

Department of Legislative Services
 Maryland General Assembly
 2019 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 801 (Delegate Glenn)(By Request - Baltimore City Administration)

Appropriations

Maryland Stadium Authority - Baltimore Convention Facility - Renovation

This bill authorizes the Maryland Stadium Authority (MSA) to issue up to \$600.0 million of new bonds and to structure financing terms for a renovation of the Baltimore Convention Center (BCC). The bill also redefines the geographic boundaries of the Baltimore Convention site and specifies that an agreement entered into under the bill by MSA and Baltimore City supersedes any previous agreements. **The bill takes effect July 1, 2019.**

Fiscal Summary

State Effect: General fund expenditures increase by at least \$42.9 million annually beginning in FY 2024 and continuing through FY 2041, as discussed below. The bill does not directly affect State revenues. General fund expenditures may further increase beginning as early as FY 2022 from additional State support for BCC operating deficits. **This bill may increase 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	-	-	42.9
Net Effect	\$0.0	\$0.0	(-)	(-)	(\$42.9)

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

Local Effect: Baltimore City revenues and expenditures increase by at least \$50.0 million from bond issuances beginning in FY 2022, as discussed below. Expenditures further increase to the extent that a renovated/expanded BCC has larger operating deficits.

Small Business Effect: 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 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. The MSA bonds were retired in fiscal 2015.

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 date of December 31, 2029.

Baltimore Convention Center Expansion

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 examines 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.

State Expenditures: This analysis assumes MSA issues \$600.0 million in bonds to facilitate the renovation/expansion of BCC under a new agreement with Baltimore City in fiscal 2022. The timing and ultimate amount of bond issuance are subject to change based on the specifics of the project.

MSA advises that the debt service payments on \$600.0 million in bonds issued in fiscal 2022 (to contribute about \$567.0 million to the project) are approximately \$42.9 million annually beginning in fiscal 2024 and continuing through fiscal 2041. These payments will be made with general funds. These amounts are subject to change, based on the interest rate of the bonds.

Absent additional Baltimore City support, discussed below, other State funding may be necessary to fully fund the project. The potential amount cannot be estimated but could be in the form of GO bonds, based on previous State support for BCC.

Operating Deficit Support

The bill does not alter the existing requirement that MSA contribute two-thirds to BCC's operating deficit and \$200,000 to the capital reserve fund. However, presumably, BCC may have larger operating deficits during or after the renovation/expansion. Therefore, under the timing assumptions for this analysis, increased payments begin as early as fiscal 2022. The amount of any such increase cannot be reliably estimated at this time; however, estimates for MSA's future operating deficit support payments, independent of a potential BCC expansion, have ranged from \$6.0 to \$8.0 million annually. While these payments technically expire after December 31, 2029, as noted above, legislation has historically been enacted to continue the payments beyond the termination date.

Local Fiscal Effect: The provisions altered by the bill are from agreements related to a prior, and significantly less expansive, BCC renovation in the 1990s. Those provisions, which require Baltimore City to contribute \$50.0 million to the project, are unchanged by the bill. This analysis assumes that the bill requires a new agreement, with a new \$50.0 million contribution from Baltimore City in fiscal 2022.

Further, according to MSA, \$617.0 million (\$567.0 million from MSA and \$50.0 million from Baltimore City) is insufficient to fully fund the BCC renovation/expansion as it is currently being contemplated, although the final cost is still unknown. Therefore, although not required by the bill, this analysis assumes that Baltimore City revenues and expenditures increase as necessary beyond the required \$50.0 million from bonds issued to meet any remaining funding gap for the project.

As discussed above, presumably, a renovated/expanded BCC may have larger operating deficits. 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.

Small Business Effect: To the extent the bill facilitates the renovation/expansion of BCC, small businesses involved in the planning and 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 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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