



Maryland Stadium Authority

Fiscal Year 2025 Operating Budget
Response to Department of Legislative Services Analysis

Senate Budget and Taxation Committee
Education, Business & Administration Subcommittee

Chair, Senator Nancy J. King

January 26, 2024

House Appropriations Committee
Education & Economic Development Subcommittee

Chair, Delegate Stephanie Smith

January 25, 2024



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Executive Director

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Written Testimony:

Michael J. Frenz, Executive Director, Maryland Stadium Authority

Good afternoon, Madame Chairs and members of the committees.

I am Michael Frenz, the Executive Director of the Maryland Stadium Authority (MSA), joining me today are our Chairman, Craig Thompson, CFO, Dawn Abshire, Executive VP of the Capital Projects Development Group, Gary McGuigan and Terry Hasseltine, the Executive Director of Maryland Sports, the state's sports commission, and Jocelyn Grogan-Jones, MSA's VP, Administration, Human Resources & Finance.

The MSA has received and reviewed the analysis and recommendations in advance of this budget hearing. We would like to take a moment to thank Patrick Frank for his thorough and thoughtful analysis. In addition to my brief remarks, MSA has provided the committees additional information that complements the analysis.

MSA continues to work with the Baltimore Orioles and Ravens to ensure that the stadiums remain best-in-class facilities in terms of safety and fan experience. To that end, 2022 legislation, HB 896 Maryland Stadium Authority - Increase of Bond Authorization - Camden Yards, increasing bond authorization at the Camden Yards Complex to \$1.2 billion successfully created a significant incentive for the teams to renew or extend their leases, and provided the opportunity to expand the economic impact of games and other year-round activities at upgraded stadiums.

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In January 2023, the Maryland Board of Public Works (BPW) unanimously approved a new stadium lease agreement between the MSA and the Baltimore Ravens that extends the team's commitment to remain in Baltimore and support investment in M&T Bank Stadium through the end of the 2037 NFL season, with two five-year options to extend. In December, MSA was extremely pleased with the Ravens announcement of our collaborative multi-year renovation (2024-2026) project that utilizes an estimated \$430 million of the \$600 million of state funds allotted for improvements to enhance M&T Bank Stadium and ensure the facility, which is in its 25th season, remains a world-class NFL and entertainment venue. To maximize year-round use, substantial developments on the exterior plaza areas expands pre- and post-game entertainment, includes a concert venue and flagship retail store, with fan experience and infrastructure improvements on every level of the facility.

Also in December, BPW unanimously approved a long-term agreement between the MSA and the Baltimore Orioles that benefits Maryland taxpayers, keeps the team in Baltimore well into the future, and spurs economic growth. The agreement includes a thirty-year extension to existing lease terms, with an option to pursue development rights at the Camden Yards complex. In the coming years, the MSA and the Orioles will work together to advance a ground lease and a development plan for areas around the ballpark, both subject to approval by the Legislative Policy Committee and the Board of Public Works. If a ground lease is signed and receives State approval within four years, the 30-year lease extension may be converted to a new Facility Use Agreement with approval by Major League Baseball and the Board of Public Works. If a ground lease is not approved within four years, the Orioles have options to: a) maintain the 30-year lease on existing terms; b) change the length to 15 years total on existing terms, with four options to extend for five years each; or c) maintain the 30-year lease and convert to the new lease terms outlined in the new Facility Use Agreement.

Similarly, HB 897 (2022) Economic Development – Sports Entertainment Facilities and Events, Prince George's County Blue Line Corridor Facilities, and Racing Facilities successfully created a \$200 million fund to promote the development of sports entertainment facilities across the state, including minor league stadiums where renovations will be necessary in order to maintain affiliations with major league teams. We are delighted to report that already five minor league teams have taken steps to utilize the funds and MSA's services.

Likewise, MSA looks forward to collaborating with Prince George's County on the game-changing Blue Line Corridor development.

Because of our longstanding reputation for on-time, on-budget project delivery, MSA has been asked to take on numerous additional projects of increasing complexity, with respect to both scope and scale. Notable projects underway include the Hagerstown multiuse sports and events facility which will open its doors and welcome fans for the Flying Boxcars first ever homestand in May. And for this crowd to cheer about, the brand new Department of Legislative Services building is scheduled for completion by December.

MSA is also entrusted to finance, procure then construct state-of-the-art schools. Under the 21st Century Schools Program in Baltimore, the ribbon-cutting of Cross Country Elementary/Middle School in December represented the 27th of 29 school buildings to be opened under this program. This will exceed the original estimate of 23 to 28 buildings. With respect to the statewide Built to Learn Act program, memoranda of understanding have been executed with eight Local Education Agencies and \$700 million of up to \$2.2 billion in bonds have been issued to finance construction. In addition to investing in the next generation of Marylanders education, these new schools are creating opportunities for local employment and businesses, revitalizing neighborhoods, inspiring civic pride and providing catalysts for economic development.

MSA, through its Maryland Sports affiliate, promoted and executed the highly praised Maryland Cycling Classic and the Maryland 5 Star equine event at Fair Hill. Maryland Sports also recently completed its allocation of the \$1 million Michael Erin Busch sports grant funds to numerous organizations across the state.

Whenever the MSA is asked to take on projects and studies our response is "we're here to serve." It is our sincere pleasure to serve the people of Maryland as we plan, finance, build, and manage innovative educational and entertainment facilities for the benefit of present and future generations.

Thank you and we would be delighted to answer any questions you may have.

Legislative Services/Analysis Issue & Response

The following general fund appropriations were added as legislative priorities to the fiscal 2024 MSA budget:

- \$250,000 in general funds “to facilitate nationally televised Maryland live sports and sports documentary content.”

MSA should be prepared to brief the committees on the extent to which funds have been encumbered or spent, any grantee awards, the bidding process to determine grantee awards, and what live sports or documentary events MSA expects will be nationally televised.

(see next slide)



Legislative Services/Analysis Issue & Response

The following events are tied to a one-time funding opportunity of \$250,000 for the purposes of TV production, video capture and broadcast opportunities linked to youth and amateur sports events in fiscal 2024.

These events along with others will be used to develop a statewide youth and amateur sports marketing video for the Maryland Sports Commission produced by Next Level Sports and Entertainment at no additional costs to the MSA or the Maryland Sports Commission.

Grant awards varied from \$5,000 - \$25,000 based on need, complexity, geographic diversity, and overall audience.

- Ocean City Running Festival
- All-In Docu-series (behind the scenes)
- Elite High School Basketball
- Maryland College & University Sports Content
- USA Football 7v7 Tournament
- St. Frances Academy Football Games
- Governor's Challenge Basketball Tournament
- Committed Lacrosse Combine
- Top 100 Nation's United Lacrosse Women's Summit
- Maryland 5 Star at Fair Hill
- Maryland Cycling Classic
- CIAA
- Turf Wars
- Columbia Invitational
- IronMan Maryland
- Let's Play



Legislative Services/Analysis Issue & Response

The following general fund appropriations were added as legislative priorities to the fiscal 2024 MSA budget:

- \$125,000 in general funds to conduct a market and economic feasibility study for amphitheaters in Charles County. Through fiscal 2024, Charles County received \$1 million in capital funds for the multicultural recreational and amphitheater facilities projects. A market and economic feasibility study is required before capital funds can be spent, but capital funds cannot be used to conduct the studies. As a result, this appropriation provides State funds for the study. MSA has retained Crossroads Consulting to prepare the study.

MSA should be prepared to brief the committees on the status of this study.

The market and economic study has not started. After legal review of the language, the \$125,000 allocation for a study of an amphitheater can not be used for the County desired Sports, Wellness & Entertainment Complex. The County was informed and MSA believes the County will pursue the language change this session.



Legislative Services/Analysis Issue & Response

While progress has been made and the Orioles have a lease for the stadium, it is unclear what the final terms will be. Issues still to be resolved include:

- Why does the State offer a team a ground lease that exceeds the stadium lease period by 69 years? Would it be prudent to reduce the length of the ground lease or have any improvements become MSA property if the team leaves before the ground lease expires?
- What is fair market value for the cash flows lost if MSA offers ground leases? How will this be determined and how will the State know that the ground rent is commensurate with foregone revenues?
- The State is required to maintain parity between the Orioles and Ravens leases. What does parity look like if the Orioles can lease MSA's improved property, including the Camden Yards warehouse? Could the Ravens opt into similar operations and maintenance arrangements as the Orioles?
- What are the potential tax implications and to what extent could State and local revenues be affected? Could the agreement's structure affect the imposition of property or income taxes?

MSA should be prepared to brief the committees on the status of the Oriole Park at Camden Yards lease and the unresolved issues.



Legislative Services/Analysis Issue & Response

- **Why does the State offer a team a ground lease that exceeds the stadium lease period by 69 years? Would it be prudent to reduce the length of the ground lease or have any improvements become MSA property if the team leaves before the ground lease expires?**

MSA and the Orioles agreed to an extension of the existing lease of the ballpark to afford the Orioles the time needed to conduct their due diligence as to potential development of designated parcels around the ballpark. Absent preliminary due diligence, which includes such things as market and environmental impact studies and design, architectural and engineering work, it was premature to enter a ground lease of development rights with the Orioles. As such, there is no ground lease at this juncture. Assuming that the team meets the benchmarks established in the lease extension, then the duration, rent, and other terms of the ground lease will be subject to negotiations between the parties and all required State approval processes.



Legislative Services/Analysis Issue & Response

- **What is fair market value for the cash flows lost if MSA offers ground leases? How will this be determined and how will the State know that the ground rent is commensurate with foregone revenues?**

To determine the net fair market value to the State of a ground lease to the Orioles, MSA would need to determine the revenue generating opportunities that would be lost at the time that the ground lease is entered (e.g., private leases at the Warehouse or Camden Station, parking revenues, etc.). This prediction is complicated because any such loss may not occur for several years. In addition, MSA would need to determine the fair market value of the economic benefits to the State and City (e.g., rent payments under the ground lease, revenue streams likely to be generated, such as property, sales, hotel, and bottle taxes, etc.) Given no knowledge of the planned projects that may come into fruition, there are too many unknown variables to make a reliable forecast of these figures at this time. MSA recognizes, however, that the LPC and BPW will expect such economic analysis to be provided when and if a ground lease is brought back for required approvals.



Legislative Services/Analysis Issue & Response

- **The State is required to maintain parity between the Orioles and Ravens leases. What does parity look like if the Orioles can lease MSA's improved property, including the Camden Yards warehouse? Could the Ravens opt into similar operations and maintenance arrangements as the Orioles?**

We interpret the first of these questions as seeking a description of the parity rights of the Ravens vis à vis the Orioles' potential development rights. If the Orioles proceed to exercise their right to development (in compliance with all benchmarks and required approvals), then we believe that the Ravens would have the right to request an amendment to their lease to obtain a comparable benefit. In response to the second question above: If a form of the Facility Use Agreement attached to the lease extension becomes an operative document between MSA and the Orioles, then we believe that the Ravens would have the right to seek an amendment to their lease to allow for a comparable operations and maintenance paradigm.



Legislative Services/Analysis Issue & Response

- **What are the potential tax implications and to what extent could State and local revenues be affected? Could the agreement's structure affect the imposition of property or income taxes?**

The purpose of entering into a potential ground lease with the Orioles is to increase economic benefit to the State and City of Baltimore. MSA is not a taxing authority, however, and therefore we cannot impose property or income taxes in connection with the potential development. The tax implications and impact on State and local revenues remain uncertain, due to a host of unknown variables (e.g., type of development, how much of the available site is involved, the value of a particular project, etc.). Once those variables are known, then the questions of tax imposition and implications are more properly within the purview of the State Department of Assessments and Taxation, the Comptroller of Maryland, and the City's department of finance.



Maryland Stadium Authority (MSA)



Mission

- To plan, finance, build and manage sports and entertainment facilities in Maryland.
- Provide enjoyment, enrichment, education, and business opportunities for citizens.
- Develop partnerships with local governments, universities, private enterprise and the community.





MSA - What We Do

- Operate and maintain Camden Yards Sports Complex real estate assets on behalf of the State of Maryland
- Oversee feasibility studies and projects for local municipalities or state agencies upon request
- Oversee 21st Century Schools Program
- Oversee Project C.O.R.E.
- Oversee Pimlico and Laurel Racing Facilities Redevelopment
- Oversee Built to Learn Act 2020 Program
- Oversee Hagerstown Multi-Use Sports and Events Facility
- Oversee development and financing of the Blue Line Corridor
- Promote the use of sports-related facilities across Maryland to foster economic development through Maryland's Sports Commission
 - Administer the Michael Erin Busch Sports Fund Youth and Amateur Sports Grants Program
 - Administer the Major Sport and Entertainment Events Program





MSA – How We Are Funded

- Self-funded through stadium operations
- General funds: Debt service and operating deficiencies for Baltimore City and Ocean City Conventions Center, Hippodrome Theatre, Montgomery County Conference Center, Hagerstown Multi-Use Sports and Events Facility
- Baltimore City Public Schools: \$60 million annually for life of the bonds
- Project C.O.R.E.: Funded by MD Dept. Housing & Community Development
- Stadium debt: Up to \$90million from Maryland Lottery (now approximately \$15million)
- Built to Learn: \$125 million from Education Trust Fund
- Racing & Community Development Act: \$17 million from Maryland Lottery
- Michael Erin Busch Sports Fund Youth and Amateur Sports Grants Program: \$1 million from Maryland Lottery
- Major Sport and Entertainment Events Program: \$10 million from Maryland Lottery





Camden Yards Sports Complex

- From 1992 to 2022, there has been approximately \$15.9 billion in total spending at the Camden Yards Sports Complex, with \$9.2 billion attributed to the Baltimore Orioles and \$6.7 billion attributed to the Baltimore Ravens.
- Based on tax revenues of a \$1 billion, less \$670 million in debt service in bonds issued to build the Camden Yards Sports Complex, the State of Maryland has earned a \$330 million return on its investment.

	Orioles	Ravens
Approximately 85 million visitors	70 million	15 million
Approximately \$15.9 billion in total spending	\$9.2 billion	\$6.7 billion
Approximately 4,000 jobs each year	2,400	1,600
Approximately \$8.3 billion in employee earnings	\$4.8 billion	\$3.5 billion
Approximately \$1.0 billion in state revenues	\$0.6 billion	\$0.4 billion
Approximately \$670 million in debt service	\$0.45 billion Oriole Park at Camden Yards	\$0.22 billion M&T Bank Stadium





Lease between MSA & the Ravens

- In January 2023, the Maryland Board of Public Works approved a new stadium lease agreement between the MSA and the Baltimore Ravens that extends the team's commitment to remain in Baltimore and support investment in M&T Bank Stadium through the end of the 2037 NFL season, with two five-year options to extend.
- While fundamentally the same as the agreement previously in place, it offers greater protections to the MSA, additional revenue opportunities to the team that are in line with current stadium trends and opportunities to collaborate on improvements that will enhance the fan experience as afforded by the HB896 (2022) legislation
- In December 2023, MSA and the Baltimore Ravens announced a multi-year renovation (2024-2026) project that utilizes an estimated \$430 million of the \$600 million of state funds allotted for improvements to enhance M&T Bank Stadium and ensure the facility, which is in its 25th season, remains a world-class NFL and entertainment venue.
- To maximize year-round use, substantial development on the exterior plaza areas expands pre- and post-game entertainment, includes a concert venue and flagship retail store, with fan experience and infrastructure improvements on every level of the facility.





Lease between MSA & the Orioles

- In December 2023, the Maryland Board of Public Works unanimously approved a long-term agreement between the MSA and the Baltimore Orioles.
- The agreement includes a thirty-year extension to existing lease terms, with an option to pursue development rights at the Camden Yards complex. In the coming years, the MSA and the Orioles will work together to advance a ground lease and a development plan for areas around the ballpark, both subject to approval by the MSA Board, Legislative Policy Committee and the Board of Public Works.
- If a ground lease is signed and receives State approval within four years, the 30-year lease extension may be converted to a new Facility Use Agreement with approval by Major League Baseball and the Board of Public Works.
- If a ground lease is not approved within four years, the Orioles have options to: a) maintain the 30-year lease on existing terms; b) change the length to 15 years total on existing terms, with four options to extend for five years each; or c) maintain the 30-year lease and convert to the terms outlined in the new Facility Use Agreement.



Capital Projects Development

PROJECTS

In Progress:

- Project C.O.R.E.
- Redevelopment of Pimlico and Laurel Racing Facilities
- MiLB HB897 Sports and Entertainment Facilities and Events
- Prince George's County Blue Line Corridor Sports and Entertainment Facilities – Feasibility Study & Design/Build Services
- Hagerstown Multi-Use Sports and Events Facility
- Department of Legislative Services Annapolis State Government Complex

STUDIES

In Progress:

- Anne Arundel County Proposed Arts and Conference Center Market and Economic Study

STUDIES

In Progress:

- Frostburg State University Regional Recreation Center Market and Economic Study
- Frostburg State University – I-68 Regional Recreation Complex Planning and Design Services

Completed:

- Ocean City Indoor Fieldhouse Outdoor Field Complex Study, II
- Historic St. Mary's City Fort Market and Economic Study
- Frostburg State University I-68 Regional Recreation Complex, II
- Coppin State University Proposed Public Safety Building
- MLS NEXT Pro Proposed New Multi-Use Soccer Stadium Business Advisory Services





Public School Construction

- Through the **21st Century School Buildings Program**, the MSA finances, procures, and builds high-quality schools throughout the City of Baltimore. The MSA is currently scheduled to deliver **29** school buildings that will be home to **34** schools, exceeding the original program projection of **23 to 28** school buildings.
- As a result of efficient project and program management, combined with creative financing, the MSA was able to achieve additional funding capacity to add another school building to the program in 2022, the Frederick Douglass High School Building.
- Together with its program partners, Baltimore City, City Schools and the IAC, the MSA has now delivered **27** modernized school buildings on-time and on-budget.
- The Baltimore City Schools program promotes local employment with **1,475** positions filled by city residents, introduces a school internship initiative, and realizes a **32.7%** MBE achievement with over **\$387** million in contracts awarded to minority and women owned businesses.
- As this program nears completion, the \$2.2 billion statewide school construction program under the **Built to Learn Act** is ramping up. The program MOU was executed in the summer of 2021 and project MOUs with **nine** County LEAs have been approved.





Maryland Sports Commission

The Maryland Sports Commission continues connecting TEAM Maryland county and city partners to sport tourism industry partners to develop new business, awarding grant funds when available and pursuing new economic activity through sports tourism for the state.

Events of Profile:

The following events received support, leadership and operational resources from Maryland Sports and/or the Sport and Entertainment Corporation of Maryland:

- Maryland 5 Star at Fair Hill
- Maryland Cycling Classic
- Maryland Sports Spelling Bee
- CIAA
- Governor's Challenge
- Bay Bridge Run

Michael Erin Busch Fund /Youth and Amateur Sports Grant:

\$1 million available to support its private sector event partners, rights holders and sports governing bodies to conduct amateur sporting events such as games, exhibitions, tournaments, and other sports competition-related events.

Major Sport and Entertainment Events Program

\$10 million a year in financial assistance to eligible recipients for the costs of attracting, hosting and organizing major sporting and entertainment events through Maryland Sports, and its non-profit arm, the Sport and Entertainment Corporation of Maryland.





MARYLAND STADIUM AUTHORITY

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