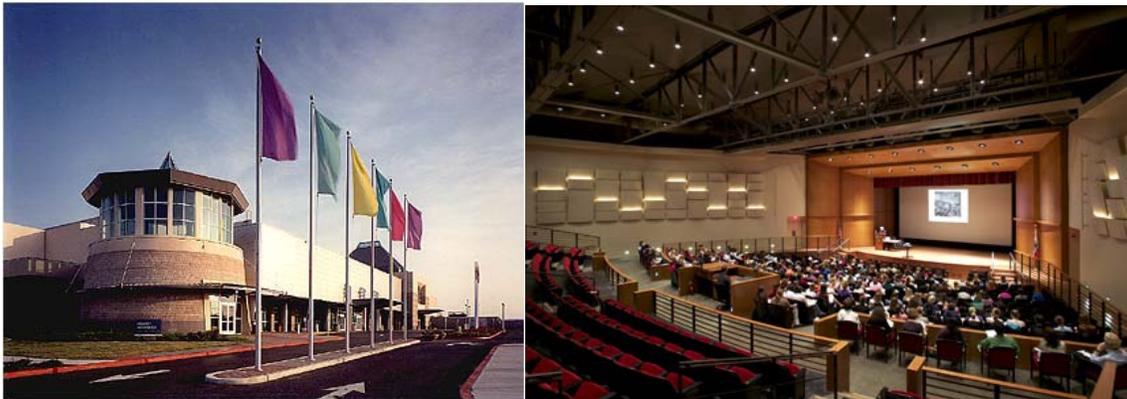




## **Town of Ocean City and the Maryland Stadium Authority**



## **Market and Economic/Fiscal Impact Analysis**

## **Proposed New Auditorium at the Ocean City Convention Center**

**Final Report  
July 2010**



July 6, 2010

Mr. Gary McGuigan  
Project Executive  
Maryland Stadium Authority  
333 W. Camden Street, Suite 500  
Baltimore, Maryland

Dear Mr. McGuigan:

In accordance with our agreement dated January 19, 2010, Crossroads Consulting Services LLC (Crossroads) has completed its market and economic analysis associated with replacing Hall C as well as a portion of the existing ballroom at the Ocean City Convention Center (OCCC) with a 1,200 fixed seat auditorium as part of its on-going capital improvement/expansion plan. The report presented herein includes the summary of findings from our research.

This analysis was prepared for the Town of Ocean City (TOC or Town) and the Maryland Stadium Authority (MSA) for their consideration of future renovation/expansion plans at the OCCC. The findings and assumptions contained in the report reflect analysis of primary and secondary sources. We have utilized sources that are deemed to be reliable but cannot guarantee their accuracy. Moreover, estimates and analysis in this report are based on trends and assumptions and, therefore, there will usually be differences between the projected and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. We have no obligation, unless subsequently engaged, to update this report or revise this analysis as presented due to events or conditions occurring after the date of this report. In accordance with the terms of our engagement letter, the accompanying report is restricted to internal use by the MSA and TOC and may not be relied upon by any third party for any purpose including financing. Notwithstanding these limitations, it is understood that this document may be subject to public information laws and as such can be made available to the public upon request.

Although you have authorized reports to be sent electronically for your convenience, only the final hard copy report should be viewed as our work product.

We have enjoyed working on this engagement and our on-going relationship with the MSA and TOC and look forward to the opportunity to provide you with continued service. If you have any questions about this report, please contact Susan Sieger at 813.281.1222.

Sincerely,

*Crossroads Consulting Services LLC*

# **Market and Economic/Fiscal Impact Analysis for a Proposed New Auditorium at the Ocean City Convention Center**

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## Introduction

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Ocean City is located in Worcester County which is one of the most popular, year-round vacation destinations on the East Coast providing a safe, clean and fun environment for visitors. In addition to serving as an oceanfront resort community, Ocean City has become a popular place for meetings and conventions. The community offers approximately 10,000 hotel rooms and approximately 25,000 oceanfront and bay view condominiums available for rent.

The OCCC serves as the primary venue in the area for conventions, trade shows, consumer shows, meetings and special events/competitions. The facility offers 63,000 SF of exhibit space in three halls, 21,900 SF of ballroom space, and 25 fully divisible breakout rooms. As the TOC sought ways to lengthen its season in an effort to increase group business during non-peak months to fill area hotels and support local businesses, Crossroads conducted a market and economic analysis in 2008 related to expanding the OCCC. Research conducted as part of this study suggested that a moderate expansion and remodeling of the existing OCCC would place it in a better position to maintain its existing base of business and increase its penetration in various market segments such as State and regional association business and regional/national sports tournaments that generate out-of-town attendees, hotel room nights and incremental new economic impact. In addition, expansion would allow the facility to better meet the long-term needs of the community in terms of retaining and attracting consumer shows and various entertainment events that are typically more financially profitable for a venue.

As part of the 2008 study, Crossroads did a cursory review of the concept of a performing arts auditorium as part of a future OCCC expansion which yielded the following findings:

- The concept of developing the proposed performing arts center adjacent to the OCCC appeared to be consistent with achieving the TOC's objective of creating a vibrant core with entertainment options for residents and visitors alike and extending its peak summer season
- OCCC user surveys indicated that an auditorium with a seating capacity of 1,000 to 1,300 could accommodate a variety of event related activities such as general sessions, lectures, concerts, awards banquets, etc.
- Ocean City's attributes make it a popular destination to host social/military/educational/religious/fraternal groups that sometimes require an auditorium-type setting
- The OCCC expansion market analysis suggested that a multi-purpose auditorium would be more complementary to convention center uses than a high-end dedicated performing arts center
- The majority of profiled comparable convention centers do not offer a fixed seating component and, as such, developing an auditorium could place the OCCC at a competitive advantage over similar destinations for certain events

While viable from a market perspective, expansion did not appear achievable in the short-term given existing economic conditions. As such, Crossroads worked with OCCC management to develop a short-term strategy for the facility that could further enhance utilization, operating efficiency and economic/fiscal impacts prior to expansion. This strategy included increasing competitiveness and further enhancing the marketability of the OCCC by continuing to pursue large-scale capital repairs and improvements as determined and prioritized by management through a traditional capital improvement plan. Recommended short-term projects include:

- Adding a bayfront dining area
- Creating an auditorium through renovation/modification
- Enhancing technology
- Implementing management's recommendations regarding energy efficiencies

Preliminary plans for the Phase I expansion/renovation of the facility are currently underway including development of a 20,000 SF ballroom with a bay view. Once this initial expansion was approved, a natural question related to exploring potential options to redevelop existing space into a 1,200 fixed-seat auditorium with the appropriate stage size and fly space to maximize possible efficiencies in design and construction. The current development concept under consideration calls for replacing Hall C and two sections of the existing ballroom with the proposed new OCCC auditorium. It is important to note 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.

In order to assist the TOC and the MSA with their expansion plans, Crossroads was retained to estimate the incremental new economic and fiscal benefits that may be generated by on-going operations of the proposed new OCCC auditorium. Specific research tasks conducted by Crossroads for this study included, but were not limited to, the following:

- Met with select area stakeholders to discuss the proposed project including representatives of the MSA, TOC and OCCC management
- Conducted interviews with existing and potential users including consumer show producers, local and regional arts organizations and concert/Broadway promoters
- Profiled area demographics, visitation, employment, accessibility and hotel supply
- Profiled existing and proposed area facilities to assess how the proposed new OCCC auditorium may be complementary or competitive
- Analyzed historical event activity at the OCCC
- Analyzed data on comparable facilities in similar sized markets or similar in concept
- Developed an order-of-magnitude estimate of potential incremental usage/event activity for the proposed new OCCC auditorium including the number of performances and attendance



- Estimated the incremental new direct spending inputs from revenues generated by the proposed new OCCC auditorium as well as from attendee spending outside of the facility
- Applied the multipliers using a regional economic forecasting model provided by the Minnesota IMPLAN Group, Inc. in order to calculate total (direct, indirect and induced) spending, earnings and employment
- Estimated the incremental new tax revenues to local and State governments from sources such as admissions and amusement tax, food/beverage tax, hotel/motel tax, sales and use tax, personal income tax, and corporate income tax

The remainder of this report summarizes the key findings and conclusions from our research.

## Executive Summary

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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
<b>Total</b>		<b>61</b>	<b>to</b>	<b>73</b>		<b>45,700 to 55,050</b>

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		
<b>Spending</b>						
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
<b>Total Jobs</b>	40	to	50	40	to	50
<b>Total Earnings</b>	\$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		
<b>Worcester County</b>			
Admissions & Amusement Tax <sup>1</sup>	\$35,000	to	\$42,000
Hotel/Motel Tax <sup>1</sup>	13,000	to	15,000
Personal Income Tax	10,000	to	13,000
Food & Beverage Tax <sup>1</sup>	5,000	to	6,000
Subtotal	\$63,000	to	\$76,000
<b>State of Maryland</b>			
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
<b>GRAND TOTAL</b>	<b>\$299,000</b>		<b>\$363,000</b>

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

<sup>1</sup> 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
<b>GRAND TOTAL</b>	<b>\$499,000</b>	<b>\$603,000</b>

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

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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.

The population in all profiled areas has and is projected to continue to experience growth in the future. The 25-mile radius of OCCC experienced the largest increase in population from 2000 to 2009 and its projected growth rate is higher than the broader region and the U.S.

### *Age Distribution*

Analysis by age group is helpful since certain spectator events at auditoriums are targeted toward consumers who fall within specific age categories. As shown in the table below, the estimated median age in the 25-mile radius is older than the broader markets. Approximately 37% of the population within 25 miles and 44% within 100 miles is between the ages of 18 and 49 years old which is usually a target market for many cultural and entertainment events. In addition, Ocean City likely draws a younger crowd during its busiest months in the summer.

<b>Ocean City Trends in Age Distribution by Radii</b>						
<b>Age Category</b>	<b>25 Miles</b>		<b>50 Miles</b>		<b>100 Miles</b>	
	<b>Number</b>	<b>%</b>	<b>Number</b>	<b>%</b>	<b>Number</b>	<b>%</b>
Under 18 Years Old	23,914	18.6%	101,611	21.9%	753,787	23.6%
18 - 34 Years Old	22,707	17.7%	101,612	21.9%	706,309	22.2%
35 - 49 Years Old	24,300	18.9%	90,894	19.6%	699,270	21.9%
50+ Years Old	57,460	44.8%	170,466	36.7%	1,028,238	32.3%
2009 Estimated Median Age	46.2		40.0		38.0	

Note: Larger radii include smaller radii.

Source: Claritas.

### *Income*

Income offers a broad measurement of spending potential for a specific population because it indicates the general ability of individuals or households to purchase a variety of goods and services including admission to cultural and entertainment events. As shown in the table that follows, the 2009 median household income within a 25-mile radius was estimated to be approximately \$54,200. As a point of reference, approximately 31% of the households in a 25-mile radius and 39% of the households within a 100-mile radius have annual household income levels of \$75,000 or more.



Ocean City Trends in Income by Radii								
Income Category	25 Miles		50 Miles		100 Miles		U.S.	
	Number	%	Number	%	Number	%	Number	%
Less than \$15,000	5,152	9.2%	22,583	12.1%	111,126	9.2%	14,339,913	12.4%
\$15,000 to \$24,999	5,392	9.6%	21,716	11.6%	102,273	8.5%	12,021,053	10.4%
\$25,000 to \$34,999	6,046	10.8%	21,605	11.5%	112,751	9.3%	12,450,998	10.8%
\$35,000 to \$49,999	9,345	16.6%	31,138	16.6%	168,378	14.0%	17,547,277	15.2%
\$50,000 to \$74,999	12,706	22.6%	39,491	21.1%	246,666	20.4%	22,566,013	19.6%
\$75,000 to \$99,999	7,599	13.5%	22,716	12.1%	177,939	14.7%	14,135,376	12.3%
\$100,000 to \$149,999	6,016	10.7%	17,885	9.6%	183,349	15.2%	13,627,188	11.8%
\$150,000 to \$249,999	2,734	4.9%	7,101	3.8%	80,233	6.6%	6,028,264	5.2%
\$250,000 to \$499,999	838	1.5%	2,132	1.1%	18,028	1.5%	1,782,577	1.5%
\$500,000 or more	354	0.6%	704	0.4%	5,873	0.5%	807,444	0.7%
2009 Estimated Median Household Income	\$54,243		\$48,311		\$61,025		\$51,433	
2009 Estimated Average Household Income	\$69,859		\$62,427		\$75,873		\$69,376	
2009 Estimated Per Capita Income	\$30,664		\$25,507		\$29,093		\$26,410	

Note: Larger radii include smaller radii.  
Source: Claritas.

### Seasonal Visitation

In addition to the resident population surrounding Ocean City, condominium owners who reside outside the market area but regularly visit and the significant number of seasonal visitors throughout the summer represent secondary markets from which the proposed auditorium can attract attendees.

Ocean City has more than 33,000 condominiums which are primarily used as vacation properties. According to data provided by the TOC, 26% of condominiums are owned by residents of another State while the balance is Maryland residents.

The TOC collects wastewater volume statistics every weekend and has a formula for estimating weekend population. As shown below, a decline in average weekend population occurred in both 2007 and 2008. However, 2009 average weekend population estimates were 8% higher than 2008 and 3.5% higher than the previous high in 2006. In addition, average weekend population estimates for the first four months of 2010 are nearly 17% higher than the same period last year.

Month	2006			2007			2008			2009			2010		
	Population	# Weekends	Average												
January	324,805	4	81,201	310,711	4	77,678	282,798	4	70,700	271,891	4	67,973	393,355	5	78,671
February	328,691	4	82,173	323,030	4	80,758	322,171	4	80,543	288,178	4	72,045	393,188	4	98,297
March	349,001	4	87,250	474,584	5	94,917	427,121	5	85,424	449,320	5	89,864	468,758	4	117,190
April	540,567	5	108,113	488,623	4	122,156	452,164	4	113,041	493,187	4	123,297	472,046	4	118,012
May	675,527	4	168,882	704,441	4	176,110	847,725	5	169,545	986,818	5	197,364			
June	900,223	4	225,056	1,186,071	5	237,214	941,205	4	235,301	1,047,418	4	261,855			
July	1,484,296	5	296,859	1,181,965	4	295,491	1,195,783	4	298,946	1,177,884	4	294,471			
August	1,175,638	4	293,910	1,185,461	4	296,365	1,427,179	5	285,436	1,449,969	5	289,994			
September	1,042,176	5	208,435	1,038,735	5	207,747	713,763	4	178,441	858,130	4	214,533			
October	560,878	4	140,220	513,874	4	128,469	495,170	4	123,793	559,170	4	139,793			
November	433,075	4	108,269	366,848	4	91,712	462,013	5	92,403	533,628	5	106,726			
December	424,472	5	84,894	376,789	5	75,358	298,999	4	74,750	371,019	4	92,755			
<b>Average</b>	<b>8,239,349</b>		<b>157,105</b>	<b>8,151,132</b>		<b>156,998</b>	<b>7,866,091</b>		<b>150,693</b>	<b>8,486,612</b>		<b>162,556</b>	<b>1,727,347</b>		<b>103,042</b>

Source: TOC.

Ocean City experiences its high season during May through September. While this tourist population represents a significant economic generator during the summer months, the shoulder season can be difficult on area businesses, many of whom choose not to operate year-round.

## Employment Base

The employment base of an area provides a potential target market for events and financial support for the proposed new OCCC auditorium. Area employers may utilize the facility for various events such as meetings, sales launches, and other types of special events. In addition, advertising/ sponsorship opportunities and ticket sales are typically dependent on the size and composition of an area’s employment base. The distribution and diversity of the workforce are two factors that can potentially influence success of public assembly facilities. Broad workforce distribution helps lessen dependency on support from any single industry segment. Industry diversification also helps a local economy withstand economic downturns due to dependency upon one industry; should an industry fail there are others upon which the local economy can rely.

As shown in the table to the right, Worcester County’s economy is comprised of a diverse set of industries including leisure and hospitality; trade, transportation and utilities; and government. Approximately 36% of County employment is involved in the leisure and hospitality industry.

<b>Employee Count by Industry for Worcester County (2008)</b>	
<b>Industry</b>	<b>Number of Employees</b>
Leisure and hospitality	8,616
Trade, transportation and utilities	4,247
Government	3,824
Education and health services	2,119
Construction	1,511
Financial activities	1,167
Professional and business services	1,045
Other services	740
Manufacturing	593
Information	132
Natural resources and mining	102
<b>Total</b>	<b>24,096</b>

Note: Sorted in descending order by number of employees.

Source: Maryland Department of Business & Economic Development.

In 2009, Harrison Group was the largest employer in Worcester County followed by Atlantic General Hospital, Wal-Mart and O.C. Seacrets.

This local business environment is further augmented by the presence of major employers throughout the Eastern Shore region.

<b>Major Employers - Worcester County (2009)</b>	
<b>Industry</b>	<b>Number of Employees</b>
Harrison Group	800
Atlantic General Hospital	599
Wal-Mart	500
O.C. Seacrets	400
Phillips Seafood Restaurants	327
Clarion Resort Fontainebleau	294
Candy Kitchen	250
Super Fresh	214
Castle in the Sun	205
91st Street Joint Venture/Princess Royale	200
Berlin Nursing and Rehabilitation Center	200
Fager's Island	200
<b>Total</b>	<b>4,189</b>

Notes: Sorted in descending order by number of employees.

Represents companies employing 200 or more.

Source: Maryland Department of Business & Economic Development.

## Accessibility

Accessibility, particularly via highway, can be an important factor to the overall success of auditoriums and other types of public assembly facilities. The method that event promoters/producers use to select venues to play is partially based on ease of access to a market as well as where the market fits in the context of the overall routing of the act. In addition, the location and accessibility of the facility to the population base can impact its marketability for certain types of events. As such, it is advantageous to have good highway access in order to attract certain events. Air access is typically more important in terms of better accommodating event producers, performers, or other VIPs.

### *Highway Accessibility*

Located along the eastern shore of Maryland, Ocean City is bordered by the Atlantic Ocean to the east, Delaware to the north and Virginia to the south. It is not directly accessible via an interstate. As such, highway access may be a competitive disadvantage for some event types drawing from a broader region.



### *Air Accessibility*

Proximity to municipal, regional and international airports can be beneficial for certain events, particularly those with performers or participants who only attend for a limited portion of the event. Located within 30 miles of Ocean City, the Salisbury-Ocean City-Wicomico Regional Airport is the only airport on Delmarva that offers express, non-stop service to the Charlotte-Douglas International Airport and the Philadelphia International Airport. The Regional Airport is convenient to all Eastern Shore destinations including Ocean City and Fenwick Island, Maryland (30 minutes); Easton - St. Michaels, Maryland (45 minutes); Rehoboth, Assateague Island Seashore, Virginia (35 minutes); Dewey and Bethany Beaches, Dover, Delaware (60 Minutes). In addition, the Ocean City Municipal Airport can accommodate small corporate jets.

## Hotel Supply

The diversity and supply of hotel rooms proximate to the proposed new OCCC auditorium can be important factors in accommodating event producers, performers, and out-of-town attendees thereby generating room nights. Ocean City currently offers more than 10,000 hotel rooms in a variety of properties at diverse price points. The community also offers approximately 25,000 condominium units for rent which offers a unique housing option for some event types. The supply of condominiums significantly increases the overnight accommodation supply.

As shown in the table below, although occupancy at hotels in Ocean City decreased by almost 5% between 2008 and 2009, the average daily rate (ADR) remained relatively consistent and fared better than the State, the region and the U.S. Although May through September are typically the busiest months in Ocean City, historical occupancy rates indicate that area hotels have available inventory throughout the year that should be able to accommodate activity generated from cultural and entertainment events at the proposed new OCCC auditorium.

**Summary of Occupancy and ADR at Hotels in Ocean City**

Market	Occupancy			ADR		
	2008	2009	% Change	2008	2009	% Change
<b>Chesapeake/Ocean City</b>	<b>53.0%</b>	<b>50.4%</b>	<b>-4.9%</b>	<b>\$127.03</b>	<b>\$125.57</b>	<b>-1.1%</b>
Maryland	59.4%	57.0%	-4.0%	\$117.97	\$111.55	-5.4%
Baltimore	61.2%	58.8%	-3.9%	\$116.80	\$106.23	-9.0%
South Atlantic	58.6%	54.6%	-6.8%	\$106.12	\$98.08	-7.6%
U.S.	60.3%	55.1%	-8.6%	\$106.96	\$97.51	-8.8%
Maryland West/Hagerstown	55.3%	51.6%	-6.7%	\$77.79	\$77.00	-1.0%
<b>Ocean City vs Maryland</b>	<b>-11%</b>	<b>-12%</b>		<b>8%</b>	<b>13%</b>	

Note: Sorted in descending order by 2009 ADR.

Sources: OCCC; Smith Travel Reseach.

## Area Cultural and Entertainment Facilities

The proposed auditorium is anticipated to host a diverse set of activity including performing arts events, educational lectures, concerts/entertainment acts, general sessions, award ceremonies as well as other cultural and entertainment events. As such, it is useful to gain an understanding of the existing facilities in the region. Facility size, location, configuration, market focus and date availability are factors that impact how competitive area facilities may be to the proposed new OCCC auditorium. The table that follows profiles existing cultural and entertainment venues in Maryland and Delaware in terms of ownership/operating structure, maximum seating capacity and approximate distance from Ocean City.

### Area Cultural and Entertainment Facilities

Venue	Location	Owner/Operator	Maximum Seating Capacity	Miles from Ocean City
Wicomico Youth & Civic Center	Salisbury, MD	Wicomico County	5,600	30
Lyric Opera House	Baltimore, MD	Lyric Foundation	2,564	140
France-Merrick Performing Arts Center	Baltimore, MD	Hippodrome Foundation	2,280	140
Strathmore	North Bethesda, MD	Montgomery Co./Strathmore Hall Foundation	1,976	155
Ella Fitzgerald Center for the Performing Arts	Princess Anne, MD	University of Maryland-Eastern Shore	1,200	42
Todd Performing Arts Center	Wye Mills, MD	Chesapeake College	904	89
Chesapeake Arts Center	Brooklyn Park, MD	Anne Arundel County BOE	904	132
Holloway Auditorium	Salisbury, MD	Salisbury University	750	30
Roselle Center for the Arts	Newark, DE	University of Delaware	450	113
Avalon Theater	Easton, MD	Town/Non-Profit	400	77
McManus Theatre	Baltimore, MD	Loyola University	300	140
<b>Average</b>			<b>1,600</b>	<b>100</b>

Note: Sorted in descending order by seating capacity.

Source: Individual facilities.

The maximum seating capacity at area cultural and entertainment venues throughout Maryland and Delaware ranges from a low of 300 seats at the McManus Theatre to a high of 5,600 seats at the Wicomico Youth & Civic Center (WYCC). The majority of profiled venues host at least one resident company such as a symphony, ballet and/or opera in addition to Broadway, concerts, children's activities, lectures and comedy events. Five of the profiled venues are located on collegiate campuses and, as such, are primarily dedicated to meeting the institution's fine arts needs. In some cases, venues also offer educational components that draw students for various performing arts disciplines. Many of the profiled venues are owned by a University or a private non-profit foundation.

The proposed new OCCC auditorium is less likely to compete with venues located greater than 100 miles from Ocean City for touring event activity given that promoters view them as distinct markets. The Holloway Auditorium in Salisbury and the Avalon Theater in Easton are significantly smaller than the proposed new OCCC auditorium. While relatively similar in seating capacity, both the Ella Fitzgerald Center for the Performing Arts in Princess Anne and the Todd Performing Arts Center in Wye Mills primarily focus on accommodating their respective collegiate needs.

The WYCC offers flexible seating and hosts a variety of community recreational activity as well as exhibitions, meetings, socials, performing arts, sports and entertainment acts including a Broadway series that just completed its second season. However, input from promoters indicated that the WYCC is constrained by its lack of a fixed stage and fly space which makes hosting certain touring entertainment acts more labor intensive and costly compared to some other venues.

#### Possible Future Developments

In addition to existing cultural and entertainment venues, it is important to consider possible future developments that may compete for certain event activity. In an effort to increase tax revenues and create jobs, Maryland and Delaware have both considered broadening their gaming legislation to allow for the development of new casinos. Maryland passed a law in 2008 allowing

slot machines but several clauses have limited their implementation including giving placement authority to local zoning officials and restricting casinos from offering entertainment. In 2009, the State of Delaware commissioned a study on the potential development of new casinos. While the report suggested that two new casinos (including one in the southern county adjacent to Maryland) could expand jobs and taxes, it is our understanding that plans were voted down because they were viewed as potentially detrimental to the existing horse racing business in the State. Some legislators continue to support casino development.

In 2008, supporters of a performing arts center in Sussex County, Delaware proposed a 450-seat theater as part of a larger mixed-use development. However, no current plans appear to be in development. Given its proximity to Ocean City, residents from Sussex County likely represent a target market for the proposed new OCCC auditorium.

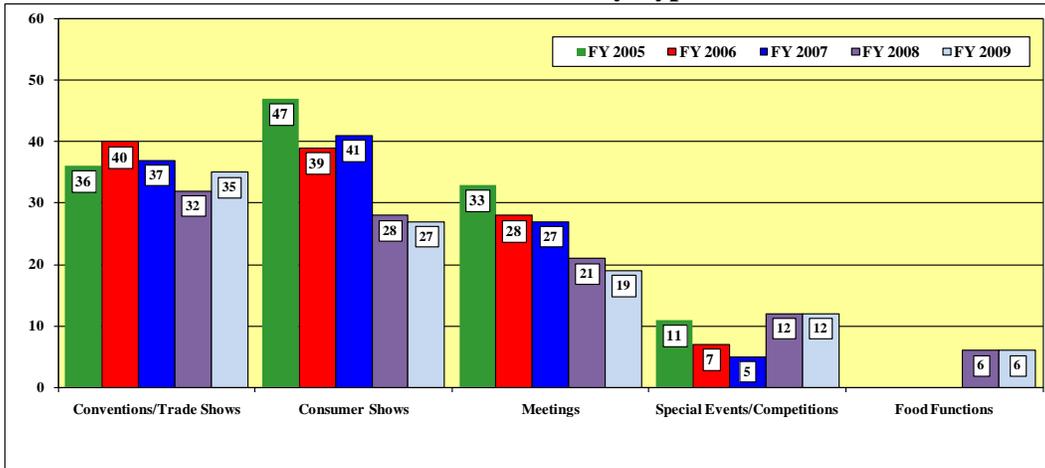
If constructed, these facilities would create opportunities for Eastern Shore visitors to spend a portion of their entertainment budgets outside of Maryland.

### **Historical Usage at the OCCC**

Given the nature of the proposed renovation/expansion plan, it is useful to understand the historical usage of the OCCC, particularly in terms of the amount and type of space used. In order to estimate the potential incremental impact of the proposed programmatic changes, analyzing potential uses of the new space in conjunction with the potential loss of some events requiring on-grade, flat floor space is necessary. It should be noted that the utilization figures presented in this report may differ slightly from those shown in the OCCC Expansion Study dated November 2008 and the OCCC FY 2009 Economic and Fiscal Impact dated February 2010 due to the more detailed analysis conducted as part of this study.

As shown in the following graph, the OCCC has maintained a relatively steady number of conventions/trade shows each of the last five fiscal years, averaging 36 annually. The number of consumer shows and meetings has decreased by 43% and 42%, respectively, during the same time period. In contrast, the number of special events/competitions including concerts, graduations and sports competitions significantly increased in FY 2008 and remained constant in FY 2009.

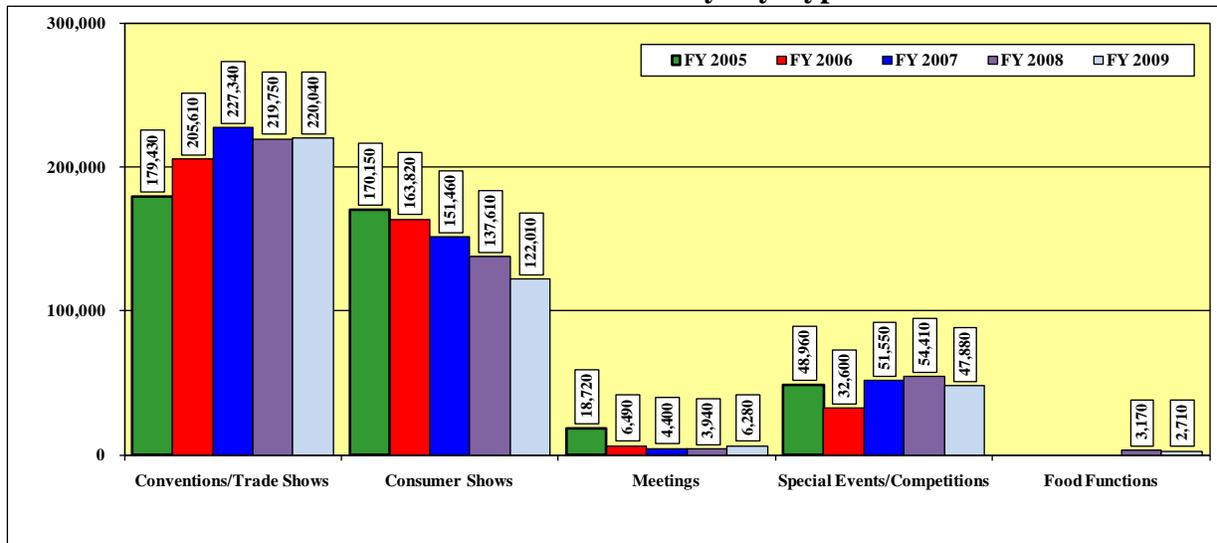
**Number of Events by Type**



Note: Data for food functions was not available prior to FY 2008.  
Sources: OCCC management; Crossroads analysis.

Over the past five fiscal years, total attendee days ranged from a high of 434,700 in FY 2007 to a low of 398,900 in FY 2009 and averaged approximately 415,700. Conventions/trade shows have consistently attracted the highest number of attendee days. Consumer shows have experienced a steady decline in attendee days over the profiled five-year period.

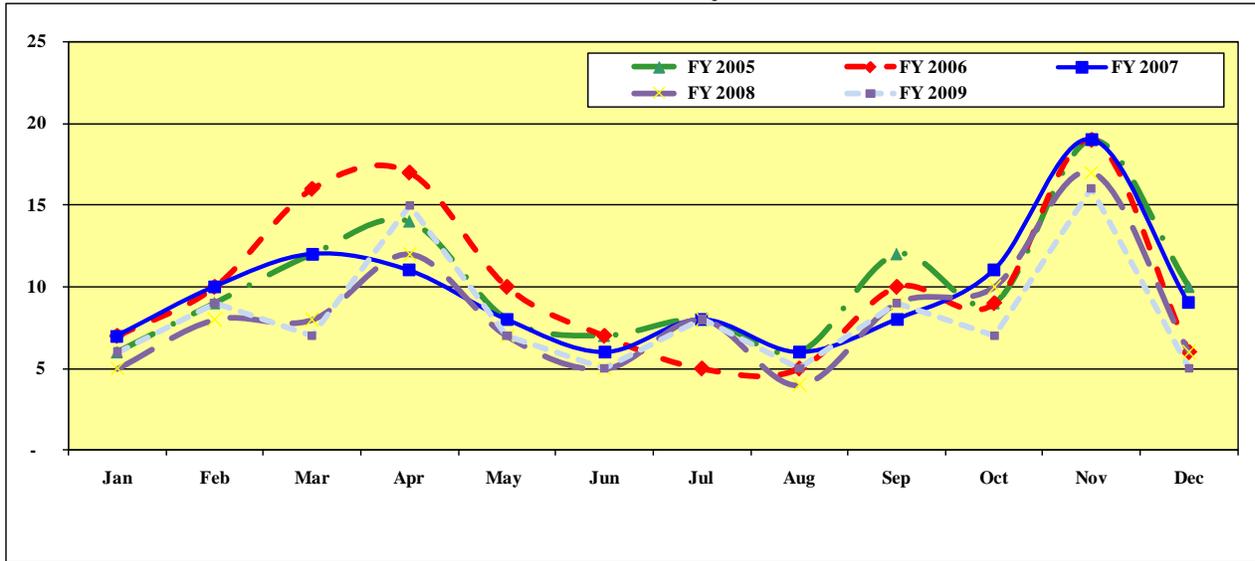
**Number of Attendee Days by Type**



Note: Data for food functions was not available prior to FY 2008.  
Sources: OCCC management; Crossroads analysis.

Event activity at the OCCC has consistently peaked in the Spring and Fall over the last five fiscal years.

### Number of Events by Month



Sources: OCCC management; Crossroads analysis.

OCCC events have used a relatively high percentage of the total available exhibit and ballroom space over the last five fiscal years.

### Summary of Average Space Used by Event Type

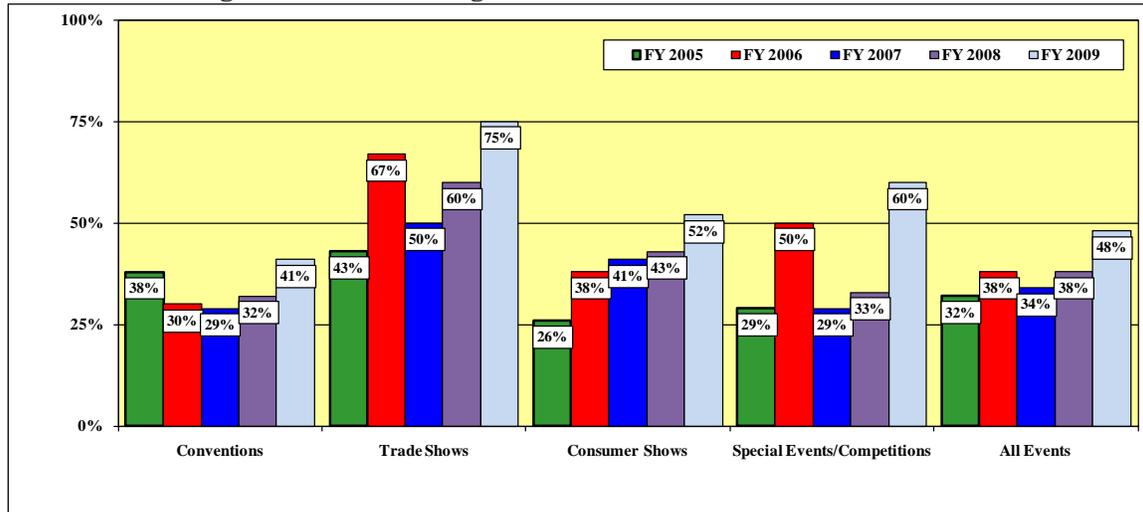
Conventions	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	Average	Existing SF	Average % of Space Used
Exhibit SF	51,091	45,297	46,513	47,681	50,161	<b>48,000</b>	63,410	<b>76%</b>
Ballroom SF	18,862	18,792	19,292	19,267	18,659	<b>19,000</b>	21,924	<b>87%</b>
Trade Shows	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	Average	Existing SF	Average % of Space Used
Exhibit SF	49,311	52,842	47,558	50,728	59,000	<b>52,000</b>	63,410	<b>82%</b>
Ballroom SF	21,924	21,924	21,924	17,724	16,716	<b>20,000</b>	21,924	<b>91%</b>
Special Events/Competitions	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	Average	Existing SF	Average % of Space Used
Exhibit SF	43,647	50,412	40,690	44,022	47,200	<b>45,000</b>	63,410	<b>71%</b>
Ballroom SF	18,816	18,027	18,992	18,088	21,406	<b>19,000</b>	21,924	<b>87%</b>
Consumer Shows	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	Average	Existing SF	Average % of Space Used
Exhibit SF	43,792	45,990	44,108	47,694	50,713	<b>46,000</b>	63,410	<b>73%</b>
Ballroom SF	21,924	20,992	20,992	18,932	18,799	<b>20,000</b>	21,924	<b>91%</b>
ALL EVENTS	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	Average	Existing SF	Average % of Space Used
Exhibit SF	46,797	46,065	44,519	47,097	49,625	<b>47,000</b>	63,410	<b>74%</b>
Ballroom SF	18,217	18,559	18,992	18,263	18,144	<b>18,000</b>	21,924	<b>82%</b>

Note: Although the analysis above does not show meetings and food functions, these events are included in the "All Events" category.

Sources: OCCC management; Crossroads analysis.

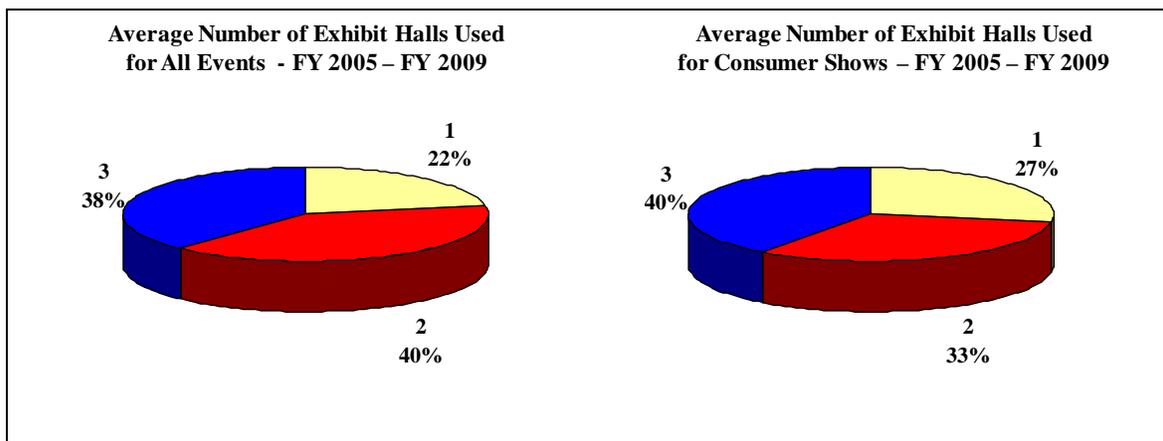
As shown in the graph that follows, trade and consumer shows have historically been the event types that consistently used all three exhibit halls over the last five fiscal years. Since FY 2007, an increasing percentage of all four profiled event types have utilized all three exhibit halls.

**Percentage of Events Utilizing All Three Exhibit Halls – FY 2005 – FY 2009**



Note: Although the analysis above does not show meetings and food functions, these events are included in the “All Events” category.  
Sources: OCCC management; Crossroads analysis.

As depicted in the following pie charts, approximately 38% of all events and 40% of consumer shows using exhibit space used all three exhibit halls over the last five fiscal years. Given that Hall C is approximately 17,600 SF, the new 20,000 SF ballroom could potentially accommodate events requiring this amount of flat floor space. However, event producers indicated that the ballroom’s location on the second floor may preclude some large item trade shows and consumer shows (e.g., autos, boats, etc.) from utilizing this new space for their exhibits.



Sources: OCCC management; Crossroads analysis.

Given that the current concept under consideration calls for converting Hall C and part of the existing ballroom into the proposed new OCCC auditorium, historical event activity in Hall C was analyzed. Over the last five fiscal years, seven events utilized only Hall C for exhibit space in both FY 2005 and FY 2006, six events in FY 2007 and FY 2008 and two events in FY 2009. These events have included conventions, trade shows and consumer shows. In addition, only two events in the last five fiscal years have used a combination of Halls A and C or Halls B and C.

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.). As previously discussed, 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, trade shows 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.

### **Potential Demand Generators**

As mentioned previously, it is anticipated that the proposed new OCCC auditorium will be multi-purpose in nature and, as such, will host a diverse set of event activity that appeals to a broad demographic audience. As a point of reference, user surveys conducted as part of the OCCC expansion study indicated that an auditorium with a seating capacity of between 1,000 and 1,300 could accommodate a variety of event-related activities such as general sessions, lectures, entertainment acts, or awards banquets. This analysis focuses on incremental new activity that is estimated to occur at the OCCC specifically because of the presence of the proposed new auditorium.

As part of this analysis, interviews/surveys were conducted with representatives of potential user groups including area performing arts organizations, concert/entertainment promoters, as well as various other special event producers in order to gauge their interest in hosting events at the proposed new OCCC auditorium and, as appropriate, their event attributes. The following summarizes their input.

Representatives of the TOC Arts & Cultural Committee indicated a strong need for a facility in Ocean City that can offer residents and visitors additional cultural and entertainment options throughout the year. Potential uses for the proposed new OCCC auditorium identified by the Arts & Cultural Committee include, but are not limited to, dance/cheerleading/sports competitions, scholastic/collegiate performances, musical theatre, dramas, symphony, opera, ballet, local theatre productions, recitals, children's theatre, lectures/speakers, business seminars, community/civic meetings, educational sessions, film series, concerts, festivals, comedy shows, cooking shows, videoconferencing, graduations, etc. In order to successfully accommodate this diverse event activity, representatives indicated that the proposed new OCCC auditorium would need to offer flexible seating, a lobby with portable seating and tables, gallery space, rubberized dance floor and convenient load-in/out space. In addition, Arts & Cultural Committee representatives indicated that the facility would need to be affordable for both user groups and attendees.

Established in 1997, the Mid-Atlantic Symphony Orchestra (MSO) is the only professional symphony orchestra on the Eastern Shore. MSO is a traveling orchestra serving the Eastern Shore region which encompasses portions of Maryland and Delaware. Currently the MSO performs at multiple venues throughout the Eastern Shore including the Avalon Theater, Easton Church of God, Mariner's Bethel United Methodist Church and Community Church at Ocean Pines. Each weekend during the season MSO plays three venues throughout the region which average approximately 300 attendees per performance. According to MSO representatives, the seating capacity at the venues where it currently plays limits ticket sales. In addition, other challenges that were mentioned include date availability and relatively limited acoustics, dressing rooms, rehearsal areas, and reserved seating. The MSO noted that its ability to perform other special events such as holiday concerts is inhibited by the lack of available acoustically-sound venues in the area. Despite these challenges, MSO representatives indicated that subscription sales increased from 75 to approximately 200 in each of their locations for the most recent year.

As demand for events continues to increase in the future, the MSO would prefer a venue that can accommodate a larger audience. According to MSO representatives, an ideal venue would include the following components:

- An auditorium with a minimum capacity of between 450 and 600 permanent seats
- A stage that can adequately accommodate approximately 55 instrumentalists and percussion space
- A minimum of four dressing rooms
- Two practice rooms
- Excellent acoustics

The MSO is a "per service" symphony defined as one where each member is paid for every performance and rehearsal. According to MSO representatives, it would like to move towards becoming a "core" orchestra where a percentage of the members would be salaried which would likely require an endowment of nearly \$1.0 million. Having a more appropriately sized facility with supporting amenities such as dressing room space and sound acoustics would place the MSO in a better position to grow its subscriber base and reach its long-term goals.

Both Worcester County and Salisbury-Wicomico County have arts councils dedicated to promoting the arts in their jurisdictions. Representatives from both organizations indicated that the region's performing arts industry is limited by the lack of appropriate performance space. They noted that an auditorium offering at least two dressing rooms, two rehearsal rooms, appropriate lighting, sound and stage requirements could potentially accommodate approximately 15 symphony, ballet, opera, dance and theater events per year that would likely attract between 500 and 1,000 attendees. Sample events for local, regional and touring performing arts include the Salisbury Symphony Orchestra, Children's Theater of Delmarva, Worcester County Chorale, Ocean Pines Players, Kennedy Center Interactive Story Theatre, University of Maryland Eastern Shore jazz band, etc.

In general, area performing arts organizations are more focused and localized relative to their event activity. As such, these groups indicated that many of their events such as concerts/performances, theater productions, dramas, recitals, lectures/speakers, and meetings/seminars would likely be held in both counties depending on where the group is based. In addition, while most potential user groups expressed general support for the proposed new OCCC auditorium, those based in Salisbury-Wicomico County noted their commitment to continue to host the bulk of their events at the WYCC and would probably only play the proposed new OCCC auditorium occasionally in order to give their performers more exposure/practice and enhance the entire region's arts industry. Performing arts organizations based proximate to Ocean City mentioned an opportunity to enhance existing programs and develop new ones with the proposed new OCCC auditorium.

Input regarding the proposed new OCCC auditorium was also obtained from concert/entertainment promoters including, but not limited to, AEG Live, Live Nation, IMP, Upfront Promotions, and Theatre Council Productions. Promoters indicated that it would be unlikely that the proposed new OCCC auditorium would host Broadway performances given its anticipated seating capacity and their current commitment to the WYCC in nearby Salisbury.

In general, promoters cited the following as important factors in deciding where to host their events:

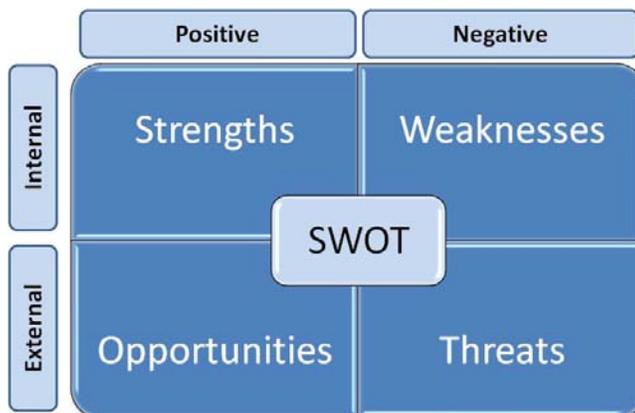
- Proximity to competitive venues
- Seating capacity
- Cost
- Management of venue
- Date availability
- Highway accessibility
- Geographic location relative to routing

Several promoters indicated that the proximity to Atlantic City, proposed seating capacity, highway accessibility, geographic location relative to routing and seasonal population base of Ocean City represent challenges for the proposed new OCCC auditorium relative to hosting commercial concert activity on a regular basis. Promoters also noted that capacity issues and production concerns often make hosting concerts in smaller venues difficult from a financial perspective. Not having access to book the facility year-round was mentioned as a limitation. In addition, date availability was cited as a potential problem given the other uses of the OCCC. While offering a promoter the exclusive right to book the auditorium year-round along with an attractive financial deal may mitigate some of these challenges, this approach is probably not a good option for the TOC given its broader objectives for the OCCC including generating hotel room nights and economic/fiscal impacts.

By contrast, some promoters indicated that the proposed new OCCC auditorium provides a good alternative for certain events requiring a smaller seating capacity, particularly if a series of concerts, comedy acts, and/or speakers could be created. Providing an affordable alternative could also be advantageous in attracting certain events since some promoters viewed other area venues as less marketable given their lack of fixed stage and fly space which results in increased production costs. Promoters indicated that Ocean City’s location between other larger destinations could be a positive, making it a good secondary market for stopover shows. In addition, some promoters commented that Ocean City’s popularity in the summer may be appealing to certain acts. Given the market size, seasonal population base, and geographic location, promoters indicated that the proposed new OCCC auditorium would need a strong event and business plan to be successful.

### SWOT Analysis

This section summarizes the market research conducted as part of the 2007 expansion study as well as for this study effort in a SWOT analysis which outlines the key internal and external factors, both positive and negative, impacting the proposed new OCCC auditorium concept.



#### Strengths

- Resident population base of nearly 465,000 in a 50-mile radius and 3.2 million within 100 miles
- Additional 33,000 condominium owners representing seasonal visitors, 26% of whom reside outside Maryland
- Historical and projected growth rates in the population base within 25, 50 and 100 miles
- Relatively older population base within close proximity (25 miles) that becomes younger as the market area expands and may bode well for attracting a diverse set of event activity
- Income characteristics of the population base within 25 miles
- Estimated weekend visitation of nearly 8.5 million in 2009 represents a rebound after declines in 2007 and 2008 to levels higher than 2006

- A significant portion of visitors come to Ocean City annually
- Diversity of the area employment base
- Existing shuttle service
- Air service by a municipal and regional airport
- Overall supply and diversity of lodging options
- Relatively healthy hotel market that experienced a minimal decrease in ADR (1.1%) and a smaller decline in revenue per occupied room (6%) than the Baltimore (12.5%), Maryland (9.2%) and the South Atlantic (13.9%) markets
- Supply of attractions and family-friendly reputation which can positively influence travel party sizes and extend lengths of stay
- Established leisure/hospitality market committed to accommodating visitor needs
- Existing recognizable site location
- High level of repeat business at the OCCC
- Relatively limited number of events held at the OCCC during the summer months
- Proposed amenities including a fixed stage, dedicated fly space and sound acoustics may provide a competitive advantage over other area venues for certain events due to anticipated cost savings for event promoters
- Limited additional staffing and operating costs required

#### Weaknesses

- Relatively limited resident population base within a 25-mile radius
- Relatively limited resident disposable income within a 50-mile radius
- Seasonality of the tourist base may be a deterrent for some promoters
- Although geographically proximate to several major markets, Ocean City does not have good interstate accessibility which can result in high traffic volume during busier seasons and may be viewed as a competitive disadvantage relative to other comparable venues
- Limited on-site parking may be a challenge, particularly during the busy seasons and when the OCCC hosts simultaneous events
- An increasing percentage of business at the OCCC is utilizing all three exhibit halls, some of which may not be able to substitute the loss of Hall C with the increase in space provided by the new ballroom given the nature of the event
- Geographic location relative to routing entertainment acts
- Seating capacity may limit the ability to host concerts from a financial perspective
- Date availability may be a problem, particularly in light of the OCCC's primary objective to generate economic impact

### Opportunities

- Provide a “home” venue that can host various activity for regional arts organizations throughout the year
- Based on input from promoters, the proposed new OCCC auditorium is not envisioned to directly compete with the WYCC on a regular basis. Commercial concert/entertainment promoters did not consider the WYCC and the proposed new OCCC auditorium to be competitive due to their differences in capacity, configuration, and market niche. In addition, they consider Ocean City a unique market because of its seasonality and high tourism base.
- Area performing arts organizations tend to be more focused and localized relative to their event activity. As such, these groups indicated that many of their events would likely be held in both counties depending on where the group is based. While user groups based in Salisbury-Wicomico County noted their commitment to continue to host the bulk of their events at the WYCC, they said they would probably play the proposed new OCCC auditorium on an occasional basis in order to provide more exposure to their performers and enhance the entire region's arts industry. In addition, performing arts organizations based proximate to Ocean City indicated an opportunity to enhance existing programs and develop new ones with the proposed new facility.
- Diversify product offering and provide an added year-round entertainment amenity in Ocean City that can better serve the resident population base, retain a larger share of spending by area residents, attract new visitors, capture additional spending from the existing visitor base, and extend people’s length of stay irrespective of the purpose of their visit (e.g., commercial, group business, leisure, etc.)
- Create incremental new spending that supports jobs in the area
- Capitalize on an unmet market niche given the relatively limited number of cultural/entertainment facilities within close proximity that are similar in seating capacity and market focus to the proposed new OCCC auditorium
- Diverse resident and visitor population which could attract a variety of cultural/entertainment acts across multiple genres
- Ability to accommodate a variety of events including conventions, sports competitions, lectures, concerts, performing arts, comedians, educational sessions, awards presentations, etc.
- Maryland has strict guidelines that prohibits casinos from offering entertainment thereby limiting the potential for competition from this venue type for touring acts
- Increase event activity at the OCCC throughout the year
- Potential to attract evening and weekend event activity that complements day-time uses of the OCCC
- Positively influence bottom-line of the OCCC since event-related costs are typically borne by the event promoter

## Threats

- General economic conditions
- Any change in legislation in Maryland that would allow casinos to offer entertainment
- Increase in competition would negatively impact demand
  - ✓ While the State of Delaware has considered development of a new casino in the southernmost county approximately 30 miles from Ocean City, the concept has not received support from the Legislature to date
  - ✓ The southern region of Delaware has also contemplated development of a performing arts center in the past; however those plans appear to have been suspended at the time of this report
  - ✓ Any new competitive venue in neighboring Delaware could negatively impact resident and visitor spending on entertainment in Maryland
- May negatively impact OCCC event activity for certain large trade and consumer shows that require more than 45,800 SF exhibit space on one level in the short-term until additional exhibit space is constructed as part of the OCCC's long-term expansion plan
- Price-conscious potential user groups, particularly non-profit arts or community/civic organizations, that are accustomed to paying minimal to no rent for space
- Ability to effectively market the proposed new OCCC auditorium and positively influence current patron patterns relative to attending cultural/entertainment events

In summary, 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.

## **Estimate of Event Activity**

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.

The estimated range of event activity for the proposed new OCCC auditorium presented in the table below is based on general market data, input from area stakeholders (e.g., OCCC, area hoteliers, 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. As shown, the proposed new OCCC auditorium is estimated to attract approximately 72 to 86 performances that could generate between 53,000 and 63,800 in total attendance in a stabilized year.

Proposed New OCCC Auditorium Estimated Range of Event Activity - Stabilized Year			
Event Type	Number of Performances	Average Attendance	Total Attendance
Performing Arts	20 to 24	950	19,000 to 22,800
Concerts/Entertainment	16 to 20	1,000	16,000 to 20,000
Other	36 to 42	500	18,000 to 21,000
<b>Total</b>	<b>72 to 86</b>		<b>53,000 to 63,800</b>

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.).

### Key Assumptions

This estimated range of utilization is based on the following key assumptions:

- The proposed new OCCC auditorium offers 1,200 fixed seats, a stage, fly space and acoustical capabilities to accommodate a variety of musical and theatrical events.
- The OCCC continues to be owned and operated by the TOC.
- An aggressive marketing approach is taken by OCCC management, particularly relative to attracting performing arts events and concert/entertainment acts as well as utilizing the new space for more traditional convention center events for complementary uses (e.g., general sessions, lectures/speakers, dance/cheerleading/sports championship round competitions, special events, etc.).
- A high level of quality space and customer service is provided.
- Concession areas offering food and beverage items typically available at similar events (e.g., alcoholic beverages) are immediately accessible to the auditorium.
- No other similar, competitive facilities are constructed in the region.

## Economic/Fiscal Impact Analysis

Similar projects have created a sense of community spirit and/or brought regional attention to a particular area enhancing its overall attractiveness to both residents and visitors. This type of facility can also serve as a catalyst for more cultural and entertainment initiatives which contribute to the quality of life and livability of an area. One of the primary objectives of this study is to estimate the incremental new economic and fiscal impacts associated with on-going operations of the proposed new OCCC auditorium to the local and State economies.

### General Methodology Overview

An assessment of the incremental new economic benefits that occur in Ocean City and the State of Maryland as a result of the on-going operations of the proposed new OCCC auditorium can be approached in several ways. The approach used in this analysis considers estimated incremental new operating revenues generated from items such as ticket sales/facility rental, food/beverage and merchandise sales as well as estimated spending by attendees outside of the facility on items such as lodging, restaurants, retail, entertainment and transportation as an initial measure of incremental new economic activity in the marketplace. Once the amount for direct spending is quantified, a calculated multiplier is applied to generate the indirect and induced effects. The sum of direct, indirect and induced effects equals total economic impact which is expressed in terms of spending (output), employment (jobs), and personal earnings.

This analysis also estimates the incremental new fiscal impacts generated from operation of the proposed new OCCC auditorium. The governmental entities considered in this fiscal analysis are the Town of Ocean City, Worcester County and the State of Maryland. Revenues generated from food/beverage tax, hotel/motel tax, admissions and amusements tax, sales and use tax, personal income tax and corporate income tax were estimated.



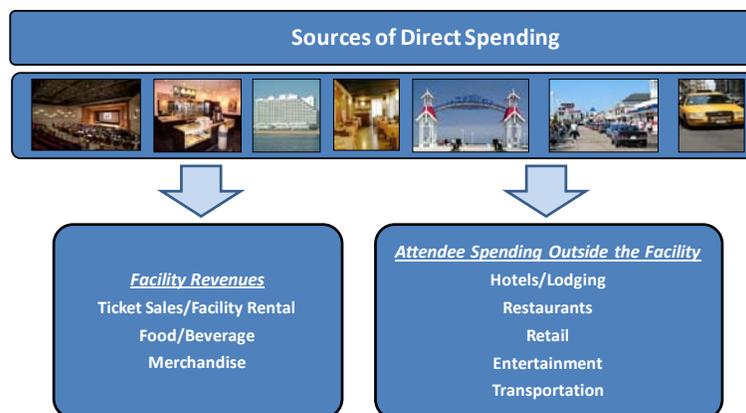
All amounts depicted in this report reflect a stabilized year of operations and are presented in 2010 dollars.

## Methodology – Economic Impact Analysis

Regional input-output models are typically used by economists as a tool to understand the flow of goods and services among regions and measure the complex interactions among them given an initial spending estimate.

### Direct Spending

Estimating direct spending is the first step in calculating economic impact. Direct spending represents the initial change in spending that occurs as a direct result of operations of the proposed new OCCC auditorium. As graphically depicted below, direct spending occurs both inside and outside of the facility.



Because all of this spending does not occur in the local area, adjustments are made to account for leakage (spending which occurs outside of the local and State economies) and displacement (spending which would have occurred elsewhere in the local and State economies without the presence of the proposed new OCCC auditorium) in order to reflect net new spending.

### Indirect/Induced Impacts

The economic activity generated by operations of the proposed new OCCC auditorium affects more than just the facility. In preparation for new spending in the economy, several other economic sectors are impacted and jobs are created. Indirect effects reflect the re-spending of the initial or direct expenditures or the business-to-business transactions required to satisfy the direct effect. Induced effects reflect changes in local spending on goods and services that result from income changes in the directly and indirectly affected industry sectors. The model generates estimates of these impacts through a series of relationships using county-level average wages, prices and transportation data, taking into account commute patterns and the relative interdependence of the economy on outside regions for goods and services.

## Multiplier Effect

In an effort to quantify the inputs needed to produce the total output, economists have developed multiplier models. The estimation of multipliers relies on input-output models, a technique for quantifying interactions between firms, industries and social institutions within a local economy. This analysis uses IMPLAN software and databases which are developed under exclusive rights by the Minnesota IMPLAN Group, Inc. IMPLAN, which stands for *Impact Analysis for Planning*, a computer software package that consists of procedures for estimating local input-output models and associated databases. The IMPLAN software package allows the estimation of the multiplier effects of changes in final demand for one industry on all other industries within a defined economic area. Its proprietary methodology includes a matrix of production and distribution data among all counties in the U.S. As such, the advantages of this model are that it is sensitive to both location and type of spending and has the ability to provide indirect/induced spending, employment and earnings information by specific industry category while taking into account the leakages associated with the purchase of certain goods and services outside the economy under consideration.

Once the direct spending amounts are assigned to a logical category, the IMPLAN model estimates the economic multiplier effects for each type of direct new spending attracted to or retained in the local area and the State resulting from operations of the proposed new OCCC auditorium.

For purposes of this analysis, the following industry multipliers were used:

Summary of Multipliers						
Category	Worcester County			State of Maryland		
	Spending	Employment*	Earnings	Spending	Employment*	Earnings
Hotels	1.4496	15.6	0.4849	1.6860	13.5	0.5813
Eating & Drinking Places	1.4451	20.6	0.4833	1.7067	21.6	0.5738
Retail Trade	1.4481	19.1	0.5379	1.6950	19.0	0.6750
Entertainment	1.5735	15.8	0.4157	1.8719	22.7	0.6446
Transportation	1.3970	15.1	0.5295	1.6656	13.2	0.6154
Business Services	1.4994	13.4	0.5346	1.7638	10.1	0.5943

Note: \*Indicates the number of jobs per \$1.0 million in spending.

Source: IMPLAN.

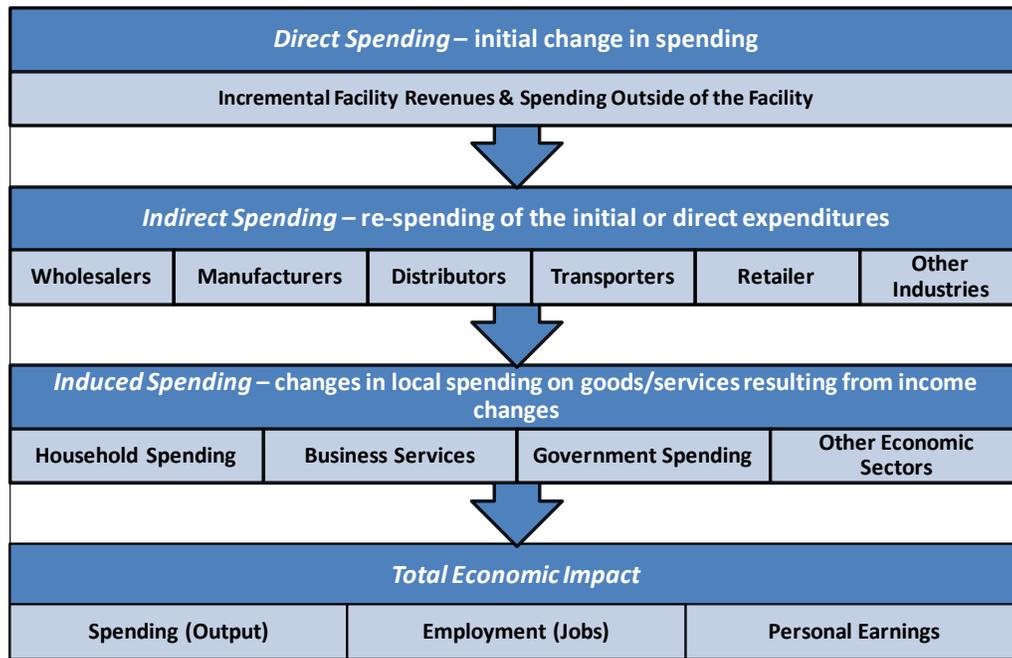
## Total Economic Impact

The calculated multiplier effect is then added to the direct impact to quantify the total economic impact in terms of spending, employment and earnings which are defined below:

- **Spending (output)** represents the total direct and indirect/induced spending effects generated by the project. This calculation measures the total dollar change in spending (output) that occurs in the local economy for each dollar of output delivered to final demand.
- **Employment (jobs)** represents the number of full and part-time jobs supported by the project. The employment multiplier measures the total change in the number of jobs supported in the local economy for each additional \$1.0 million of output delivered to final demand.

- **Personal Earnings** represent the wages and salaries earned by employees of businesses associated with or impacted by the project. In other words, the multiplier measures the total dollar change in earnings of households employed by the affected industries for each additional dollar of output delivered to final demand.

The following graphically depicts the multiplier effects for calculating total economic impact.



### Methodology - Fiscal Impact Analysis

The estimated spending generated by the proposed new OCCC auditorium also creates tax revenues for the Town of Ocean City, Worcester County and the State of Maryland. Experience in other markets suggests that while a significant portion of the direct spending likely occurs near the OCCC, additional spending occurs in other surrounding economies. Major tax sources impacted by operations of the proposed new OCCC auditorium were identified and taxable amounts to apply to each respective tax rate were estimated. Although other taxes may also be positively impacted by the proposed new OCCC auditorium, this analysis estimated the revenues generated from the following taxes based on the direct and indirect/induced spending amounts previously defined:

#### Town of Ocean City

- Admissions and amusements tax
- Hotel/motel tax
- Food and beverage tax

#### Worcester County

- Personal Income tax

#### State of Maryland

- Sales and use tax
- Personal income tax
- Corporate income tax

The remainder of this section outlines the assumptions used in this analysis.

## Summary of Annual Incremental New Economic Impacts

The table below summarizes the estimated annual incremental new economic impacts generated from operations of the proposed new OCCC auditorium in terms of direct, indirect/induced and total spending, total jobs and total earnings and is followed by a discussion of each component.

Proposed New OCCC Auditorium						
Summary of Annual Incremental New Economic Impacts - Stabilized Year						
Category	Ocean City			State of Maryland		
	Range			Range		
<b>Spending</b>						
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
<b>Total Jobs</b>	40	to	50	40	to	50
<b>Total Earnings</b>	\$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.

### Direct Spending

As mentioned previously, the first step in calculating economic impact is estimating the direct spending. For purposes of this analysis, direct spending relates to revenues generated from operations of the proposed new OCCC auditorium as well as attendee spending outside the facility at area businesses. The spending amounts for each of these elements are based on data provided from several secondary sources including comparable venues, *Arts & Economic Prosperity III* report published by Americans for the Arts as well as other industry resources including, but not limited to, *Pollstar*, the Ocean City Convention and Visitors Bureau, and the Maryland Tourism Development Board.

Direct spending represents incremental new impacts to the Town and State and is annually recurring in nature. In order to take into account event activity that may already be occurring elsewhere in Ocean City and/or State, it is assumed that, on average, approximately 85% of estimated event activity shown earlier in the market analysis section of the report is incrementally new. This assumption is based on market research including, but not limited to, input from area stakeholders, the existing supply of cultural/entertainment facilities in the region, input from potential user groups as well as other research.

The following table shows the incremental new portion of estimated event activity that is used to calculate direct spending in and outside the proposed new OCCC auditorium.

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
<b>Total</b>		<b>61</b>	<b>to 73</b>		<b>45,700</b>	<b>to 55,050</b>

### Facility Revenues

An assessment of the economic benefits that could potentially accrue to Ocean City and the State as a result of the proposed new OCCC auditorium can be approached in several ways. One approach, which is frequently used in the industry, considers the revenue side of a facility for documentation of the initial direct impacts to a community. In this approach, revenues estimated to be generated by the proposed new facility and its attendees from ticket sales/facility rental, food/beverage sales, and merchandise sales are used as an initial measure of economic activity within the marketplace. The following table outlines key assumptions that were applied to the estimated incremental new event activity previously presented to derive the estimate of gross facility revenues.

Proposed New OCCC Auditorium - Stabilized Year Summary of Major Assumptions - Gross Facility Revenues				
Event Type	Ticket Sales/Facility Rental		Food/Beverage	Merchandise
	Avg Ticket Price	Flat Rental Rate	Per Cap Spending	Per Cap Spending
Performing Arts	\$30.00	\$1,500	\$3.00	\$1.00
Concerts/Entertainment	\$40.00	\$2,500	\$5.00	\$3.00
Other	n/a	\$1,500	\$2.00	\$1.00

Notes: Other Events are assumed to pay a flat rental rate to utilize the facility.  
Only 50% of ticket sales/facility rental revenues are assumed to be spent in the local economy and therefore represent direct spending.

Based on the above assumptions and as shown in the table below, operations of the proposed new OCCC auditorium are estimated to generate between \$803,000 and \$980,000 in incremental new direct spending.

Proposed New OCCC Auditorium - Stabilized Year Summary of Incremental New Facility Revenues			
Category	Range		
Ticket Sales/Facility Rental	\$570,000	to	\$697,000
Food/Beverage	155,000	to	188,000
Merchandise	78,000	to	95,000
<b>Total Operating Revenues</b>	<b>\$803,000</b>	<b>to</b>	<b>\$980,000</b>

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.

### Attendee Spending Outside the Facility

Attendee spending outside the facility is generated from 1) high-impact attendees who stay overnight and 2) low-impact attendees who likely originate from the area or travel to and from Ocean City for the event on the same day. Based on secondary sources including the *Arts & Economic Prosperity III* report, it is assumed that approximately 10% of total incremental new attendance represents high impact attendees who spend an average of \$130 per person per day. The remaining attendees are categorized as low impact and are assumed to spend an average of \$20 per person.

Based on these assumptions and as shown in the following table, direct spending from attendees outside the proposed new OCCC auditorium is estimated to range from \$1.4 million to \$1.7 million.

<b>Summary of Estimated Attendee Spending Outside the Facility</b>			
<b>Category</b>	<b>Range</b>		
Total Attendance	45,700	to	55,050
% High Impact Attendees	10%	to	10%
# High Impact Attendees	4,570	to	5,505
Avg Spending Per Day	\$ 130.00	to	\$ 130.00
Subtotal - High Impact	\$ 594,000	to	\$ 716,000
% Low Impact Attendees	90%	to	90%
# Low Impacts Attendees	41,130	to	49,545
Avg Spending Per Day	\$ 20.00	to	\$ 20.00
Subtotal - Low Impact	\$ 823,000	to	\$ 991,000
<b>Grand Total</b>	<b>\$ 1,417,000</b>	<b>to</b>	<b>\$ 1,707,000</b>

*Summary of Direct Spending*

As shown in the table below, incremental new direct spending related to the operations of the proposed new OCCC auditorium in a stabilized year are estimated to range from approximately \$2.2 million to \$2.7 million.

<b>Proposed New OCCC Auditorium</b>			
<b>Summary of Annual Incremental New Direct Spending - Stabilized Year</b>			
<b>Category</b>	<b>Range</b>		
Facility Revenues	\$803,000	to	\$980,000
Attendee Spending Outside the Facility	1,417,000	to	1,708,000
<b>Total</b>	<b>\$2,220,000</b>	<b>to</b>	<b>\$2,688,000</b>

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

Direct spending amounts were assigned logical industry categories and relevant multipliers were then applied to these amounts in order to calculate estimates for total spending, jobs and earnings.

### Indirect and Induced Impacts

The IMPLAN model is used to generate the indirect and induced impacts spawned from the estimated incremental new economic activities within Ocean City and the State. The indirect impacts represent inter-industry trade from business to business. Likewise, the induced impacts represent the economic activity spurred by the household trade that occurs when employees make consumer purchases with their incomes. According to the IMPLAN model, on-going operations of the proposed new OCCC auditorium are estimated to generate approximately \$1.6 million to \$1.9 million in incremental indirect/induced spending in Maryland, of which approximately \$1.0 million to \$1.2 million is estimated to occur in Ocean City.

### Total Spending

Outputs from the IMPLAN model indicate that total (direct, indirect and induced) spending from operations of the proposed new OCCC auditorium in a stabilized year are estimated to range from \$3.8 million to \$4.6 million in the State, of which approximately \$3.2 million to \$3.9 million is estimated to occur in Ocean City. 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 on-going annual economic activity generates \$1.72 in total Statewide economic activity of which \$1.46 is estimated to occur in Ocean City.

### Total Jobs

Based on the IMPLAN model, which calculates the number of jobs per \$1.0 million in direct spending, the economic activity associated with operations of the proposed new OCCC auditorium in a stabilized year is estimated to generate approximately 40 to 50 total jobs in the State, all of which are estimated to occur in Ocean City. These jobs are created in many sectors of the economy, which both directly and indirectly support the increased level of business activity in the area.

### Total Earnings

Outputs from the IMPLAN model indicate that total earnings generated from operations of the proposed new OCCC auditorium in a stabilized year are estimated to range from \$1.3 million to \$1.6 million in the State, of which approximately \$1.1 million to \$1.4 million is estimated to occur in Ocean City.

### **Summary of Annual Incremental New Fiscal Impacts**

As summarized in the table that follows, annual incremental new tax revenues generated from operations of the proposed new OCCC auditorium are estimated to range from \$63,000 to \$76,000 in Worcester County (the majority of which is dedicated to the TOC ) and \$236,000 to \$287,000 in the State.

Proposed New OCCC Auditorium			
Summary of Annual Incremental New Fiscal Impacts - Stabilized Year			
Municipality/Tax	Range		
<b>Worcester County</b>			
Admissions & Amusement Tax <sup>1</sup>	\$35,000	to	\$42,000
Hotel/Motel Tax <sup>1</sup>	13,000	to	15,000
Personal Income Tax	10,000	to	13,000
Food & Beverage Tax <sup>1</sup>	5,000	to	6,000
Subtotal	\$63,000	to	\$76,000
<b>State of Maryland</b>			
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
<b>GRAND TOTAL</b>	<b>\$299,000</b>		<b>\$363,000</b>

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

<sup>1</sup> Tax revenues shown are Worcester County taxes that are distributed to the TOC.

### Summary of Significant Assumptions Used in the Fiscal Impacts Analysis

The following outlines significant assumptions utilized in this analysis.

#### *Worcester County Taxes*

Admissions and Amusements Tax - The admissions and amusements tax is a local tax collected by the State Comptroller's Office for local municipalities. Ocean City applies this tax to the admission or amusement cost for activities such as amusements, movies, athletic events, concerts, golf and the sale of refreshments at a nightclub or other similar entertainment venue. The tax on admissions differs among local municipalities in Maryland and is 3.0% in Ocean City. According to the statute, if sales tax is also applicable, then a maximum combined rate of 11% can be assessed. For purposes of this analysis, the 3.0% tax rate was applied to the estimated direct spending on entertainment in Ocean City as well as the estimate of gross ticket sales at OCCC auditorium events.

Hotel/Motel Tax – Worcester County imposes a tax on accommodations at a rate of 4.5%. Proceeds from this tax are allotted to the TOC's general fund of which a portion is dedicated to the TOC's tourism advertising efforts. For purposes of this analysis, the 4.5% hotel/motel tax was applied to 100% of the estimated direct hotel spending in the area.

Personal Income Tax – Worcester County imposes a personal income tax which is assessed against personal income earned in the County. For purposes of this analysis and based on information provided by the Comptroller of Maryland, an effective tax rate of 0.94% was calculated based on the federal adjusted gross income and the total personal income tax paid to the County for CY 2007 (the most recent year for which data was available). This effective tax rate was applied to total County-level earnings estimated to be generated by operations of the proposed new OCCC auditorium.

Food and Beverage Tax – The 0.5% food and beverage tax affects the resort area of Ocean City. This local sales tax on food and beverages is imposed for the purpose of paying the principal and interest on bonds issued to finance the construction, reconstruction, repair, renovation and

equipment of the OCCC. The tax is applicable to the majority of food and beverage sales except those for consumption off premises or vending machine sales. For purposes of this analysis, the 0.5% tax rate was applied to County-level direct spending at eating/drinking establishments and estimated gross food and beverage revenue generated by operations of the proposed new OCCC auditorium.

### *State of Maryland Taxes*

Combined, the sales and use tax, personal income tax, and corporate income tax generate approximately 90% of the State's tax proceeds from all sources. While other taxes may be positively impacted by operations of the proposed new OCCC auditorium, they are not quantified in this analysis.

In general terms, all State tax proceeds are collected in the State's General Fund and then allocated to variety of program areas, such as education, transportation, public safety, and others. As such, individual revenue sources, such as the sales and use tax, are not designated to fund specific programs. As a result of this process, municipalities and counties may benefit from a variety of State and locally administered programs. For purposes of this analysis, only collections have been quantified, without regard as to how these funds are ultimately spent through the individual State departments/funds.

The following describes the primary State-level taxes quantified in this analysis based on information obtained from the State of Maryland Comptroller for the most recent year that data was available.

Sales and Use Tax – The State of Maryland collects a sales and use tax from sales and leases of tangible personal property and services throughout the State. Sales and use tax is uniform throughout the State at 6.0%. This tax source is the State's second largest source of general fund revenue. For purposes of this analysis, the tax rate was applied to total taxable direct and indirect/induced spending generated at the State level from operations of the proposed new OCCC auditorium.

Personal Income Tax – The State of Maryland imposes a personal income tax assessed against personal income earned in the State. The State income tax is set at 4.75% of adjusted gross income. This tax source is the State's largest single source of general fund revenue. For purposes of this analysis and based on information provided by the Comptroller of Maryland, an effective tax rate of 3.48% was calculated based on the federal adjusted gross income and the total personal income tax paid to the State for CY 2007. This effective tax rate was applied to total State-level earnings estimated to be generated by operations of the proposed new OCCC auditorium.

Corporate Income Tax – A corporate income tax of 8.25% of corporate federal taxable income adjusted by State modifications is also levied by the State of Maryland on corporations. For purposes of this analysis and based on information provided by the Comptroller of Maryland, an effective tax rate of 0.3% is calculated based on the Gross State Product and the total corporate income tax paid to the State for CY 2008. This effective tax rate is applied to total State-level spending estimated to be generated by operations of the proposed new OCCC auditorium.

## 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.

<b>Proposed New OCCC Auditorium</b>		
<b>Summary of Annual Incremental New Benefits - Stabilized Year</b>		
<b>Source</b>	<b>Range</b>	
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
<b>GRAND TOTAL</b>	<b>\$499,000</b>	<b>\$603,000</b>

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.