

Department of Legislative Services
 Maryland General Assembly
 2019 Session

FISCAL AND POLICY NOTE
 Third Reader - Revised

House Bill 801

(Delegate Glenn)(By Request - Baltimore City
 Administration)

Appropriations

Budget and Taxation

Maryland Stadium Authority - Baltimore Convention Facility - Renovation

This bill requires the Maryland Stadium Authority (MSA) and Baltimore City to promptly enter into a written agreement to begin the planning and design of the expansion or renovation of the Baltimore Convention Center (BCC) in fiscal 2020. The agreement must include a provision allocating two-thirds of the planning and design cost to MSA and the remaining one-third of the cost to Baltimore City. The bill also redefines the geographic boundaries of the Baltimore Convention site. **The bill takes effect July 1, 2019.**

Fiscal Summary

State Effect: General fund expenditures increase by \$2.6 million annually beginning in FY 2022 and continuing through FY 2039, under the assumptions discussed below. The bill does not directly affect State revenues. **This bill establishes a mandated appropriation beginning as early as FY 2022.**

(\$ in millions)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	0	2.6	2.6	2.6
Net Effect	\$0.0	\$0.0	(\$2.6)	(\$2.6)	(\$2.6)

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

Local Effect: Baltimore City revenues and expenditures increase beginning in FY 2020, under the assumptions discussed below. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: Potential meaningful.

Analysis

Current Law/Background:

Baltimore Convention Center Generally

BCC was opened in 1979, and an expansion was completed in 1997. The State contributed to the initial project by issuing \$35.0 million in general obligation (GO) bonds and to the expansion by issuing \$101.0 million in GO bonds and MSA bonds. Baltimore City agreed to provide \$15.0 million for the opening and \$50.0 million for the renovation. Under its existing statutory authority as part of that agreement, MSA is authorized to have up to \$55.0 million in outstanding bonds related to BCC. The original bonds were retired in fiscal 2015, leaving \$55.0 million in available debt capacity. The current arrangement between MSA and BCC, under which the State contributes two-thirds of the annual operating deficit and one-half (\$200,000) of the annual capital reserve fund, has been in place since 1996. Legislation in 2008, 2013, and 2018 extended the arrangement through its current expiration date of December 31, 2029.

Baltimore Convention Center Expansion – Initial Studies

In November 2016, MSA approved a request by the Mayor of Baltimore to conduct various program and construction-related analyses to determine the program for and technical feasibility of a proposed BCC expansion. The study considered both a stand-alone convention center as well as a hybrid facility inclusive of a hotel and/or arena. The report examined four scenarios:

- Option 1: expanding and renovating BCC;
- Option 2: expanding and renovating BCC and building a new hotel;
- Option 3: expanding and renovating BCC and building a new arena; and
- Option 4: expanding and renovating BCC, building a new hotel, and building a new arena.

The report recommended Option 2, to expand and renovate BCC and build a new hotel. Based on the report, the project is estimated to take four to five years from start to finish. The report can be found on MSA's [website](#).

In July 2018, MSA approved a request by the Mayor of Baltimore to further study the recommended scenario from the Phase 1 report. Phase 2 of the BCC study will outline preliminary design, cost estimating (construction and projects), and financing modeling. The Phase 2 study began in fall 2018 and is expected to be completed in spring 2019.

These studies are distinct from the more detailed project planning and design phase funded by the bill.

State Expenditures: MSA estimates total planning and design costs for the renovation/expansion of BCC are \$50.0 million. Consistent with the cost-share and timing specified in the agreement under the bill, this analysis assumes MSA contributes \$33.33 million for planning and design costs in fiscal 2020.

MSA advises that the debt service payments on \$37.0 million in bonds issued in fiscal 2020 (to contribute \$33.33 million to the project) are approximately \$2.6 million annually beginning in fiscal 2022 and continuing through fiscal 2039. These payments will be made with general funds.

The timing and amounts are subject to change, based on the specifics of the project costs, the ultimate amount of bonds issued, and the interest rate of the bonds.

Additional costs facilitated, but not required, by the bill are discussed below.

Local Fiscal Effect: Baltimore City must contribute approximately \$16.67 million for planning and design, based on MSA's \$50.0 million estimate of the total cost. Baltimore City has discretion in how it may choose to provide the funds; the city advises that it has sufficient debt capacity to issue bonds for this purpose. Therefore, this analysis assumes that Baltimore City revenues and expenditures increase as necessary beginning in fiscal 2020 from bonds issued to provide the city's share of the cost. The timing and amounts are subject to change, based on the specifics of the project costs, the ultimate amount of bonds issued, and the interest rate of the bonds.

Additional costs facilitated, but not required, by the bill are discussed below.

Small Business Effect: Small businesses involved in planning and design may benefit from the funds spent under the bill. Further, to the extent that the bill facilitates the renovation/expansion of BCC, small businesses involved in the construction phase benefit from the activity associated with a large-scale project. Conversely, during the construction phase, such a project may have negative effects on adjacent small businesses due to traffic and pedestrian disruptions, in addition to the more regional risk associated with decreased event attendance. Once construction is complete, small businesses benefit from additional spending associated with event attendance at the larger BCC.

Additional Comments: The bill does not require future State/city support for the full BCC expansion/renovation project; however, it does further facilitate the project and the potential for such support. Total State support on a project of this size could exceed

\$40.0 million annually over the lifetime of the bonds, based on a two-thirds split of the total cost. Local support could likewise be significant.

Further, BCC may have larger operating deficits during or after a renovation/expansion. Absent a change to current law, Baltimore City is responsible for one-third of the operating deficit through December 31, 2029, at which point the city is responsible for the entire amount. Estimates for MSA's future operating deficit support payments, independent of a potential BCC expansion, have ranged from \$6.0 million to \$8.0 million annually.

Additional Information

Prior Introductions: None.

Cross File: SB 799 (Senator Hayes) (By Request - Baltimore City Administration) - Budget and Taxation.

Information Source(s): Maryland Stadium Authority; Board of Public Works; Baltimore City; Clark Construction Group, LLC; Department of Legislative Services

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