

**CECIL COUNTY, MARYLAND
TOWN OF PERRYVILLE, MARYLAND**

**AN ECONOMIC AND FISCAL IMPACT ANALYSIS OF A
PROPOSED VIDEO LOTTERY TERMINAL (SLOTS)
GAMING FACILITY AND THE PROPOSED
CHESAPEAKE LIGHTHOUSE PROJECT**

Prepared for

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An Economic and Fiscal Impact Analysis of a Proposed Video Lottery Terminal (Slots) Gaming Facility and the Proposed Chesapeake Lighthouse Project

1. Executive Summary

In this report, the findings of an economic and fiscal impact analysis prepared for the proposed Video Lottery Terminal (Slots) Gaming Facility (VLT) and the proposed Chesapeake Lighthouse project are presented. An *economic impact* analysis estimates the number of new jobs created in the local economy as a result of the construction of a new project, the personal earnings of these newly created jobs, the multiplier effect on the local economy resulting from new construction spending, and the multiplier effect on the local economy (outlays, jobs and personal earnings) resulting from new annual operational project spending at full build-out and occupancy. A *fiscal impact* analysis estimates the type and dollar amount of new tax revenues generated by a new development project (at full build-out and occupancy) and the estimated expenditures required to provide public services to that project.

Economic Impact

The economic benefits generated by developing the proposed VLT and the proposed Chesapeake Lighthouse projects will contribute to the vitality of the Cecil County economy (of which the Town of Perryville's economy is included). During the construction phase, economic impacts involve both on-site and off-site spending that supports locally based employment and personal earnings. Direct outlays during the construction phase will generate additional economic benefits (indirect outlays or benefits) in Cecil County, in the form of new jobs and related earnings.

Over the full development period, the economic impact to the Cecil County economy of developing the VLT (all three phases) is estimated to be \$95.05 million in increased economic activity. Construction-related outlays associated with the construction of the proposed VLT facility and their associated economic impacts are estimated to create 837 new jobs with related personal earnings of \$24.96 million. Direct and indirect economic benefits generated annually in the post-construction phase will create an important new source of income for the Cecil County economy. Once fully operational (all three phases), the VLT is estimated to generate a total economic impact of \$123.04 million, supporting 967 new jobs with total personal earnings of \$31.64 million. These economic benefits are summarized in Table 1-1.

Table 1-1
Economic Impact Summary
Proposed Video Lottery Terminal (Slots) Gaming Facility
Cecil County, Maryland

<u>Economic Impacts</u>	<u>Direct Outlays</u>	<u>Indirect Outlays</u>	<u>Total Outlays</u>
Construction Spending	\$ 69,375,000	\$ 25,677,603	\$ 95,052,603
Estimated New Jobs	602	235	837
Estimated Personal Earnings			\$ 24,958,155
Annual Operations			
Phase I	\$ 41,704,000	\$ 15,005,121	\$ 56,709,121
Phase II	\$ 69,629,000	\$ 25,051,583	\$ 94,680,583
Phase III	\$ 90,481,000	\$ 32,555,169	\$ 123,036,169
Jobs - Phase I	400	146	546
Jobs - Phase II	550	244	794
Jobs - Phase III	650	317	967
Earnings - Phase I			\$ 17,874,579
Earnings - Phase II			\$ 26,004,121
Earnings - Phase III			\$ 31,641,994

Source:

Penn National Gaming, Inc., The Jacob France Institute and IMPLAN.

Over the full development period, the total economic impact to the Cecil County economy of developing the Chesapeake Lighthouse project is estimated to be \$104.13 million in increased economic activity. Construction-related outlays associated with the proposed Chesapeake Lighthouse project are estimated to create 913 new jobs with related personal earnings of \$27.27 million. Direct and indirect economic benefits generated annually in the post-construction (annual operations phase) will also create an important new source of income for the Cecil County economy (of which the Town of Perryville's economy is included). At full build-out and occupancy, the Chesapeake Lighthouse is estimated to generate a total economic impact of \$166.63 million, supporting 1,922 new jobs with total personal earnings of \$62.7 million. These economic benefits are summarized in Table 1-2.

Table 1-2
Economic Impact Summary
Proposed Chesapeake Lighthouse Project
Cecil County, Maryland

<u>Economic Impacts</u>	<u>Direct Outlays</u>	<u>Indirect Outlays</u>	<u>Total Outlays</u>
Construction Spending	\$ 76,155,700	\$ 27,972,744	\$ 104,128,444
Estimated New Jobs	656	257	913
Estimated Personal Earnings			\$ 27,267,217
Annual Operations	\$ 118,952,890	\$ 47,675,792	\$ 166,628,682
Estimated New Jobs	1,459	463	1,922
Estimated Personal Earnings			\$ 62,698,620

Source:
Stewart Development Corporation, The Jacob France Institute and IMPLAN.

Fiscal Impact

A fiscal impact analysis estimates the type and dollar amount of new tax revenues generated by a new development project (at build-out and full occupancy) and the estimated expenditures required to provide public services to that project. In Cecil County, public operating revenues include (but are not limited to) real estate taxes, local business and property taxes, revenues from licenses, fees, permits, fines, forfeitures and charges for services, miscellaneous and other local taxes, and intergovernmental transfers (revenue sharing) from the federal government and the State of Maryland. In the Town of Perryville, public operating revenues include real estate taxes, local business and property taxes, revenues from licenses, fees, fines, and charges for services, miscellaneous and other local taxes, and intergovernmental transfers (revenue sharing) from the federal government, the State of Maryland, and Cecil County.

Estimated expenditures for public services in Cecil County include (but are not limited to) general government administration, planning and zoning, public safety, public works, economic development, health and welfare, libraries, parks and recreation, conservation of natural resources, and public education. Estimated expenditures for public services in the Town of Perryville include general government administration, planning and zoning, public safety, public works, and parks and recreation.

The proposed VLT project (at full build-out and full operations of all three phases) will generate an estimated net annual fiscal benefit to Cecil County equal to \$616,598 reflecting revenues totaling \$804,240 and expenditures of \$187,642. At full build-out and operation of all three phases, the JFI has estimated that total gaming revenues returned to the County and the Town will be \$10.6 million based on the utilization of the effective local revenue sharing rates used in the State of Maryland, Department of Legislative Services fiscal analysis. Based on the pre-determined distribution of gaming revenues between the County (65%) and the Town (35%), the County's share of this estimated \$10.6 million is calculated to be \$6.89 million. The total combined net fiscal impact to the County assuming the Phase III scenario is \$7.51 million annually. These fiscal benefits are summarized in Table 1-3.

Table 1-3
Fiscal Impact Summary
Proposed Video Lottery Terminal (Slots) Gaming Facility
Cecil County, Maryland and the Town of Perryville, Maryland

<i>Cecil County</i>	<i>Local</i>	<i>Gaming</i>	<i>Combined</i>
<u>Phase I - 1,500 Slot Machines</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>
Estimated County Revenues Generated	\$ 590,640		
Estimated County Expenditures Impact	\$ 115,472		
Estimated County Revenue Surplus	\$ 475,168	\$ 3,185,000	\$ 3,660,168
	<i>Local</i>	<i>Gaming</i>	<i>Combined</i>
<u>Phase II - 2,000 Slot Machines</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>
Estimated County Revenues Generated	\$ 662,240		
Estimated County Expenditures Impact	\$ 158,774		
Estimated County Revenue Surplus	\$ 503,466	\$ 5,330,000	\$ 5,833,466
	<i>Local</i>	<i>Gaming</i>	<i>Combined</i>
<u>Phase III - 2,500 Slot Machines</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>
Estimated County Revenues Generated	\$ 804,240		
Estimated County Expenditures Impact	\$ 187,642		
Estimated County Revenue Surplus	\$ 616,598	\$ 6,890,000	\$ 7,506,598
	<i>Local</i>	<i>Gaming</i>	<i>Combined</i>
<i>Town of Perryville</i>	<i>Local</i>	<i>Gaming</i>	<i>Combined</i>
<u>Phase I - 1,500 Slot Machines</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>
Estimated Town Revenues Generated	\$ 519,502		
Estimated Town Expenditures Impact	\$ 324,214		
Estimated Town Revenue Surplus	\$ 195,288	\$ 1,715,000	\$ 1,910,288
	<i>Local</i>	<i>Gaming</i>	<i>Combined</i>
<u>Phase II - 2,000 Slot Machines</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>
Estimated Town Revenues Generated	\$ 656,584		
Estimated Town Expenditures Impact	\$ 445,794		
Estimated Town Revenue Surplus	\$ 210,790	\$ 2,870,000	\$ 3,080,790
	<i>Local</i>	<i>Gaming</i>	<i>Combined</i>
<u>Phase III - 2,500 Slot Machines</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>
Estimated Town Revenues Generated	\$ 781,005		
Estimated Town Expenditures Impact	\$ 526,847		
Estimated Town Revenue Surplus	\$ 254,158	\$ 3,710,000	\$ 3,964,158

Source : Urban Analytics, Inc.; Jacob France Institute, the University of Baltimore; Cecil County, MD; Town of Perryville, MD, State of Maryland, Department of Legislative Services.

Note: Gaming revenues as reported in the Department of Legislative Services study. Revenues as a percentage of estimated Video Lottery Terminal revenues. Distribution between County and Town based on a pre-determined arrangement between the County and the Town.

The proposed VLT project (at full build-out and full operations of all three phases) will generate an estimated net annual fiscal benefit to the Town of Perryville equal to \$254,158 reflecting revenues totaling \$781,005 and expenditures of \$526,847. At full build-out and operation of all three phases, the JFI has estimated that total gaming revenues returned to the County and the Town will be \$10.6 million based on the utilization of the effective local revenue sharing rates used in the State of Maryland, Department of Legislative Services fiscal analysis. Based on the pre-determined distribution of gaming revenues between the County (65%) and the Town (35%), the Town's share of this estimated \$10.6 million is calculated to be \$3.71 million. The total combined net fiscal impact to the Town assuming the Phase III scenario is \$3.96 million annually. These fiscal benefits are summarized in Table 1-3.

The proposed Chesapeake Lighthouse project (at full build-out and occupancy) will generate an estimated net annual fiscal benefit to Cecil County equal to \$315,665 reflecting revenues totaling \$736,844 and expenditures of \$421,179. Alternatively stated, this proposed project (at full build-out and occupancy) is estimated to generate \$1.75 in County revenues for every \$1.00 in County expenditures. These fiscal benefits are summarized in Table 1-4.

Table 1-4
Fiscal Impact Summary
Proposed Chesapeake Lighthouse Project
Cecil County, Maryland

<u>Non-residential Land Uses</u>	<u>Total</u>	<u>Per-Sq. Ft. Basis</u>
Estimated County Revenues Generated	\$ 736,844	\$ 1.19
Estimated County Expenditures Impact	\$ 421,179	\$ 0.68
Estimated County Revenue Surplus	<u>\$ 315,665</u>	<u>\$ 0.51</u>

Source:

Urban Analytics, Inc.

Note:

These are the revenue and expenditure figures that are estimated to have been generated if the Chesapeake Lighthouse project had been fully built-out and occupied as of the end of FY2008. Revenues and expenditures are based on the Cecil County, Maryland FYE 2008 Comprehensive Annual Financial Report (CAFR).

The proposed Chesapeake Lighthouse project (at full build-out and occupancy) will generate an estimated net annual fiscal benefit to the Town of Perryville equal to \$269,679 reflecting revenues totaling \$1,452,249 and expenditures of \$1,182,570. Alternatively stated, this proposed project (at full build-out and occupancy) is estimated to generate \$1.23 in Town revenues for every \$1.00 in Town expenditures. These fiscal benefits are summarized in Table 1-5.

Table 1-5
 Fiscal Impact Summary
 Proposed Chesapeake Lighthouse Project
 Town of Perryville, Maryland

<u>Non-residential Land Uses</u>	<u>Total</u>	<u>Per-Sq. Ft. Basis</u>
Estimated Town Revenues Generated	\$ 1,452,249	\$ 2.34
Estimated Town Expenditures Impact	\$ 1,182,570	\$ 1.91
Estimated Town Revenue Surplus	\$ 269,679	\$ 0.43

Source:

Urban Analytics, Inc.

Note:

These are the revenue and expenditure figures that are estimated to have been generated if the Chesapeake Lighthouse project had been fully built-out and occupied as of the end of FY2008. Revenues and expenditures are based on the Town of Perryville, MD FYE 2008 Financial Statements.

2. Introduction

The purpose of this economic and fiscal impact analysis (the "Report") has been to design and apply a model to measure the economic impacts to Cecil County of a proposed Video Lottery Terminal (Slots) Facility and a proposed mixed-use, non-residential development currently known as the Chesapeake Lighthouse project. Additionally, the purpose of this Report is to apply a model to estimate the budgetary impacts (the fiscal impact) of these two proposed land uses on the County and on the Town. This Report presents the net fiscal impact of these proposed land uses as if current fiscal, development, and comprehensive plan policies in the County and the Town are continued into the future as the County and Town's population base, employment base, and economy continue to grow.

The findings reported in the fiscal impact analysis assume that the County and the Town's current level-of-services to its residents (on a per-capita basis) and employment base (on a per-job basis) are continued into the future. It should be remembered that the findings reported in both the economic and fiscal sections of this Report are only one possible outcome. As market forces (supply and demand) both internal and external to Cecil County and the Town of Perryville continue to interact with the state, regional, and national market forces, the proposed development building program for the VLT and for the proposed Chesapeake Lighthouse project may change. This future mix and pace (phasing) of land use development, revenue productivity and public service demand could yield alternative budget outcomes to those reported in this Report. As changes to the national economy occur from year to year, so can it be expected that changes to the local economy in Cecil County and the Town of Perryville will also occur. Thus, the reader of this Report is advised that the estimated findings reported in the economic and fiscal impact analysis conducted for these two proposed development projects may be different

than the actual findings once these two proposed land uses are fully built, occupied, and operational. The economic and fiscal findings reported in this Report should be considered illustrative based on existing financial, economic, and development data provided to the authors of this Report at the time of this Report's analysis was undertaken.

In section 3, the proposed building program for the two land uses analyzed are presented. In section 4, the summary findings of the economic impact analysis are described. In section 5, the summary findings of the fiscal impact analysis are discussed. The economic and fiscal impact findings are summarized in the concluding section.

3. Proposed Building Program

There are two development projects proposed to be built in the Town of Perryville, Maryland. The first project is the proposed Video Lottery Terminal (Slots) Gaming Facility (VLT) planned to be developed by Penn National Gaming, Inc. The second project is the proposed Chesapeake Lighthouse mixed-use development project planned to be developed by the Stewart Development Corporation. The development site for these two proposed land uses can be accessed from Exit 93 off of Interstate 95. The development site will encompass both projects and is located near the intersection of Route 222/Route 275 Perrylawn Drive and Bainbridge Road. The development site is located completely within the incorporated town limits of the Town of Perryville.

Video Lottery Terminal (Slots) Gaming Facility

The building program for the proposed VLT facility is presented in Table 3-1. The VLT is planned to be developed in three phases. Phase I will allow for 1,500 terminals. Phase II will allow for 2,000 terminals. Phase III will allow for 2,500 terminals.

Table 3-1
Building Program
Proposed Video Lottery Terminal (Slots) Gaming Facility
Town of Perryville, Maryland

Land Use	Phase	Total Estimated Assessed Value	Estimated VLT (Slot) Machines	Total Estimated Jobs
<i>Penn National Land Bay</i>				
Gaming Facility	I	\$61,525,000	1,500	400
<i>Penn National Land Bay</i>				
Gaming Facility	II	\$69,400,000	2,000	550
<i>Penn National Land Bay</i>				
Gaming Facility	III	\$83,775,000	2,500	650
Retail Store		<i>(included in phase analysis)</i>		
Restaurant		<i>(included in phase analysis)</i>		

Source: Penn National Gaming, Inc.

Note: This proposed building program is tentative and is subject to market forces. Total Estimated Assessed Value is for real estate tax estimation purposes only.

This phasing schedule is designed for investment analysis purposes only. That is, Penn National Gaming has estimated the number of VLTs by phase to account for business volume and market forces. If the market (demand) for gaming at this location is strong, then all 2,500 terminals could be located in the proposed facility earlier than planned. If the market for gaming at this location is less than initially projected, then a minimum of 1,500 terminals would be located in this proposed facility. As the market (demand) for gaming increases, then the number of terminals located at this facility would increase, up to the maximum 2,500 VLTs permitted. The facility is estimated to support 400 jobs in Phase I, growing to 550 jobs in Phase II, and 650 jobs in Phase III. The facility would include a retail store and a restaurant. The total real estate assessed value shown by phase in Table 3-1 is for real estate tax estimation purposes only. This assessed value is less than the total construction outlays planned for each phase of this facility's development.

Chesapeake Lighthouse Project

The building program for the proposed Chesapeake Lighthouse mixed-use development is presented in Table 3-2. There are ten land bays currently planned for this site. Total non-residential development planned for this site is 620,753 square feet over a ten-year period from 2012 through 2021. At full build-out and occupancy of this proposed mixed-use project, it is estimated that 1,459 jobs can be supported by the proposed land uses to be developed. The total assessed value of the Chesapeake Lighthouse project (at full build-out and occupancy) is estimated to be \$76.16 million (in 2008 dollars).

Table 3-2
Building Program
Proposed Chesapeake Lighthouse Project
Town of Perryville, Maryland

Land Use	Phase	Start Year	End Year	Square Feet	Total Estimated Assessed Value	Estimated Supportable Jobs/Sq. Ft.	Total Estimated Jobs
<i>Hotel Land Bay</i>					\$11,350,000		
150-room Hotel w/Conference Center & Pool	II	2012	2016	86,753		1,446	60
<i>Land Bay A</i>					\$1,553,925		
Restaurant: Mid-Level	IV	2019	2021	7,500		214	35
<i>Land Bay B</i>					\$4,699,875		
Restaurant: Fast Food	II	2012	2016	7,500		179	42
Pharmacy	III	2016	2018	30,000		450	67
<i>Land Bay C</i>					\$1,118,000		
Convenience Store w/Gas Station	II	2012	2016	4,000		114	35
<i>Land Bay D</i>					\$31,900,000		
Retail: Shopping Center	IV	2019	2021	90,000		450	200
Office: 2-story across three buildings	IV	2019	2021	200,000		300	667
<i>Land Bay E</i>					\$11,692,000		
Multiplex Cinema (10-14 screens)	III	2016	2018	80,000		1,481	54
<i>Land Bay F</i>					\$13,841,900		
Retail: Destination-type	III	2016	2018	60,000		450	133
Retail: Small-box	III	2016	2018	15,000		450	33
Restaurant: Mid-to-Upper Level	IV	2019	2021	10,000		152	66
Retail: Speciality	IV	2019	2021	30,000		450	67
<i>Land Bay G</i>							
<i>(no land uses currently planned)</i>							
<i>Land Bay H</i>							
<i>(no land uses currently planned)</i>							
<i>Land Bay I</i>							
<i>(no land uses currently planned)</i>							
Grand Total				620,753	\$76,155,700		1,459

Source: Penn National Gaming, Inc.; Stewart Development Corporation; Urban Analytics, Inc.; Jacob France Institute.

Note: This proposed building program is tentative and is subject to market forces.

The Hotel Land Bay is planned for a 150-room hotel with a conference center and pool. The hotel is designed as an 86,753 square foot facility and is planned to be developed between 2012 and 2016. The total estimated value for real estate assessment purposes is \$11.35 million. It is estimated that at full build-out and operations, the hotel will support 60 new jobs. In Land Bay A, a mid-level restaurant is proposed. The restaurant is designed for 7,500 square feet and is planned to be developed between 2019 and 2021. At full build-out and operations, the restaurant is estimated to support 35 new jobs and have an assessed value of \$1.55 million. In Land Bay B, a fast food restaurant (7,500 square feet) and a pharmacy (30,000 square feet) is planned. Development of the land uses in Land Bay B is planned for between 2012 and 2018. The total estimated assessed value for Land Bay B is \$4.7 million and these land uses are estimated to support 109 new jobs.

In Land Bay C, a convenience store with gas station is planned to be developed between 2012 and 2016. This facility is proposed to be 4,000 square feet and support 35 new jobs. The estimated assessed value for this facility is \$1.12 million. In Land Bay D, a retail shopping center (90,000 square feet) and an office complex consisting of three, two-story buildings (200,000 square feet) are planned to be developed between 2019 and 2021. These land uses are estimated to support 967 new jobs and have an estimated assessed value of \$31.9 million. Land

Bay E is planned for a 10 to 14 screen multiplex cinema at 80,000 square feet in size and estimated to support 54 new jobs. The estimated assessed value of this cinema is \$11.69 million and this land use is planned to be developed between 2016 and 2018.

In Land Bay F, four retail land uses totaling 115,000 square feet are planned to be developed between 2016 and 2021. These land uses include a destination-style retail center (60,000 square feet), a small-box retail store (15,000 square feet), a mid-to-upper level restaurant (10,000 square feet), and a specialty retail store or stores totaling 30,000 square feet. The total assessed value of these retail land uses is estimated to be \$13.84 million and support 299 new jobs.

Currently, there are no plans to develop Land Bays G, H, and I. The proposed land uses planned for Land Bays A through F as well as the Hotel Land Bay are illustrative and subject to market forces. Market forces include demand factors such as future population, household, employment, and visitor (tourist) growth in Cecil County and the Town of Perryville, per capita and household income growth and the availability of net disposable dollars available for retail and entertainment spending in the area, and the net increase (or decrease) in per job earnings (wages and salaries). Market forces also include supply factors such as the future supply of existing and planned retail, office, hotel, and restaurant land uses planned for Cecil County and the Town of Perryville, the availability of construction materials and skilled construction labor, and the number of households (“rooftops”) available in the area to support additional retail land uses. The development of the proposed land uses is also subject to external economic forces affecting the national, regional, state, and local economies such as interest rate levels, the availability to secure financing to develop the site, changes in consumer confidence levels, and changes in consumer preferences for certain types of goods and services.

The average number of jobs supported per square foot of non-residential space in the Washington, DC metropolitan area is one job for every 450 square feet of retail space and one job for every 300 square feet of office space. It is estimated that at completion and full-tenancy, the 620,753 square feet of retail, office, and hotel space can support an additional 1,459 new jobs in the Town of Perryville. The actual number of jobs supported by the proposed non-residential land uses will be determined by the individual non-residential tenants occupying the space that is planned to be built at these projects.

4. Summary of the Economic Impact Analysis

Economic impact analysis assesses the economic benefits or costs accruing to a region, in this case Cecil County, from an economic activity. In this analysis, the economic contribution of the construction and operation of the proposed Penn National Gaming VLT facility and the Chesapeake Lighthouse project were analyzed to assess and quantify the potential economic linkage between these developments and the larger County economy. In this section, the economic impacts associated with the construction of the proposed two projects and the annual operations of the proposed two projects are presented.

Cecil County Economic Impact Analysis

The Jacob France Institute of the Merrick School of Business at the University of Baltimore (the JFI) analyzed the economic impacts of the proposed Penn National Gaming facility and the non-gaming related land uses of the proposed Chesapeake Lighthouse mixed-use development project proposed by Stewart Associates on Cecil County, Maryland. The economic impact analysis was prepared using the IMPLAN economic model.¹ This analysis was prepared based on data provided by Penn National Gaming (PNG) and Stewart Associates. For model inputs where data were not obtained by PNG and Stewart Associates, local, state, and national benchmark data were utilized. All construction, operating and economic impact figures are reported in constant 2008 dollars.

The Economic Impact of the Construction and Operation of the Proposed Penn National Gaming Facility

Penn National Gaming provided estimates of the construction cost to build their facility, annual operating revenues generated by the proposed Video Lottery Terminal (VLT), and other revenues associated with their proposed facility based on their pro forma plans for the facility. Based on data provided by and discussions with Penn National, it was determined that the construction of the facility would proceed in three phases consisting of the initial construction of a 97,500 square foot building to house 1,500 VLTs, followed by two phases of 22,500 square feet each with an additional 500 VLTs in each phase. There would be 1,000 parking spaces developed in the first stage and an additional 500 spaces in the third stage. The assumptions used in the economic impact analysis of the construction of the proposed gaming facility are as follows:

- The first phase project would be completed and operational by 2011, the second stage in 2013, and the final stage in 2015;
- The construction of Phase I would take 18 months starting in the second half of 2009 with completion in 2010. Phase II and III are each assumed to require two years to construct and construction costs were divided evenly across each year within each phase;
- This construction schedule is based on the assumption that there is sufficient demand for the each incremental stage. The actual construction schedule will depend on the revenues of the facility;
- Construction costs were assumed to be \$350 per square foot and \$13,000 per parking space based on Penn National's experience with similar facilities; and
- Only the actual construction costs were assumed to occur in Cecil County. All related architectural, engineering and financial services and equipment are assumed to be provided by out-of-County suppliers.

The total construction budget for the Penn National Gaming facility is presented in Table 4-1.

¹ IMPLAN stands for IMpact Analysis for PLANning – from 2000 IMPLAN Users Guide - See www.IMPLAN.com for a description of this model.

Table 4-1
Penn National Gaming
Estimated Development and Construction Costs
For the Cecil County/Town of Perryville Facility

Number of Slot Machines Phase ¹	1,500 I	2,000 II	2,500 III	Total
Total	<u>\$95,056,000</u>	<u>\$16,104,000</u>	<u>\$23,540,000</u>	<u>\$134,700,000</u>
Land	\$14,400,000			\$14,400,000
Building Construction	\$34,125,000	\$7,875,000	\$7,875,000	\$49,875,000
License Fee	\$9,000,000	\$3,000,000	\$3,000,000	\$15,000,000
Equipment	\$17,062,500	\$3,937,500	\$3,937,500	\$24,937,500
Garage	\$13,000,000	\$0	\$6,500,000	\$19,500,000
A&E	\$4,712,500	\$787,500	\$1,437,500	\$6,937,500
Capital Interest	\$2,756,000	\$504,000	\$790,000	\$4,050,000

Source:

Penn National Gaming, Inc.

Note:

1 Phase I is the planned basic level of operation - each subsequent Phase is dependent on business volume.

The in-County construction expenditure schedule by year is presented in Table 4-2.

Table 4-2
Penn National Gaming
Estimated Construction Costs Captured in Cecil County¹ by Year
For the Cecil County/Town of Perryville Facility

Year ²	2009	2010	2011	2012	2013	2014
Total	<u>\$15,708,333</u>	<u>\$31,416,667</u>	<u>\$3,937,500</u>	<u>\$3,937,500</u>	<u>\$7,187,500</u>	<u>\$7,187,500</u>
Building Construction	\$11,375,000	\$22,750,000	\$3,937,500	\$3,937,500	\$3,937,500	\$3,937,500
Garage	\$4,333,333	\$8,666,667			\$3,250,000	\$3,250,000

Source:

Penn National Gaming, Inc.

Note:

- 1 This analysis only includes construction of the building and garage. License fees are paid to the State of Maryland and Cecil County has only a limited ability to supply equipment or advanced A/E services. Capital Interest is assumed to be paid to out of County banks/investors.
- 2 Assumes the completion of all three Phases by 2015. For Phase I, a 6 month construction period in 2009 and 12 months in 2010 is assumed. Phase II and Phase III construction are each assumed to take place over a two year period .

The operational characteristics of the facility were estimated for each of the three operational phases of the proposed facility: 1,500 VLTs; 2,000 VLTs; and 2,500 VLTs. The assumptions used in the economic impact analysis of the operation of the proposed gaming facility are as follows:

- VLT revenues² were estimated as:
 - \$108.8 million for Phase I (1,500 VLTs);
 - \$181.3 million for Phase II (2,000 VLTs); and
 - \$235.7 million for Phase III (2,500 VLTs);

- Food and beverage revenues³ were estimated as:
 - \$6.5 million for Phase I (1,500 VLTs);
 - \$10.9 million for Phase II (2,000 VLTs); and
 - \$14.1 million for Phase III (2,500 VLTs); and

- For the economic modeling, only the 33 percent of VLT revenues accruing to Penn National were included as in-County revenues impacting the local economy. This provides the most conservative estimate of the facility's impact as the 67 percent of VLT revenues going to the State of Maryland are assumed to have no local impact.

The revenues and selected operational characteristics of the proposed facility are presented in Table 4-3.

² *Source:* Revenue estimates provided by Penn National Gaming. For modeling purposes, “comps” or free items given to visitors are taken (subtracted) entirely from gaming related revenues.

³ *Source:* Revenue estimates provided by Penn National Gaming.

Table 4-3
Penn National Gaming
Estimated Gaming and Related Revenues and Operational Characteristics
For the Cecil County/Town of Perryville Facility, Three Operational Scenarios

Number of Slot Machines Phase	1500 I	2000 II	2500 III
PNG Facility Revenues			
Slot Revenues	\$108,800,000	\$181,300,000	\$235,700,000
Food and Beverage	\$6,500,000	\$10,900,000	\$14,100,000
Comps ¹	<u>(\$700,000)</u>	<u>(\$1,100,000)</u>	<u>(\$1,400,000)</u>
Total Revenues	\$114,600,000	\$191,100,000	\$248,400,000
Employment	400	550	650
Employee Compensation	\$13,200,000	\$18,200,000	\$21,500,000
Average Employee Compensation	\$33,000	\$33,091	\$33,077

Source:

Penn National Gaming, Inc.

Note:

1 Comps are taken out of slots revenues.

It was outside of the scope of this engagement for the JFI to develop independent estimates of the potential demand for gaming to be served by the proposed Penn National Gaming facility. Because of the limited time and budget available for this analysis, the JFI relied on operational estimates provided by Penn National. The JFI did, however, test the “reasonableness” of the operational characteristics provided.

For the gaming related revenues of the facility, Penn National assumes:

- \$199 in VLT revenues per machine per day in Phase I;
- \$248 in VLT revenues per machine per day in Phase II; and
- \$258 in VLT revenues per machine per day in Phase III.⁴

The Maryland Department of Legislative Services estimated that VLTs in Cecil County would have a WPD of \$210 with estimates for the proposed facilities located across the State ranging from a low of \$115 WPD for Rocky Gap to a high of \$315 WPD in Anne Arundel County and Baltimore City. The Maryland Department of Legislative Services also presented the following data on WPD in neighboring states in its report:

- \$255 in average WPD in Delaware;
- \$250 in average WPD in Pennsylvania; and
- \$235 in average WPD in West Virginia.

⁴ At the time of this analysis the State of Maryland had not yet published the rules governing VLT operation. Following the assumptions laid out in the Maryland Department of Legislative Services *SB3 Fiscal and Policy Note – Revised* report – for the purposes of this analysis each VLT is assumed to operate 365 days per year.

The revenue estimates provided by Penn National are lower than the Maryland Department of Legislative Services' estimate of \$210 in WPD for VLT revenues per machine in the County in Phase I but are higher than this estimate for Phase II and Phase III. These revenue assumptions fall within the range of daily revenues (or Winnings-per-day – WPD) used by the Maryland Department of Legislative Services in its analysis of the fiscal impact of VLTs in Maryland. Penn National's gaming revenue estimates fall within the range of estimates for Maryland and surrounding jurisdictions.

The estimated food and beverage revenues for the proposed Penn National facility range from a low of \$325 per square foot under Phase I to \$545 per square foot under Phase II to a high of \$705 per square foot for Phase III. There is a lack of national information available on the revenues of restaurants associated with gaming facilities against which to benchmark these food and beverage revenue estimates. Many of the gaming related impact studies or feasibility studies reviewed are for casino-hotel combinations, where a higher level of food and beverage revenues can be expected to serve in-facility overnight guests.⁵

Comparing Penn National's food and beverage revenue estimates to non-gaming related restaurant revenue benchmarks, Phase I estimated revenues per square foot are lower and Phase II and Phase III higher than the median revenues of a restaurant serving alcohol in a "destination" super regional shopping center of \$473 per square foot.⁶ For all Phases however, Penn National's revenue estimates were lower than the \$809 in revenues per square foot for the top 10 percent of restaurants serving alcohol located in destination super regional shopping centers in that report. Furthermore, Penn National's food and beverage revenues are estimated at less than 6 percent of total facility revenues under all phases. This is far lower than food and beverage's share of total casino revenues of 14 percent in New Jersey as of the 3rd quarter of 2008⁷ and of 19 percent in Nevada in fiscal year 2008,⁸ but again a significant share of these revenue figures are for destination casinos with hotels and a resulting high food and beverage demand. Thus, while the JFI could not directly compare Penn National's food and beverage revenue forecasts to national or regional benchmarks, they seem consistent with data on restaurants in general and well below food and beverage revenues earned in more mature gaming markets. These food and beverage estimates can therefore be viewed as reasonable for this preliminary analysis.

Because of the limited time and resources available, this analysis does not directly address through new research the extent to which Cecil County VLT revenues are simply drawn away from other activities that would otherwise occur in the County. These "substitution effects" occur because gaming activity is a type of entertainment or recreational activity that competes with entertainment, recreational or other spending by the customer. If VLT revenues simply replace spending that would otherwise occur – the net effect would be minor at best. At the time of analysis, Penn National was unable to provide a breakdown of its revenue estimates from County residents, non-County Maryland residents or out-of-State visitors.

⁵ At the time of this analysis a hotel close to this facility is planned but its operation is separate from the proposed gaming facility.

⁶ *Source:* Dollars and Cents of Shopping Centers 2008.

⁷ New Jersey Casino Gaming Economic Impact Reports -<http://www.state.nj.us/casinos/financia/histori/>

⁸ See Nevada Gaming Abstract - http://gaming.nv.gov/documents/pdf/2008_abstract.pdf

The analysis presented in the Maryland Department of Legislative Services report can be applied to the local market. This report analyzed the market for playing VLTs in terms of demand from Maryland residents and out-of-state visitors. When Maryland VLTs “recapture” the spending by Maryland residents on gaming or attract new spending from out-of-state visitors, the economic effect is positive. When Maryland VLTs create new gaming spending by residents or by existing out-of-State visitors, this spending is subject to substitution effects. This analytical framework can be applied to Cecil County.

Because of the close proximity of Cecil County to gaming facilities in Delaware, with Delaware Park less than 20 miles away from Elkton, it is likely that the demand for gaming for Cecil County residents is nearly completely met by this very close facility. Thus, all or at least a large percentage of the VLT revenues derived from County residents can be viewed as the recapture of spending that is now occurring in Delaware or other venues. Similarly, while Cecil County has a strong tourism industry that accounts for 3 percent of employment⁹, it has a relatively low level of visitor expenditures compared to other counties along the I-95 Corridor.¹⁰ With the location of the proposed Penn National facility right off of I-95, it is likely that this facility will attract new tourism activity rather than substitute for tourism spending by current visitors. Thus, the substitution effects of the proposed facility in visitor spending can be considered minor.

Because this report focuses on the economic and fiscal costs and benefits of the proposed facility it does not specifically address the broader societal costs of gaming. These issues are analyzed in *An Analysis of the Impact of Introducing Video Lottery Terminals in Maryland* report published in 2008 by the Maryland Institute for Policy Analysis and Research at the University of Maryland Baltimore County.¹¹ However, as discussed above, Cecil County is one of the Maryland jurisdictions with an out-of-state gaming facility located right across the border. With a casino facility located between ten and twenty miles outside of the County, it is likely that the local market for gaming activity is fully served, and thus, the County is already bearing any societal costs from gaming.

The economic impacts of the construction of the proposed Penn National Gaming facility are presented in Table 4-4. The total in-County construction expenditures of \$69.4 million will increase local economic activity in the County by an estimated \$95.1 million and create 837 jobs earning nearly \$25.0 million in employee compensation over the multi-year construction period. A total of 602 construction jobs will be created between 2009 and 2014. The majority of the construction impacts will occur in 2009 and 2010, when the development of the first Phase of the facility is estimated to create 136 and 272 construction jobs, respectively, and increase economic activity in the County by \$21.5 million in 2009 and \$43.0 million in 2010.

⁹ According to the Maryland Tourism Development Board *2008 Maryland Tourism Fast Facts* report. See http://visitmaryland.org/AboutMDTourism/Documents/FastFacts_08.pdf

¹⁰ According to the 2007 *THE ECONOMIC IMPACT OF TRAVEL ON MARYLAND COUNTIES 2006* report – the most recent report with estimated county level tourist expenditures.

¹¹ See <http://www.umbc.edu/mipar/documents/ImpactofIntroducingVideoLotteryTerminalsFINAL.pdf>.

Table 4-4
Economic Impact of
Penn National Gaming Estimated Construction Costs Spent in Cecil County by Year
For the Cecil County/Town of Perryville Facility

Year	2009	2010	2011	2012	2013	2014	Total
Direct Impact (\$s)	\$15,708,333	\$31,416,667	\$3,937,500	\$3,937,500	\$7,187,500	\$7,187,500	\$69,375,000
Direct Impact - Employment (# of Jobs)	136	272	34	34	63	63	602
Total Economic Impacts							
Output (\$s)	\$21,519,243	\$43,038,488	\$5,351,978	\$5,351,978	\$9,895,458	\$9,895,458	\$95,052,603
Employment (# of Jobs)	189	378	47	47	88	88	837
Employee Compensation (\$s)	\$5,649,255	\$11,298,512	\$1,390,485	\$1,390,485	\$2,614,709	\$2,614,709	\$24,958,155

Source:

Penn National Gaming, Inc., The Jacob France Institute and IMPLAN.

The economic impacts of the operation of the proposed Penn National Gaming facility are presented in Table 4-5. As described above, in order to provide the most conservative estimate of the economic impact derived from the operation of the proposed facility, this analysis is based only on the 33 percent of gaming revenues retained by Penn National Gaming and excludes the 67 percent of VLT revenues accruing to the State. As presented in Table 4-5, the proposed Penn National Gaming facility will generate the following direct operational impacts:

- \$41.7 million in PNG gaming, food and beverage revenues and create 400 jobs in Phase I operations;
- \$69.6 million in PNG gaming, food and beverage revenues and create 550 jobs in Phase II operations; and
- \$90.5 million in PNG gaming, food and beverage revenues and create 650 jobs in Phase III operations.

When these revenues are analyzed using the IMPLAN model, PNG's in-County gaming, food and beverage revenues will have the following economic impacts. It is estimated that these direct outlays will:

- Increase economic activity in the County by \$56.7 million and create 546 jobs with an associated \$17.9 million in employee compensation as a result of Phase I operations;
- Increase economic activity in the County by \$94.7 million and create 794 jobs with an associated \$26.0 million in employee compensation as a result of Phase II operations; and
- Increase economic activity in the County by \$123.0 million and create 967 jobs with an associated \$31.6 million in employee compensation as a result of Phase III operations.

Table 4-5
Economic Impact of
Penn National Gaming Operations of
The Cecil County Facility

Number of Slot Machines	1500	2000	2500
Phase	I	II	III
Direct Impact - Revenues (\$s)			
Slot Revenues for PNG ¹	\$35,904,000	\$59,829,000	\$77,781,000
Food and Beverage	\$6,500,000	\$10,900,000	\$14,100,000
Comps ²	(<u>\$700,000</u>)	(<u>\$1,100,000</u>)	(<u>\$1,400,000</u>)
Total Revenues	\$41,704,000	\$69,629,000	\$90,481,000
Direct Impact - Employment (# of Jobs)	400	550	650
Total Economic Impacts			
Output (\$s)	\$56,709,121	\$94,680,583	\$123,036,169
Employment (# of Jobs)	546	794	967
Employee Compensation (\$s)	\$17,874,579	\$26,004,121	\$31,641,994

Source:

Penn National Gaming, Inc., The Jacob France Institute and IMPLAN.

Note:

1 Only the 33% of Slot Revenues going to the facility operator.

2 Comps are taken out of slots revenues.

The Economic Impact of the Construction and Operation of the Non-Gaming Related Portions of the Proposed Chesapeake Lighthouse Development Project

Stewart Associates provided data on the construction schedule and current development plans for the remaining, non-gaming-related portion of the proposed Chesapeake Lighthouse mixed-use development project. The Chesapeake Lighthouse Project is currently planned to consist of the following elements:¹²

- A 150-room Hotel with a Conference Facility and a Pool, which is planned to be operational in 2016;
- A 7,500 square foot Mid-Level Restaurant, which is planned to be operational in 2021;
- A 7,500 square foot Fast Food Restaurant, which is planned to be operational in 2016;
- A 30,000 square foot Pharmacy, which is planned to be operational in 2018;
- A 4,000 square foot Gas Station and Convenience Store, which is planned to be operational in 2016;
- A 90,000 square foot Retail Shopping Center, which is planned to be operational in 2021;

¹² Stewart Associates has not yet finalized plans for this project. The land uses analyzed in this report are conceptual in nature and reflect the current plans for the site which may change in both timing and composition with economic, market, and development trends.

- Three Two-Story Office Buildings totaling 200,000 square feet, which is planned to be operational in 2021;
- A 10 to 14 screen Multiplex Cinema, which is planned to be operational in 2018;
- A 60,000 square foot Big Box retail space and 15,000 square foot in Small Box retail space, which is planned to be operational in 2018;
- A 10,000 square foot Mid-to-Upper Level Restaurant, which is planned to be operational in 2021; and
- A 30,000 square foot Specialty Retail Space, which is planned to be operational in 2021.

Based on data provided by and discussions with Stewart Associates, it was determined that the construction of the Chesapeake Lighthouse retail and office development project is planned to begin in 2014 and continue through 2020. The following assumptions were used in the analysis of the economic impact of the construction of the Chesapeake Lighthouse Project:

- The construction of each building begins two years prior to planned completion;
- All infrastructure and one-third of estimated construction costs occur in the first year of construction with the remaining two-thirds of construction costs occurring in the second year; and
- Infrastructure and construction costs were estimated by Urban Analytics based on standard national estimates of cost per square foot by type of construction.¹³

The total construction costs and schedule for the Chesapeake Lighthouse Project are presented in Table 4-6.

¹³ *Source:* RSMMeans. Construction cost data adjusted for inflation and geographic location.

Table 4-6
Building Program - Construction Costs by Year
Proposed Chesapeake Lighthouse Project
2008\$

Land Use	Total Cost	Year ¹											
		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<i>Penn National Land Bay</i>													
Gaming Facility		Modeled Separately											
Site Infrastructure													
<i>Hotel Land Bay</i>													
150-room Hotel and Conference Center	\$10,000,000						\$3,333,333	\$6,666,667					
Site Infrastructure	\$1,350,000						\$1,350,000						
<i>Land Bay A</i>													
Restaurant: Mid-Level	\$1,043,925											\$347,975	\$695,950
Site Infrastructure	\$510,000											\$510,000	
<i>Land Bay B</i>													
Restaurant: Fast Food	\$889,875						\$296,625	\$593,250					
Pharmacy	\$2,760,000								\$920,000	\$1,840,000			
Site Infrastructure	\$1,050,000						\$1,050,000						
<i>Land Bay C</i>													
Convenience Store w/Gas Station	\$368,000						\$122,667	\$245,333					
Site Infrastructure	\$750,000						\$750,000						
<i>Land Bay D</i>													
Retail: Shopping Center	\$8,280,000											\$2,760,000	\$5,520,000
Office: 2-story across three buildings	\$19,000,000											\$6,333,333	\$12,666,667
Site Infrastructure	\$4,620,000											\$4,620,000	
<i>Land Bay E</i>													
Multiplex Cinema (10-14 screens)	\$6,892,000								\$2,297,333	\$4,594,667			
Site Infrastructure	\$4,800,000								\$4,800,000				
<i>Land Bay F</i>													
Retail: Destination-type	\$5,520,000								\$1,840,000	\$3,680,000			
Retail: Small-box	\$1,380,000								\$460,000	\$920,000			
Restaurant: Mid-to-Upper Level	\$1,391,900											\$463,967	\$927,933
Retail: Speciality	\$2,760,000											\$920,000	\$1,840,000
Site Infrastructure	\$2,790,000								\$2,790,000				
Site Infrastructure	\$15,870,000						\$3,150,000	\$0	\$7,590,000	\$0	\$0	\$5,130,000	\$0
Building Construction	\$60,285,700						\$3,752,625	\$7,505,250	\$5,517,333	\$11,034,667	\$0	\$10,825,275	\$21,650,550
Grand Total	\$76,155,700						\$6,902,625	\$7,505,250	\$13,107,333	\$11,034,667		\$15,955,275	\$21,650,550

Source:

Penn National Gaming, Inc.; Stewart Development Corporation; Urban Analytics, Inc.; Jacob France Institute.

Note:

¹ Construction Costs were distributed as follows: a) Site Infrastructure spending was estimated to occur two years before phase completion; and b) Building Construction was estimated to take eighteen months with 1/3 occurring two years before and 2/3 occurring in the year before completion.

Urban Analytics and the JFI estimated the operational characteristics of the tenants of the proposed Chesapeake Lighthouse Project based the square footage by planned building use provided by Stewart Associates. The IMPLAN model analysis used in this study can be based on either the revenues of or jobs created by the activity being studied. The inputs to the economic impact modeling analysis were a combination of job and revenue estimates developed by Urban Analytics and the JFI in consultation with Stewart Associates, based on national standard relationships used in real estate analysis and sources. The assumptions used in this analysis were as follows:

- For the hotel, an average estimated revenue figure of \$100 per night was used assuming 70 percent daily occupancy based on discussions with Stewart Associates;¹⁴
- For the restaurants total revenues were estimated based on planned square footage multiplied by the average revenues per square foot for comparable restaurants and shopping centers from the *Dollars and Cents of Shopping Centers 2008* report;
- For the office buildings, one job was projected to be created per 300 square feet of space based on industry averages in the Washington, DC metropolitan area;
- For the retail space, one job was projected to be created per 450 square feet of space based on industry averages in the Washington, DC metropolitan area; and
- For the gas station and convenience store employment was based on internal calculations by the tentative operator of this facility as determined by Stewart Associates.

The estimated tenant jobs created in the proposed Chesapeake Lighthouse Project are presented in Table 4-7. The estimated jobs or tenant revenues were entered into the IMPLAN model in order to estimate the economic activity supported by tenant operations. These figures represent the linkages existing between the businesses locating in the Chesapeake Lighthouse Project and the larger Cecil County economy.

¹⁴ The actual revenue estimates provided were \$100 to \$125 per night and 70% to 75% occupancy. In this and all other cases where range estimates were provided, the Urban Analytics-JFI Team used the lowest elements of the range in order to provide the most conservative estimate.

Table 4-7
Estimated Total On-Site Tenant Employment in
The Proposed Chesapeake Lighthouse Project
By Section of Development and Year

Land Use	2016	2017	2018	2019	2020	2021
<i>Penn National Land Bay</i>						
Gaming Facility						
<i>Hotel Land Bay</i>						
150-room Hotel and Conference Center	60	60	60	60	60	60
<i>Land Bay A</i>						
Restaurant: Mid-Level						35
<i>Land Bay B</i>						
Restaurant: Fast Food	42	42	42	42	42	42
Pharmacy			67	67	67	67
<i>Land Bay C</i>						
Convenience Store w/Gas Station	35	35	35	35	35	35
<i>Land Bay D</i>						
Retail: Shopping Center						200
Office: 2-story across three buildings						667
<i>Land Bay E</i>						
Multiplex Cinema (10-14 screens)			54	54	54	54
<i>Land Bay F</i>						
Retail: Destination-type			133	133	133	133
Retail: Small-box			33	33	33	33
Restaurant: Mid-to-Upper Level						66
Retail: Speciality						67
Total Non-Gaming Related Jobs in the Development	137	137	424	424	424	1,459

Source:

Penn National Gaming, Inc.; Stewart Development Corporation; Urban Analytics, Inc.; Jacob France Institute.

Note:

1 Each building is assumed to be fully leased and operational in the first year of operation.

The economic impacts of the construction of the proposed Chesapeake Lighthouse Project are presented in Table 4-8. The total Cecil County construction expenditures of \$76.2 million will increase local economic activity in the County by an estimated \$104.1 million and is estimated to create 913 jobs earning \$27.3 million in employee compensation over the multi-year construction period. A total of 656 construction jobs is estimated to be created between 2014 and 2020. The majority of the construction impacts are planned to occur in 2019 and 2020, when the project construction activity is estimated to create 138 and 185 construction jobs, respectively, and increase economic activity in the County by \$21.9 million in 2019 and \$29.4 million in 2020.

Table 4-8
Economic Impact of
Estimated Chesapeake Lighthouse Project Construction Costs by Year

Year	2014	2015	2016	2017	2018	2019	2020	Total
Direct Impact - Output (\$s)	\$6,902,625	\$7,505,250	\$13,107,333	\$11,034,667	\$0	\$15,955,275	\$21,650,550	\$76,155,700
Direct Impact - Employment (# of Jobs)	60	64	115	94	0	138	185	656
Total Economic Impacts								
Output (\$s)	\$9,504,371	\$10,201,380	\$18,110,112	\$14,998,678	\$0	\$21,885,774	\$29,428,129	\$104,128,444
Employment (# of Jobs)	84	89	161	130	0	193	256	913
Employee Compensation (\$s)	\$2,511,754	\$2,650,398	\$4,807,418	\$3,896,773	\$0	\$5,755,218	\$7,645,656	\$27,267,217

Source:
Stewart Development Corporation; the Jacob France Institute and IMPLAN.

The economic impacts associated with the tenant operations occurring in the proposed Chesapeake Lighthouse Project are presented in Table 4-9. The first tenants locating in the facility in 2016 will have estimated revenues of \$8.5 million and create 137 jobs. With the expansions occurring in the project in 2018, on-site tenant revenues will increase to \$27.4 million and employment is estimated to increase to 424 jobs. When the project is complete and fully leased after 2021, on-site tenant revenues will be \$119.0 million and total employment is estimated to be 1,459 jobs. These final revenue estimates represent the annual direct contribution of the project and its tenants to the County under the currently planned development design once it is completed.

When these tenant revenues are analyzed using the IMPLAN model, the Chesapeake Lighthouse Project will generate following economic activity:

- For 2016 and 2017, the Chesapeake Lighthouse Project tenants is estimated to increase economic activity in the County by \$11.4 million and support 165 jobs with an associated \$3.5 million in employee compensation;
- For 2018 through 2020, the Chesapeake Lighthouse Project tenants is estimated to increase economic activity in the County by \$37.5 million and support 520 jobs with an associated \$12.4 million in employee compensation; and
- Beginning in 2021 the Chesapeake Lighthouse Project tenants are estimated to annually increase economic activity in the County by \$166.6 million and support 1,922 jobs with an associated \$62.7 million in employee compensation.

Table 4-9
Economic Impact of
Estimated Chesapeake Lighthouse Tenant Operations

Year	2016	2017	2018	2019	2020	2021
Direct Impact						
Estimated Tenant Revenues (\$)	\$8,500,016	\$8,500,016	\$27,439,502	\$27,439,502	\$27,439,502	\$118,952,890
Estimated Tenant Employment (# of Jobs)	137	137	424	424	424	1,459
Total Economic Impacts						
Output (\$s)	\$11,368,928	\$11,368,928	\$37,486,574	\$37,486,574	\$37,486,574	\$166,628,682
Employment (# of Jobs)	165	165	520	520	520	1,922
Employee Compensation (\$s)	\$3,531,672	\$3,531,672	\$12,417,067	\$12,417,067	\$12,417,067	\$62,698,620

Source:
Stewart Development Corporation; the Jacob France Institute and IMPLAN.

5. Summary of the Fiscal Impact Analysis

The fiscal impact model designed for this analysis enables the revenue and expenditure implications of comprehensive and project-specific land use patterns, public service levels, and economic conditions to be projected and their impacts studied in various counties, cities and towns. The findings of the fiscal impact analysis will permit elected county and town officials and staff, as well as business leaders and local residents, to evaluate the fiscal consequences of public policy options associated with new land use development. There are two objectives of this fiscal analysis. The first objective is to measure the expenditure demand that the proposed non-residential land uses (the VLT and the Chesapeake Lighthouse project) would place on Cecil County and the Town of Perryville. The second objective is to measure County and Town revenues that will be generated by the proposed non-residential projects planned to be developed. The fiscal impact of the proposed VLT and the Chesapeake Lighthouse project on Cecil County and the Town of Perryville reflects the increases in fiscal revenues that will be generated by the new jobs and real estate development associated with the proposed projects minus the expenditures required to provide public services to these new jobs and land uses. These revenue and expenditure flows are different for each type of land use development in the County and in the Town.

Fiscal Impact Model and Analysis

In order to accurately measure these distinct fiscal flows, a fiscal impact model was developed that allocates local revenues and expenditures by land use type including distributions (breakouts) across different types of residential and non-residential land uses. The County and the Town's prorated actual revenues and expenditures for FY 2008 as well as the allocation factors used to prorate the actual budget for each budget category are shown in Appendix Tables B-1 and B-2 for Cecil County, and B-3 and B-4 for the Town of Perryville. The allocation factors calculated for both Cecil County and the town of Perryville are based on a detailed analysis of County and Town data provided by the County and the Town's various departments and agencies. For example, in Appendix

Tables B-1 and B-3, revenues from income taxes are allocated 100 percent to the occupants of residential land uses while 100 percent of business personal property taxes are allocated to workers associated with non-residential land uses.

Likewise, this same level of analysis was performed for the County and the Town's various uses of expenditures (the cost to provide public services by the County and the Town). A descriptive review of the public services provided to residents and businesses located in the Town of Perryville by Cecil County and by the Town of Perryville was conducted and a list of these public services provided by each jurisdiction is shown in Appendix Table A-1. The fiscal year 2008 outlays for these public services are shown in Appendix Tables B-2 and B-4. In Appendix Table B-2, for example, County expenditures for economic development (100 percent) are allocated to workers associated with non-residential land uses while 100 percent of public education expenditures are allocated to the occupants of residential land uses. In Appendix Table B-4, 67.3 percent of public safety services in the Town of Perryville are allocated to the residential component of the model while 32.7 percent of these public services are allocated to the non-residential component of the model.

This fiscal impact model has been calibrated to reflect the level of services and costs of operations as well as the schedule of tax rates and revenue sources, as reflected in the Cecil County Comprehensive Annual Financial Report (CAFR) for fiscal year 2008 and the Town of Perryville Financial Statements for the fiscal year 2008. This analysis reflects 2008 real dollar values, tax rates and levels of services, and provides an accurate measurement of expenditures and revenues reflecting these rates. If tax rates or levels of services are changed in future years, then respective revenue and expenditure estimates would also change. Similarly, if assessments change at a rate exceeding the rate of inflation, then the value base for calculating revenues would also change. For the purposes of this analysis, all of these values are held constant and this provides an accurate portrayal of the estimated fiscal impacts of the VLT and of the Chesapeake Lighthouse project to Cecil County and to the Town of Perryville as if these two developments were fully built, occupied and operational, and existed in the Town of Perryville as part of the Town's tax base in 2008.

Fiscal Impact Findings

The estimated annual fiscal flows associated with each type of non-residential land use at the proposed VLT and the proposed Chesapeake Lighthouse project were calculated and the findings are reported in Tables 5-1 through 5-4. Based on an examination of all potential local revenue sources and associated Cecil County expenditures allocated to the non-residential land use proposed for the VLT, the total net annual fiscal benefit to Cecil County was found to range from a low of \$475,168 in Phase I (1,500 slot terminals) to \$503,466 in Phase II (2,000 slot terminals) to a high of \$616,598 in Phase III (for 2,500 slot terminals). These findings are reported in Table 5-1.

Table 5-1
Fiscal Impact Summary
Proposed Video Lottery Terminal (Slots) Gaming Facility
Cecil County, Maryland

	<u>Total</u>	Per-VLT <u>Basis</u>	Per-Sq. Ft. <u>Basis</u>
Phase I: 1,500 Slot Machines			
Estimated County Revenues Generated	\$ 590,640	\$ 393.76	\$ 6.06
Estimated County Expenditures Impact	<u>\$ 115,472</u>	<u>\$ 76.98</u>	<u>\$ 1.18</u>
Estimated County Revenue Surplus	\$ 475,168	\$ 316.78	\$ 4.87
Phase II: 2,000 Slot Machines			
Estimated County Revenues Generated	\$ 662,240	\$ 331.12	\$ 5.52
Estimated County Expenditures Impact	<u>\$ 158,774</u>	<u>\$ 79.39</u>	<u>\$ 1.32</u>
Estimated County Revenue Surplus	\$ 503,466	\$ 251.73	\$ 4.20
Phase III: 2,500 Slot Machines			
Estimated County Revenues Generated	\$ 804,240	\$ 321.70	\$ 5.64
Estimated County Expenditures Impact	<u>\$ 187,642</u>	<u>\$ 75.06</u>	<u>\$ 1.32</u>
Estimated County Revenue Surplus	\$ 616,598	\$ 246.64	\$ 4.33

Source: Urban Analytics, Inc.

Note: These are the revenue and expenditure figures that are estimated to have been generated if the Video Lottery Terminal (Slots) Gaming Facility had been fully built-out and occupied as of the end of FY2008. Revenues and expenditures are based on the Cecil County FYE 2008 Comprehensive Annual Financial Report (CAFR).

Based on an examination of all potential local revenue sources and associated Cecil County expenditures allocated to the non-residential land uses proposed for the Chesapeake Lighthouse project, the total net annual fiscal benefit to Cecil County was found to equal an estimated \$315,665 based on estimated total revenues of \$736,844 and estimated total expenditures of \$421,179. These findings are reported in Table 5-2.

Table 5-2
 Fiscal Impact Summary
 Proposed Chesapeake Lighthouse Project
 Cecil County, Maryland

<u>Non-residential Land Uses</u>	<u>Total</u>	<u>Per-Sq. Ft. Basis</u>
Estimated County Revenues Generated	\$ 736,844	\$ 1.19
Estimated County Expenditures Impact	\$ 421,179	\$ 0.68
Estimated County Revenue Surplus	\$ 315,665	\$ 0.51

Source:

Urban Analytics, Inc.

Note:

These are the revenue and expenditure figures that are estimated to have been generated if the Chesapeake Lighthouse project had been fully built-out and occupied as of the end of FY2008. Revenues and expenditures are based on the Cecil County, Maryland FYE 2008 Comprehensive Annual Financial Report (CAFR).

Based on an examination of all potential local revenue sources and associated Town of Perryville expenditures allocated to the non-residential land use proposed for the VLT, the total net annual fiscal benefit to the Town of Perryville was found to range from a low of \$195,288 in Phase I (1,500 slot terminals) to \$210,790 in Phase II (2,000 slot terminals) to a high of \$254,158 in Phase III (for 2,500 slot terminals). These findings are reported in Table 5-3.

Table 5-3
 Fiscal Impact Summary
 Proposed Video Lottery Terminal (Slots) Gaming Facility
 Town of Perryville, Maryland

	<u>Total</u>	Per-VLT <u>Basis</u>	Per-Sq. Ft. <u>Basis</u>
Phase I: 1,500 Slot Machines			
Estimated Town Revenues Generated	\$ 519,502	\$ 346.33	\$ 5.33
Estimated Town Expenditures Impact	<u>\$ 324,214</u>	<u>\$ 216.14</u>	<u>\$ 3.33</u>
Estimated Town Revenue Surplus	\$ 195,288	\$ 130.19	\$ 2.00
Phase II: 2,000 Slot Machines			
Estimated Town Revenues Generated	\$ 656,584	\$ 328.29	\$ 5.47
Estimated Town Expenditures Impact	<u>\$ 445,794</u>	<u>\$ 222.90</u>	<u>\$ 3.71</u>
Estimated Town Revenue Surplus	\$ 210,790	\$ 105.40	\$ 1.76
Phase III: 2,500 Slot Machines			
Estimated Town Revenues Generated	\$ 781,005	\$ 312.40	\$ 5.48
Estimated Town Expenditures Impact	<u>\$ 526,847</u>	<u>\$ 210.74</u>	<u>\$ 3.70</u>
Estimated Town Revenue Surplus	\$ 254,158	\$ 101.66	\$ 1.78

Source:

Urban Analytics, Inc.

Note:

These are the revenue and expenditure figures that are estimated to have been generated if the Video Lottery Terminal (Slots) Gaming Facility had been fully built-out and occupied as of the end of FY2008. Revenues and expenditures are based on the Town of Perryville, MD FYE 2008 Financial Statements.

Based on an examination of all potential local revenue sources and associated Town of Perryville expenditures allocated to the non-residential land uses proposed for the Chesapeake Lighthouse project, the total net annual fiscal benefit to the Town of Perryville was found to equal an estimated \$269,679 based on estimated total revenues of \$1,452,249 and estimated total expenditures of \$1,182,570. These findings are reported in Table 5-4.

Table 5-4
 Fiscal Impact Summary
 Proposed Chesapeake Lighthouse Project
 Town of Perryville, Maryland

<u>Non-residential Land Uses</u>	<u>Total</u>	<u>Per-Sq. Ft. Basis</u>
Estimated Town Revenues Generated	\$ 1,452,249	\$ 2.34
Estimated Town Expenditures Impact	\$ 1,182,570	\$ 1.91
Estimated Town Revenue Surplus	\$ 269,679	\$ 0.43

Source:

Urban Analytics, Inc.

Note:

These are the revenue and expenditure figures that are estimated to have been generated if the Chesapeake Lighthouse project had been fully built-out and occupied as of the end of FY2008. Revenues and expenditures are based on the Town of Perryville, MD FYE 2008 Financial Statements.

It should be noted that the expenditure demands included in this analysis assign the same per capita costs to the proposed VLT and the proposed Chesapeake Lighthouse project workers as for workers elsewhere in the County and in the Town. This approach assumes that each person living or working in Cecil County and the Town of Perryville has access, respectively, to all appropriately available County and Town services and therefore potentially shares from the benefits of these services. This cost or expenditure allocation is not based on the actual utilization of County and Town services by specific individuals but rather reflects equal access to and availability of these services to all County and Town residents and persons working in the County and Town, respectively, in accordance with the distribution of public services provided, respectively, by the County and by the Town.

The capital costs associated with new residential and non-residential development are financed by the county and the town through bond sales that are repaid over a fixed period, ranging from fifteen to twenty years, depending on how the county and the town avail themselves to current funding sources and repayment terms. Therefore, the real carrying costs of the capital improvements associated with new residential and non-residential development should be the annualized debt service required to cover these costs. These debt service requirements are pro-rated and proportionally included in the full fiscal impact analysis findings presented in Tables 1-4

The findings generated by the fiscal impact model are based on an analysis of several independent variables on both the revenue and expenditure sides of the equation. A change in the inputs associated with these independent variables can affect the outcome generated by the model. The independent variables utilized in the fiscal impact model are based on local data for Cecil County county-wide, and the Town of Perryville, town-

wide. The independent variables in the fiscal impact model also include data provided by the applicants, owners and/or developers of the proposed projects. As these data are subject to internal and external supply and demand factors associated with land-use development, a change in the various inputs provided by these entities can affect the outcome of the fiscal impact model.

In Table 5-5, the estimated County and Town gaming tax revenues for the proposed VLT is presented. These are the gaming tax revenues that the State of Maryland has estimated will be returned to the County and the Town once the VLT is built and operational. These estimates were derived by the JFI based on the effective local revenue sharing rates used in the State of Maryland, Department of Legislative Services fiscal analysis cited above.

Table 5-5
Estimated County/Town Gaming Tax Revenues
Proposed Video Lottery Terminal (Slots) Gaming Facility
Cecil County and the Town of Perryville, Maryland

<u>Phase I: 1,500 Slot Machines</u>	<u>Total</u>	<u>Share</u>	<u>Distribution</u>
Estimated Gaming Tax Revenues	\$ 4,900,000		100%
Estimated Cecil County Share		\$ 3,185,000	65%
Estimated Town of Perryville Share		\$ 1,715,000	35%
<u>Phase II: 2,000 Slot Machines</u>	<u>Total</u>	<u>Share</u>	<u>Distribution</u>
Estimated Gaming Tax Revenues	\$ 8,200,000		100%
Estimated Cecil County Share		\$ 5,330,000	65%
Estimated Town of Perryville Share		\$ 2,870,000	35%
<u>Phase III: 2,500 Slot Machines</u>	<u>Total</u>	<u>Share</u>	<u>Distribution</u>
Estimated Gaming Tax Revenues	\$ 10,600,000		100%
Estimated Cecil County Share		\$ 6,890,000	65%
Estimated Town of Perryville Share		\$ 3,710,000	35%

Source: Urban Analytics, Inc.; Jacob France Institute, the University of Baltimore; Cecil County, MD; Town of Perryville, MD; State of Maryland, Department of Legislative Services.

Note: Total gaming revenues as reported in the Department of Legislative Services Study. Revenues as a percentage of estimated Video Lottery Terminal revenues. Distribution between County and Town based on a pre-determined arrangement between the County and the Town.

The distribution of these estimated gaming tax revenues are based on a pre-determined distribution arrangement between the County (65 percent) and the Town (35 percent). The total gaming tax revenues are estimated by the State of Maryland to be returned to the County and the Town on an annual basis. These estimated gaming tax revenue are also subject to market forces and business volume and are subject to change annually.

Fiscal Impact on Existing Non-Profit Service Organization

Cecil County is one of only a select few counties located on the eastern shore of Maryland that are permitted by Maryland state law to allow designated non-profit service organizations to operate video lottery terminal (slot) gaming machines. In Cecil County,

there currently are seven non-profit service organizations that can operate up to a maximum of five VLT machines at each facility. These non-profit service organizations include three American Legion facilities, three Veterans of Foreign Wars (VFW) facilities, and one fraternal organization (the Moose club).¹⁵ Slot machine revenues generated by these non-profit organizations are dedicated, by State law, for fund-raising purposes only. Fifty percent of revenues generated must be distributed to various non-profit entities in the form of donations. The remaining fifty percent of revenues generated (net of operating expenditures associated with running the VLTs) must be used by the host service organization VLT operator to benefit that organization's non-profit mission statement and objectives.

An issue has been raised by these non-profit service organization VLT operators that the construction of the proposed VLT facility in the Town of Perryville may cannibalize current VLT revenues generated by these non-profit operators. The non-profit operators desire to understand exactly how much potential VLT revenue would be lost if the proposed VLT facility for the Town of Perryville is approved and built. The authors of this Report interviewed a spokesman for the collective non-profit VLT operators and collected information on membership characteristics, and annual revenue and expenditure data associated with running these non-profit VLT fund-raising machines. Although anecdotal data exist that would lead the casual observer to conclude that some percentage of these non-profit fund-raising revenues generated by the current operation of the VLTs would be lost to a larger, for-profit, 2,500-terminal VLT facility, there are inconclusive data at this time to calculate (with a degree of accuracy) the exact amount of revenue that would be foregone (lost) as a direct result of the approval of the proposed VLT.

The authors recommend two strategies to help assist the non-profits in determining the amount of potentially foregone tax revenues. The first recommendation is that a survey of the membership of these seven non-profit organizations be undertaken to better understand patron preferences. Would members of the existing non-profit service organizations switch their entertainment spending in gaming from the non-profits to the proposed, larger, for-profit VLT? If yes, how many would consider this switch? Of the members who currently gamble at the non-profit organizations, how many of these patrons also gamble at VLT facilities in Delaware? This survey and analysis would not be difficult to administer and could be undertaken in a relative short period of time (say, four to eight weeks). The second recommendation is that if the proposed VLT is approved, built, and fully operational, then financial data on the non-profit service organizations (related to the operation of the VLTs) could be collected and analyzed over a period of time to compare and calculate actual lost or forgone revenues from these establishments as a direct result of the construction and operation of the proposed PNG for-profit VLT facility.

¹⁵ Data on these organizations were provided by the non-profit service organizations and were not independently verified by Urban Analytics, Inc., and the Jacob France Institute.

6. Conclusion

The economic benefits generated by developing the proposed VLT and the proposed Chesapeake Lighthouse project will contribute to the vitality of the Cecil County economy (of which the Town of Perryville's economy is included). Over the full development period, the economic impact to the Cecil County economy of developing the VLT (all three phases) is estimated to be \$95.05 million in construction spending outlays. Construction-related outlays associated with the proposed VLT are estimated to create 837 new jobs with related personal earnings of \$24.96 million. Direct and indirect economic benefits generated annually in the post-construction phase will create an important new source of income for the Cecil County economy. At build-out and occupancy (all three phases), the VLT is estimated to generate a total economic impact of \$123.04 million, supporting 967 new jobs with total personal earnings of \$31.64 million.

Over the full development period, the total economic impact to the Cecil County economy of developing the Chesapeake Lighthouse project is estimated to be \$104.13 million in construction spending outlays. Construction-related outlays associated with the proposed Chesapeake Lighthouse project are estimated to create 913 new jobs with related personal earnings of \$27.27 million. Direct and indirect economic benefits generated annually in the post-construction (annual operations phase) will also create an important new source of income for the Cecil County economy (of which the Town of Perryville's economy is included). At full build-out and occupancy, the Chesapeake Lighthouse is estimated to generate a total economic impact of \$166.63 million, supporting 1,922 new jobs with total personal earnings of \$62.7 million.

The proposed VLT project (at full build-out and full operations of all three phases) will generate an estimated net annual fiscal benefit to Cecil County equal to \$616,598 reflecting revenues totaling \$804,240 and expenditures of \$187,642. At full build-out and operation of all three phases, the State of Maryland, Department of Legislative Services has estimated that total gaming revenues returned to the County and the Town will be \$10.6 million. Based on the pre-determined distribution of gaming revenues between the County (65%) and the Town (35%), the County's share of this estimated \$10.6 million is calculated to be \$6.89 million. The total combined net fiscal impact to the County assuming the Phase III scenario is \$7.51 million annually.

The proposed Chesapeake Lighthouse project (at full build-out and occupancy) will generate an estimated net annual fiscal benefit to Cecil County equal to \$315,665 reflecting revenues totaling \$736,844 and expenditures of \$421,179. Alternatively stated, this proposed project (at full build-out and occupancy) is estimated to generate \$1.75 in County revenues for every \$1.00 in County expenditures.

The proposed Chesapeake Lighthouse project (at full build-out and occupancy) will generate an estimated net annual fiscal benefit to the Town of Perryville equal to \$269,679 reflecting revenues totaling \$1,452,249 and expenditures of \$1,182,570. Alternatively stated, this proposed project (at full build-out and occupancy) is estimated to generate \$1.23 in Town revenues for every \$1.00 in Town expenditures.

Appendix

Methodology

Economic Impact Methodology

This report analyzes the impact of the construction and operation of the Penn National Gaming facility and Chesapeake Lighthouse Project on the Cecil County economy using economic multipliers, which describe the response of an economy to a change in demand or production.¹⁶ The IMPLAN model uses multipliers to estimate the economic impacts of a project or activity. Multiplier effects occur as an initial round of spending is spent and re-spent in the local economy. For example, an industry pays a worker a salary, a portion of which is then spent on goods and services from local companies, which in turn becomes income for other workers and supplier firms. Thus, each dollar of spending creates more than one dollar in economic activity, as that spending is earned and, in turn, spent by others in the County.

This analysis focuses on three measures of economic activity or impact: output (a figure similar to business sales activity); employment; and employee compensation. Multipliers capture the effect of the introduction of a new source of economic activity in an economy. Multiplier effects occur as the spending associated with an economic activity are earned and then re-spent by others in the local economy, through three types of impacts:

- *Direct Impacts* are those impacts occurring in the impacted sector and related industries as a direct result of the activity being studied, in this case the construction activities that occur as it is developed and the gaming, retail, hotel, office, restaurant and related activities that occur once it is complete and operational;
- *Indirect Impacts* are those impacts created as a result of the in-County expenditures estimated by the IMPLAN model as likely to occur based on structural conditions in the construction and gaming, retail, hotel, office, restaurant sectors of the County economy; and
- *Induced Impacts* are estimated based on the increase in local incomes attributable to construction and operation of the proposed developments.

The total impacts presented above are the aggregation of these direct, indirect and induced impacts and are greater than the direct effects as a result of the induced and indirect – “multiplier” impacts occurring because of the construction and operation of the Penn National Gaming facility and Chesapeake Lighthouse Project.

Fiscal Impact Methodology

The methodology underlying the calculation of revenue and expenditure multipliers, allocations factors, and break-even value points are as follows:

¹⁶ The lowest level of geography available for a standard economic impact model from IMPLAN is a county. Smaller zip code level models are available – but no model is available for the Town of Perryville in which these developments will occur. Thus, the JFI prepared this economic impact analysis at the County level.

Revenue and Expenditure Multipliers, and Allocation Factors

The audited revenue and expenditure totals by source and agency reported in this document were divided between those generated by (assignable to) residential and non-residential uses based on a thorough examination of each revenue and expenditure item as reported in the above documents. Percent distributions (allocation factors) were developed and revenues and expenditures were distributed among residential and non-residential land uses according to these percent distributions. In addition, these percent distributions were compared to detailed examinations of comparable County budgets in Maryland, Virginia, West Virginia, and the District of Columbia to check the allocations factors for reasonableness and construct validity.

The residential share of each category of County revenues and expenditures (that is, the portions generated by local residents as opposed to local business activities, or which provide services to local residents as distinguished from local businesses) was converted to a per capita equivalent to facilitate the calculation of fiscal flows associated with each residential land use analyzed. The non-residential share of each category of County expenditures was converted to a per job equivalent to facilitate the calculation of non-residential fiscal flows from commercial development.

This approach assumes that each person living or working in Cecil County has access to County services and therefore potentially shares from the benefits of these services. This cost or expenditure allocation is not based on the actual utilization of County services by specific individuals but rather reflects equal access to and availability of these services to all County residents and persons working in the County.

The findings derived in this study are based on an analysis of average costs, not marginal costs. By using average costs and revenue multipliers in this analysis and not adjusting revenue sources and expenditure demands to reflect the income structure of the future residents of Cecil County or the actual utilization rate of specific services, the actual revenue forecast is likely to be conservative and the actual demand for County services and programs may be overstated. However, where specific costs and revenues could be assigned based on actual use or values, these were calculated based on available data.

Contact Information

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Appendix Table A-1

Comparison of Public Services Provided
Cecil County, Maryland and the Town of Perryville, Maryland
As of Fiscal Year 2008

Cecil County

General Government Administration
Public Safety
 Sheriff's Department
 Volunteer Fire Department
 EMS/Paramedics
 (Advanced Life Support)
Public works
Parks & Recreation
Planning & Zoning
Economic Development
Libraries
Health & Welfare
Conservation of Natural Resources
Public Education

Town of Perryville

General Government Administration
Public Safety
 Police Department
 Volunteer Fire Department
 EMS/Ambulance
 (Basic Life Support)
Public Works
Parks & Recreation
Planning & Zoning

Appendix Table B-1
Revenue by Source Multipliers
Cecil County, Maryland
FYE June 30, 2008

Category	2008 Revenues ¹	Allocation Factor		Contribution Margin			
		Resident	Non-Res.	Residential	Non-Residential		
1 Real Estate							
Residential	\$64,415,497	100.0%	0.0%	\$64,415,497	48.22%		
Non-Residential	\$17,915,675	0.0%	100.0%			\$17,915,675	61.70%
2 Business Personal Property	\$208,230	0.0%	100.0%	\$0	0.00%	\$208,230	0.72%
3 Income Taxes	\$50,192,279	100.0%	0.0%	\$50,192,279	37.57%	\$0	0.00%
4 Hotel and Motel Taxes	\$28,938	0.0%	100.0%	\$0	0.00%	\$28,938	0.10%
5 Ordinary Business Corp. Tax	\$4,016,801	0.0%	100.0%	\$0	0.00%	\$4,016,801	13.83%
6 Other Local Taxes	\$7,939,154 ²	81.0%	19.0%	\$6,433,890	4.82%	\$1,505,264	5.18%
7 Licenses, Fees, Permits	\$1,531,579	35.2%	64.8%	\$539,269	0.40%	\$992,310	3.42%
8 Fines & Forfeitures	\$221,876	71.6%	28.4%	\$158,819	0.12%	\$63,057	0.22%
9 Investment Earnings	\$3,542,230	75.9%	24.1%	\$2,689,969	2.01%	\$852,261	2.94%
10 Charges for Services	\$2,515,064 ³	63.0%	37.0%	\$1,585,245	1.19%	\$929,819	3.20%
11 Miscellaneous	\$6,105,338 ⁴	75.9%	24.1%	\$4,636,394	3.47%	\$1,468,944	5.06%
12 Intergovernmental - Federal	\$1,137,859	67.4%	32.7%	\$766,348	0.57%	\$371,511	1.28%
13 Intergovernmental - State	\$2,860,405	76.1%	23.9%	\$2,177,340	1.63%	\$683,065	2.35%
Total	\$162,630,925			\$133,595,051	100.00%	\$29,035,874	100.00%
				Contribution Margin:	82.15%		17.85%

Note:

¹ Operating revenues only. Does not include Special Revenue fund & Capital Projects fund revenues.

Includes General Fund and Other Governmental Funds revenues.

² Net of Hotel and Motel Taxes

³ Net of Fines & Forfeitures.

⁴ Includes Intergovernmental Revenues from Other Governmental Funds.

Source:

Cecil County Comprehensive Annual Financial Report (CAFR) for the FYE June 30, 2008;
Cecil County Uniform Financial Report (UFR) for the FYE June 30, 2008; Urban Analytics, Inc.

Appendix Table B-2
Baseline Service Level Multipliers
Cecil County, Maryland
FYE June 30, 2008

Category	2008 Expenditures ¹	Allocation Factor		Contribution Margin			
		Resident	Non-Res.	Resident		Non-Res.	
1 General Government Administration	\$19,501,667 ^{2,3,7}	75.9%	24.1%	\$14,809,566	11.03%	\$4,692,101	25.73%
2 Planning & Zoning	\$1,248,611 ⁷	83.1%	16.9%	\$1,038,095	0.77%	\$210,516	1.15%
3 Public Safety	\$34,136,738 ⁷	70.5%	29.5%	\$24,062,987	17.92%	\$10,073,751	55.25%
4 Public Works	\$3,161,162 ⁷	75.9%	24.1%	\$2,400,586	1.79%	\$760,576	4.17%
5 Health and Welfare	\$7,762,685 ⁷	98.7%	1.3%	\$7,658,665	5.70%	\$104,020	0.57%
6 Parks, Recreation and Culture	\$10,156,060 ^{4,7}	96.0%	4.0%	\$9,749,818	7.26%	\$406,242	2.23%
7 Economic Development	\$1,294,188 ⁷	0.0%	100.0%	\$0	0.00%	\$1,294,188	7.10%
8 Miscellaneous	\$2,874,393 ⁵	75.9%	24.1%	\$2,182,814	1.63%	\$691,579	3.79%
9 Education	\$72,390,404 ^{6,7}	100.0%	0.0%	\$72,390,404	53.90%	\$0	0.00%
Total	\$152,525,908			\$134,292,935	100.00%	\$18,232,973	100.00%
				Contribution Margin:	88.05%		11.95%

Summary			C.M. ⁸		C.M. ⁸
Total Operating Revenues	\$162,630,925		82.15%	\$29,035,874	17.85%
Total Operating Expenditures	\$152,525,908		88.05%	\$18,232,973	11.95%
Net Operating Surplus (Deficit)	\$10,105,017		-5.90%	\$10,802,901	5.90%

Note:

¹ Operating Expenditures only. Does not include Special Revenue fund & Capital Projects fund expenditures.

Includes General Fund and Other Governmental Funds expenditures.

² Net of Planning & Zoning.

³ Includes Cecil Community College.

⁴ Includes Public Libraries.

⁵ Includes Agriculture and Municipalities.

⁶ Net of Cecil Community College.

⁷ Includes debt service and capital outlays (apportioned).

⁸ Contribution Margin

Source:

Cecil County Comprehensive Annual Financial Report (CAFR) for the FYE June 30, 2008;

Cecil County Uniform Financial Report (UFR) for the FYE June 30, 2008; Urban Analytics, Inc.

Appendix Table B-3
Revenue by Source Multipliers
Town of Perryville, Maryland
FYE June 30, 2008

Category	2008 Revenues ¹	Allocation Factor		Contribution Margin			
		Resident	Non-Res.	Residential	Non-Residential		
1 Real Estate							
Residential	\$997,263	100.0%	0.0%	\$997,263	30.01%		
Non-Residential	\$183,516	0.0%	100.0%			\$183,516	13.93%
2 Business Personal Property	\$6,199	0.0%	100.0%	\$0	0.00%	\$6,199	0.47%
3 Income Taxes	\$401,418	100.0%	0.0%	\$401,418	12.08%	\$0	0.00%
4 Hotel and Motel Taxes	\$35,283	0.0%	100.0%	\$0	0.00%	\$35,283	2.68%
5 Ordinary Business Corp. Tax	\$514,043	0.0%	100.0%	\$0	0.00%	\$514,043	39.01%
6 Other Local Taxes	\$6,972	100.0%	0.0%	\$6,972	0.21%	\$0	0.00%
7 Licenses, Fees, Permits	\$46,724	64.6%	35.5%	\$30,160	0.91%	\$16,564	1.26%
8 Fines & Forfeitures	\$1,575	71.2%	28.8%	\$1,121	0.03%	\$454	0.03%
9 Investment Earnings	\$80,643	83.3%	16.7%	\$67,151	2.02%	\$13,492	1.02%
10 Charges for Services	\$179,755	88.0%	12.0%	\$158,238	4.76%	\$21,517	1.63%
11 Miscellaneous	\$4,183	83.3%	16.7%	\$3,483	0.10%	\$700	0.05%
12 Intergovernmental - Federal	\$52,896	67.4%	32.7%	\$35,625	1.07%	\$17,271	1.31%
13 Intergovernmental-State/County	\$2,130,496	76.1%	23.9%	\$1,621,734	48.80%	\$508,762	38.61%
Total	\$4,640,966			\$3,323,167	100.00%	\$1,317,799	100.00%
Note:				Contribution Margin:	71.61%		28.39%

¹ Operating revenues only. Does not include Special Revenue fund & Capital Projects fund revenues.
Includes General Fund and Other Governmental Funds revenues.

Source:

Town of Perryville Financial Statements for the FYE June 30, 2008;
Town of Perryville Uniform Financial Report (UFR) for the FYE June 30, 2008; Urban Analytics, Inc.

Appendix Table B-4
Baseline Service Level Multipliers
Town of Perryville, Maryland
FYE June 30, 2008

Category	2008 Expenditures ¹	Allocation Factor		Contribution Margin			
		Resident	Non-Res.	Resident		Non-Res.	
1 General Government Administration	\$476,424 ^{2,4}	83.3%	16.7%	\$396,718	10.25%	\$79,706	13.32%
2 Planning & Zoning	\$254,998 ⁴	86.9%	13.1%	\$221,568	5.73%	\$33,430	5.59%
3 Public Safety	\$755,482 ⁴	67.3%	32.7%	\$508,666	13.14%	\$246,816	41.26%
4 Public Works	\$724,758 ⁴	83.3%	16.7%	\$603,506	15.60%	\$121,252	20.27%
5 Health and Welfare	\$0	0.0%	0.0%	\$0	0.00%	\$0	0.00%
6 Parks, Recreation and Culture	\$2,046,312 ^{3,4}	96.0%	4.0%	\$1,964,460	50.77%	\$81,852	13.68%
7 Economic Development	\$0	0.0%	0.0%	\$0	0.00%	\$0	0.00%
8 Miscellaneous	\$209,910	83.3%	16.7%	\$174,792	4.52%	\$35,118	5.87%
9 Education	\$0	0.0%	0.0%	\$0	0.00%	\$0	0.00%
Total	\$4,467,884			\$3,869,710	100.00%	\$598,174	100.00%
				Contribution Margin:	86.61%		13.39%

Summary			C.M. ⁵		C.M. ⁵
Total Operating Revenues	\$4,640,966		71.61%	\$1,317,799	28.39%
Total Operating Expenditures	\$4,467,884		86.61%	\$598,174	13.39%
Net Operating Surplus (Deficit)	\$173,082		-15.01%	\$719,625	15.01%

Note:

¹ Operating Expenditures only. Does not include Special Revenue fund & Enterprise fund expenditures.

² Net of Planning & Zoning.

³ Includes Library Donation.

⁴ Includes debt service (apportioned).

⁵ Contribution Margin

Source:

Town of Perryville Financial Statements for the FYE June 30, 2008;

Town of Perryville Uniform Financial Report (UFR) for the FYE June 30, 2008; Urban Analytics, Inc.

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