

**August 10, 2010
Work Session
Mayor and Council
Town of Ocean City**

Mayor Rick Meehan, Council President Joe Mitrecic, Council Secretary Lloyd Martin, Council Members Jim Hall, Margaret Pillas, Mary Knight, Doug Cymek, Joe Hall, City Manager Dennis Dare, City Solicitor Guy Ayres, City Clerk Kathleen Mathias, City Engineer Terry McGean, Members of the Press and Interested Parties.

Council President Joe Mitrecic called this work session to order at 12:00 p.m.; then, **Council Member Jim Hall moved to convene into closed session to: (1) discuss the appointment, employment, assignment, removal or resignation of appointees, employees or officials over whom it has jurisdiction, or, any other personnel matter that affects one or more specific individuals; and, (2) consult with counsel to obtain legal advice; seconded by Council Member Doug Cymek. The vote was 6-0 with Council Member Joe Hall absent.**

1. Council President Joe Mitrecic re-opened the open meeting at 1:00 p.m. and reported that legal and personnel matters were discussed in the closed session. Persons present were Mayor Rick Meehan, Council President Joe Mitrecic, Council Secretary Lloyd Martin, Council Members Jim Hall, Joe Hall, Margaret Pillas, Mary Knight, Doug Cymek and Margaret Pillas, City Manager Dennis Dare, City Solicitor Guy Ayres, City Clerk Kathleen Mathias, Larry Manoly, Fran Kelly and John Gehrig.

Council Secretary Lloyd Martin moved to appoint Larry Manoly to the Board of Port Wardens; seconded by Council Member Mary Knight. The vote was unanimous.

Council Secretary Lloyd Martin moved to appoint Fran Kelly to the Ethics Board; seconded by Council Member Margaret Pillas. The vote was unanimous.

Council Member Doug Cymek moved to appoint John Gehrig to the Board of Zoning and Appeals; seconded by Council Member Jim Hall. The vote was unanimous.

Mayor Rick Meehan performed the swearing-in for the new board members.

2. In accordance with the Town's Employee Introduction Program, Information Technology Director Nancy Bloxom introduced Rob Morand, the Town's new Converged Network Manager.
3. Bid Openings

A. Annual Generator Service and Maintenance Contract

Suppliers	Lump Sum
Alban Engine Power Systems, Inc.	\$46,386.10
Fidelity Power Systems, Inc.	\$27,170.00

Council Member Jim Hall moved to accept the apparent lowest bid from Fidelity Engineering with remand to Staff for review; seconded by Council Member Mary Knight. The vote was unanimous.

**B. Automated Tracking Project (Budget Allocation = \$75,000.00)
-Acknowledgement Only**

Bidders
Fire Rescue Systems/SCM Products
APS, Inc.
Alpine Software

Council Member Jim Hall moved to acknowledge the bids with remand to Staff for review; seconded by Council Member Mary Knight. The vote was unanimous.

4. City Engineer Terry McGean, accompanied by Convention Center Director Rick Hamilton, Ron Morgan and Jack Mumford of Beecher and Morgan and Gary McGuigan, Project Executive for the Maryland Stadium Authority (MSA), presented an update on the Convention Center Improvement Project (see Attachment A).

Susan Sieger of Crossroads Consulting Services (hired by the MSA) presented the economic impact study of the Convention Center Expansion (see Attachment B).

Council Member Mary Knight moved to proceed with Phase I, and, authorize Whiting & Turner to prepare a cost estimate and budget for Phase II (the auditorium) and initiate discussions with the State about cost sharing for Phase II; seconded by Council Member Doug Cymek. The vote was unanimous.

5. City Engineer McGean reported on the vacant lot formerly known as the Croppers Concrete Lot (see Attachment C).
6. City Engineer McGean made a recommendation to extend the Town's current electric supply contract with Direct Energy until June 30, 2013 for a lower rate of \$.086 per kilowatt hour (was \$.089 per kilowatt hour). **Council Secretary Lloyd Martin moved to approve the contract extension; seconded by Council Member Jim Hall. The vote was 5-0 with Council Members Doug Cymek and Mary Knight absent.**
7. City Clerk Kathleen Mathias presented, for approval, PPM # 660-022, entitled Variable Message Signs (see Attachment D). **Council Member Jim Hall moved to approve PPM #660-022; seconded by Council Member Margaret Pillas. The vote was 5-0 with Council Members Doug Cymek and Mary Knight absent.**

INTEROFFICE MEMORANDUM

TO: DENNIS DARE
FROM: TERENCE MCGEAN
SUBJECT: CONVENTION CENTER UPDATE
DATE: 8/4/2010
CC: RICK HAMILTON

The schematic design and cost estimate for the convention center improvement project have been completed and will be presented to the Tourism Commission on August 5 and the full Mayor and Council at the August 10th Work Session. Since the last discussion with the full Council, considerable thought and work has been put into creating a design that will best meet the current and future needs of the facility. Becker Morgan and Whiting Turner were hired by the Maryland Stadium Authority to provide design and construction management services respectively. In addition, the economic feasibility study for the auditorium has been completed by the Stadium Authority's consultant, Crossroads.

Although the general space program has remained, there are changes to the initial design concept that was previously presented to the Mayor and Council. The City staff, Stadium Authority, and the Economic Consultant have all determined that the changes that have evolved during the design process improve the economics and functionality over the previous concept.

The goals of the improvement are:

- 1) Create 20,000 square feet of new exhibit space
- 2) Maintain a single 20,000 square foot exhibit area on the second floor while creating a 1,200 fixed seat auditorium for cultural and performing arts events.
- 3) Capture the bay view of the convention center.

The concept as last presented to the Mayor and City Council consisted of two phases. The first phase was construction of a new approximately 20,000 square foot exhibit space constructed on the second floor to the west of the existing ballroom. The space was somewhat long and narrow with short leg on the south side. The shape was dictated by critical area setback requirements and the need to provide a single exhibit/banquet space on the second floor of equal size to the existing ballroom in order to allow for conversion of half of the ballroom into the fixed seat auditorium in phase 2. The Phase two 1,200 fixed seat auditorium was proposed to be located in the west half of the existing ballroom, utilizing the existing stage but installing raised flooring and fixed seats.

The concept as last presented, met the goals of the improvement. However, as the conceptual design began to be developed, the convention center staff and the economic consultant realized several shortcomings. Specifically:

- 1) Although the new ballroom space was 20,000 sf, it's shape was extremely inefficient. Actual seating and exhibit arrangements would have severely limited the functional capacity of the new space to less than that of the existing ballroom and that envisioned in the economic study that justified the project.
- 2) The new ballroom space was not able to be subdivided, limiting the versatility of the space and the ability to host more than one event in the space at a time.
- 3) The roof height of the existing stage does not allow for a fly gallery. This is the area above the stage used for scenery drops and other show infrastructure. Lack of a fly gallery, which are even found in most high-school auditoriums, would limit the type of event that could use the auditorium and eliminate much of the economic benefit that would be recognized by constructing a more functional auditorium space. Unfortunately, construction of a fly gallery over the existing stage would involve removing and reconstructing the entire roof structure. This would be costly and extremely difficult to do while protecting the existing space from water damage.
- 4) The location of the auditorium entrance would require attendees for events in the space to transit almost the entire length of the building to get to the auditorium. This would make it difficult to have events in the auditorium at night while conventions are the rest of the building during the day. This is because the conventions utilize the areas along the main corridor for pre-function space and other uses.

The design that will be presented to the Tourism Commission and the Mayor and Council addresses all these shortcomings while maintaining the goals of the original project. It incorporates comments heard from existing building users and potential future clients as well as some very creative ideas from staff, the Architects and Construction Manager. The construction cost estimate for Phase 1 is \$8,070,000 however design fees, furniture, equipment and contingencies bring the total estimated cost for phase one to \$8,900,000. This is an increase of \$800,000 over the original estimate but remains within the \$5 million dollar spending cap for the Food Tax as authorized by the State. The increased space efficiencies and functionality gained from this revised design justify the cost increase.

The cost for the auditorium has not been determined but it will be significantly higher than the original estimate. However, the Economic feasibility report does indicate over \$3,000,000 in local economic impact and additional \$500,000 to \$600,000 new annual revenues at both the State and Local level based on the current auditorium design concept. The bulk of this impact would not have been recognized under the original design concept.

After Becker Morgan has presented the current design for discussion, if the Council is satisfied with the progress to date, I would ask that the Mayor and Council:

- Authorize the Stadium Authority to proceed with phase 1 as currently designed.
- Authorize the preparation of a conceptual cost estimate and budget for Phase 2 (the Auditorium) and initiate discussions with the State for sharing in the cost of that project.

Executive Summary

This section provides a summary of the key findings outlined in this report. Because the information presented in the executive summary is extracted from the more detailed analysis, it is important for the reader to review the report in its entirety in order to gain a better understanding of the research, methodology and assumptions used.

The primary purpose of this study is to estimate the incremental new economic and fiscal benefits that may be generated from on-going operations of the proposed new OCCC auditorium to the local and State economies. Economic impacts are estimated in terms of spending, jobs and earnings which create additional fiscal impacts and are reflected as changes in tax revenues.

Project Description

The current development concept under consideration would result in a net increase in the total amount of space at the OCCC assuming construction of the proposed new ballroom, conversion of a portion of the existing ballroom, and conversion of Hall C into the proposed new OCCC auditorium. The general program includes a 1,200 fixed-seat auditorium, a fixed stage, dedicated fly space and sound acoustics. It is important to recognize that the proposed new facility is not envisioned to be a dedicated performing arts center but rather a multi-purpose space that can accommodate a variety of functions.

Previous expansion studies did not account for the loss of Hall C, which currently offers 17,640 SF of exhibit space, which is considered by most users to be sub-prime space due to its configuration (e.g., columns, low ceiling height, etc.). However, an analysis of historical OCCC event activity indicates that those events which utilized exhibit space used an average of 74% or 47,000 SF of the existing 63,410 SF of available exhibit space. As a point of reference, Halls A and B combined offer nearly 46,000 SF of exhibit space. While some existing events such as conventions/tradeshows and consumer shows may be constrained by the resulting amount of exhibit space if Hall C is converted into the auditorium, many of these events can likely be accommodated in other areas of the OCCC such as the planned new ballroom space, the auditorium, and/or the parking lot depending on specific event needs. Although the proposed short-term expansion plans may not offer an ideal configuration of space for the OCCC's largest users, it is not anticipated that these events will move to another location given Ocean City's favorable market attributes. However, the OCCC's long-term expansion plans call the addition of prime exhibit space that would be located on the first floor near Halls A and B which will better accommodate this subset of users.

Usage/Event Activity

Market research indicates that redeveloping existing space into a new auditorium would allow the OCCC to take advantage of its internal strengths and broader market opportunities while mitigating some of its weaknesses and threats from the external marketplace.

The development of the proposed new OCCC auditorium will likely take 12 to 18 months to complete. In addition, event activity at new facilities typically experiences a “ramp up” period to a stabilized level of activity which occurs for several reasons. For instance, some groups that book their event years in advance may not want to risk that a facility’s construction is delayed and not completed in time for their event. In addition, some groups may choose to let management “fine tune” its operations before hosting an event at the facility. The length of time for new venues to reach stabilized operations varies.

Overall utilization at any facility is typically dependent on a number of factors (e.g., market size; accessibility; nearby amenities; size, configuration and quality of the facilities offered; effectiveness of the management team in booking the facility; date availability; cost, etc.) and is rarely consistent. As such, this analysis assumes a range of utilization for a stabilized year of operations.

As shown in the table below, the proposed new OCCC auditorium is estimated to attract approximately 61 to 73 performances that could generate between 45,700 and 55,050 in incremental new attendance in a stabilized year.

Proposed New OCCC Auditorium						
Estimated Range of Incremental New Event Activity - Stabilized Year						
Event Type	% Assumed to be Incremental New	Number of Performances		Average Attendance	Total Attendance	
Performing Arts	80%	16	to	19	950	15,200 to 18,050
Concerts/Entertainment	100%	16	to	20	1,000	16,000 to 20,000
Other	80%	29	to	34	500	14,500 to 17,000
Total		61	to	73		45,700 to 55,050

For purposes of this analysis, performing arts events include symphony, ballet, opera and theatrical presentations. Concerts/entertainment activity may include a variety of genres attractive to the wide range of resident and visitor demographics in Ocean City as well as touring comedy acts. Other events include educational sessions, lectures, film series, children’s theater, business seminars, community meetings, religious speakers, graduations, sales meetings and sports competitions (e.g., dance, cheerleading, etc.).

The above estimated range of incremental new event activity is based on general market data, input from area stakeholders (e.g., OCCC management, TOC, MSA, etc.), the existing supply of cultural/entertainment facilities in the region, historical utilization at the OCCC, input from existing and potential user groups, information on comparable facilities as well as other research. Our research suggests that the majority of this estimated event activity at the proposed new OCCC auditorium would be net new to the community.

Impact to OCCC Financial Operations

Although this analysis focuses on the potential economic and fiscal impacts associated with the proposed new OCCC auditorium, our research suggests that the proposed new facility could potentially contribute incremental new operating revenues to the OCCC’s bottom-line that are estimated to range between \$200,000 and \$240,000 annually. This estimate assumes that the majority of event-related costs are passed through to the user and other fixed costs, such as staffing and utilities, are relatively minimal.

As such, this component is unlike many other governmental initiatives for assets that primarily serve a local audience (e.g., parks, libraries) and require a significant capital investment by the public as well as ongoing funding for maintenance. In addition to covering its operating expenses, the proposed new OCCC auditorium is anticipated to attract out-of-town attendees and generate economic and fiscal benefits.

Economic Impact Analysis

As shown in the table that follows, the incremental new event activity at the proposed new OCCC auditorium in a stabilized year is estimated to generate between \$3.8 million and \$4.6 million annually in total spending at the State level, of which approximately \$3.2 million to \$3.9 million is estimated to occur in Ocean City. The economic activity associated with operations of the proposed new OCCC auditorium is estimated to generate approximately 40 to 50 total jobs in the State, all of which are estimated to occur in Ocean City. In addition, total earnings generated from operations of the proposed new OCCC auditorium are estimated to range from \$1.3 million to \$1.6 million annually in the State, of which approximately \$1.1 million to \$1.4 million is estimated to occur in Ocean City.

Proposed New OCCC Auditorium						
Summary of Annual Incremental New Economic Impacts - Stabilized Year						
Category	Ocean City			State of Maryland		
	Range			Range		
Spending						
Direct Spending	\$2,220,000	to	\$2,688,000	\$2,220,000	to	\$2,688,000
Indirect/Induced Spending	1,023,000	to	1,240,000	1,600,000	to	1,936,000
Total Spending	\$3,243,000	to	\$3,928,000	\$3,820,000	to	\$4,624,000
Total Jobs	40	to	50	40	to	50
Total Earnings	\$1,115,000	to	\$1,351,000	\$1,319,000	to	\$1,595,000

Notes: Dollar amounts are rounded to the nearest thousand and presented in 2010 dollars.
State amounts include Town amounts.

Dividing the total impacts by the direct impacts yields a Statewide economic multiplier of approximately 1.72 and a local multiplier of 1.46. Thus, every incremental new dollar of ongoing annual economic activity generates \$1.72 in total Statewide economic activity of which \$1.46 is estimated to occur in Ocean City.

Fiscal Impact Analysis

In addition, annual incremental new tax revenues generated from operations of the proposed new OCCC auditorium are estimated to range from \$299,000 to \$363,000, of which approximately 79% is estimated to occur at the State level.

Proposed New OCCC Auditorium			
Summary of Annual Incremental New Fiscal Impacts - Stabilized Year			
Municipality/Tax	Range		
Worcester County			
Admissions & Amusement Tax ¹	\$35,000	to	\$42,000
Hotel/Motel Tax ¹	13,000	to	15,000
Personal Income Tax	10,000	to	13,000
Food & Beverage Tax ¹	5,000	to	6,000
Subtotal	\$63,000	to	\$76,000
State of Maryland			
Sales & Use Tax	\$180,000	to	\$219,000
Personal Income Tax	46,000	to	56,000
Corporate Income Tax	10,000	to	12,000
Subtotal	\$236,000	to	\$287,000
GRAND TOTAL	\$299,000		\$363,000

Notes: Amounts are rounded to the nearest thousand and presented in 2010 dollars.

¹ Tax revenues shown are Worcester County taxes that are distributed to the TOC.

Summary

The development of the proposed new OCCC auditorium presents an opportunity to generate incremental new economic activity to Ocean City and the State of Maryland as well as resulting tax revenues for these jurisdictions. For instance, the proximity of Ocean City to the Delaware/Maryland state line likely results in some current arts and entertainment-related spending by residents and visitors to leak outside the State of Maryland. This leakage may be further increased if the State of Delaware passes future legislation to allow casino development. As such, it is reasonable to assume that the proposed new OCCC auditorium would help retain some resident and visitor entertainment spending in the community and the State.

Given the nature of the estimated event activity at the proposed new OCCC auditorium, the new space could also positively impact the OCCC's financial bottom-line and extend the facility's usage by offering more night time and shoulder season performances. These incremental new benefits are estimated to amount to approximately \$500,000 to \$600,000 annually and are summarized in the following table.

Proposed New OCCC Auditorium		
Summary of Annual Incremental New Benefits - Stabilized Year		
Source	Range	
Incremental OCCC Operating Revenues	\$200,000	\$240,000
Worcester County Tax Revenues	63,000	76,000
State of Maryland Tax Revenues	236,000	287,000
GRAND TOTAL	\$499,000	\$603,000

In addition to these quantitative benefits, the proposed new OCCC auditorium would provide a unique venue for arts and entertainment activity that cannot currently be accommodated in the community adding to the vibrancy and livability of the area.

Market Analysis

In order to assist the TOC and the MSA assess the potential market demand for the proposed new OCCC auditorium, this section summarizes general market characteristics, historical usage at the OCCC, input from potential demand generators, a SWOT analysis as well as an estimate of potential utilization.

Overview of General Market Characteristics

Understanding the local and regional market characteristics in which the proposed new OCCC auditorium would operate is an important component of the market analysis. As such, the following profiles select market characteristics including demographic/economic data, seasonal visitation, employment base, accessibility, hotel supply, and the area supply of cultural and entertainment facilities and potential future developments that could impact this project.

Demographic/Economic Data

Demographic and economic indicators are pertinent to estimating demand for spectator-oriented activities for several reasons. Depending on the scope and type of event, the proposed auditorium is anticipated to draw both area residents and out-of-town attendees. In addition, event promoters/producers for cultural and entertainment events consider factors such as population, ethnicity, age distribution and income characteristics when selecting markets to host their events.

Population

Resident population serves as a base from which events at the proposed new OCCC auditorium will draw attendance and other forms of support. While many local, civic based events tend to attract attendees from a relatively close proximity such as a 25-mile radius, larger cultural and entertainment events can draw attendance from a broader market area such as a 50 to 100-mile radius.

The table below shows the historical and projected trends in population for three radii surrounding the OCCC as well as the U.S. total for comparison purposes. As shown below, there are more than 128,000 people within 25 miles of the OCCC and nearly 465,000 people within a 50-mile radius.

Ocean City Trends in Population by Radii				
Data	25 Miles	50 Miles	100 Miles	U.S.
2000 Census	110,680	413,739	2,897,663	281,421,906
2009 Estimate	128,381	464,582	3,187,604	306,624,699
2014 Projection	138,560	494,248	3,349,698	322,320,436
Growth 2000-2009	16.0%	12.3%	10.0%	9.0%
Growth 2009-2014	7.9%	6.4%	5.1%	5.1%

Note: Larger radii include smaller radii.

Source: Claritas.

INTEROFFICE MEMORANDUM

TO: DENNIS DARE
FROM: TERENCE MCGEAN
SUBJECT: CROPPER CONCRETE
DATE: 8/5/2010
CC: KEVIN BROWN

On May 11, 2010 the City Council sent a letter to the owners of the old Croppers Concrete site at 1st Street stating their unhappiness over the condition of the lot and the abandoned plant. Chief Building Official Kevin Brown followed up with another letter on May 25th that detailed each code violation occurring on the lot and the required corrective actions. On July 15th, a third letter was sent from Mr. Brown again noting the violations and the amount of time the owner had to address each one.

In addition to the written notifications, Kevin Brown and I have met at the site with the Owner's Representative to review each violation and check on the status of the repairs. As of today the condition of the property is as follows:

Violation Section 108.2, Closing of vacant structures: This work is 90% complete and all structures are now secure except for the 2nd to last bay of the storage warehouse. That bay was being secured at the time of the inspection. The gate lock was replaced and fence holes patched.

Violation Section 109.2, Temporary Safeguards: This work has been completed, the open pit has been covered and the space where the pit is located has been secured.

Violation Section 304.6, Exterior Structure: This work has been completed, all holes in the exterior walls have been covered over.

Violation Section 302.2, Grading and Drainage: The largest problem ponding area near the conveyor tower has been filled. There is however still some areas of ponding water.

Violation 302.4, Weeds This work is generally complete but requires ongoing maintenance.

In addition, most of the trash and debris has been removed from the property. In summary, although the property remains an eyesore due to the aesthetic condition of the buildings and the conveyor tower, the major property maintenance and safety code violations are being addressed by the owner. There continue to be minor code violations on the site regarding the condition of the warehouse roof (violation section 304.7).

There have been discussions between the owner and the new Lazy Lizard restaurant regarding use of the North portion of the Cropper property for overflow parking. Kevin Brown and I have made clear the minimum additional work that would have to be done before we would recommend allowing this use, including continual policing of the property when open for parking and physical separation of the portion of the property used for parking from the rest of the property.

In addition we have strongly recommended to the owner's representative that the existing structures on the lot should be demolished. He indicates that the owner is trying to sell the property as -is and that they have no plans to remove these structures in the near future.

The Building Inspection Department will continue to monitor the site and work with the owner to ensure the site is adequately maintained.

**TOWN OF OCEAN CITY
OCEAN CITY, MARYLAND**

POLICY AND PROCEDURE MANUAL

SECTION: Operations

PPM 600-22

**SUBJECT: Variable Message
Signs**

Purpose

This policy shall serve as a guideline for the town's variable message signs located at the West Ocean City Park and Ride[,] and the Tennis Center at Route 90 and Coastal Highway [and the two signs on the Boardwalk located at 9th Street and Caroline Street]. These signs are a mechanism to alert residents and visitors of important information for special events, welcome messages, public safety and emergency warnings such as Amber Alerts and traffic messages.

West Ocean City Park and Ride

[Messages on this variable message sign shall include the following:

~~East Bound Sign Face— Messages shall be limited to the following:~~

1. Those pertaining to the Park and Ride
2. Emergency Warnings such as Amber Alerts and Weather Warnings
3. Traffic Messages
- 4. Town sponsored events**
- 5. Convention Center Activities**
- 6. Welcome Messages]**

~~West Bound Sign Face— Messages shall be limited to the following:~~

- ~~1. Emergency Warnings such as Amber Alerts, Weather and Traffic Warnings~~
- ~~2. Visitor Messages such as "Thank you for visiting Ocean City; Come early, stay late, etc."~~
- ~~3. West Ocean City Park and Ride Special Events which are approved by the Mayor and City Council~~

Tennis Center

Messages on this variable message sign shall include the following:

1. Welcome Messages
2. Public Safety Messages
3. ~~Current~~ Convention Center Activities
4. Town sponsored special events
5. Amber Alerts/Emergency Warnings
6. Traffic Messages

Date: 05/31/2005 [Revised: 8/10/2010]

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[Boardwalk Signs]

Messages on these variable message signs shall include the following:

1. Current town sponsored events
2. Amber Alerts/Emergency Warnings
3. Public Safety Messages

Guidelines

All messages at ~~both~~ **[each]** locations shall be current events, activities and notices. The ~~Tourism Department~~ **[Communications Manager]** shall be responsible for ~~programming~~ **[message content]** and maintaining the messages **[message content]** on these signs.

[Emergency messages will only be approved by the Emergency Services Director and/or the City Manager or the Mayor and City Council. Non-emergency messages will be coordinated through the Town's Communications Manager.]

~~All messages, with the exception of Amber Alerts, will be approved by the City Manager or the Mayor and City Council.~~