

Testimony before

**Education, Business & Administration Subcommittee
Senate Budget & Taxation Committee
Nancy J. King, Chairman**

And

**Education & Economic Development Subcommittee
House Appropriations Committee
Adrienne Jones, Chairman**

By

**Frederick A. Thayer IV, Chairman
And
Deidra L. Ritchie
Executive Director**

February 4th and 10th, 2016

**On the Proposed Budget of the Canal Place Preservation
& Development Authority (CPPDA) for Fiscal Year 2017**



Good Afternoon Madame Chairman & Members of the Subcommittee:

My name is Rick Thayer and I am Volunteer Chairman of the Canal Place Preservation and Development Authority (CPPDA.) With me today is the Executive Director of the Authority, Deidra Ritchie. First let me say thank you to all for having us here today. It is a privilege to appear before you. We would also like to thank Sierra Boney of the Department of Legislative Services for her assistance in guiding us through this year's budget analysis.

Today's testimony will give you an overview of what the CPPDA is all about and what has transpired since we were last here in 2014. I have several topics to cover with you today and they include: our mission statement and overview of the CPPDA, a summary of the CPPDA budget, economic impacts to the area, recent accomplishments, Canal Place today, future projects, our financial outlook, and the last section provides the CPPDA's comments on the DLS budget analysis.

MISSION STATEMENT

The Canal Place Preservation and Development Authority's mission is to be the catalyst for the preservation, development, and management of the lands adjacent to the C&O Canal in Cumberland, to be the coordinator of activities and programs partnering with various agencies and organizations to present a variety of events at the Canal Place festival area, and to be the advocate for preservation and development within the Canal Place Preservation District and the greater Cumberland area, for the purpose of enhancing heritage tourism in Western Maryland.

AN OVERVIEW OF THE CANAL PLACE

The CPPDA was created by the General Assembly in 1993 to spur economic development in Cumberland and Allegany County through the redevelopment of the Western Maryland Railway Station, the re-watering of a portion of the C&O Canal, and through programming designed to capitalize on our area's unique heritage in transportation and natural resources. To date, the CPPDA owns 11 acres of property in the heart of downtown Cumberland. Property improvements include the Western Maryland Railway Station, the Footers Dye Works building, a Fairfield Inn, three parking lots, maintenance garage, three retail buildings, two bridges (the Will's Creek Esplanade and the Trestle Walk), a playground, two

water features, a three acre Festival Grounds complete with an outdoor stage and a Canal Boat Replica.

The size of the buildings that Canal Place operates and maintains range in size from 32,000 square feet to 1,320 square feet (see Exhibit A). Our largest building is the Footer's Dye Works which is currently under renovation. The historic Western Maryland Railway Station, functions as a multi-purpose facility which includes the Allegany County Visitors Center and the C&O Canal Museum, public restrooms, office space, retail space, an events venue, as well as the boarding area for passengers riding the Western Maryland Scenic Railroad. Within these structures, the CPPDA staff administers 14 tenant leases, and an increasing amount of ground use agreements for various areas on the Canal Place grounds. In addition to the state authority responsibilities, the CPPDA also administers the Canal Place Heritage Area, a heritage tourism program through the Maryland Heritage Areas Authority.

The CPPDA governs the real estate and heritage area program with a full-time staff of 3 state employees. The facilities management and housekeeping for Canal Place is contracted through a local contractor. Marketing and promotions of Canal Place and the larger heritage area is conducted in partnership with the city of Cumberland, the Downtown Development Commission (DDC), and the CPPDA. Legal matters for the CPPDA are contracted via a cooperative agreement between the state of Maryland Office of the Attorney General. Annual audited financial statements are prepared by a local Certified Public Accounting firm. Administration of the Executive Director of the CPPDA is governed by a nine member, volunteer Board of Directors.

BUDGET

The CPPDA proposed budget request for Fiscal Year 17 (FY 17) is \$695,870, of which \$129,000 will come from the State of Maryland General Fund. The General Fund request represents 18% of the total Canal Place budget for FY 2017, and is less than 1 one-thousandth of the State's FY 2017 operating budget. The remaining \$566,870 of the CPPDA and heritage area budget originates from grants, tenant fees from the rental properties at Canal Place, parking revenues, 1.5% of room sales from the Fairfield Inn and Suites that is located on the CPPDA property, grounds rental fees, accommodations tax from the city of Cumberland, sponsorships, fundraisers, and beginning in July of 2016,

ground rent from the Footer's Dye Works project. The General Funds request from Canal Place is to assist with facility maintenance fees and minor building repairs.

Economic Impact

This segment of the budget testimony will demonstrate the economic accomplishments of Canal Place and the benefits that Canal Place has on Allegany County, the city of Cumberland, and the state of Maryland.

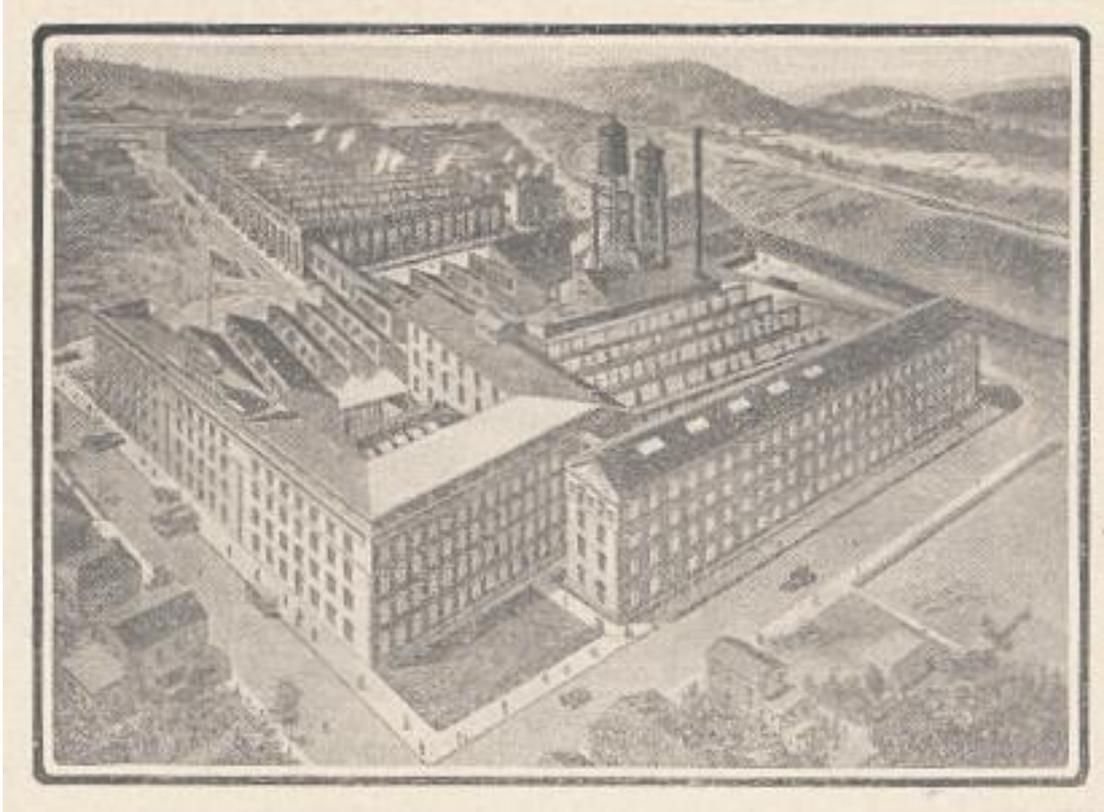
The Canal Place Heritage Area was created not only as a vision for economic growth in the Cumberland area, but also as a model for the establishment of the Maryland Heritage Areas Authority (MHAA) Program. The state rose up to the challenge of creating a viable heritage tourism industry in Allegany County during a time when the economy was on a down turn, and when the county and city could not afford to take on the management or financial investment such as Canal Place. Due to the success of the CPPDA and the Canal Place Heritage Area, Allegany County now has a premier tourism destination and the state of Maryland has 12 additional state certified heritage areas.

The economic impact of Canal Place since the inception of Canal Place Heritage Area is impressive. To date over \$35 million in State, Federal and private funds has been invested into Canal Place through grants, general fund allocations, federal authorizations, and bond monies. Since the certification of Canal Place as the first state heritage area, the Maryland Heritage Areas Program has enabled the CPPDA to leverage over \$2,400,000 in matching grant funds to heritage tourism related projects in Allegany County. The recipients of these grants include Allegany County's Tourism Contractor, the Western Maryland Scenic Railroad, the city of Cumberland, the Allegany Arts Council, and the Downtown Development Commission (DDC.) These funds have provided a mechanism to enhance the attractions in the Canal Place Heritage Area, thereby attracting approximately 159,000 visitors to Allegany County in 2015. These popular heritage area attractions include the Great Allegheny Passage (70,000 users), the Allegany County Visitors Center (24,585), the C&O Canal Museum (25,620), the Western Maryland Scenic Railroad (35,100), and Canal Place sponsored events that attracted an estimated 3,800 visitors. These attractions are all located at Canal Place and are the reason many heritage tourism related businesses have located in the Cumberland area.

The CPPDA recently gathered financial statistics from the current tenants of Canal Place. These figures represent the Return on Investment (ROI) the lessees of Canal Place pay back to the state of Maryland in the form of payroll taxes, sales tax, real estate taxes, accommodations tax, and personnel property tax. For the calendar year ending 2015, the CPPDA tenants paid an estimated \$482,450 in taxes to the state of Maryland. The number of employees that work in the businesses located on Canal Place grounds total 142. Eighty-nine of those employees are full-time jobs.

In April of 2015, a major milestone for Canal Place came to fruition. A public/private partnership was created as the CPPDA entered into an agreement with a developer to revitalize a deteriorating state-owned building into a mixed-use, tourism attraction. In August of 2015, the Maryland Board of Public Works approved a contractual agreement between the CPPDA and Footer's Building Development LLC, for the complete rehabilitation of the Footer's Dye Works building. The restoration of what once was a large, industrial complex that housed the nation's first commercial dye works and dry cleaning business, is currently being renovated into a multi-functional retail enterprise to include: a craft brew pub and restaurant, retail and office space, and luxury apartments. The economic impact from this project alone has been projected to bring to the state of Maryland, once operational, an estimated \$638,000 annually in taxes, and generate an estimated 119 jobs. These statistics originate from of an economic impact study that was conducted by the Regional Economic Studies Institute of Towson University conducted in November of 2014. The state of Maryland's investment of \$1.15 million is leveraging a private investment of \$8 million.

Original Footer's Dye Works Complex (1906)



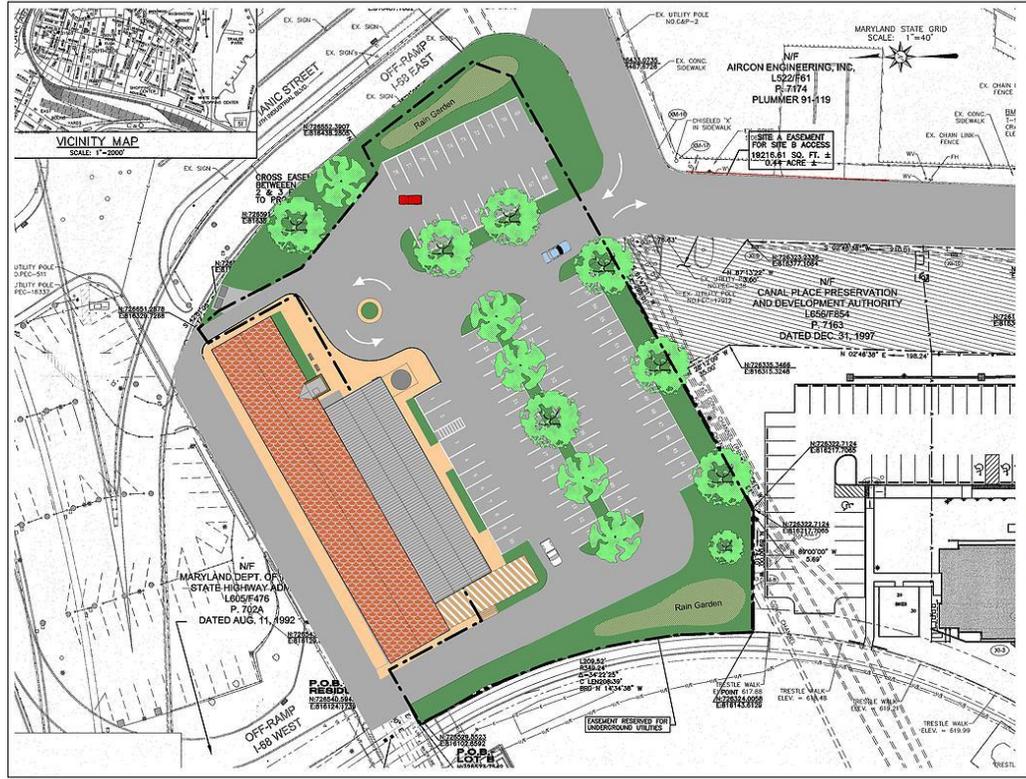
Footer Pre-Construction Photos



Footer Currently Under Construction



Footer Architectural Renderings



Footer's
Dye
Works
Cumberland,
Maryland

Footer
Building
Developments
LLC

GROVE & DALL'OLIO
ARCHITECTSSM

Site Plan

L 1.1



In addition to the Footer project, the CPPDA is pleased to provide a list of accomplishments that have either been completed or are in progress at Canal Place since our last budget testimony in February of 2013:

Canal Place Accomplishments

- **Improved and expanded partnerships with the National Park Service, the Cumberland Downtown Development Commission, Allegany Arts Council, city of Cumberland, Allegany County Chamber of Commerce, Allegany Museum, Cumberland Main Street, Heritage Association, Frostburg State University, The Greater Cumberland Committee, Tri County Council, Appalachian Forest Heritage Area, C&O Canal Association, C&O Canal Trust, Maryland National Road Association, Garrett County Tourism/Heritage Area, the Cumberland Historical Society, the Gilchrist Gallery, CSX, BB&T, and Allegany College of Maryland.**

- **Actively marketing office space vacancies in the Western Maryland Railway Station with the assistance of the Department of General Services (DGS)**
- **Lease review through the DGS**
- **Lease approvals through the BPW**
- **Signed a contract to begin Energy Performance Contracting measures**
- **Completion of the Canal Place Heritage Market Place**
- **Canal Place ADA accessible ramp and trail head-90% complete**
- **Directional Signage installed**
- **Installation of revenue generating parking system**
- **CPPDA sponsored events**
- **Increased ground use contracts**
- **Fundraising efforts**
- **Annual Famer's Market**
- **"Canal Place Comes Alive" and Canal Place Heritage Area Festivals**
- **Canal Place marketing, advertising, and promotions**
- **Enhancing sustainable tourism**
- **The installation of fiber optics estimated to be installed in April of 2016**

CANAL PLACE TODAY

Heritage Playground



Revenue Generating Parking



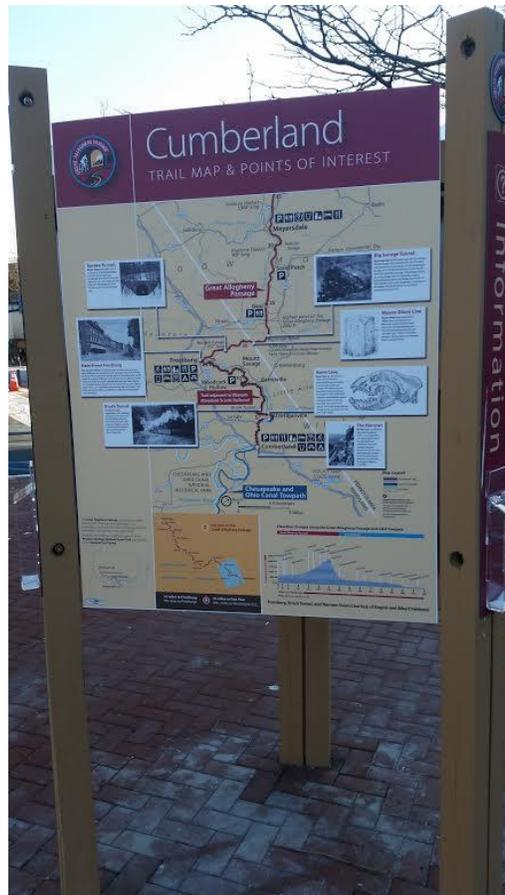
Heritage Market Place



Local Farmers Market



Wayfinding Signage



ADA Access/ Parking





Canal Place Comes Alive Upcoming Events

Canal Place Festival Grounds



Friday, May 20

Joe Maphis Tribute Concert featuring The Burrito Brothers

at Canal Place

7 PM

Saturday, June 11

History Comes Alive!

11 am - 11 pm

History Comes Alive! is a one day festival at Canal Place in conjunction with the annual Heritage Days Festival in June 2016. The festival will offer an interactive experience for visitors and locals to relive the history of the Canal Place Heritage Area. The event will include living histories, live music and reenactments.

Saturday, June 25

Movies Under The Stars at Canal Place

Movies are free and begin at dusk

Monday, July 4

Red, White & Bluegrass at Canal Place

Red, White and Bluegrass will be held at Canal Place on July 4, 2016. Red, White, & Bluegrass will celebrate the groundbreaking of the C & O Canal that occurred on July 4, 1828 and will culminate with the city's fireworks display.

Saturday, July 30

Movies Under The Stars at Canal Place

Movies are free and begin at dusk

Saturday, August 27

Movies Under The Stars at Canal Place

Movies are free and begin at dusk

Movies Under the Stars



Fairfield Inn



C&O Canal Boat Replica Dedication 2015



Future Projects and Goals

Cumberland River Park

Canal Place is taking the lead on the Cumberland River Park project, which will create another heritage tourism component to the city of Cumberland. CPPDA staff is in process of creating a Request for Proposal (RFP) for recreational use, public access and water quality enhancement of the North Branch of the Potomac River. Demand for public access to the river has been a top priority for Canal Place, the city of Cumberland, and the National Park Service. As more and more people are taking to the river, access sites are being proposed that will allow for safe ingress and egress to the water for fisherman, canoe and kayakers, and for those that simply want to sit and enjoy the serenity of the river. The project will have a water quality component, a whitewater rafting component, and a river walk/bicycle connecting aspect.

Hiker/Bike Facilities

A small primitive camping area is being proposed at the southern end of the property near the festival grounds to accommodate hikers and bikers using the C&O Canal Towpath and the GAP Trail. Multipurpose shelters will be constructed on the grounds to be available for trail users. These pavilions will also be available for rent for family reunions and other organized events. Increased interpretive and way finding signage is being coordinated with the DDC and the Mountain Maryland Trails for consistency. The CPPDA recently received a grant to install a bike washing facility at Canal Place and raised crosswalks will be installed on Canal Street to ensure pedestrian and biker safety. The CPPDA will continue to partner with local businesses and community organizations to provide diversified amenities to attract even more visitors to Canal Place.

Partnerships

Canal Place will continue to strengthen interactions with its partners and work cooperatively to advance projects that will build upon the foundation that has already been established at Canal Place. We will also continue to provide briefings to our local legislators and elected officials and seek their guidance and support in helping the Authority achieve its goals. The CPPDA affiliations with the city of Cumberland, the Downtown Development Commission, the Allegany Arts Council, the Maryland Department of Planning including the Maryland Heritage Areas Authority and the Maryland Historical Trust, the Department of Budget and Management, and most recently, the Department of

General Services have assisted Canal Place in its most recent successes from funding opportunities to technical assistance.

Financial Outlook

As we look towards the upcoming fiscal years, the CPPDA has come to realize that it will be necessary to rely on funds from the Maryland State Budget in order to continue the capital maintenance of the state owned grounds and buildings at Canal Place. At this time, the CPPDA has no financial resources available if a major repair item would come into play.

The CPPDA will continue to pursue additional grant opportunities and fund raising opportunities through programming activities at Canal Place. Grant funds available through the Maryland Heritage Areas Authority (MHAA) are vitally important to the future sustainability of Canal Place. The Authority is able to apply for \$100,000 of operating funds each fiscal year to supplement our budget. Revenue receipts from the development of the Fairfield Inn and the Footer re-development will also strengthen our financial position.

Through our efforts to increase tourism products and expand the programming schedule, many individuals and organizations are realizing the potential of the Festival Grounds. As a result, we have received numerous inquiries from interested parties who wish to use the grounds for their own events. Festival Grounds usage has proven to be a greater source of revenue than anticipated and, as a result, greater emphasis has been placed on marketing this venue. The installation of new parking gates will boost our revenue an estimated \$20,000, and we anticipate the city of Cumberland will continue to support Canal Place through funding from hotel/motel tax funding along with the promotions and marketing position shared between the city and the DDC.

The CPPDA will aggressively pursue the following special funding revenue sources:

- **Create a nonprofit organization to be able to accept donations and sponsorships**
- **Increase usage fees for grounds and parking**
- **Aggressively market available office space in the railway station**
- **Increase programming and festivals**
- **Seek Rec Trails funding for maintenance purposes**

- **Seek additional grant opportunities through collaboration with entities such as the Cumberland Downtown Development Commission**
- **Continue to request hotel/motel from city of Cumberland**
- **Fairfield Inn and Suites revenue now 1.5% of room sales to increase to 3.5% by 2019**
- **Lease rate increases**

Long Term (5 years plus)

- **Inclusion in the Nationally Certified Appalachian Forest Heritage Area could provide an estimated \$50,000 in operating funds**
- **Begin generating a percentage of funds from leasing of the Footer building**
- **Sale/long term lease of commercial real estate on Harrison Street**

Budget Analysis Discussion

The Canal Place Preservation and Development Authority offers the following response to Canal Place FY 2017 Budget Analysis prepared by the Department of Legislative Services (DLS). While Canal Place appreciates the time and effort devoted by the DLS, there are several modifications we would like to make to the recommendations. In addition, we would like to note several factual errors in the analysis.

Recommendation

The budget analyst recommends that \$10,000 of the FY 2017 budget be reallocated and restricted for a portion of the payment of the appraisal of the real estate owned by Canal Place. The analyst recommends that the funds be taken from the Maryland Heritage Areas Management Grant that Canal Place receives annually. While we do not object to the appraisal, they are an ineligible budget expense under this grant, and the CPPDA does not have the capacity to absorb this amount from its operating budget.

A review of page 15 of the budget analysis illustrates the point, Canal Place is reducing its total budget by \$115,000 in FY 2017. This reduction of special funds is a result of the decrease of the amount of project grants the CPPDA received for new construction at Canal Place. While grants have decreased, there are three line items increasing in FY 2017;

salary/wages, fuel/utilities and land/ structures. None of these line items are discretionary. The increase in land and structure expense is funded by a grant. As such, the funds cannot be reallocated to pay for an appraisal. The same holds true for the two other major line items, salaries, and contractual services. For example, Canal Place cannot fulfill its role in the community by arbitrarily cancelling or renegotiating vendor contracts.

We request the Committee reject the action recommended by DLS which appears on page 12 of their budget analysis.

Report Errors

There are several errors of fact in the budget analysis prepared by DLS which should be noted:

Page 3. Issues

The 2014 Joint Chairmen's Report did not request that Canal Place submit a report on alternatives to State ownership. The mandate was for a report to be submitted by an inter-agency team from DGS, MDP and MHAA. The Canal Place Authority was not a member of the review team.

Page 8. Alternative Revenue for Canal Place

The analysis states that Canal Place receives funds from Allegany County for a ground lease and receives funds from the Fairfield Inn from motel tax revenue. Both statements are incorrect. Allegany County pays the rent for the County tourism effort which has space in the Western Maryland Railway Station building. The Fairfield Inn pays rent under a long-term ground lease to the Authority. Hotel/motel tax revenue is collected by Allegany County government.

Page 14. Fiscal 2016

The budget analysis states the 2016 legislative appropriation to date had increased by \$270,000 which is in error. As shown on page 15 of the budget analysis, Total Funds have increased by \$254,000 from FY 15 Actual to FY 16 Working Appropriation.

The Authority continues to believe in the mission of heritage tourism while at the same time recognizing that organizational changes may be necessary to best accomplish that mission. We respectfully request your favorable consideration of our FY 2017 budget request.

Testimony Prepared By:

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Exhibit A

BUILDINGS OWNED BY CANAL PLACE

BUILDINGS OWNED BY CANAL PLACE	SQUARE FOOTAGE
Western Maryland Railway Station - 13 Canal Street, Cumberland, MD 21502	22,680
Station Elevator Tower	1,764
Station Glass Enclosure (attached to elevator tower)	288
Shops at Canal Place - Building A - 14 Howard Street, Cumberland, MD 21502	5,820
Shops at Canal Place - Building B - 16 Howard Street, Cumberland, MD 21502	3,053
Shops at Canal Place - Building C - 17 Howard Street, Cumberland, MD 21502	2,866
Shops at Canal Place - Building D - 10 Howard Street, Cumberland, MD 21502	2,000
Footer Dye Works 4-Story Building - 2 Howard Street, Cumberland, MD 21502	32,000
Storage Garage - 21 W Harrison Street, Cumberland, MD 21502	1,320

Grand Total Square Footage **71,791**

Total Number of Buildings **7**

Property Owned-approximately 11 acres