



# Maryland Stadium Authority

Fiscal Year 2024 Operating Budget

Response to Department of Legislative Services Analysis

Senate Budget and Taxation Committee

**Education, Business & Administration Subcommittee**

*Chair, Senator Nancy J. King*

February 13, 2023

House Appropriations Committee

**Education & Economic Development Subcommittee**

*Chair, Delegate Stephanie Smith*

February 8, 2023



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Monday, February 13, 2023

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Wednesday, February 8, 2023

Written Testimony:

Michael J. Frenz, Executive Director, Maryland Stadium Authority

Good afternoon, Madame Chair and members of the committee.

I am Michael Frenz, the Executive Director of the Maryland Stadium Authority (MSA), joining me today are our Chairman, Thomas Kelso, CFO, David Raith, 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, last year's legislation, HB 896 (2022) Maryland Stadium Authority - Increase of Bond Authorization - Camden Yards, increasing bond authorization at the Camden Yards Complex to \$1.2 billion offered 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.

In January 2023, the Maryland Board of Public Works (BPW) 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 previous agreement, it offers greater protections to the

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MSA, additional revenue opportunities to the team that are in line with current stadium trends and opportunities to collaborate on improvements (already underway) that will enhance the fan experience as afforded by the HB896 (2022) legislation.

Similarly, in February 2023, Governor Wes Moore and the Baltimore Orioles announced their joint commitment to creating a long-term, multi-decade, public-private partnership that both develops and revitalizes the Camden Yards as a magnet for sports tourism and leverages Maryland taxpayers' investment in the property. The Orioles, the Moore administration, and the MSA look forward to reimagining the beloved ballpark as a year-round attraction and delivering a new lease agreement by year-end.

Last year's HB 897 (2022) Economic Development – Sports Entertainment Facilities and Events, Prince George's County Blue Line Corridor Facilities, and Racing Facilities 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 pleased to report that already three minor league teams have taken steps to utilize the funds and MSA's services. Likewise, with BPW's recent approval, 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 recent projects include completion of the Ocean City Convention Center, phase III expansion, the Pimlico and Laurel racetrack improvements, the Built to Learn Act statewide school construction program, the Department of Legislative Services building, and the Hagerstown multiuse sports and events facility.

MSA, through its Maryland Sports affiliate, promoted and executed the highly praised inaugural Maryland Cycling Classic and the second annual 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 citizens 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

- **MSA should be prepared to brief the committees on the status of the Hagerstown Multi-Use Sports and Events Facility. Including the costs, the schedule, and solutions available to address insufficient costs to build the facility at the scope proposed when the legislation was enacted**

As with many construction projects over the last year, this project has faced challenges related to rising costs of labor, materials, and financing. MSA has seen a 15-20% increase to the budgets of many projects over the last year due to labor and materials costs. This has been compounded on this project by the reduced revenues as outlined in the analysts' good work. As this project was fully state funded, the stakeholders desire a state solution to these unique circumstances.



# Legislative Services/Analysis Issue & Response

- **To encourage the parties to reach agreements, DLS recommends that the budget committees add language making the fiscal 2024 appropriation contingent on having all eight Pimlico agreements mentioned in the January 2023 report and any necessary agreements for Laurel Park completed by September 20, 2023.**

The projections of a deficit of between \$ 160 million and \$350 million are based on receiving the \$17 million/year until bonds are sold. This deficit will increase if the \$17 million in the budget analyst's recommendation is accepted. Due to the numerous stakeholders and the complexity of these two projects MSA does not agree that it is in the best bargaining position to contain costs. MSA agrees that the Pimlico land acquisition between the City and MJC and the development agreement should be finalized before proceeding into design.





# 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

- Since 1992, 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.

	<b>Orioles</b>	<b>Ravens</b>
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
- MSA and the Baltimore Ravens have already issued RFPs for some of the projects contemplated in the lease that will extend the life of the stadium, elevate the gameday experience, expand year-round entertainment use, and create economic development opportunities for many years to come.





# Lease between MSA & the Orioles

- In February 2023, Governor Wes Moore and the Baltimore Orioles announced their joint commitment to creating a long-term, multi-decade, public-private partnership that both develops and revitalizes the Camden Yards complex as a magnet for sports tourism and leverages Maryland taxpayers' investment in the property.
- In 2021 the original lease term was amended to year-end 2023. The Orioles did not exercise their right by written notice to a one-time, five-year extension.
- HB 896 (2022) increased the cap on Camden Yards Sports Complex debt to \$1.2 billion from \$235 million. The \$1.2 billion will be evenly allocated between the stadiums. The cap on debt service from lottery will increase to \$90 million from \$20 million.
- The Orioles, the Moore administration, and the MSA look forward to reimagining Camden Yards to deliver a live, work, play theme that will bring residents, businesses, and tourists to downtown Baltimore year-round.



# Capital Projects Development

## PROJECTS

### Completed:

- Ocean City Convention Center, Phase III

### In Progress:

- Project C.O.R.E.
- Redevelopment of Pimlico and Laurel Racing Facilities
- Hagerstown Multi-Use Sports and Events Facility
- Department of Legislative Services Annapolis State Government Complex

## STUDIES

### Completed:

- Frostburg State University I-68 Regional Recreation Complex
- Ocean City Indoor Fieldhouse Outdoor Field Complex Study, II

### In Progress:

- Coppin State University Proposed Public Safety Building
- Historic St. Mary's City Fort Market and Economic Study
- Frostburg State University I-68 Regional Recreation Complex, Design
- Prince George's Blue Line Corridor Sports & Entertainment Facilities  
MLS NEXT Pro Proposed New Multi-Use Soccer Stadium Business Advisory Services







# Redevelopment of the Pimlico and Laurel Park Racing Facilities

- Throughout 2021, the MSA worked with the Maryland Jockey Club (MJC) and the horse industry to more fully program both the Laurel Park and Pimlico Racing Facilities. It became apparent in the summer of 2021 that the stakeholders desired significant changes to the Laurel Park program. The program at Pimlico had minor changes, but remained true to the 2020 plan that resulted in the Racing and Community Development Act of 2020 (RCDA 2020).
- The complexity of the two intertwined projects, Laurel and Pimlico, also increased costs as the logistics of accommodating day to day equine training/housing for year round racing, proved to be more complex and expensive than originally anticipated.
- The increased program desires at Laurel, the cost of transition, and the current economy (including inflationary forecasts and the expectation of reduced revenues from MSA's bond deals) have led to Laurel Park being substantially over budget. The legislature reacted to this information and included direction to the MSA in HB897 (2022) Economic Development - Sports Entertainment Facilities and Events, Prince George's County Blue Line Corridor Facilities, and Racing Facilities to evaluate Laurel Park from two perspectives.





# Redevelopment of the Pimlico and Laurel Park Racing Facilities (continued)

- Firstly, report on the program, cost and schedule of an MJC owned and operated facility. This is the work that was essentially completed in 2021. Secondly, report on the program, cost and schedule of a horse industry owned and operated facility. The [preliminary and final reports are available on the DLS website](#).
- MSA does not recommend entering design as directed under HB897 until the MJC Land Conveyance, Pimlico Development Agreement, the MJC Covenants and Restrictions Agreement with the City, and the MJC Covenants and Restrictions Agreement with LifeBridge are finalized. MSA will not begin an 18 month design effort on the project until the three agreements and land transfer are agreed to with the respective parties.
- A schedule for the facilities will be established after the three agreements mentioned above are executed and the budget deficit identified in the final report is resolved.
- HB897 also introduced Maryland Economic Development Corporation (MEDCO) into the Laurel Park project. The Bill requires a report on the feasibility and a cost/benefit analysis of a nonprofit/governmental purchase and operation of the Laurel Park property.





# Public School Construction

- 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 26 modernized school buildings on-time and on-budget.
- The Baltimore City Schools program promotes local employment with **1,353** positions filled by city residents, introduces a school internship initiative, and realizes a **32.7%** MBE achievement with over **\$386** 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 **seven** project MOUs with County LEAs were approved in 2022.





# Maryland Sports

**Maryland's 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:

- Baltimore-Maryland 2026 FIFA World Cup Host Destination
- 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's Sports Commission, and its non-profit arm Sport and Entertainment Corporation of Maryland.







# MARYLAND STADIUM AUTHORITY

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