



Legislation Text

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INTRODUCTORY*

CITY OF BALTIMORE
COUNCIL BILL R
(Resolution)

Introduced by: Councilmember Stokes

A RESOLUTION ENTITLED

A COUNCIL RESOLUTION concerning **Informational Hearing - Convention Center Hotel**

FOR the purpose of requesting that representatives of the Baltimore Hotel Corporation, Baltimore Development Corporation, and the Department of Finance participate in a hearing before the City Council to provide information about the current financial situation of the City's Convention Center Hotel and what measures are being undertaken to improve its financial performance.

The financial health of the City-owned Convention Center Hotel has been a concern of the Baltimore City Council for several years. The hotel opened in August 2008, 2 years after the Mayor and City Council issued more than \$300 million in tax-exempt bonds to finance the hotel's construction. Unfortunately shortly thereafter, the U.S. suffered a major economic downturn, which is still affecting many cities, including Baltimore.

In September 2011, Moody's Investor Service downgraded the hotel bonds but noted the untapped reserves as a strength of the bonds.

In May 2012, an article in the Baltimore Sun reported that the City-owned Baltimore Convention Center Hotel had lost nearly \$11.5 million in 2011, about \$400,000 more than it had lost in the previous year, according to the 2011 audit that was obtained from the Municipal Securities Rulemaking Board. In addition to losing money last year, the hotel dipped into its reserves, in February 2012, to make payments on its debt service. The Baltimore Hotel Corporation, created in 2005 to oversee the hotel's operations, withdrew nearly \$4 million from its \$9 million operating reserve accounts to make a semi-annual bond payment in March 2012. According to the audit, the hotel was coming off several slow months and did not have enough money on hand to pay the full amount owed.

In response to this article, the operators of the hotel defended the hotel's financial reputation, saying that the hotel had enough cash to cover its costs and that City taxpayers are not on the hook for expenses or losses. Jay Brodie, President at that time of Baltimore Development Corporation and the head of the Baltimore Hotel Corporation, said that about \$9.6 million of 2011's loss of \$11.5 million was attributed to accounting requirements, which did not represent cash losses.

Among other findings of the Baltimore Hotel Corporations audit, released in May 2012, were the following:

- Cash at the year's end declined from 2010 to 2011, from \$9.7 million to \$7.2 million.
- The hotel's revenue declined 2.5% in 2011, to \$54.5 million.
- Room revenue declined from \$30.2 million in 2010 to \$29.9 million in 2011.

In December 2012, Moody's Investors Service again expressed continued concerns about the long-term financial performance of the City of Baltimore's Convention Center Hotel. It affirmed the current ratings, established in September 2011, but expressed the concern that revenues continue to fall short of expected levels at the time of the bond financing. If hotel financial performance continues at levels that do not allow annual revenues to cover debt service requirements and expenses, and if any additional reserves or hotel occupancy tax collections are needed to meet all operating and debt service requirements, the rating could experience a downgrade.

It is time to find out what is the financial situation of Baltimore City's Convention Center Hotel and what can be done to improve it.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF BALTIMORE, That this Body requests that representatives of the Baltimore Hotel Corporation, Baltimore Development Corporation, and the Department of Finance participate in a hearing before the City Council to provide information about the current financial situation of the City's Convention Center Hotel and what measures are being undertaken to improve its financial performance.

AND BE IT FURTHER RESOLVED, That a copy of this Resolution be sent to the representatives of the Baltimore Hotel Corporation, Baltimore Development Corporation, the Department of Finance, and the Mayor's Legislative Liaison to the City Council.

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