million) to contribute \$22.7 million to the project are approximately \$1.75 million annually beginning in fiscal 2022 and continuing through fiscal 2039. These payments will be made with general funds.

The bill also requires MSA to increase its contributions to the OCCC capital improvement fund by \$50,000 annually. This analysis assumes that the additional contribution begins in fiscal 2020. These payments must continue to be made while MSA's OCCC bonds are outstanding and for an additional 20 years. As the current payments would have ended after fiscal 2035 under current law, the net increase in general fund expenditures due to this requirement is \$50,000 annually from fiscal 2020 through 2035 and \$100,000 annually thereafter through the required payment period.

Local Fiscal Effect: Ocean City intends to contribute \$15.0 million for capital construction costs for the project, in addition to increasing its annual contribution to the capital improvement fund by \$50,000, which this analysis assumes begins in fiscal 2020. As the current payments would have ended after fiscal 2035 under current law, the net increase in local expenditures due to this requirement is \$50,000 annually from fiscal 2020 through 2035 and \$100,000 annually thereafter through the required payment period. Ocean City advises that it issued \$13.8 million in bonds in January 2018 for this purpose and will provide the remaining funding when necessary. Ocean City also benefits from any increase in visitor spending that occurs due to the project.

Additional Information

Prior Introductions: HB 133 of 2018, a similar bill, passed the House and was referred to the Senate Rules Committee; however, no further action was taken.

Cross File: HB 178 (The Speaker, *et al.*) (By Request - Administration) - Appropriations.

Information Source(s): Maryland Stadium Authority; Board of Public Works; Town of Ocean City; Crossroads Consulting Services; Department of Legislative Services

Fiscal Note History: First Reader - February 5, 2019
mm/vlg Third Reader - April 6, 2019

Analysis by: Stephen M. Ross

Direct Inquiries to:
(410) 946-5510
(301) 970-5510

ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Maryland Stadium Authority - Ocean City Convention Facility -
Renovation

BILL NUMBER: SB 177/HB 178

PREPARED BY:

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON
MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON
MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

There could be some positive impact to small business in the local area from the construction of the expansion project.