5.0 RETURN ON INVESTMENT

5.1 INTRODUCTION

Implementation of the actions proposed in the Management Plan will result in enhanced visitation to the heritage area and associated economic and tax benefits for the City of Annapolis, Anne Arundel County, and the State of Maryland. The economic benefits will include increased business receipts at commercial establishments serving the visitor trade either directly or indirectly as a supporting service, plus increased employment at those establishments. Many of these business transactions, and the employee earnings generated, are taxable and will yield increased tax revenues for area jurisdictions and the state. An analysis of the economic benefits of the Management Plan, i.e., the "return on investment" of public dollars to be committed to implement plan actions, has been conducted by RER Economic Consultants. Based upon this analysis, the annual economic impact following full implementation of the action plan described in Chapter 4.0 (i.e., in 2005) is estimated as follows:

- $72 million in increased spending on goods and services
- 1,070 new jobs created generating $19.8 million in employment earnings
- $3.9 million in state and $1.5 million in local tax revenues

It should be noted that although the impacts will primarily be felt within the heritage area, portions of the county outside of the heritage area that provide visitor services (e.g., Parole) will also experience benefits.

The steps used to estimate the projected economic impacts of the Management Plan were as follows:

- The increment in visitation to the heritage area over current trends that could result from implementation of the Management Plan was projected.
- The economic impact of this increased visitation on the local economy was estimated, including a multiplier effect on local businesses and total business receipts, employment, and earnings.
- Specific needs for commercial tourism facilities that would result from increased visitation were analyzed, including hotels, restaurants, retail, and associated services.
- Projected tax impacts originating as a result of the increased visitation and business activity were identified.

The economic analysis is presented in detail in the following text.

5.2 INCREASED HERITAGE AREA VISITATION

The Management Plan provides a strategy for enhancing the visitor experience to the heritage area through new, improved, and expanded destination sites and supporting public services and facilities. Part of the visitation experience includes commercial services, and increased visitation to the heritage area in response to Management Plan implementation will create a demand for increased commercial facilities. The first step in the analysis of impacts is to identify the present and future visitation by type of visitor that will be the source of these impacts. "Type of visitor" in the analysis refers to the visitor "status" in terms of length of stay and type of overnight accommodation. Historical data indicates that visitors of different status in this sense make different patterns of expenditures locally, with differing economic impacts. Analysis of visitation was conducted as follows:

- Current overnight visitation by type of overnight accommodations was estimated, based on independent analysis of overnight visitors to the heritage area.
- Base year (current) visitation of all visitor types was estimated, including day trip visitors and trend projection for five years. Trend projection is growth at recent historical rates.
- "Management Plan" visitation for all types of visitors for five years was projected. Management Plan visitation is the increased number of visitors projected with the implementation of the Management Plan for the heritage area.
- Changes in overnight accommodation rates for the Management Plan were projected. Management Plan visitation will include not only a greater number of visitors, but also increased length of stay for those visitors and a greater proportion staying overnight.
- Net changes in visitor days for the Management Plan in comparison to the trend projections for the heritage area over the next five years were identified.

5.2.1 Overnight Accommodations

Sources of data on overnight accommodations are the RER survey of commercial establishments (hotels and B&B), the Annapolis and Anne Arundel County Conference and Visitors Bureau (AAACCVB) Visitors' Profile, and the TravelScope survey. Table 2 tabulates the number of current overnight visitors by status in terms of type of accommodations. The number of visitors in commercial accommodations comes directly from the survey of hotels and B&B facilities. Other traveler surveys suggest that the ratio of visitors staying in area homes to those staying in commercial facilities is 0.72; for visitors staying outside the area the ratio is 0.85. These ratios were used to estimate the respective numbers of visitors staying in area homes and staying outside the area. While fewer in number, visitors staying in area homes stay longer on average than those in commercial establishments. For this analysis it is assumed that visitors staying outside the area make a single day trip to the area.

Table 2. Estimated Overnight Visitors Staying in All Accommodations, 1997-1998

	Commercial Accommodations	Staying In Area Homes	Staying Outside The Area	All Overnight Visitors 1/
Ratio to Hotel/B&B	1.00	0.72	1.48	3.20
Number of Visitors	330,000	240,000	490,000	1,060,000
Visitor Days	765,000	960,000	490,000	2,215,000
Average Visitor Stay	2.3	4.0	1.0	2.1
Hotel/B&B Room-nights	460,000	NA	NA	NA
Ave. Persons per Room	1.7	NA	NA	NA

1/ There are an additional 1,065,000 day visitors.

Source: RER Economic Consultants; see "Market Analysis for Area Tourism," Annapolis, London Town, and South County Heritage Area Management Plan – Resource Assessment Report.

Table 3 provides additional detail on the types of travelers staying in hotels and B&B establishments. The "business" category includes all visitors attending meetings and conventions, while the "tourist" includes all other types of visitors, such as those visiting families or friends or attending social functions. Data shown in the table relate to the average length of stay and average number of persons per room for tourist and business travelers.

Table 3. Characteristics of Overnight Visits, 1997-1998

Visitor Days	Visitors	Days/Visitor	Days
Tourists	132,000	3.5	465,000
Business	198,000	1.5	300,000
Total	330,000	2.3	765,000
Room nights	Days	Persons/Rooms	Room-nights
Tourists @ 46%	465,000	2.2	210,000
Business @ 54%	300,000	1.2	250,000
Total	765,000	1.7	460,000

Source: As Table 2.

5.2.2 Trend Projections

The Resource Assessment Report (Chapter 3.0, Market Analysis for Heritage Tourism) estimated annual visitation to the heritage area at 2.125 million visitors. Deducting 1,060,000 overnight visitors as estimated in Table 2 leaves a residual of 1,065,000 visitors (50 percent) as day-trip visitors to the area. Together, day and overnight visitors are estimated to spend a total of 3.2 million visitor-days annually in the Heritage Area.

Although the available data are not consistent enough to demonstrate a clear trend in visitation in the heritage area, an annual average rate of growth in visitation of 4.0 percent is projected for the area over the next five years (i.e., total growth of 20 percent over the period). This rate has been applied in Table 4 uniformly to all visitor categories. It is actually slightly higher than the rate at which new hotel rooms have been added in the area (3.4 percent annually since 1990). The trend projection would add 425,000 visitors who stay for 656,000 days and generate demand for 92,000 additional hotel room-nights.

Table 4. Summary of All Current Visitation by Traveler Status and Five-Year Trend Visitation Projections Without Heritage Area Investment, 2005

	All Overnight Visitors Wherever Staying				
	Staying In Hotels/B&B	Staying In Area Homes	Outside The Area	Day Visitors	Total All Visitors
Current Visitation					
Number of Visitors	330,000	240,000	490,000	1,065,000	2,125,000
Visitor-Days	765,000	960,000	490,000	1,065,000	3,280,000
Room Nights	460,000				
Trend Growth					
Number of Visitors	66,000	48,000	98,000	213,000	425,000
Visitor-Days	153,000	192,000	98,000	213,000	656,000
Room Nights	92,000				
Trend Projection					
Number of Visitors	396,000	288,000	588,000	1,278,000	2,550,000
Visitor-Days	918,000	1,152,000	588,000	1,278,000	3,936,000
Room Nights	552,000				

Source: RER Economic Consultants.

5.2.3 Management Plan Projections

It is projected that implementation of the Management Plan will attract more visitors who will stay overnight, stay longer, and spend more in the heritage area. The impact analysis to follow tests the impacts of a growth rate in visitation 5.5 percent per year on average for the Management Plan over the next five years. This would be growth that exceeds the trend projection by 1.5 percent per year. Table 5 carries out the steps in estimating visitation for the Management Plan at this rate of 5.5 percent growth per year. The table performs the steps for the number of visitors and visitor-days separately. These steps are:

- Apply an increase to the base amounts of 5.5 percent per year, or a total of 27.5 percent over the five-year period, to visitors of all status categories. This adds 585,000 additional visitors staying 902,000 visitor days each year.
- Assume a shift in the number of visitors staying overnight in commercial accommodations in the area, at the rate of 0.75 percent of visitors staying in area homes and outside the area and 0.25 percent of all day visitors to the area. This increases hotel/B&B guests by 92,000.
- Assume an increase of 10 percent in the length of stay of visitors staying in commercial accommodations (hotels and B&B). This increase and the shift of more guests to overnight stays at hotels and B&B add 235,000 guest overnights to hotels and B&B, for an increase of 268,000 room nights.

Based on the above assumptions, growth resulting from Management Plan implementation at 5.5 percent per year on average would increase visitors to the heritage area by 160,000 annually above the trend, providing for a total increase of 385,000 visitor-days spent in the area. This would generate 176,000 additional hotel/B&B room nights compared to the trend.

Table 5. Projected Visitation Resulting from Management Plan Implementation*

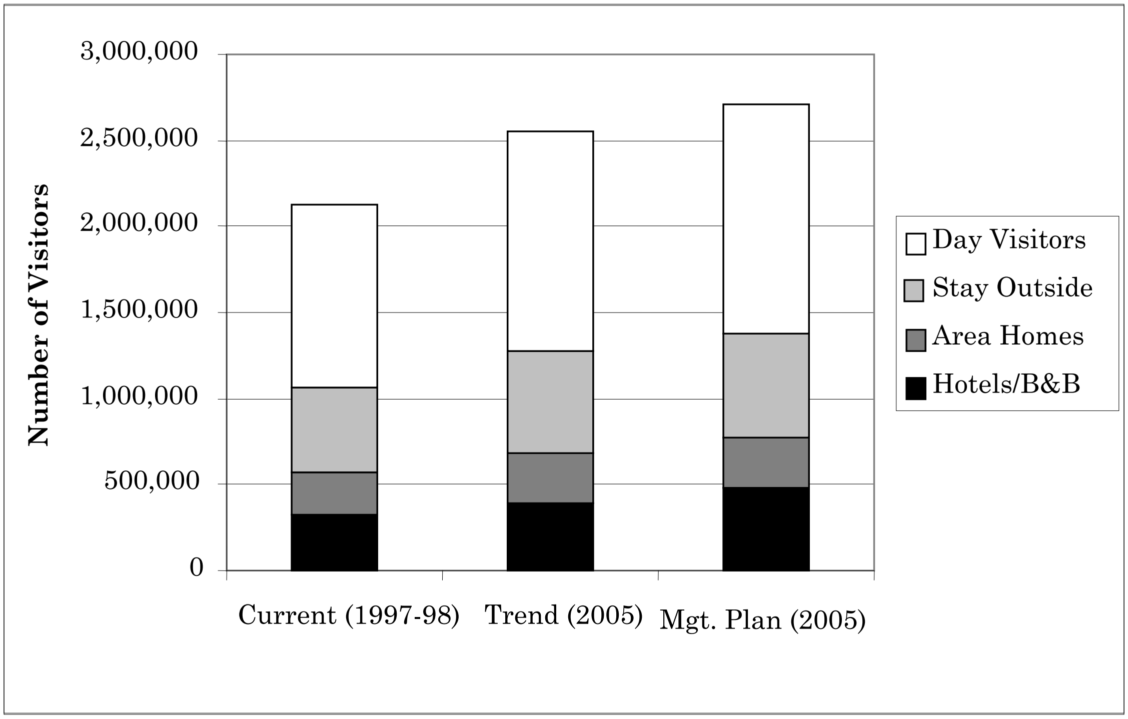
	All Overnight Visitors Wherever Staying				
	Staying in Hotels/B&B	Staying in Area Homes	Outside the Area	Day Visitors	Total All Visitors
No. of Visitors					
Base No. of Visitors	330,000	240,000	490,000	1,065,000	2,125,000
Growth @ 5.5%	91,000	66,000	135,000	293,000	585,000
Subtotal	421,000	306,000	625,000	1,358,000	2,710,000
Shift Overnights 1/	62,000	-12,000	-24,000	-26,000	0
Number of Visitors	483,000	294,000	601,000	1,332,000	2,710,000
Visitor Days					
Base Visitor Days	765,000	960,000	490,000	1,065,000	3,280,000
Growth @ 5.5%	210,000	264,000	135,000	293,000	902,000
Subtotal	975,000	1,224,000	625,000	1,358,000	4,182,000
Shift Overnights 1/	144,000	-46,000	-24,000	-26,000	48,000
Longer Stay @ 10%	91,000	--	--	--	91,000
Total Visitor-Days	1,210,000	1,178,000	601,000	1,332,000	4,321,000
Room Nights	728,000	NA	NA	NA	NA
Amount Over Trend					
Number of Visitors	87,000	6,000	13,000	54,000	160,000
Visitor Days	292,000	26,000	13,000	54,000	385,000
Room Nights	176,000				
1/ Rate shifting to hotels/B&B @		0.75%	0.75%	0.25%	

*This table projects visitation by traveler status at 5.5 percent growth per year, showing source of growth over a five-year period ending in 2005, compared to trend projections

Source: RER Economic Consultants.

Chart 1 summarizes the data on visitation from Tables 2, Table 4, and Table 5, for current, trend and Management Plan visitation, respectively. The height of each bar represents the total visitation in each case, and the bar is subdivided to show type of accommodations or day visits. This chart illustrates the projected impact on visitation resulting from Management Plan implementation.

Chart 1. Comparison of Visitation by Traveler Status, Showing Estimated Current Visitation, Projected Trends, 2005, and Projected Visitation upon Implementation of the Management Plan, 2005.



5.3 ECONOMIC IMPACT ANALYSIS

The analysis of economic impacts under the trend and Management Plan scenarios consists of 1) an estimation of the direct expenditures by visitors to the heritage area under each scenario and 2) projections of the "indirect" ripple effects those expenditures will have on the local economy in terms of additional business stimulated among suppliers and vendors. The overall economic impacts will include all new business receipts generated by visitor spending and all jobs supported and earnings created by these economic activities, both direct and indirect.

5.3.1 Direct and Indirect Impacts

Direct spending by visitors is determined by multiplying the numbers of visitors days of each traveler status, as projected above, by the average per capita per diem expenditures each type of traveler can be expected to make for a range of goods and services each day. The average per capita per diem expenditures used in this analysis are tabulated in Table 6. They are derived from a number of different sources and include estimates where data for a particular cell in the table are missing. They have been constrained to produce levels of spending for current visitation that are consistent with the findings of the Market Analysis for hotels, shops, and other services.

Average per capita visitor spending depends on the mix of visitors of the types shown in Table 6. Currently, visitors average about $70 per day in expenditures. That level is anticipated also for trend growth in visitation. Implementation of the Management Plan is expected to attract more overnight visitors, resulting in average spending by all additional visitors above the trend of about $115 per capita per day. The increased level of spending from the additional visitation under the Management Plan is projected to raise overall visitor expenditures up to $75 per day, on average. (All monetary data presented are in constant 1999 dollars.)

Table 6. Estimated Expenditures Per Capita Per Diem for Projected Visitation, 2000 to 2005

	All Overnight Visitors Wherever Staying			
	Staying In Hotel/B&B	Staying In Area Homes	Outside The Area	Day Visitors
Lodging 1/	$51.60	$0.00	$0.00	$0.00
Eating and Drinking	36.00	36.00	27.00	27.00
Entertainment	17.00	5.00	16.00	9.85
Retail and Services	18.60	7.50	12.00	9.49
Transportation	7.75	2.50	5.00	3.60
Other Services	4.65	0.00	3.00	1.32
Total Expenditures	$135.60	$42.00	$63.00	$51.27

1/ Countywide average expenditure of $48 is scaled up for higher Annapolis room rates @ 13.8%.

Source: RER Economic Consultants, based on AAACCVB Visitors Profile surveys and TravelScope.

Indirect economic impacts are proportionate increases in direct expenditures, depending on the sector from which goods or services are purchased. These increases represent the purchases made in turn by those business establishments for the goods and services they need to ply their trade. These indirect impacts are estimated by applying a matrix of multipliers prepared by the U.S. Department of Commerce Bureau of Economic Analysis for Anne Arundel County, modified to indicate sectors where visitor expenditures may not be made locally (primarily transportation services).

A good proportion of the "ripple effects" of visitor expenditures can be expected to leak out of the area, e.g., business expenditures for goods manufactured elsewhere, or for insurance premiums paid to non-local agents. The primary expenditure categories for visitors have relatively low local ripple effects, on the order of 50 percent of the direct expenditures made. Other sectors, such as manufacturing or health services, would have much greater ripple effects. Still, these indirect expenditures as a result of increased visitation will have a significant impact on the area economy.

5.3.2 Trend Scenario Impacts

The Market Analysis contained in the Resource Assessment Report documented that current visitation of 2.1 million to the heritage area accounts for $225 million to $250 million in business receipts locally for lodging, eating and drinking, entertainment, shopping, and other traveler services. Table 7 presents a summary of the multiplier analysis for the trend growth scenario for a 20 percent growth over the next five years. The growth in spending of 20 percent to 25 percent would be commensurate with the 20 percent increase in visitation. Total new business receipts would approach $75 million annually, supporting 1,200 new jobs earning $20.5 million each year. About $48 million (64 percent) are direct expenditures by visitors, and $27 million (36 percent) are indirect expenditures by business. Indirect expenditures represent a multiplier of 0.57 times direct expenditures.

Table 7. Direct and Indirect Business Receipts Resulting from the Trend Growth Scenario, 2005

Business Receipts ($000)	Direct	Indirect	Total
Lodging	$7,900	$600	$8,500
Eating and Drinking	20,800	1,500	22,300
Entertainment	7,200	700	7,900
Retail and Services	7,500	7,900	15,400
Transportation	2,900	1,300	4,200
Other Services	1,300	15,100	16,400
Total Expenditures	$47,600	$27,100	$74,700
Jobs Created	900	260	1,160
Earnings ($000)	$15,700	$4,700	$20,500

Source: RER Economic Consultants, utilizing multiplier matrices prepared by the RIMSII Project, Bureau of Economic Analysis, U.S. Department of Commerce.

5.3.3 Management Plan Impacts

Growth at 5.5 percent annually compared to 4.0 percent for the trend scenario means that implementation of the Management Plan within five years would attract 38 percent more visitors to the heritage area than would be otherwise expected. It is hypothesized above that the Management Plan growth would also stimulate a greater rate of overnight stays at commercial facilities in the area and a slightly longer average length of stay for those visitors. These factors combine to generate nearly 60 percent more visitor-days in the heritage area than anticipated by the trend.

Direct and indirect effects of visitor expenditures are presented in detail in Table 8 by business sector. Lodgings and eating and drinking expenditures would account for most of the direct expenditures by visitors, while the indirect expenditures of business would be concentrated in the retail and services sectors. This pattern would hold for the trend scenario as well (see Table 7).

Table 8. Direct and Indirect Business Receipts Resulting from the Management Plan Increment Above the Trend Growth Scenario, 2005

Business Receipts ($000)	Direct	Indirect	Total
Lodging	$15,100	$1,200	$16,300
Eating and Drinking	13,400	1,400	14,800
Entertainment	5,900	500	6,400
Retail and Services	6,300	7,700	14,000
Transportation	2,600	1,300	3,900
Other Services	1,500	14,700	16,200
Total Expenditures	$44,800	$26,800	$71,600
Jobs Created	800	270	1,070
Earnings ($000)	$14,700	$5,100	$19,800

Source: RER Economic Consultants, utilizing multiplier matrices prepared by the RIMSII Project, Bureau of Economic Analysis, U.S. Department of Commerce.

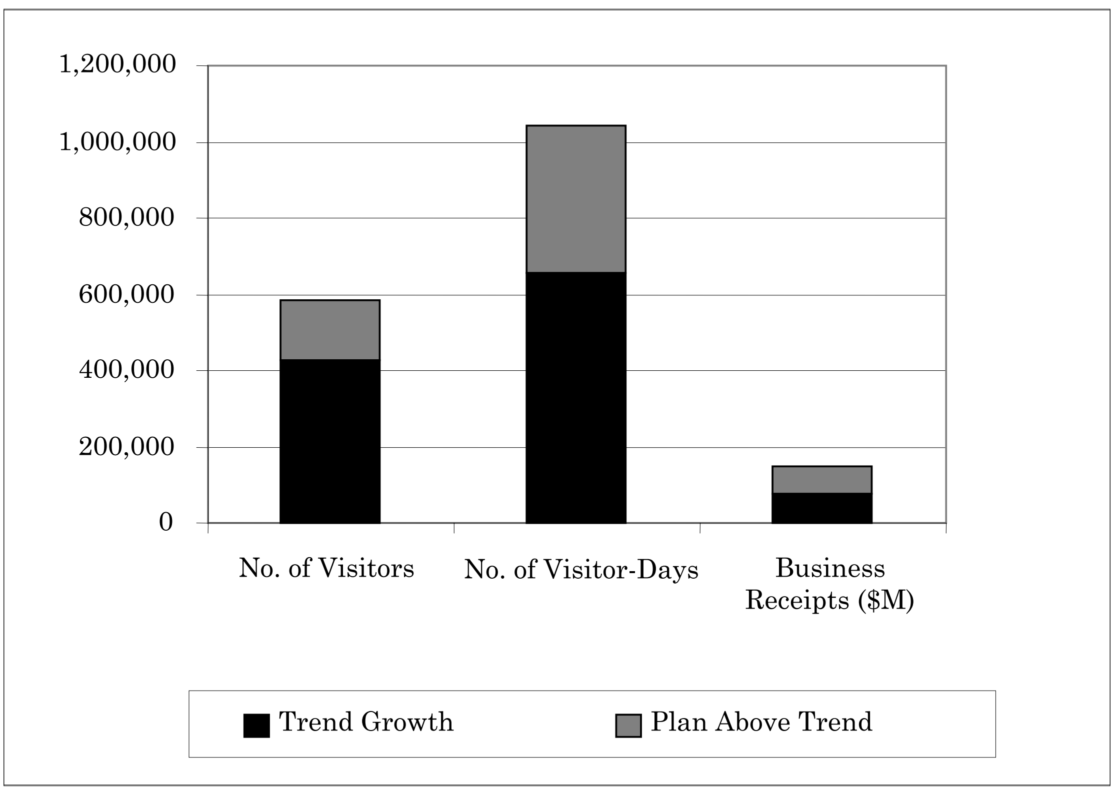
Since most of the difference between the Management Plan visitation and trend visitation is among overnight visitors using commercial accommodations – the visitors having the greatest per capita expenditures locally – the Management Plan would nearly double the business impacts from visitation within the heritage area compared to the Trend Scenario. These comparisons are summarized in Table 9 and Chart 2.

Table 9. Summary of Projected Numbers of Visitors, Visitor-Days, and Business Impacts for the Trend Scenario and the Proposed Management Plan, 2005

Five Year Growth	Visitors	Visitor-Days	Business Impacts
Trend Scenario	425,000	656,000	$75 million
Management Plan Above Trend	160,000	385,000	$72 million
Total Management Plan	585,000	1,041,000	$147 million
Management Plan Percent Above Trend	38%	59%	96%

Source: RER Economic Consultants

Chart 2. Projected Numbers of Visitors, Visitor-Days, and Business Impacts for the Trend Scenario and the Proposed Management Plan Above The Trend, 2005



These data illustrate that the impacts on local business from implementing the Management Plan could be substantial. Thus the Management Plan should be seen as an opportunity to further local economic development as well as to provide an enhanced experience for visitors.

5.3.4 Summary of Impacts

This analysis has presented the projected outcomes of implementing the Management Plan. There are a number of reasons why the impacts may not be entirely realized within the five-year projection period. The most obvious reason would be less than full implementation of the range of improvements recommended in the Plan. Other reasons could include a downturn in the business cycle that would restrict visitation, or delays in private sector investment to provide a full complement of facilities to accommodate and serve the visiting traveler. These last two factors could impact visitation with or without plan implementation, of course. Private overnight accommodations are critical, since the impacts of the Management Plan come not just from increased visitation, but even more so from the shift in visitors from day visits to overnight visits and a general lengthening of the stay in the area.

Table 10 summarizes the projected business, employment and wage impacts for the Management Plan. In all likelihood, the business impacts from visitation could be expected to increase by $72 million, or 95 percent above the trend projection of $75 million in additional business receipts. This projection assumes a reasonable degree of implementation of the Plan and development of supporting private services. Plan implementation is projected to add 1,070 more jobs with earnings of $19.8 million, almost double the trend growth.

Table 10. Summary of Economic Impacts for Trend Growth and for Management Plan Growth Above the Trend, 2005

	Trend	Heritage Area Management Above Trend	Plan Total
Annual Growth Rate	4.00%		5.50%
Percentage Points Above Trend	0.00%	1.50%	
Business Impacts (000)			
Lodgings & Amusements	$16,400	$22,600	$39,000
Eating and Drinking	22,300	14,800	37,100
Retail Trade	15,400	14,000	29,400
Transportation, Other Services	20,600	20,100	40,700
Total Expenditures	$74,700	$71,500	$146,200
Jobs Created	1,160	1,060	2,220
Earnings ($000)	$20,500	$19,800	$40,300

Source: RER Economic Consultants, utilizing multiplier matrices prepared by the RIMSII Project, Bureau of Economic Analysis, U.S. Department of Commerce.

5.4 IMPACT POTENTIALS FOR HOTEL/B&B FACILITIES

This section presents a summary analysis of potential market support for overnight accommodations in the Annapolis, London Town, and South County Heritage Area, based on trend projections and the projected results of implementation of the Management Plan.

5.4.1 Hotel/B&B Demand Potentials

While different sources and types of surveys produce varying findings, in general it appears that visitation to the heritage area has been increasing in recent years from 3.0 percent to 5.0 percent per year, on average. Annual hotel and B&B room night occupancies are estimated at 460,000 million for 1998-1999. Trend growth in visitation, without any increased share of visits staying overnight in the area, would result in a "trend increase" in overnight room demand culminating over a five-year period to approximately 90,000 occupied annual room nights at the end of that period (at 4.0 percent annual growth).

Implementation of the new visitation facilities and initiatives proposed in the Management Plan should raise the rate of growth a full 1.5 percentage points (i.e., up to a 5.5 percent rate of annual growth). This would yield an increase in demand of 175,000 overnight rooms over and above the trend after five years following implementation of the program. Table 11 shows that this translates to a total increase of as much as 265,000 occupied room nights under the Management Plan scenario.

Table 11. Current and Projected Annual Occupied Hotel and B&B Room Nights

	Amount
Current Occupied Room Nights (estimated 1998-1999)	460,000
Five Year Growth Projections:	
Trend at 4.0% Growth/Year	90,000
Management Plan Growth at Rates Above Trend	175,000
Total Mgt. Plan Potential (Trend + Growth at Rates Above Trend)	265,000
Total Current + Trend + Projected Mgt. Plan	725,000

Source: RER Economic Consultants.

The increment of up to 175,000 annual occupied room nights over the trend forecast is related to several demand factors that would result in greater numbers of visitors staying overnight within the heritage area. Data from the impact analysis above can be used to quantify these sources of increased room demand above the trend as being: increased growth to 5.5 percent, up to 35,000 occupied room nights; shift of travelers to overnight accommodations, up to 85,000 occupied room nights; and increased length of stay, up to 55,000 occupied room nights.

At present there are three hotels proposed within the heritage area or nearby with a total of approximately 500 rooms. At 70 percent occupancy these would command 125,000 annual room nights. It is estimated that about 30,000 of these room nights would represent existing pent-up demand, primarily as replacements or transfer demands from poorer and marginally competitive existing facilities in the area. (For example, hotels along US Route 50/301 to the north are primarily transient hotels and represent 60,000 annual occupied room nights at less than 60 percent occupancy). It is further estimated that an additional 50,000 annual room nights at the proposed hotels would be supported by trend growth in demand between 1998/99 (the period of the most recent occupancy survey) and the time of implementation of the Management Plan. This leaves a net of 45,000 annual occupied room night demand needed to support the three new hotels.

The trend could support the three proposed hotels and possibly lead to development of one new hotel (100 rooms at approximately 25,000 annual occupied room nights), with most of the residual net new demand absorbed by increased occupancies in existing hotels and B&B's, with the possible addition of a small number of B&B rooms. The demand resulting from Management Plan implementation should likewise support the three proposed hotels and provide sufficient support for additional hotels, plus support for increased occupancies at existing facilities and significant opportunities for expanded B&B/country inn operations within the heritage area. These scenarios are summarized in Table 12.

Table 12. Potential Support for Overnight Accommodations for Alternative Uses, Trend and Management Plan Scenarios

		Trend Plus Management Plan Demand	
	Trend Demand	Additional Plan	Total + Plan
Additional Occupied Room Nights	90,000	175,000	265,000
Proposed New Hotels (3)	125,000	--	125,000
Less: Replacements/Transfer	-30,000	--	-30,000
Less: Current Growth in Demand	-50,000		-50,000
Current Proposals and Needs	45,000	--	45,000
Residual Demand for New Hotel/B&B Expansions 1/	45,000	175,000	220,000

1/ Growth in demand between 1998/99 and time of implementation of the Management Plan.
2/ Additional rooms and/or increased occupancies in existing rooms.

Source: RER Economic Consultants.

5.4.2 Heritage Area B&B Market

Currently, bed and breakfast facilities account for only a small proportion of the overnight accommodations offered in the Annapolis, London Town, and South County Heritage Area. It is not entirely clear whether the supply of B&B accommodations has kept pace with that for conventional hotels and motels. Many facilities have changed ownership in the last decade, and their previous history is not fully known (or was not readily reported) by current owners.

Table 13 shows that about 20 percent of conventional hotel rooms have been built since 1990. Nearly two-thirds of all B&B rooms at facilities surveyed have been purchased since 1990; in most cases the facility's initial opening was reported as occurring three to five years previously. However, 40 percent of those reporting buying their facility since 1990 did not clarify whether this was the initial opening. Thus a range is shown for opening dates for B&B facilities.

Table 13. Hotel and B&B Development Trends

	Initial Opening of Conventional Hotels/Motels	Recent Purchase and Possible Opening of B&B's 1/	
		Year Bought	Year Opened
1990 or later	21.2%	64.3%	30.4%-51.8%
Before 1990	78.8%	35.7%	48.2%-69.6%
1989-1989	(46.0%)	NA	NA
Before 1980	(32.8%)	NA	NA
Total	100.0%	100%	100.0%

Source: RER Economic Consultants.

RER surveys have identified an estimated 43 percent annual occupancy at heritage area bed and breakfast facilities (plus other smaller facilities such as Herrington Harbor Inn). At this rate the 160 rooms at these facilities accommodate about 25,000 annual occupied room nights of visitation to the area. These B&B and other overnight facilities represent:

- 10.9 percent of the 230,000 non-business overnight room occupancies at commercial facilities in the heritage area.
- 5.3 percent of the 470,000 room occupancies at commercial facilities in the area.
- 2.8 percent of the 1.8 million visitor overnights in the area, including homes, etc. (at 2.0 visitors per room).
- 1.3 percent of the 3.7 million visitor days in the heritage area (at 2.0 visitors per room).

The various program strategy components to enhance visitation to the Annapolis, London Town, and South County Heritage Area will impact visitation niches differently. Preservation/interpretation strategies are likely to particularly impact cultural/ historical visitation among trip purposes to the area. The new Visitors Center should impact all visitation segments. Increased cultural/historical visitation should in turn impact overnight occupancies differentially, since cultural/historical visitors tend to stay overnight more frequently and tend to stay longer. Although this has not been fully documented, it would also seem reasonable to presume that cultural/historical visitors would be more likely than the average overnight traveler to choose a B&B facility. This suggests that implementation of Management Plan strategies regarding cultural and historical preservation and interpretation should create real opportunities for increased occupancies and room capacity expansion at B&B's in the heritage area. Facilities could be diverse, including country inns as well as historic town homes and mansions.

Table 14. Occupancy Characteristics of Bed and Breakfast Establishments Responding to Survey, Winter 1998-1999

	May-Oct Season	Out of Season	Total Annual
Number of Rooms	53	53	53
Weekly Occupancies	218.9	97.9	316.8
Annual Occupied Room Nights	5,707	2,552	8,259
Annual Occupancy Rate			43%

Source: RER Economic Consultants, field survey.

5.4.3 Potential Hotel and B&B Support

Table 15 elaborates on Table 12 and presents one possible scenario in which increased annual overnight room demand in the area might support existing and new rooms in hotels and B&B establishments. The table shows the 45,000 annual room nights needed to support the three hotels currently planned (in addition to 30,000 room nights of transfer demand, as explained above). A range of 10,000 (trend) to 25,000-35,000 (plan) in room night demand could increase occupancies at existing hotels approximately two percent under the trend and four to five percent as a result of the Management Plan. In this scenario, plan implementation might be expected to support about 300 hotel rooms and 40 rooms in B&B establishments more than would be supported by the trend.

Table 15. Potential Room Night Support for Overnight Accommodations for Hotels and B&B Establishments, Trend and Management Plan Scenarios

	Trend Demand	Trend Plus Management. Plan Demand
Currently Proposed Hotels (net)	45,000	45,000
Increased Current Occupancies 1/	10,000	25,000-35,000
Residual Demand		
New Hotels	25,000	120,000-160,000
Net Support for B&B Facilities	10,000	20,000-25,000
Total Available Demand 2/	90,000	210,000-265,000

1/ Additional rooms and/or increased occupancies in existing rooms: 2.0 percent for Trend, and 4.0 to 5.0 percent for high range Management Plan.

2/ From Table 11, estimated 1998-1999 occupied hotel and B&B room nights are 460,000. This represents the base from which the trend and Management Plan demands are measured.

Source: RER Economic Consultants.

5.5 IMPACT POTENTIALS FOR OTHER VISITOR SERVICES

This section presents a summary analysis of potential market support for commercial services in the Annapolis, London Town, and South County Heritage Area, based on trend projections and the projected results of implementation of the Management Plan.

5.5.1 Summary of Visitor Impacts on Services

The Market Analysis for Heritage Tourism contained in the Resource Assessment Report documents sales or receipts by establishments currently serving visitors to the heritage area. The impact analysis reported above demonstrates how increased visitation in response to improved and enhanced visitation sites and facilities would benefit the area economically. Table 16 summarizes the findings from the impact analysis of those sectors for which the visitor tends to make direct expenditures for goods or services. The total projected expenditures for these sectors vary from approximately $46 million for the trend to $81 million within five years as a result of implementation of the Management Plan. The implications of these expenditures for new business establishments are discussed below. Additional expenditures for transportation and other services (primarily indirect purchases by businesses) would add about 80 percent to the amounts shown in Table 16.

Table 16. Summary of Projected Visitation Impacts on Visitor-Serving Commercial Sectors, Trend and Management Plan Scenarios

Visitor Expenditures (Amounts in $M)	Trend Projection	Total Management Plan @ 1.5 % Above Trend 1/
Eating and Drinking	$22.3	$37.0
Entertainment	7.9	14.3
Retail and Services	15.4	29.5
Total Visitor Demand	$45.6	$80.8

1/ Management Plan amounts include trend growth.

Source: RER Economic Consultants.

The projected demands for visitor and related services summarized in Table 16 represent substantial increases in current sales to/for visitors. Table 17 shows that these projected demands would increase sales to visitors for eating and drinking and entertainment from over 20 percent (trend projection) to 35+ percent (Management Plan), and for retail goods and related services from 40 percent (trend projection) to nearly 80 percent (Management Plan). Visitor sales represent about half of all sales in the area for eating and drinking and for entertainment. However, visitor sales account for only about 14 percent of retail. These data indicate that to date visitors are not purchasing retail goods at rates expected for similar sites, hence the unusually great potential for increase in sales of retail goods and services to visitors.

Table 17. Summary of Current Sales in Visitor-Serving Commercial Sectors, and Percent Increase of Sales Due to Visitation, Trend and Management Plan Scenarios

	1997-8 Area Business Receipts			5-Year % Increase 2/	
(Amounts in $M)	Visitor	Total 1/	% Visitor	Trend	Mgt. Plan
Eating and Drinking	$104.1	$226.1	46.0%	21.4%	35.5%
Entertainment	36.0	71.3	50.5%	21.9%	39.7%
Retail and Services	38.0	275.1	13.8%	40.5%	77.6%
Total Visitor Demand	$178.1	$572.5	31.1%	25.6%	45.4%

1/ Total includes residents' demand.
2/ Percent increase in visitor expenditures. Mgt. Plan amounts include trend growth.

Source: RER Economic Consultants.

The five-year absolute and percentage increases from Tables 16 and 17 are summarized in Table 18 to focus upon and illustrate the increase in retail sales of goods and services due to the Management Plan.

Table 18. Five-Year Increase in Sales in Visitor-Serving Commercial Sectors due to Management Plan Visitation

	97-98 Visitor	Trend Increase		Mgt. Plan Increase	
(Amounts in $M)	Receipts	Amount	% 1/	Amount	% 1/
Eating and Drinking	$104.1	$22.3	21.4%	$37.0	35.5%
Entertainment	36.0	7.9	21.9%	14.3	39.7%
Retail and Services	38.0	15.4	40.5%	29.5	77.6%
Total Visitor Demand	$178.1	$45.6	25.6%	$80.8	45.4%

1/ Percent increase in visitor expenditures. Mgt. Plan amounts include trend growth.

Source: RER Economic Consultants.

5.5.2 Impact Potentials for Eating and Drinking

Eating and drinking establishments (primarily restaurants) in the area average over $700,000 in sales annually, nearly half of which represents sales to visitors or ripple effects due to visitation. Table 19 summarizes these data (from the Market Analysis for Heritage Tourism by RER Economic Consultants).

Table 19. Current Sales in Eating and Drinking Establishment, and Sales Due to Visitation, Trend and Mgt. Plan Scenarios

	Number of Establishments	Establishment Sales (000) 1/	Sales Per Establishment	% of All Sales
Downtown	131	$95,000	$725,000	44.6%
Ring Area 2/	121	90,000	$745,000	42.3%
South County	46	28,000	$610,000	13.1%
Heritage Area	298	$213,000	$715,000	100.0%
Sales to Visitors	298	$104,100	$350,000	46.0%

1/ Total differs slightly from the amount shown in Table 9.
2/ Includes US 50-301, Parole, Mall area, Edgewater, Riva, and Mayo.

Source: RER Economic Consultants.

Increased sales due to projected growth in visitation to the heritage area provide opportunities both to increase business at existing establishments and to support the opening of new establishments to meet the increased demand from visitors. In Table 20 (and in tables to follow for other visitor services) a hypothetical segmentation is made of projected increases in eating and drinking sales related to growth in visitation under the trend and Management Plan scenarios.

Table 20. Potentials for Increased Sales and New Establishments Due to Projected Demand for Eating and Drinking Services From Increased Visitation, Trend and Management Plan Scenarios

Visitor Expenditures (Amounts in $M)	Trend Projection	Total Mgt. Plan @ 1.5 % Above Trend 1/
Total Additional Sales	$22.3	$37.0
Increase Over Existing Sales 2/	15%	20%
Amount of Increase	$15.6	$20.8
Support of New Estabs.	$6.7	$16.2
Percent of Additional Sales	30%	44%
No. of New Estabs. 3/	10-20	25-45

1/ Management Plan amounts include trend growth.
2/ Increase in the $104 million in existing establishment sales to visitors by percent shown.
3/ The high end of the range assumes average sales to visitors per establishment, the lower end assumes all sales are to visitors.
Note: All sales are annual at 2005.

Source: RER Economic Consultants.

Sales increases generally impact existing facilities first and only stimulate the opening of new establishments after a certain threshold of growth has been achieved. As shown in Table 20, increased sales by eating and drinking establishments to visitors are projected to range from 15 percent (trend) to 20 percent (Management Plan). Sales potentially available for new facilities would account for 30 percent of all additional sales for the trend projection. At the greater dollar volume of increased sales under the Management Plan, the sales available to support new facilities should increase to 44 percent of all additional sales.

Therefore, existing establishments increase sales above trend under the Management Plan scenario, but increased residual new sales are also available to support new establishments. A range of possibilities is shown in Table 20. If these new establishments can attract a mix of new customers combining residents and visitors in the same proportions as for current establishments, then the upper range of the number of supportable businesses in Table 20 would be appropriate. The more these new establishments must rely on new visitor sales, the fewer new businesses the projected growth can support, with the smallest number the case where stores are supported only by new visitor sales.

5.5.3 Impact Potentials for Specialty Retail

Specialty shops in the heritage area have somewhat lower sales per establishment, on average, than do eating and drinking places. There are about 50 percent more shops than restaurants, and a lower proportion of them is located in the downtown. Only 14 percent of sales in these shops are believed to be made to visitors to the area. (These data are from the Heritage Tourism Market Analysis by RER Economic Consultants).

Table 21. Current Sales in Specialty Retail Shops and Related Services, and Sales Due to Visitation, Trend and Management Plan Scenarios

	Number of Establishments	Establishment Sales (000) 1/	Sales Per Establishment	% of all Sales
Downtown	143	$85,100	$595,000	30.9%
Ring Area	272	182,900	$675,000	66.5%
South County	27	7,100	$265,000	2.6%
Heritage Area	452	$275,100	$610,000	100.0%
Sales to Visitors	452	$38,000	$85,000	13.7%

1/ Total differs slightly from the amount shown in Table 9.

Source: RER Economic Consultants.

Projected increases in specialty shop sales represent increases of 40 percent (trend projection) to nearly 80 percent (maximum Management Plan impact) over current retail shop sales to visitors. Because the proportion of existing sales to visitors is so low, it is anticipated that much of the new sales will go to existing establishments: 25 percent for the trend projection and up to 40 percent for the Management Plan. Residual demand would support new shops. Table 22 shows a range of 10 to 25 supportable new shops assuming that all sales are to visitors. To the extent that resident sales can be attracted, the greater the number of new establishments that can be supported by this visitor demand. However, it is not feasible to estimate how many additional establishments are supportable, since currently visitor sales are so small a proportion (14 percent) of all specialty retail sales.

Table 22. Potentials for Increased Sales and New Establishments Due to Projected Demand for Retail Shops and Related Services from Increased Visitation, Trend and Management Plan Scenarios

Visitor Expenditures (Amounts in $M)	Trend Projection	Total Management Plan @ 1.5% Above Trend 1/
Total Additional Sales	$15.4	$29.5
Increase Over Existing Sales 2/	25%	40%
Amount of Increase	$9.5	$15.2
Support of New Estabs.	$5.9	$14.3
Percent of Additional Sales	38%	48.5%
No. of New Estabs. 3/	10+	25+

1/ Management Plan amounts include trend growth.
2/ Increase in the $38 million in existing establishment sales by sales to visitors at the percent shown.
3/ Shown is the lower end of the range, assuming all sales are to visitors. A mix including residents would increase the number of supportable new establishments.

Source: RER Economic Consultants.

5.5.4 Impact Potentials for Entertainment

The Heritage Tourism Market Analysis determined that half of all sales by entertainment and amusement establishments and services were to visitors to the heritage area.[1] These establishments and services are concentrated within the downtown and inner Ring Area ("Greater Annapolis" in Table 23). Receipts/sales per establishment are about 70 percent the level of specialty shops and 60 percent of the level of restaurants.

Table 24 shows a likely allocation of future sales to increase sales to visitors at existing establishments of 15 percent to 20 percent. Residual sales available to support new facilities range from 30 percent of all sales increases (trend projection) up to 50 percent (Management Plan maximum) and would support from five to 30 new establishments, depending on growth scenario and ability to attract resident expenditures as well as visitors.

[1] Entertainment and amusement establishments and services comprise a wide range of activities, such as sporting events, boat rides and tours, cultural events, and arts/crafts galleries.

Table 23. Current Sales in Entertainment Establishment, and Sales Due to Visitation, Trend and Management Plan Scenarios

	Number of Establishments	Establishment Sales (000)	Sales Per Establishment	% of All Sales
Greater Annapolis 1/	117	$56,400	$480,000	79.1%
Rest of Ring Area 2/	20	5,600	$280,000	7.9%
South County	25	9,300	$370,000	13.0%
Heritage Area	162	$71,300	$440,000	100.0%
Sales to Visitors	162	$36,000	$220,000	50.5%

1/ Includes downtown, US 50-301, Mall area, and Parole.
2/ Includes Edgewater, Riva, and Mayo.

Source: RER Economic Consultants.

Table 24. Potentials for Increased Sales and New Establishments Due to Projected Demand for Entertainment Services from Increased Visitation, Trend and Management Plan Scenarios

Visitor Expenditures (Amounts in $M)	Trend Projection	Total Management Plan @1.5% Above Trend 1/
Total Additional Sales	$7.9	$14.3
Increase Over Existing Sales 2/	15%	20%
Amount of Increase	$5.4	$7.2
Support of New Estabs.	$2.5	$7.1
Percent of Additional Sales	31.6%	49.6%
No. of New Estabs. 3/	5-10	20-30

1/ Management Plan amounts include trend growth.
2/ Increase in the $36 million in existing establishment sales by sales to visitors at the percent shown.
3/ Shown is the lower end of the range, assuming all sales are to visitors. A mix including residents would increase the number of supportable new establishments.

Source: RER Economic Consultants.

5.6 TAX IMPACTS FROM VISITATION

Every business transaction resulting from increased visitation to the heritage area, either direct expenditures by visitors or the ripple effects of purchases by businesses from vendors or suppliers, has the potential to generate tax revenues for state and local government. The analysis to follow will quantify the likely range of tax impacts from growth in visitation in the heritage area based on the business impacts quantified above for the next five years under the trend and Management Plan scenarios.

5.6.1 Tax Impacts by Source

The sources of new tax revenues are identified in Table 25, where estimated taxes are projected. The methodology is to identify the taxable business activity or transaction and to apply a rate of taxation to that amount for each visitation scenario. In most cases this involves the direct application of official municipal tax rates. In other cases, where the tax rates apply to some other measure than dollars, equivalent dollar-based rates are applied. The method of doing this is described below. ***No attempt has been made to project increased local property taxes.***

Table 25 presents tax impacts for the trend growth scenario, and for Management Plan scenarios ***above*** the trend. The base expenditure or business revenue data that is taxed comes from the impact analysis presented previously.

The individual taxes shown in Table 25, and their method of computation, are as follows:

Income Tax: The personal income tax for the State of Maryland is 4.85 percent of adjusted gross (taxable) income for adjusted gross incomes over $3,000. Personal exemptions are $1,850, and the standard exemption is 15 percent of adjusted gross income up to a maximum of $4,000. It is estimated that for the income ranges for the jobs created by increased visitation, taxable income will be about 75 percent of total earnings. Trend earnings would yield $750,000 in income taxes each year for the state, while the Management Plan could add up $725,000 more annually, nearly doubling the income tax from visitation.

Retail Sales Tax: All of the other tax sources shown in Table 25 are sales and use taxes of one form or another. Both retail goods and restaurant/bar (eating and drinking) sales are taxable at the state level at a rate of 5.0 percent of sales. They are shown separately in Table 25 since the impacts analysis projects these two sources of business growth from tourism independently. For visitors eating and drinking expenditures exceed retail expenditures (and taxes); this would not be true for residents. Together, these two business revenue sources would generate $1.9 million in sales tax revenue for the state; the Management Plan could add $1.4 million more annually. Again, this would nearly double the sales tax from visitation.

Table 25. Potentials for Increased Sales and New Establishments Due to Projected Demand from Increased Visitation, Trend and Management Plan Scenarios

Visitor Impacts (Amounts in $000)	Trend Projection	Management Plan @ 1.5 Percent Above Trend 1/
Earnings	$20,500	$19,800
Taxable @ 75%	$15,400	$14,900
Tax @ 4.85% (Md.)	$750	$725
Retail Sales	$15,400	$14,100
Sales Tax @ 5.0% (Md.)	$770	$705
Eating and Drinking Sales	$22,300	$14,700
Sales Tax @ 5.0% (Md.)	$1,115	$735
Hotel Receipts	$8,500	$16,300
Tax @ 5.0% (Md.)	$425	$815
Tax @ 7.0% (local)	$595	$1,140
Alcohol. Bev. @ 7.0%	$1,600	$1,000
Tax @ 3.0% (Md.)	$45	$30
Cigarette Sales @ 70%	$1,100	$700
Tax @ 25% (Md.)	$280	$175
Entertainment	$7,900	$6,400
Taxable Admissions @ 50%	$4,000	$3,200
Tax @ 10.0% (local)	$395	$320
Fuels Expenditure	$4,200	$3,900
Tax @ 18.0% (local)	$755	$700

1/ Management Plan amounts are above Trend growth.

Sources: RER Economic Consultants, Bureau of Revenue and Department of Economic and Employment Development of the State of Maryland.

Hotel Room Tax: This tax is considered a retail sales tax "add-on" by providing for a local option tax on hotel room receipts as well as taxes for the state at the 5.0 retail sales tax rate. The rate of taxation in Anne Arundel County is 7.0 percent. The amount of the county tax shown in Table 25 does not distinguish a proportion that might occur within the City of Annapolis. Receipts from this source would be about $600,000 additional under the trend scenario. The Management Plan could add an increment almost twice that large – $1.1 million each year – due to the greater impact the Management Plan would have on visitors staying overnight in the area.

These amounts compare to current collections by the City of Annapolis of $1.2 million annually in hotel taxes.

Alcoholic Beverage Tax: This tax is applied at the wholesale level with different rates by volume rather than price or cost – $1.50 per gallon of distilled spirits, $0.09 per gallon of beer, and $0.40 per gallon of wine. These rates appear to represent from 2.0 percent to 4.0 percent of prices at retail. As an approximation an equivalent tax rate of 3.0 percent at retail will be used. Consumption of alcoholic beverages is generally about 7.0 percent of food expenditures. The results show a relatively small range of impacts, from $45,000 for the trend, with $30,000 more from the Management Plan.

Cigarette Tax: Cigarettes are taxed in Maryland at the rate of $0.66 per pack, or about 25 percent of retail cost. Consumer expenditure research shows that purchases of smoking products is about 70 percent as much as purchases of alcoholic beverages. With these assumptions, growth in visitation in the trend scenario would generate $280,000 per year in cigarette taxes, and the Management Plan could add $175,000 more.

Amusement and Admissions Taxes: These taxes are collected by the State but returned to the locality, which for Anne Arundel County and Annapolis involves a tax at 10.0 percent of taxable admissions receipts. Not all visitor expenditures that have identified as entertainment would involve taxable amusements or admissions. Lacking more definite data, estimates that result in admissions taxes which are about 70 percent as large as hotel taxes (trend scenario) have been applied here; that is the ratio for Anne Arundel County as a whole. This implies that about half of the visitor entertainment expenditures would be taxable. The results are taxes of $395,000 per year for the trend scenario and $320,000 more for the Management Plan.

Motor Fuels Tax: Transportation expenditure impacts presented previously pertain almost entirely to motor vehicles ($6.50 per capita per day for visitors). The state tax of $0.235 per gallon (applied at the wholesale level) would equate to about 18 percent of the retail price of a gallon of fuel at the pump. This equivalent rate has been applied directly to the total transportation expenditures in Table 25, giving an annual tax of $755,000 for the trend and an additional $700,000 under the Management Plan.

5.6.2 Summary of Tax Impacts

Trend growth in visitation alone is expected to generate $4.1 million in additional tax revenues for the State of Maryland and nearly $1.0 million for Anne Arundel County including the City of Annapolis (excluding property taxes). Table 26 summarizes Table 25 and shows that the Management Plan could add $3.9 million to the trend growth in state taxes, nearly doubling it the amount from increased visitation and bringing the total to $8.0 million annually. Likewise, the anticipated revenue for Anne Arundel County including Annapolis (but excluding the property tax), would increase by $2.5 million, or $1.0 million under trend growth and an additional $1.5 million under the Management Plan. Based on a hypothetical but reasonable division of these local tax impacts between the City and the County, additional tax revenues for the City could approach $400,000 annually under the Management Plan, while the County would receive an additional $1.1 million in taxes under the Plan.[2]

Table 26. Summary of Tax Impacts for Trend Growth and for Management Plan Growth Above the Trend, 2005

Amounts ($000)	Trend	Management Plan Above Trend	Management Plan Total Plan
State of Maryland			
Personal Income Tax	$750	$725	$1,475
Retail Sales Tax	$770	$705	$1,475
Sales Tax: Eating and Drinking	$1,115	$735	$1,850
Hotel Room Tax	$425	$815	$1,240
Alcoholic Beverages, Cigarettes	$325	$205	$530
Motor Fuels Tax	$755	$700	$1,455
Total State Taxes	$4,140	$3,885	$8,025
Anne Arundel County 1/			
Hotel Room Tax @ 80%-85%	$475-$505	$910-$970	$1,390-$1,475
Amusements & Admissions Tax @ 50%	$195	$160	$355
Total County Taxes	$670-$700	$1,070-$1,130	$1,745-$1,830
City of Annapolis 1/			
Hotel Room Tax @ 15%-20%	$90-$120	$170-$230	$260-$345
Amusements & Admissions Tax @ 50%	$195	$160	$355
Total City Taxes	$285-$315	$330-$390	$615-$700

1/ Rates of allocation between City and County per estimate by the Annapolis and Anne Arundel County Conference and Visitors Bureau.

Sources: RER Economic Consultants, Bureau of Revenue and Department of Economic and Employment Development of the State of Maryland.

[2] Source: Annapolis and Anne Arundel County Conference and Visitors Bureau

5.7 CHAPTER SUMMARY

The economic benefits to the heritage area from enhanced visitation generated by the actions in the Management Plan are achieved in a number of different ways. The private sector will experience increased business receipts in the commercial establishments serving the visitor trade either through direct sales or through indirect transactions of supporting services. These increased receipts can be expected to result in increases in both new investment and in permanent employment positions. The public sector benefits from the increases in employment opportunities and from the taxes generated by both the business receipts and the employee earnings.

In summary, the economic impacts attributed to the Management Plan and achieved by 2005, the year the Plan is fully implemented, are projected as follows:

- $72 million in increased spending annually on goods and services
- 1,070 permanent new jobs generating $19.8 million annually in employment earnings
- $3.9 million in state and $1.5 million in local tax revenues annually

These impacts are in addition to the trend increase in economic benefits from visitation and result directly from the actions set forth in the Management Plan. They are, therefore, the return on the investment made by both the public and private sectors in the implementation of the Plan. The results can be measured in several areas. These results can be further summarized as follows:

- Heritage visitors, attracted by the actions set forth in the Management Plan, would have a slightly longer average length of stay and a greater rate of overnight stays at commercial facilities in the area than trend visitors. Since most of the difference between Management Plan visitation and trend visitation is among overnight visitors – visitors having the greatest per capita expenditures locally – the Management Plan would nearly double the positive impact on business receipts compared with trend.

- From a base of 460,000 annual occupied room nights in 1998-1999, trend would add a demand of 90,000 annual room nights by 2005 while demand generated by the Management Plan would increase the trend by a range of 120,000 to 175,000 room nights. The average of the two ranges would indicate support for 300 new hotel rooms and 40 bed and breakfast rooms above those existing or expected by 2005.

- Annual visitor generated business receipts in area commercial sectors were $178.1 million in 1997-98. By 2005 current visitor trends are projected to increase these receipts by $45.6 million (25.6%). By the same time period, the Management Plan would add to the trend increase an additional amount of $35.2 million.

- Under trend growth in visitation, 1,160 new jobs would be added to the employment base with annual earnings of $20.5 million by 2005. If implementation actions are fully successful, the plan could generate an additional 1,070 jobs with $19.8 million in earnings, a nearly 100 percent increase over the trend.

The economic impact upon state and local tax receipts from the Management Plan implementation can be measured directly. Excluding increases in property taxes generated by investment in new construction or in other property improvements, trend growth in visitation would generate $4.1 million annually for the State of Maryland and $1.0 million in local taxes for Anne Arundel County and the City of Annapolis. To this total annual increase, implementation of the Management Plan would add $3.9 million in state taxes and $1.5 million in local taxes. Thus, the Plan would nearly double state tax receipts above the trend and substantially more than double local tax receipts. Table 27 summarizes the annual tax impact of Management Plan implementation.

Table 27. Summary Comparison of Economic and Tax Impacts in the Private Sector Due to Management Plan Implementation, 2005

	Trend	Management Plan Average Increase over Trend
Annual Business Receipt Impacts ($000)		
Total Impact on Receipts	$74,700	$71,600
Employment Impact		
Permanent Jobs Created	1,160	1,070
Total Annual Earnings ($000)	$20,500	$19,800
Tax Impact		
State of Maryland	$4,140	$3,885
Anne Arundel County	$670-$700	$1,070-$1,130
City of Annapolis	$285-$315	$330-$390

Source: RER Economic Consultants

The increased level of business receipts due to the plan will stimulate investment in private hospitality, sales and service facilities. The amount of new investment will depend in part on the ability of existing stores and services to accommodate the increased sales. Ranges of possible numbers of supportable new firms were presented previously, based on the new business receipts generated. In Table 28 these data are translated into tentative estimates of new investment, subject to the qualification on increased receipts in existing facilities. These estimates represent the high ranges for numbers of new establishments in Tables 20, 22 and 24.

A total new investment of $50 million could be anticipated, half of which would represent new hotels. Hotel investment is based on a mix of limited service, suites and full service facilities. The AAACCVB estimates that up to 20 percent of the projected hotel investment could come within the City of Annapolis and 80 percent in adjacent Anne Arundel County. For other facilities, which do not require as large sites as hotels, a higher percentage could be located in Annapolis.

Table 28. Estimated Level of Investment Based on Projected Business Receipts, Management Plan Above The Trend, With Possible Allocation to the City of Annapolis and Anne Arundel County, 2005

	City of Annapolis	Anne Arundel County
Projected Hotel Investment		
Possible Percent Distribution of Rooms 1/	15%-20%	80%-85%
Possible Level of New Investment	$4.0-$5.5	$21.5-$23.0
Projected Sales and Service Investment		
Possible Distribution of New Facilities 1/	40%-50%	50%-60%
Possible Level of New Investment	$10.0-$12.5	$12.5-$15.0
Probable Types of Investment:		
Restaurants	40%	40%
Retail Stores	30%	30%
Entertainment	30%	30%
	100%	100%

1/ Rate of allocation between City and County per estimate by the Annapolis and Anne Arundel County Conference and Visitors Bureau.

Source: RER Economic Consultants