

*Thurmont Commons
Myers Farm Annexation
Town of Thurmont*

HKB Myers Land, LLC, the contract purchaser of the Myers Farm, proposes the annexation of approximately 210 acres of land located north of the Town boundary. The site is located on both sides of Route 15 and is generally north and west of North Franklinville Road. We propose a future community featuring the following characteristics, benefits and community planning elements:

- ◇ **PEDESTRIAN ORIENTED, TOWN CENTER STYLE DEVELOPMENT** –A mixed use community of up to 350 residential units along with 300,000 to 400,000 square feet of retail and office uses is being proposed. The new retail component of the annexation proposal will result in vastly expanded retail opportunities to local residents, who now have to travel great distances to address most of their retail needs. Easy access to Route 15 for the future retail avoids cut through traffic into the already stressed roadway system in the downtown area. Furthermore, we propose the formation of a community Design Charrette process whereby various area stakeholders would participate in developing a “consensus community plan” for the Myers Farm Annexation.
- ◇ **INFRASTRUCTURE SELF-SUFFICIENCY** - The proposed community builder will provide all water and sewer infrastructure to the project. We will either construct a stand alone waste water treatment plant (WWTP), designed to meet recently adopted State of Maryland Enhanced Nutrient Removal (“ENR”) standards or connect to the Town of Thurmont’s existing WWTP. The proposed WWTP will be “off-grid” in that it will not burden the Town’s regional WWTP currently affected by Infiltration and Inflow (I&I) impacts to existing sewer transmission lines. Additionally, our proposed WWTP would not impact the existing future need to retrofit and/or upgrade the Town’s WWTP in order to comply with the new ENR standards.
- ◇ **LOW IMPACT DESIGN** - The community development team will propose a number of Low Impact Development (LID) standards designed to minimize the project’s environmental impact. LID features are designed and constructed to detain and treat stormwater through natural processes such as infiltration, soil storage and uptake by vegetation, which help minimize the impact impervious surfaces can have on water quality.
- ◇ **SUBSTANTIAL ECONOMIC BENEFIT** - Based on a recently concluded Fiscal Impact Study of the proposed community, the proposed annexation will generate nearly **\$4,500,000** in impact and related fees paid directly to the Town of Thurmont. Eventually, the yearly tax revenue derived from the build-out of this proposed community will exceed the cost of services to the community in the amount of **\$84,000** per year. Furthermore, the annexation proposal will support 123 new jobs that generate **\$3,200,000** in annual wage income to Thurmont residents and **\$7,900,000** in sales to Thurmont businesses. Finally, as noted in Section 5 “Annexation Agreement Outline”, the community builder is proposing an additional amount of up to **\$2,600,000** in direct proffers and incentives over and above the impact fees noted above.

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III – Water Resource

- ◇ **Table One - Primary Land Area** – 180 acres that supports up to 90,000 gallons per day (gpd) in potential groundwater availability

- ◇ **Table One - Primary Land Area and Parcel 11 (90 acres)** – 270 acres that may support up to 135,000 gpd in potential groundwater availability.

- ◇ **Table Two** – 350 dwelling units, Retail - 260,000 square feet, Office - 60,000 square feet. Average Demand Estimate – **109,520 gpd**

- ◇ **Table Three** – 265 dwelling units, Retail - 260,000 square feet, Office - 60,000 square feet. Average Demand Estimate – **88,270 gpd**

- ◇ **Table Four** – Existing Water Appropriation Permits for the Town of Thurmont

Table 1
Estimate of On-Site Allocable Groundwater Supplies

Property Description	Gross Groundwater Availability in Watershed ^[1]	Net Groundwater Allocability for Primary Land Area A - see Table 3	Net Groundwater Allocability for 90 Acres of Myers Farm (Parcel 11)	Net Groundwater Allocability for Primary Land Areas and 90 Acres of Myers Farm (Parcel 11) - see Table 2
Acree by Digital Planimetry	9,714	180	90	270
Net Acreage Available for Allocation	8743 ^[2]	144 ^[3]	72 ^[3]	216 ^[3]
Drought (1-in-10) Ground Water Availability (662 gpd/ac) ^[4]	5,787,601	95,328	47,664	142,992
Set-Aside for Maintenance of a 7Q10 Base Flow (37 gpd/ac) ^[4]	N/A	5,328	2,664	7,992
Groundwater Potentially Available for Use (gpd)	5,787,601	90,000	45,000	135,000

Notes:

- [1] Based on the watershed area available for use by hypothetical well located on the Myers Property
- [2] Present MDE Water Rights Division policy is to subtract for estimated impervious surfaces (usually 10%)
- [3] Present MDE Water Rights Division policy is to subtract 10% for impervious surfaces but based on site plans 20% is more appropriate
- [4] Based on an unpublished MDE hydrographic separation analysis performed on Owens Creek

**Table 2
Preliminary Water Demand for Myers Farm Property**

Water Usage	Quantity	Average Demand Estimates	Data Source^[1]	Average Demand (gpd)
Residential Lots	350 Lots	250 gpd/unit	MDE Water Capacity Management Plan	87,500
Retail Space	230,000 sq. ft.	0.025 gpd/sq. ft.	MDE Wastewater Capacity Management Plan	5,750
Banks	10,000 sq. ft.	0.02 gpd/sq. ft.	MDE Wastewater Capacity Management Plan	200
Restaurants	20,000 sq. ft.	0.33 gpd/sq. ft.	Water Meter Data from Comparable Restaurant	6,600
Office	60,000 sq. ft.	0.045 gpd/sq. ft.	MDE Wastewater Capacity Management Plan	2,700
Irrigation	5 acres	1,354 gpd/acre	MDE Golf Course Irrigation Research	6,770
Total				109,520^[2]

Note:

[1] Listed data sources were used to estimate average use demands.

[2] If an additional 90-acre Myers property is acquired, groundwater potentially available is 135,000 gpd. In that circumstance full build out could be realized.

Table 3
Water Demand for Primary Land Areas
Commercial and Irrigation Held Constant, Maximized Number of Residential Lots

Water Usage	Quantity	Average Demand Estimates	Data Source ^[1]	Average Demand (gpd)
Residential Lots ^[2]	265 Lots	250 gpd/unit	MDE Water Capacity Management Plan	66,250
Retail Space	230,000 sq. ft.	0.025 gpd/sq. ft.	MDE Wastewater Capacity Management Plan	5,750
Banks	10,000 sq. ft.	0.02 gpd/sq. ft.	MDE Wastewater Capacity Management Plan	200
Restaurants	20,000 sq. ft.	0.33 gpd/sq. ft.	Water Meter Data from Comparable Restaurant	6,600
Office	60,000 sq. ft.	0.045 gpd/sq. ft.	MDE Wastewater Capacity Management Plan	2,700
Irrigation	5 acres	1,354 gpd/acre	MDE Golf Course Irrigation Research	6,770
Total				88,270

Note:

- [1] Listed data sources were used to estimate average use demand.
- [2] Residential lots maximized under this scenario to keep average demand near 90,000 gpd.
- [3] Commercial estimates remain as originally planned.
- [4] Irrigation estimates remain as originally planned.

Table 4: Water Appropriation Permit and Allocability Information for the Town of Thurmont

Existing Water Appropriation Permits			
Permit Number ^[1]	Source	Average Withdrawal	Maximum Withdrawal
FR69G021	Wells #3 & #4 (Well #5 Standby)	275,100	460,000
FR69G121	Well #2	89,000	149,000
FR88G004	Well #7	93,000	156,000
FR93G036	Well #8	234,000	300,000
FR2003G001	Well #9	204,000	318,000
Total		895,100	1,383,000

Allocability	
Property Description	Net Groundwater Allocability for Town Footprint
Acreage by Digital Planimetry	1,974
Net Acreage Available for Allocation (10% impervious surface) ^[2]	1,777
Drought (1-in-10) Groundwater Availability (602 gpd/ac) ^[3]	1,069,513
Set-Aside for Maintenance of a 7Q10 Base Flow (74 gpd/ac) ^[3]	131,468
Groundwater Potentially Available for Use (gpd/ac)	938,000

Notes:

[1] No water has been pumped under permit number FR74S013 (two reservoirs on High Run) since 1993 therefore it was not counted towards the total.

[2] Present MDE Water Rights Division Policy is to subtract for estimated impervious surfaces as shown herein.

[3] Based on unpublished MDE hydrographic separation analysis performed on Hunting Creek.



Sage Policy
Group, Inc.

**Economic and Fiscal Impacts of the
Mixed-Use Myers Property Development
in Thurmont, Maryland**

Submitted by:
Sage Policy Group, Inc.

Submitted to:
Hudson Land, LLC

August 2006

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Economic and Fiscal Impacts of the Mixed-Use Myers Property Development in Thurmont, Maryland

Executive Summary

Sage Policy Group, Inc. (SPG) utilized publicly available government data and standard local economic multipliers to assess the economic and fiscal impacts of the mixed-use development project proposed by Hudson Land, LLC in Thurmont, Maryland (the “Myers Property” or the “Project”). The proposed Myers Property development project encompasses a mix of housing types as well as retail and office space. The final number of housing units for the Project has not been fully determined and the study team established the provision of 350 mixed housing units as the baseline scenario. These units would be built over a five- to six-year timeframe, at a rate of roughly 60 new housing units per year. The estimated start date for construction is mid-2009.

Exhibit E1 indicates the Project’s component parts and associated values. In 2006 dollars, the Project represents an investment in the community approaching \$164 million.

Exhibit E1: Baseline value of housing, retail and office development

<i>Category of development</i>	<i>No. of units</i>	<i>Unit cost (dollars)</i>	<i>Total value (millions of dollars)</i>
Residential			
Single-family homes	228	\$395,000	\$90.1
Townhomes	122	\$250,000	\$30.5
Non-residential	<i>Square feet</i>		
Retail	260,000	\$90/sq. ft.	\$23.4
Office	60,000	\$95/sq. ft.	\$5.7
Site improvements	N.A.	N.A.	\$14.0
Total			\$163.7

Note: Figures may not add due to rounding.

This analysis concludes that:

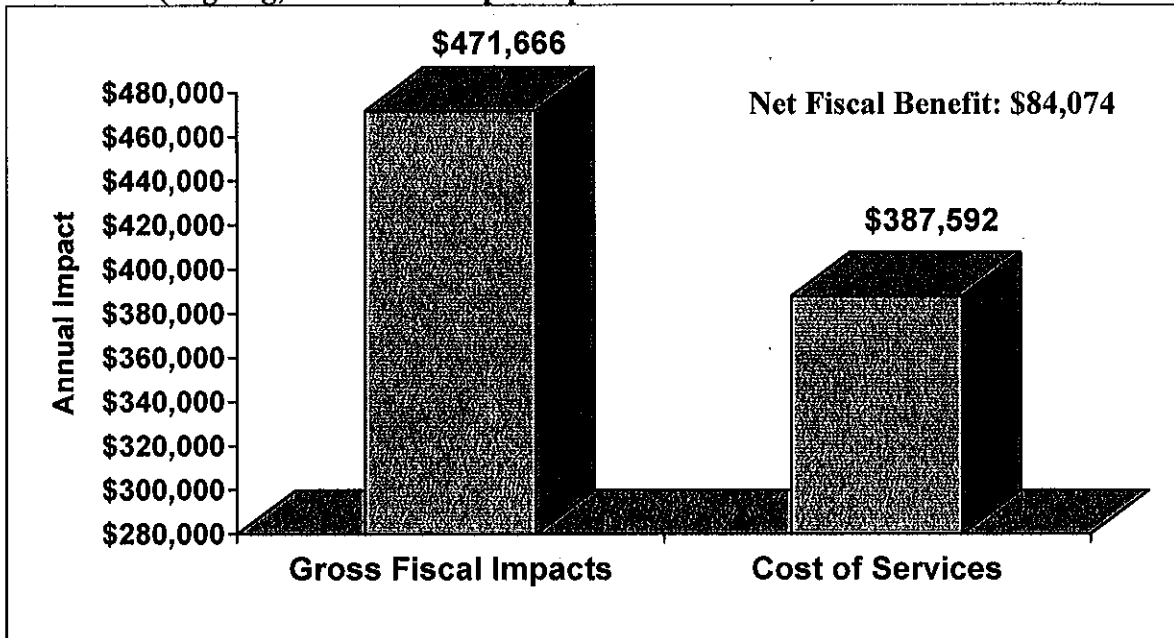
- the Town of Thurmont will receive \$4.44 million in impact and related fees from the development of the Myers Property (please see Exhibit E2);
- additionally, the Town of Thurmont will receive an annual, direct, net fiscal benefit of approximately \$84,000 (in 2006 dollars) upon full build-out and occupancy of the Myers Property (please see Exhibit E3);
- full build-out of the Myers Property will support 123 permanent jobs in Thurmont, generating \$3.2 million in annual wage income to Thurmont residents and \$7.9 million in sales to Thurmont businesses;

- Frederick County will receive \$3.81 million in impact and related fees from the development of the Myers Property, not including the fees paid to the Town of Thurmont (please see Exhibit E2);
- Frederick County will receive an annual, direct, net fiscal benefit of approximately \$1.2 million (in 2006 dollars) upon full build-out and occupancy of the Myers Property (please see Exhibit E4);
- full build-out of the Myers Property will support 2,440 permanent jobs throughout Frederick County, \$63.8 million in annual wage income to County residents and \$159.9 million in sales to County businesses;
- in Maryland, full build-out of the Myers Property will support 2,665 permanent jobs, \$76.3 million in annual wage income to Maryland residents and \$188.9 million in sales to Maryland businesses;
- the impacts described above are in addition to construction phase impacts described in this report, including fiscal impacts, which from the perspective of the community can be viewed as pure additional net surplus; and
- the retail amenities associated with the Myers Property will enhance quality of life opportunities in the Town of Thurmont and surrounding communities.

Exhibit E2: Impact and related fees: Construction and occupancy phase (one-time impacts)

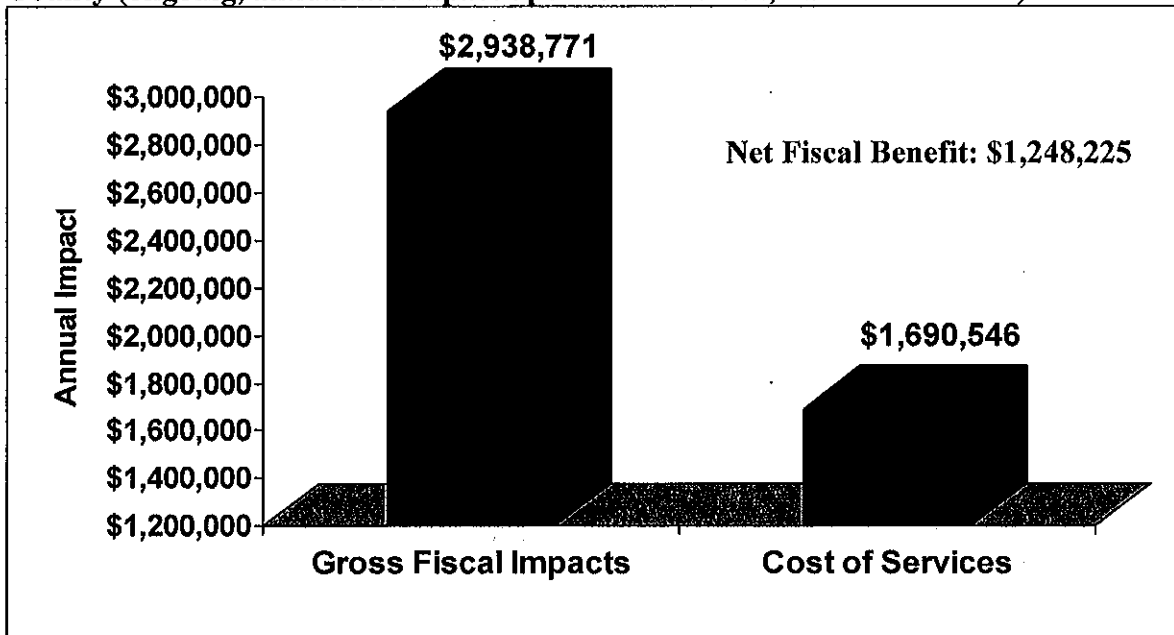
<i>Impact fees and other payments to local government</i>	<i>Payment per housing unit (dollars)</i>	<i>No. of units subject to fees</i>	<i>Total payment (millions of dollars)</i>
<i>Town of Thurmont</i>			
Water hook up fee	\$2,500	350	\$0.875
Sewer hook up fee	\$2,500	350	\$0.875
Water impact fee	\$2,885	350	\$1.010
Wastewater impact fee	\$2,275	350	\$0.796
Road impact fee	\$1,500	350	\$0.525
Park impact fee	\$1,000	350	\$0.350
Zoning certificate	\$25	350	\$0.009
Town impact fees—total	\$12,685	350	\$4.440
<i>Frederick County</i>			
Library & school impact fee—single-family	\$11,595	228	\$2.644
Library & school impact fee—townhome	\$9,573	122	\$1.168
County impact fees—total	AVG=\$10,891	350	\$3.812
Note: Figures may not add due to rounding.			

Exhibit E3: Net fiscal benefit (gross – cost) of the Myers Property on the Town of Thurmont (ongoing, annual net impact upon full build-out, baseline estimate)



Note: These impacts do not include the fiscal benefits generated during the construction/property transfer phase, including the impact fees. Gross fiscal impacts include Thurmont property taxes and County tax rebate.

Exhibit E4: Net fiscal benefit (gross – cost) of the Myers Property on Frederick County (ongoing, annual net impact upon full build-out, baseline estimate)



Note: These impacts do not include the fiscal benefits generated during the construction/property transfer phase, including the impact fees. Gross fiscal impacts include County property and income taxes.

Economic and Fiscal Impacts of the Mixed–Use Myers Property development project in Thurmont, Maryland

A. Introduction

Sage Policy Group, Inc. (Sage)¹, an economic and policy consulting firm in Baltimore, MD, conducted this assessment of the likely economic and fiscal impacts associated with the mixed–use Myers Property development project. The proposed Project encompasses a mix of housing, retail and office space. The land on which this development would occur is proposed for annexation into the Town of Thurmont in Frederick County, Maryland.

This analysis examines the economic and fiscal impacts associated with two broad phases of the Project. The first phase is associated with construction, which creates a range of one-time impacts linked to building activities and the transfer of property.

After construction, there is a second stage that begins once retail and office space is operational and housing is occupied by residents who begin spending varying portions of their income in Thurmont, Frederick County, and Maryland, respectively. This second phase creates a range of ongoing impacts that endure so long as the businesses are in operation and the housing is occupied (what we refer to as “economic perpetuity”).

Development of the residential component of the Project would occur over a number of years. The specific timing of development has yet to be determined and this analysis is based on the impacts associated with a fully–developed Project. The start date assumption for this analysis is mid-2009.

The final number of housing units for the proposed Myers Property development has also not been fully determined. As a result, the study team used a baseline number of 350 housing units, which would be built over five to six years.

All monetary values included in this report are expressed in 2006 dollars. Given the assumption of a development schedule stretching over several years, housing prices and other monetary values will rise over time. Thus, over time, given the inevitable effects of inflation, the current monetary value of the estimated impacts, for example in 2009 or 2010 dollars, will also be higher than the values presented in this analysis.

Because price increases may be quite close to the long-term inflation rate, it is reasonable to assume that the change in the value of the Project will essentially keep pace with inflation. As a result, an analysis based on current values is likely to be a reasonable reflection of the real, inflation-adjusted value of the Project over the long run. Of course, estimates of impact will be conservative to the extent that increases in the value of newly

¹ Economist Anirban Basu led the study team. Sage analysts John Duberg and Braedyn Woodring provided analytical and editorial support.

constructed structures exceed the inflation rate since higher values are associated with higher tax collections and other effects.

As most casual observers know, the value of housing in Maryland has significantly exceeded the general rate of inflation, including the housing values in Frederick County. There is no assurance that the housing market will continue to be as robust as it has been over the past few years and data regarding housing inventory and other factors suggest that the housing market is cooling. Still, the region's housing prices in general continue to increase at rates exceeding inflation.²

B. Value of the Proposed Myers Property

The baseline Project (350 homes at full build-out) will be valued at approximately \$164 million. The bulk of this value—over \$120 million—will be in the residential component. Nearly seventy-five percent (75%) of residential value will be in 228 single-family detached homes. The remaining housing value will be in the 122 townhomes.

An additional \$43 million of value will reside in the retail/office development and in site improvements. Retail space will have an estimated construction value of \$23.4 million while office space construction value is estimated at \$5.7 million. Streets, sidewalks, parking, and other site improvements are estimated at \$14 million.

These values are presented in Exhibit 1. The Myers Property development will include a mix of housing types. Single-family detached homes will represent approximately 65 percent of all housing and will have an average estimated price of \$395,000 per home, with prices ranging from \$375,000 to \$415,000. Townhomes are expected to be valued at \$250,000. For the commercial and office space, construction costs are estimated at \$90 to \$95 per square foot.

Exhibit 1: Baseline value of housing, retail and office development

<i>Category of development</i>	<i>No. of units</i>	<i>Unit cost (dollars)</i>	<i>Total value (millions of dollars)</i>
Residential			
Single-family homes	228	\$395,000	\$90.1
Townhomes	122	\$250,000	\$30.5
Non-residential	<i>Square feet</i>		
Retail	260,000	\$90/sq. ft.	\$23.4
Office	60,000	\$95/sq. ft.	\$5.7
Site improvements	N.A.	N.A.	\$14.0
Total			\$163.7

Note: Figures may not add due to rounding.

² Lorraine Mirabella, "Region's realty market cooling," Baltimore Sun, May 11, 2006. From April 2005 to April 2006, home prices in the region appreciated 10.5 percent, the lowest rate of increase since early 2004, though well above the general rate of inflation. Prices in Frederick County actually fell, the first decline in any regional jurisdiction since 2002. This pattern is not expected to last and is related to the marketplace's ongoing adjustment to a higher interest rate environment.

C. Measuring Economic and Fiscal Impacts

The economic activity created by the Myers Property generates a multiplier effect that extends throughout Frederick County and into other areas in Maryland, thereby augmenting the benefits created directly at the Project. In the language of economics, these additional economic activities are termed the indirect and induced effects of the jobs, income, and sales generated directly by the Project.

The jobs located at the Myers Property, for example, are considered the “direct effect”. Indirect effects occur when the contractors building the Project purchase goods and services from other firms in Thurmont, Frederick County or Maryland, respectively. These businesses purchase everything from nails to advertising services from area firms. In turn, these suppliers will buy office supplies and electric power among many other items and services from other local firms. In its totality, this succession of purchases by suppliers and suppliers of suppliers creates “indirect effects”.

The wages and income received by the employees, contractors, and owners of the Project and of the succession of suppliers that is linked to development of the Project create additional effects. These wages are spent in the Town of Thurmont, Frederick County and Maryland, respectively on a broad range of consumer purchases from groceries to apparel to entertainment to medicines. The economic activity associated with these purchases is termed the “induced effect”.³

These direct, indirect, and induced effects can be measured along three dimensions: employment (measured in full-time and part-time jobs), income (measured in dollars), and output or sales of goods and services (measured in dollars). These effects are all estimated using proprietary software and a computer model created for this analysis.⁴

This analysis examines impacts for three overlapping political jurisdictions. Because the development occurs in Frederick County, the economic and fiscal impacts on the county are examined first. Impacts on the Town of Thurmont are then derived from the county-level impacts.⁵ While the economic and fiscal contributions of the Project are most immediately connected with firms and people in Thurmont and Frederick County, these effects extend beyond county boundaries and also provide additional benefits to businesses and residents in other parts of Maryland.⁶

³ Collectively, the direct, indirect and induced impacts of the Project represent the total economic impacts.

⁴ The analysis is based on software and data created by the Minnesota IMPLAN Group, Inc. IMPLAN has become the industry standard for the kind of input-output analysis conducted for this project. Using IMPLAN data, a custom economic and fiscal impact model specific to this analysis was created.

⁵ Thurmont impacts are based on the ratio of construction and other businesses estimated to be in Thurmont relative to Frederick County. For example, about 5 percent of the County’s construction firms are in Thurmont’s zip code. Accordingly, 5 percent of the County’s construction impacts are allocated to Thurmont. About 5 percent of all County business establishments are in Thurmont and that share of County indirect and induced impacts are assigned to Thurmont.

⁶ Naturally, many of these impacts will be experienced in neighboring jurisdictions such as Washington and Carroll counties.

Two broad categories of impacts are assessed. The construction of the Myers Property and the transfer of homes to buyers create a series of one-time effects. Once the Project's housing is occupied and residents are living there, and once the retail businesses and office space are operational, a second set of ongoing impacts occurs. These impacts are measured in terms of ongoing, annual effects.

Ongoing effects are derived from two sources. One is the spending of the households who will purchase the various housing units. Typically residents spend a high proportion of their income locally thereby helping to support local businesses. These effects are considered induced impacts because they are based on consumer spending. The second source is the business activity that occurs in the retail and office space. These businesses have revenues and spend money purchasing goods and services from other businesses in the town, county, and state. All of this revenue and spending creates direct and indirect economic impacts while the consumer spending of the employees and business owners in the new retail and office space as well as among the local suppliers they use creates induced impacts.

Finally, in addition to economic impacts, development and occupancy of the Project will create fiscal impacts, defined as new streams of tax revenue and impact and similar fees for the Town of Thurmont, Frederick County, and Maryland, respectively. Some fiscal impacts are one-time benefits associated with the construction phase, while others are ongoing and are associated with the permanent occupancy of homes and business operations. The fiscal impact portion of this analysis includes estimates of property tax, income tax, sales tax, and tax rebates.⁷

Hudson Land, LLC has requested an annexation of the Myers Property into the Town of Thurmont. Accordingly, this analysis looks at economic and fiscal impacts on Thurmont on the assumption that the Project is part of the Town of Thurmont and is therefore subject to Thurmont impact and hook up fees, property tax, and other Town-specific revenue sources.

D. Baseline Impacts of the Construction and Property Transfer Phase

- Economic impacts

The estimation of economic impacts of the construction phase begins with the value of housing and other development. Exhibit 1 above presents estimated housing, retail, office, and site improvement values for the Project. It should be noted that the cost estimates shown in Exhibit 1 represent the baseline definition of the Project. The baseline assessment of economic impacts is based on a fully developed project with 350

⁷ The study team begins the fiscal impact analysis by calculating gross impacts (i.e., payments to government). The study team then generates net fiscal impacts by calculating the cost of government services to residents and businesses. This cost estimate assumes that the level of service provided to new residents and commercial tenants is equal to the level of service currently being provided to those that live and/or work in the community today.

homes. As development of the Myers Property is projected to occur over a number of years, the construction-related impacts will occur over that development period.

In total, the construction of the baseline Project is estimated to create over 2,500 full-time and part-time jobs in Frederick County with associated personal income of nearly \$98 million.⁸ The construction phase will also support more than \$255 million in sales of goods and services by Frederick County businesses.

A share of these jobs created in the County (roughly 1 in 20) is estimated to benefit Town of Thurmont residents. These 127 full-time and part-time Thurmont jobs would generate personal income of approximately \$4.9 million over the course of the construction phase and are linked to nearly \$12.9 million in sales by Thurmont businesses.

Statewide impacts, which include Town and County impacts, are associated with over 2,900 full-time and part-time jobs generating \$127 million in personal income. Maryland businesses would enjoy \$322 million in sales of goods and services as a result of the full development of the baseline Project. It is worth noting that these impacts are one-time effects that endure only as long as the construction phase lasts. Please see [Exhibit 2](#).

Exhibit 2: Economic impacts of baseline Project: Construction phase (one-time impacts)

<i>Location and type of impact</i>	<i>Jobs (full & part-time jobs)</i>	<i>Income (millions of dollars)</i>	<i>Business sales (millions of dollars)</i>
<i>Town of Thurmont</i>			
Direct effects	69	\$3.1	\$8.0
Indirect effects	30	\$1.0	\$2.5
Induced effects	28	\$0.8	\$2.4
Total	127	\$4.9	\$12.9
<i>Frederick County</i>			
Direct effects	1,377	\$61.0	\$158.4
Indirect effects	610	\$20.7	\$49.3
Induced effects	550	\$16.0	\$47.8
Total	2,537	\$97.7	\$255.5
<i>Maryland</i>			
Direct effects	1,522	\$71.7	\$175.4
Indirect effects	689	\$28.1	\$68.6
Induced effects	762	\$27.1	\$77.9
Total	2,973	\$126.9	\$321.9
Note: Figures may not add due to rounding.			

⁸ For those attempting to calculate full-time equivalents, the average number of hours associated with these jobs is roughly 35.

- Fiscal impacts

New housing development in the Town of Thurmont and in Frederick County is subject to a range of impacts fees, utility hook-up fees, and other one-time payments. For the Town of Thurmont, these fees are the same whether the housing is single-family units or townhomes. By contrast, Frederick County distinguishes between different types of housing.

For each new home, the Town of Thurmont will assess hook-up, impact, and other fees totaling \$12,685 per housing unit, for a total of \$4.44 million for the baseline Project of 350 units as detailed in [Exhibit 3](#). Frederick County impact fees are designated for schools and public libraries and range from \$9,573 to \$11,595 per housing unit. County fees would total \$3.81 million for the baseline Project.

Exhibit 3: Impact and related fees for baseline Project: Construction phase (one-time impacts)

<i>Impact fees and other payments to local government</i>	<i>Payment per housing unit (dollars)</i>	<i>No. of units subject to fees</i>	<i>Total payment (millions of dollars)</i>
<i>Town of Thurmont</i>			
Water hook up fee	\$2,500	350	\$0.875
Sewer hook up fee	\$2,500	350	\$0.875
Water impact fee	\$2,885	350	\$1.010
Wastewater impact fee	\$2,275	350	\$0.796
Road impact fee	\$1,500	350	\$0.525
Park impact fee	\$1,000	350	\$0.350
Zoning certificate	\$25	350	\$0.009
Town impact fees—total	\$12,685	350	\$4.440
<i>Frederick County</i>			
Library & school impact fee—single-family	\$11,595	228	\$2.644
Library & school impact fee—townhome	\$9,573	122	\$1.168
County impact fees—total	AVG=\$10,891	350	\$3.812
Note: Figures may not add due to rounding.			

The construction phase of the Project also generates certain tax revenue streams for Frederick County and Maryland that are not applicable to the Town of Thurmont.⁹ For instance, the income earned by construction and other workers shown in [Exhibit 2](#) generates income tax for the County and State and sales tax revenue for the State. When housing is sold, there are State property transfer taxes and County documentary stamps which, because of their one-time status, are included as fiscal impacts in the construction

⁹ As a result of this project, Thurmont would receive ongoing tax revenue from two sources—property tax and transfers from Frederick County. This revenue flows only after residences are occupied, not during the construction phase.

and occupancy phase impacts. As shown in Exhibit 4, for the baseline Project of 350 housing units, the tax-related fiscal impacts total \$3.8 million for Frederick County and \$7.5 million for the State of Maryland.

Exhibit 4: Tax revenue impacts related to baseline Project: Construction phase (one-time impacts)

<i>Location and type of fiscal impact</i>	<i>Value (millions of dollars)</i>
<i>Frederick County</i>	
Property transfer tax	\$1.6
Income tax	\$2.2
Total	\$3.8
<i>Maryland</i>	
Property transfer tax	\$0.8
Income tax	\$3.8
Sales tax	\$2.9
Total	\$7.5
Note: Figures may not add due to rounding.	

Exhibit 5 summarizes the total fiscal impacts associated with the construction phase of the Project. These include the impact fees (please see Exhibit 3) and tax revenue impacts (as shown in Exhibit 4). In total for the construction phase, the Town would enjoy fiscal impacts worth \$4.4 million.

Exhibit 5: Total fiscal impacts related to baseline Project: Construction phase (one-time impacts)

<i>Location and type of fiscal impact</i>	<i>Value (millions of dollars)</i>
<i>Town of Thurmont</i>	
Impact and other fees	\$4.4
Total	\$4.4
<i>Frederick County</i>	
Impact fees	\$3.8
Tax revenue	\$3.8
Total	\$7.6
<i>State of Maryland</i>	
Tax revenue	\$7.5
Total	\$7.5
Note: Figures may not add due to rounding.	

E. Baseline Impacts of the Occupancy and Business Operations Phase

Once the Myers Property development project is occupied and operational, a set of ongoing, permanent economic and fiscal impacts occurs. These impacts are based on the spending of those who purchase the Project's housing units and the revenues of the retail and office-based businesses that locate at the Project.

- Economic impacts

As detailed in Exhibit 6, the estimated total annual household income of Project residents in 2006 dollars is over \$33 million. This estimate of household income is based on the income needed to purchase the various types of housing that will be developed at the Myers Property. Estimated residents' household income will range from \$69,000 for the townhomes to an average of \$109,000 for the single-family homes.¹⁰ The revenue associated with the retail space is based on national sales data for shopping centers while office revenue is based on similar developments in this portion of Maryland.

Exhibit 6: Factors influencing the Project's ongoing impacts

<i>Type of housing unit</i>	<i>No. of households</i>	<i>Estimated annual per household income (dollars)</i>	<i>Total estimated annual household income (millions of dollars)</i>
Single-family homes	228	\$109,000	\$24.9
Townhomes	122	\$69,000	\$8.4
Total			\$33.3
<i>Type of development</i>	<i>Square feet of space</i>	<i>Estimated annual revenue per square foot (dollars)</i>	<i>Total estimated annual revenue (millions of dollars)</i>
Retail	260,000	\$225	\$58.5
Office	60,000	\$400	\$24.0
Total			\$82.5

The expenditure of household income and the impacts associated with the retail and office businesses are largely, but certainly not exclusively, made in the Town of Thurmont, Frederick County, and Maryland.¹¹ These impacts include the direct and indirect impacts associated with the retail and office businesses as well as the impacts of consumer expenditures made by both the residents of the Project's housing and the

¹⁰ The income estimate is based on the assumptions of a 10 percent down payment and a 30-year mortgage at 6 percent. Housing costs are assumed to be equal to 28 percent of household income, the upper limit of income devoted to mortgage payments in most standard mortgage underwriting guidelines. Given that a standard 30 year mortgage is now accompanied by a rate in the 6.5 to 7 percent range, the 6 percent assumption may seem unreasonable. However, it is impossible to know how mortgage rates will shift between now and the onset of construction. By choosing a 6 percent mortgage rate, it is likely that this study understates household incomes, and therefore underestimates economic and fiscal impact. In short, the 6 percent mortgage rate assumption forms part of a methodology designed to generate conservative estimates.

¹¹ Taxes and savings as well as spending for consumer goods and services outside of the county or state places limits on the share of household income that is spent locally and on the multiplier effect.

employees of the directly and indirectly affected businesses. These consumer expenditures cover a very broad range of goods and services from haircuts to cars and education to housing.

The ongoing, annual economic impacts created by this spending when the baseline Project is fully developed are summarized in Exhibit 7. Total impacts for the Town of Thurmont include an estimated 123 jobs with associated personal income of \$3.2 million and augmented local business sales exceeding \$7.9 million.

Exhibit 7: Economic impacts: Occupancy and operational phase for baseline Project (ongoing, annual impacts)

<i>Location and type of impact</i>	<i>Jobs (full & part-time jobs)</i>	<i>Income (millions of dollars)</i>	<i>Business sales (millions of dollars)</i>
<i>Town of Thurmont</i>			
Direct effects	77	\$1.9	\$4.2
Indirect effects	12	\$0.4	\$1.0
Induced effects	34	\$0.9	\$2.7
Total	123	\$3.2	\$7.9
<i>Frederick County</i>			
Direct effects	1,530	\$37.5	\$84.9
Indirect effects	241	\$7.9	\$20.3
Induced effects	669	\$18.4	\$54.7
Total	2,440	\$63.8	\$159.9
<i>Maryland</i>			
Direct effects	1,533	\$37.7	\$85.2
Indirect effects	277	\$10.3	\$25.8
Induced effects	855	\$28.3	\$77.9
Total	2,665	\$76.3	\$188.9

In Frederick County (including the stated Town of Thurmont impacts), the Project will support over 2,400 jobs with associated annual personal income of approximately \$64 million. This spending will also annually support \$160 million in sales of goods and services by County businesses. For the State of Maryland, the ongoing, annual impacts (which include the town-level and county-level impacts) include support for over 2,600 jobs with annual personal income of \$76 million. State businesses will enjoy sales each year of \$189 million because of the Project. It should also be noted that the Project will generate certain benefits that cannot be easily quantified. For instance, the retail amenities associated with this project will enhance the quality of life of the Town of Thurmont and surrounding communities, but the value of this benefit is difficult to measure.

- Fiscal impacts

The ongoing fiscal impacts from the fully developed baseline Myers Property are associated with county and state income taxes, state sales tax and county and state property taxes. The Town of Thurmont also collects property tax and because it provides

some public services that would otherwise be provided by Frederick County, the Town receives some revenue from the County (a rebate) to compensate for those services. For the baseline Project, this rebate is relatively modest; an estimated \$42,000 annually.

On an annual basis, the Town is expected to receive over \$471,000 annually because of the Myers Property development. For the County these annual, ongoing benefits are estimated at \$2.9 million. The State is expected to receive nearly \$4.7 million annually in tax revenue as a result of the Project. As with all other estimates of the Project's impacts, these estimates are based on the fully developed baseline Project. The ongoing fiscal impacts of the Project are shown in Exhibit 8.

Exhibit 8: Gross fiscal impacts: Occupancy and operational phase for baseline Project (ongoing, annual impacts)

<i>Location and type of impact</i>	<i>Annual value</i>
<i>Town of Thurmont</i>	
Property tax	\$429,447
Tax rebate from county	\$42,219
Total	\$471,666
<i>Frederick County</i>	
Property tax	\$1,518,762
Income tax	\$1,420,009
Total	\$2,938,771
<i>Maryland</i>	
Property tax	\$192,762
Income tax	\$2,513,330
Sales tax	\$1,966,337
Total	\$4,672,429

F. Cost of Services

The fiscal impacts presented above are gross impacts. In other words, they do not take into account the cost of providing services to these households either from the perspective of the Town of Thurmont or Frederick County. Local jurisdictions across the state have become wary of approving residential projects because of the increasingly widespread belief that residential development “fails to pay for itself” and that therefore the more development that occurs, the higher long-term tax rates.

Though this belief has become widespread and the contention that residential development is a fiscal drag is oft-repeated, the assertion flies in the face of common sense. After all, if population gain represents a fiscal drag, then population, particularly large-scale population loss should represent a fiscal windfall. The implication is that the fiscally healthiest jurisdictions in Maryland should be Baltimore City, Allegany County, Dorchester County, Somerset County and other similarly situated counties that have either lost population over time or gained it relatively slowly. But none of those counties are known for generating large fiscal surpluses. Quite the opposite, they are associated with structural fiscal shortfalls.

By the same token, jurisdictions that have added population/households in large numbers should be fiscal basketcases. But the three jurisdictions boasting AAA bond ratings in Maryland are Montgomery, Howard and Baltimore counties, each of which has been adding population over time.

To test whether the Myers Property would represent a fiscal drag to the Town of Thurmont and/or Frederick County, the study team conducted a cost of service analysis, and then compared the per annum cost of providing local government services per new household to the annual tax revenues generated per household.¹² The analysis uses published government budget data and determines the cost of services per household.¹³ The analysis then calculates the cost of services associated with the households that would arrive with development of the Myers Property assuming a constant level of government service.

- Town of Thurmont

Exhibit 9 provides the results of the cost of local government services analysis. The analysis indicates that the residential price points associated with the Myers Property are sufficiently high to generate tax revenues above and beyond the cost of providing local government services.

Exhibit 9: Town of Thurmont cost of services

<i>Budget Item</i>	<i>Average Cost per Household¹⁴</i>	<i>Total Cost of Services for Project Households¹⁵ per Annum</i>
General Government	\$537.69	\$188,191.38
Public Safety	\$257.18	\$90,012.86
Public Works/Sanitation	\$159.32	\$55,762.97
Highways and Streets	\$112.99	\$39,545.65
Recreation and Parks	\$40.23	\$14,079.51
Total General Fund	\$1,107.41	\$387,592.37

As Exhibit 10 reveals, each year, Thurmont will enjoy a net surplus of over \$84,000 annually upon full build-out and occupancy of the Project.

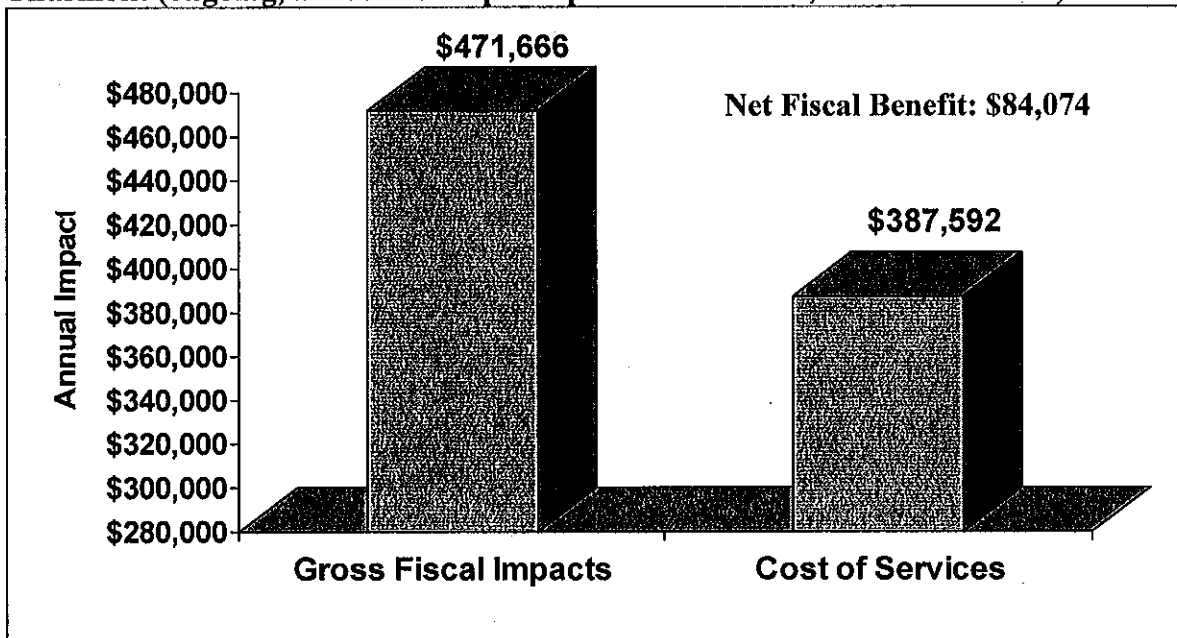
¹² The analysis assumes that the level of service provided by local governments will be equal to the level of service currently provided to Thurmont and Frederick County residents, respectively.

¹³ All government service costs are assigned to the residential sector of the community with the exception of economic development, which is assigned to the non-residential/commercial sector.

¹⁴ Based on DemographicsNow 2005 estimates of Thurmont households (2,333) and Town of Thurmont FY2006 budget data.

¹⁵ Based on the baseline estimate of 350 new homes.

Exhibit 10: Net fiscal benefit (gross – cost) of the Myers Property on the Town of Thurmont (ongoing, annual net impact upon full build-out, baseline estimate)¹⁶



Note: These impacts do not include the fiscal benefits generated during the construction/property transfer phase, including the impact fees. Gross fiscal impacts include Thurmont property taxes and County tax rebate.

- Frederick County

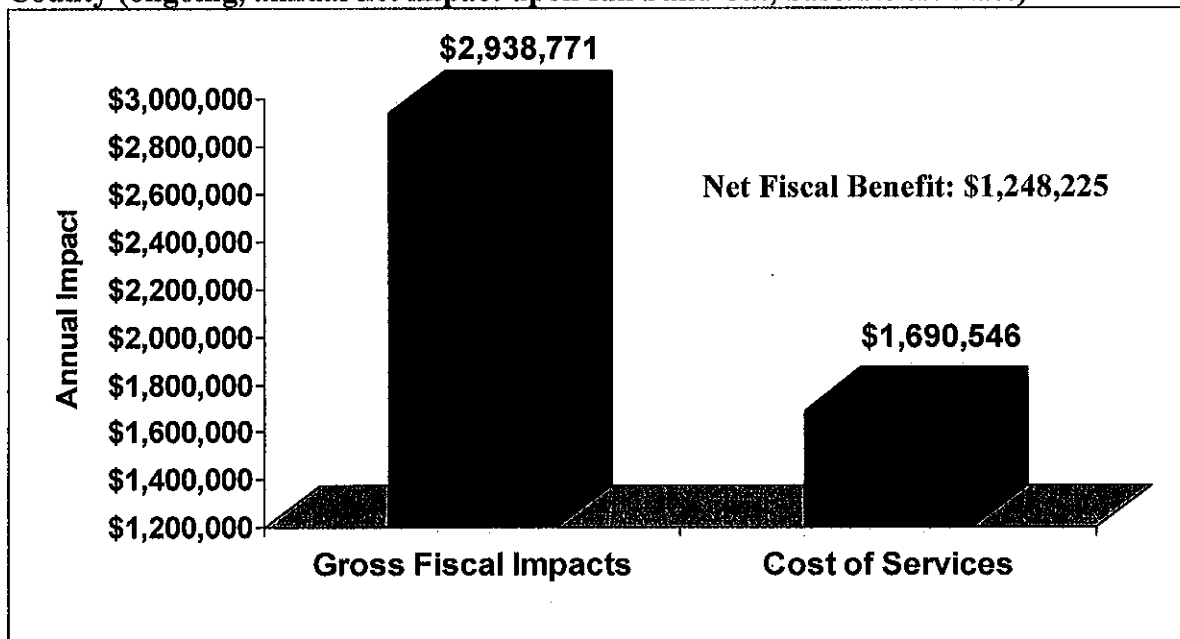
The Project also represents a net fiscal positive from Frederick County's perspective. Exhibit 11 provides the results of the cost of local government services analysis for Frederick County; and, Exhibit 12 below indicates that the net fiscal surplus stemming from the Project will be over \$1.2 million per annum.

¹⁶ Please see exhibit 9 for detail regarding the \$471,666 figure.

Exhibit 11: Frederick County cost of services

<i>Budget Item</i>	<i>Average Cost per Household¹⁷</i>	<i>Total Cost of Services for Project Households per Annum</i>
Administration	\$93.45	\$32,707.44
Finance	\$52.18	\$18,262.49
Judicial	\$11.44	\$4,003.01
State's Attorney	\$52.22	\$18,278.58
Sheriff	\$394.43	\$138,049.41
Fire & Rescue	\$139.73	\$48,907.08
Animal Control	\$15.99	\$5,594.78
Planning	\$23.76	\$8,316.10
Public Works	\$251.77	\$88,118.10
Management Services	\$113.32	\$39,663.38
Health Services	\$73.73	\$25,803.94
Citizen's Services	\$54.35	\$19,022.99
Board of Education	\$2,368.91	\$829,119.57
Other Independent Agencies	\$260.04	\$91,012.34
Non-Departmental	\$924.82	\$323,686.99
Total General Fund	\$4,830.13	\$1,690,546.21

Exhibit 12: Net fiscal benefit (gross – cost) of the Myers Property on Frederick County (ongoing, annual net impact upon full build-out, baseline estimate)



Note: These impacts do not include the fiscal benefits generated during the construction/property transfer phase, including the impact fees. Gross fiscal impacts include County property and income taxes.

¹⁷ Based on DemographicsNow 2005 estimates of Frederick County households (79,998) and Frederick County FY2006 budget data.

Conclusion

By supplying an estimated 350 housing units at various price points, including approximately 228 single-family detached homes and 122 townhomes, the proposed development of the Myers Property would generate substantial economic and net fiscal benefits if annexed into the Town of Thurmont and approved for construction.

The study team estimates residents' household income will range from \$69,000 for the townhomes to an average of \$109,000 for the single-family homes. As a result, local spending will be significantly bolstered. Upon full build-out, residents of the proposed Myers Property development, including businesses, would support nearly \$160 million in annual business sales countywide and over 2,400 jobs. These impacts are permanent and in addition to the construction phase impacts discussed earlier in the report.

Moreover, even after fully accounting for the cost of local government services to these households, the tax revenues generated annually by the Project would render an annual surplus of over **\$84,000** for the Town of Thurmont and **\$1.2 million** for Frederick County. These net fiscal impacts are in addition to taxes and fees collected during the construction/property transfer phase.

Appendix – IMPLAN

IMPLAN is an economic impact assessment software system. The system was originally developed and is now maintained by the Minnesota IMPLAN Group (MIG). It combines a set of extensive databases concerning economic factors, multipliers and demographic statistics with a highly refined and detailed system of modeling software. IMPLAN allows the user to develop local-level input-output models that can estimate the economic impact of new firms moving into an area as well as the impacts of professional sports teams, recreation and tourism, and residential development. The model accomplishes this by identifying direct impacts by sector, then developing a set of indirect and induced impacts by sector through the use of industry-specific multipliers, local purchase coefficients, income-to-output ratios, and other factors and relationships.

There are two major components to IMPLAN: data files and software. An impact analysis using IMPLAN starts by identifying expenditures in terms of the sectoring scheme for the model. Each spending category becomes a "group" of "events" in IMPLAN, where each event specifies the portion of activity allocated to a specific IMPLAN sector. Groups of events can then be used to run impact analysis individually or can be combined into a project consisting of several groups. Once the direct economic impacts have been identified, IMPLAN can calculate the indirect and induced impacts based on a set of multipliers and additional factors.

The hallmark of IMPLAN is the specificity of its economic datasets. The database includes information for five-hundred-and-twenty-eight different industries (generally at the three or four digit Standard Industrial Classification level), and twenty-one different economic variables. Along with these data files, national input-output structural matrices detail the interrelationships between and among these sectors. The database also contains a full schedule of Social Accounting Matrix (SAM) data. All of this data is available at the national, state, and county level.

Another strength of the IMPLAN system is its flexibility. It allows the user to augment any of the data or algorithmic relationships within each model in order to more precisely account for regional relationships. This includes inputting different output-to-income ratios for a given industry, different wage rates, and different multipliers where appropriate. IMPLAN also provides the user with a choice of trade-flow assumptions, including the modification of regional purchase coefficients, which determine the mix of goods and services purchased locally with each dollar in each sector. Moreover, the system also allows the user to create custom impact analyses by entering changes in final demand. This flexibility is a critically important feature in terms of the SPG proposed approach. SPG is uniquely qualified to develop data and factors tailored to this project, and, where appropriate, overwrite the default data contained in the IMPLAN database.

A final advantage of IMPLAN is its credibility and acceptance within the profession. There are over five hundred active users of IMPLAN databases and software within the federal and state governments, universities, and among private sector consultants. The following list provides a sampling of IMPLAN users.

Sample of IMPLAN Users:

Academic Institutions

Alabama A&M University
Albany State University
Auburn University
Cornell University
Duke University
Iowa State University
Michigan Tech University
Ohio State
Penn State University
Portland State University
Purdue University
Stanford University
Texas A&M University
University of California – Berkeley
University of Wisconsin
University of Minnesota
Virginia Tech
West Virginia University
Marshall University/College of Business

Federal Government Agencies

Argonne National Lab
Fed. Emergency Man. Agency (FEMA)
US Dep't of Agriculture, Forest Service
US Dep't of Ag., Econ Research Service
US Dep't of Int., Bureau of Land Mgmt.
US Dep't of Int., Fish and Wildlife Serv.
US Dep't of Int., National Parks Service
US Army Corps of Engineers

State Government Agencies

MD Dep't of Natural Resources
Missouri Department of Economic Development
California Energy Commission
Florida Division of Forestry
Illinois Dep't of Natural Resources
New Mexico Department of Tourism
South Carolina Employment Security
Utah Department of Natural Resources
Wisconsin Department of Transportation

Private Consulting Firms

Coopers & Lybrand
Batelle Pacific NW Laboratories
Boise Cascade Corporation
Charles River Associates
CIC Research
BTG/Delta Research Division
Crestar Bank
Deloitte & Touche
Ernst & Young
Jack Faucett Associates
KPMG Peat Marwick
Price Waterhouse LLP
SMS Research
Economic Research Associates
American Economics Group, Inc.
L.E. Peabody Associates, Inc.
The Kalorama Consulting Group
West Virginia Research League

Thurmont Commons
Myers Farm Annexation
Town of Thurmont

Annexation Agreement: The community builders of the proposed annexation offer the following incentives to the Town for its support of the Myers Farm Annexation petition:

Direct Financial Incentive

- \$5,000 per residential unit for the first 150 building lots,
- \$6,000 per residential unit for the next 150 building lots,
- \$7,000 per residential unit for the balance of the projects building lots.

Infrastructure Development Incentive

- Project Developer will coordinate with the Town by either connecting to the Town's existing wastewater treatment system or by constructing a high performance Waste Water Treatment Plant (WWTP) to service the needs of this proposed annexation project. The proposed WWTP would be built to comply with ENR standards.
- Project Developer will provide 100% of the anticipated average water demand via on-site well development. Alternatively, the Project Developer will provide up to **\$500,000** for the purchase and development of well water capacity, that is adjacent to existing Town water line infrastructure. Any additional capacity generated by these proposed wells would be given to the Town.
- The Town and the Project Developer will assist each other in acquiring all necessary State of Maryland and Frederick County approvals and permits for the construction of the above mentioned water resources and WWTP infrastructure. All approval and permit costs shall be the sole responsibility of the Project Developer.

Construction Timeline and Permit Phasing

- Home building construction would occur no sooner than 2009
- The yearly building permits allowed on site would be capped at 35 permits per year.
- Permit allocations shall commence upon the annexation of the Myers Farm into the Town of Thurmont.
- Any unused annual permit capacity shall be carried forward to future years until fully utilized by the community builders.

Trolley Line Rehabilitation Contribution - Upon annexation of the Myers Farm into the Town of Thurmont, the developer would donate **\$45,000** to the Lion's Club Trolley Line initiative.

Reimbursement for Fees - Upon annexation of the Myers Farm, the developer will reimburse the Town for costs, not to exceed **\$50,000**, associated with the review and approval of the Myers Farm annexation.

Industrial Parkway Design Funding - Within 60-90 days of the annexation of the Myers Farm, the developer would commit up to **\$50,000** for the planning and determination of environmental constraints related to the construction of the Industrial Parkway from the eastern portion of town north to Route 15.

Moderately Pricing Dwelling Units (MPDUs) – Up to 12.5% of the overall project density may be MPDUs. These units shall not be subject to governmental impact fees and the direct financial incentives noted above.