



Economic Impact Analysis For a Proposed New Horse Park in Anne Arundel County, Maryland

**Final Report
March 2006**



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March 2, 2006

Ms. Alison Asti, Executive Director
Maryland Stadium Authority
333 West Camden Street, Suite 500
Baltimore, Maryland 21201-2435

Dear Ms. Asti:

Per our agreement dated September 12, 2005, we have completed our economic analysis associated with the proposed horse park in Anne Arundel County, Maryland. The report presented herein includes the summary of findings and principal conclusions from our research. The majority of research conducted for this report dates from a period up to November 2005. The subsequent issue of the final report dated March 2006 was a function of time required to incorporate client comments.

The accompanying analysis was prepared for the Maryland Stadium Authority for its consideration of the potential economic and fiscal impacts associated with operations of the proposed horse park. The findings and assumptions contained in the report reflect analysis of primary and secondary sources which include information provided by the Maryland Stadium Authority, Maryland Horse Industry Board and Anne Arundel County as well as an extensive market survey and research of comparable facilities. We have utilized sources that are deemed to be reliable but cannot guarantee their accuracy. In accordance with the terms of our engagement, the accompanying report is restricted to internal use and may not be relied upon by any third party for any purpose. Notwithstanding these limitations, it is understood that this document is subject to public information laws and, as such, can be made available to the public. We have no obligation, unless subsequently engaged, to update this report or revise this analysis as presented due to events or conditions occurring after the date of this report.

Our analysis was prepared under the Consulting Standards issued by the American Institute of Certified Public Accountants (AICPA) and does not constitute an examination, compilation or agreed upon procedures in accordance with the standards established by the AICPA. As such, we do not express an opinion or any other form of assurance on whether the prospective financial statements are presented in conformity with AICPA presentation guidelines or on whether the underlying assumptions provide a reasonable basis for the presentation.

The client has authorized reports to be sent electronically for its convenience. However, only the final hard copy report should be viewed as our work product.

We have enjoyed working on this engagement and our relationship with the Maryland Stadium Authority and look forward to the opportunity to provide you with continued service.

Sincerely,

KPMG LLP



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Introduction

According to the 2002 Maryland Equine Census, there were approximately 85,000 horses in the State of Maryland representing significant expenditures for equine-related goods and services. Results of the census estimated that the total value of all equine related assets (horses, land, equipment, etc.) exceeded \$5.0 billion. Nearly 60% of horses in the State are used for sport, recreation and work purposes (or non-racing), according to the census. Given these findings, the State recognized that the equine industry comprises a large part of Maryland agriculture, a leading component of its economy. As such, the State requested the Department of Agriculture and the Maryland Horse Industry Board (MHIB) report on the status of the industry including recommendations to maintain the estimated \$5.0 billion in assets.

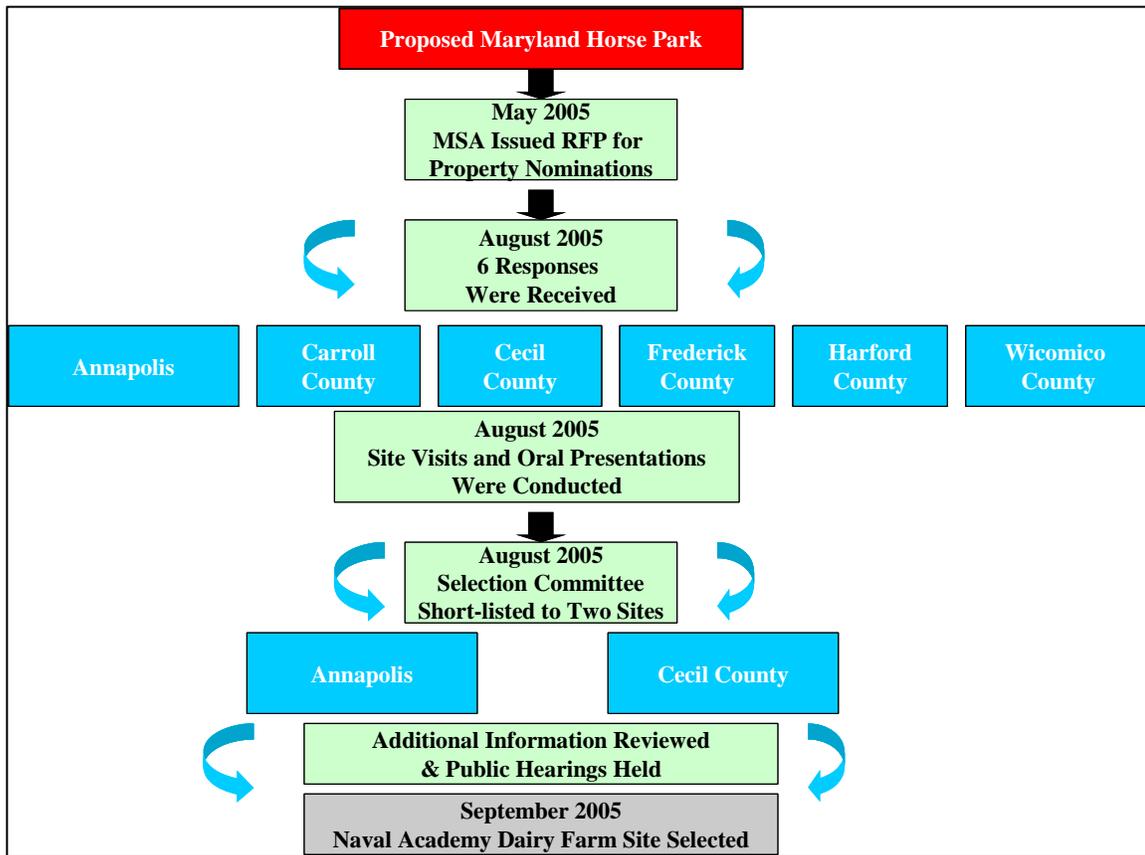
The State's charge led to the 2004 Maryland Horse Forum in an effort to gather representatives of all equine related businesses as well as private individuals to identify issues affecting the industry and devise a plan to address the promotion of growth. Challenges that were identified included a lack of explicit recognition of the horse industry as an integral part of Maryland's agriculture in state statutes, regulation and policy; a loss of space and access to land for equestrian use. Recommendations from the Forum include promoting the equine industry as a significant contributor to agritourism in Maryland.

In May 2005, the Maryland Stadium Authority (MSA), in conjunction with the Maryland Department of Business and Economic Development and the Maryland Horse Industry Board, which is a division of the Maryland Department of Agriculture, with the approval of the budget committees of the General Assembly, solicited proposals for property nominations regarding a proposed new horse park from every county and incorporated municipality in the State. Initially, six jurisdictions in Maryland submitted proposals. During the site selection process, KPMG assisted the MSA and its advisors in assessing the relative potential of each site to generate economic and fiscal impacts for the local community and the State of Maryland. The MSA advisors include:

- Richter Cornbrooks Gribble, Inc.
- Gh2 Gralla Architects, LLC
- EDAW, Inc.
- Rummel Klepper & Kahl, LLP
- Earth Resources Technology, Inc.
- Maryland Horse Industry Board
- Maryland Department of Business and Economic Development
- Maryland Department of Natural Resources
- Maryland Department of Agriculture
- Maryland Department of Planning

Based on a variety of factors including, but limited to, the ability of the site to adequately accommodate the desired building program, local funding availability, zoning restrictions, land ownership, public support, accessibility/traffic issues, environmental and/or historical considerations, relative economic impact and site expansion potential, the MSA and its advisors selected the Naval Academy Dairy Farm site located in Gambrills, Maryland which is in Anne Arundel County.

The following chart summarizes the site selection process used by the MSA.



As illustrated in the following map the Naval Academy Dairy Farm site is proximate to both Annapolis and Baltimore and is accessible to Interstate 97 and other State highways.





The primary goals of the proposed horse park are to enhance the State of Maryland's tourism appeal as well as its rich history and tradition in the horse industry; promote business activities related to the horse industry; and encourage maintenance of open space. Initial plans for the park are designed to attract national and international non-racing competitions, including show jumping, eventing, dressage, western riding and steeplechase. In addition, the park is anticipated to host other equestrian events such as breed demonstrations, trail riding, jousting, rodeo and 4-H activities for all levels of skill and interest.



Executive Summary

KPMG was retained by the MSA to assist it in developing a model to estimate the economic and fiscal impacts that may accrue to Anne Arundel County and the State of Maryland from operations of the proposed horse park. Specific research tasks conducted in this analysis include, but were not limited to, the following:

- Met with representatives of the MSA, Mhib and other advisors to review market data and other key information used to develop their utilization and financial assumptions for the proposed horse park
- Reviewed previous studies associated with the equine industry in Maryland and nationally
- Summarized other equestrian facilities in the State to obtain an understanding of the potential incremental event activity
- Summarized building program, event activity and financial operations for a select number of horse parks
- Assisted the MSA in developing a survey to obtain information related to event activity, financial characteristics and programming needs for sponsoring organizations as well as the lodging needs and spending patterns for attendees at events and how these may or may not vary by geographic location and analyzing survey results
- Provided input on the various building program components based on comparable horse parks and survey responses
- Estimated the potential economic and fiscal impacts in terms of direct spending, total output, personal earnings and employment associated with the proposed horse park in Anne Arundel County based on event activity and financial operating assumptions provided by the MSA and its advisors.

Municipalities and states throughout the U.S. have recognized the economic benefits of operating various public assembly facilities for sports, entertainment and meeting/convention business. Numerous stadiums, arenas and convention centers have been developed with the use of public funds due, in part, to the ability of these venues to generate economic activity at area businesses and tax revenues for the local and State entities. According to industry publications, recent trends in venue development have included funding for \$400 million of equestrian center projects and another nine are in the design concept stage in the U.S. *Venues Today* reports that municipalities are developing these facilities due to a growing market and their desire to boost economic impact by attracting an affluent market segment associated with horse ownership, training and competitions. Spending on items such as farriers, feed, bedding and veterinarians can add up to significant direct spending associated with such venues.

Other industry sources, including the United States Equestrian Federation, Inc. (USEF) have openly supported development of a Maryland horse park due to the steady growth in participation at competitions in recent years and an increasing occurrence of date conflicts at existing venues. According to USEF representatives, the selected site in Annapolis is likely to attract nationally and internationally recognized competitions due to its proximity to a large



population center and its established reputation as a tourist destination. Further, USEF representatives also mention that the proximity to a large spectator base in Annapolis is likely to attract corporate sponsorships and other private investment in the proposed park.

One such event that was recently awarded to a U.S. horse park for the first time is the 2010 Federation Equestre Internationale (FEI) World Equestrian Games. This event is comprised of the world championships for seven equestrian sports and is held every four years. Developing a facility with world-class amenities close to an international airport and other supporting visitor services will be critical in terms of the ability of the proposed park to potentially host similar events. Attracting such events and out-of-town participants and spectators will have a direct impact on the level of economic and tax benefits that could potentially be generated by the proposed horse park.

The proposed concept for the Maryland horse park is distinct from that offered by existing equine facilities in the State such as the Prince Georges Equestrian Center, Fair Hill or the State Fairgrounds. The proposed park is anticipated to be an equine attraction similar to the Kentucky Horse Park drawing visitors from both within and outside of the State. Consequently, while there may be some minor shift of events currently hosted in existing venues, according to the market survey conducted by the MSA and its advisors, the majority of activity is anticipated to be incremental new business to the State. In addition, the MHIB indicates that many events cannot currently be accommodated by existing facilities in the State of Maryland. These events are assumed to be held at the proposed horse park, negating some of the impacts related to a transfer of event activity from existing State venues.

While this section presents a summary of the research conducted, this information is extracted from a more detailed analysis of various data related to the proposed project. It is important for the reader to review the report in its entirety in order to gain a better understanding of the methodology and the assumptions used.

Utilization

Based on the preliminary building program elements provided by the MSA and results of the horse industry survey, the proposed park is estimated to accommodate a variety of event types including: dressage, hunter/jumper shows, steeplechasing, three-day eventing, western events, pony clubs and rodeos. In addition, other equine events such as jousting, riding education, therapeutic riding, auctions and trail-rides are anticipated uses of the proposed horse park. Non-equine events include dog shows, meetings and social events, among others. The following table presents the estimated event activity prepared by the MSA and its advisors which is based on the market survey results and comparable park event activity.



| Estimated Utilization Category | Proposed MD Horse Park | |
|-----------------------------------|------------------------|---------|
| | Number | % Total |
| Event Days | | |
| Equine | 223 | 68% |
| Non-Equine | 105 | 32% |
| Total | 328 | 100% |
| Attendee Days | | |
| Equine | 479,600 | 60% |
| Non-Equine | | |
| Special Events | 120,750 | 15% |
| Visitors Center/Museum | 170,000 | 21% |
| Campgrounds | 27,000 | 3% |
| Total | 797,350 | 100% |

Source: MSA/MHIB

Financial Operations

Based on several assumptions including the proposed building program, estimated utilization for the proposed horse park as well as information from comparable horse park operations, the MSA and its advisors estimate that the proposed horse park will operate at break-even financially during a stabilized year of operations. While financial data from other horse parks was considered by the MSA and its advisors, more weight was placed on the operations of the Kentucky Horse Park due to its anticipated similarity in building program elements and estimated utilization. In addition, unique characteristics of the proposed new horse park, the proposed location in populated Central Maryland which is already a popular tourist destination and the existing marketing resources in Annapolis/Anne Arundel County were also considered. The financial operations include the use of the facility by Fasig-Tipton Company, Inc. (Fasig-Tipton), a leading equine auction company in the U.S. for over 100 years. The company currently holds five auctions each year at the Maryland State Fairgrounds. According to company representatives, total sales at the Maryland auctions for 2005 will likely approach \$50 million. However, representatives also indicate that the company is actively seeking alternative venues outside Maryland due to the inability of the existing venue to accommodate the significant growth its auctions have experienced in recent years. Based on the company's historical sales and conversations with representatives, the proposed horse park is assumed to generate \$500,000 in rental revenue from Fasig-Tipton. Total operating revenue in a stabilized year is estimated at approximately \$6.6 million as calculated utilizing 2005 dollars and, as indicated previously, the proposed horse park is estimated to operate at break-even. This estimate excludes depreciation expense.

This estimate is based on certain hypothetical assumptions pertaining to operations of the facility, attendance levels and other related financial assumptions prepared by the MSA and its advisors. As this analysis represents an estimate based on assumptions, it is subject to change depending on the actual building program, event calendar, contractual agreements with service providers, and further refinements regarding operating strategies for the facility.



Economic & Fiscal Benefits

As mentioned previously, the primary goals of the proposed horse park are to enhance the State of Maryland's tourism appeal as well as its rich history and tradition in the horse industry; promote business activities related to the horse industry; and encourage maintenance of open space. Anne Arundel County and the State of Maryland would benefit from operations of the proposed horse park in a number of ways, including such tangible and intangible benefits as:

- Enhancing the area's image as an entertainment destination by increasing its offering of visitor amenities;
- Receiving increased State, regional and national exposure given the populated location of the proposed horse park, the estimated event activity and anticipated sponsorship opportunities;
- Increasing the overall quality of life in the area by offering additional park and recreational space and tying into existing trail systems;
- Creating an attractive venue to host special events which are currently held outside the County (e.g. Anne Arundel County high school graduations); and
- Preserving open space;
- Promoting agriculture and equine related businesses;
- Generating additional economic activity in the area; and
- Generating fiscal revenues for local and State governments.

Each of these benefits is important in assessing the impacts that the proposed horse park may have on the Anne Arundel County area as well as the State of Maryland as a whole. Qualitative benefits such as those listed above are supported by industry representatives who indicated that the development of additional horse parks in a particular region can create synergies in terms of market demand, media attention and sponsorship opportunities as the overall region gains a reputation for being a hub of equine activity.

While the value of most of these benefits is difficult to measure, the economic activity generated in the region can be quantified. This analysis quantifies the direct and induced/indirect benefits associated with the proposed horse park at the local level as well as the associated tax revenues.



The summary of estimated economic and fiscal benefits from the proposed horse park is presented in the following tables.

| Estimated Annual Economic Benefits | <i>Anne Arundel County</i> | <i>State of Maryland</i> |
|---|--------------------------------|------------------------------|
| Spending | | |
| Direct Spending | \$66,649,000 | \$70,450,000 |
| Induced/Indirect Spending | \$37,673,000 | \$52,058,000 |
| Total Spending | \$104,322,000 | \$122,508,000 |
| Total Earnings | \$41,089,000 | \$47,482,000 |
| Total Employment (number of FTEs jobs) | 1,570 | 1,900 |

Note: State amounts include local amounts.

| Estimated Annual Fiscal Benefits | <i>City of Annapolis</i> | <i>Anne Arundel County</i> | <i>State of Maryland</i> | <i>Total Fiscal Impacts</i> |
|---|------------------------------|--------------------------------|------------------------------|---------------------------------|
| Admissions and Amusements Tax | | | | |
| Inside the Horse Park | n/a | \$56,000 | \$222,000 | \$278,000 |
| Outside the Horse Park | \$12,000 | \$104,000 | n/a | \$116,000 |
| Hotel/Motel Tax | \$167,000 | \$1,502,000 | n/a | \$1,669,000 |
| Personal Income Tax | n/a | \$631,000 | \$1,353,000 | \$1,984,000 |
| Sales and Use Tax | n/a | n/a | \$5,052,000 | \$5,052,000 |
| Corporate Income Tax | n/a | n/a | \$245,000 | \$245,000 |
| GRAND TOTAL | \$179,000 | \$2,293,000 | \$6,872,000 | \$9,344,000 |

Note: n/a denotes not applicable.

As shown, annual State and local taxes generated by the proposed horse park's operations are estimated to total approximately \$9.3 million.



Market Overview

Anne Arundel County borders the Chesapeake Bay and is equidistant from Washington D.C. and Baltimore. Annapolis, the State Capital, is a major tourist attraction for the State and the County. In order for the MSA and its advisors to assess the potential demand for the proposed horse park, it is important to understand the market in which such a facility would operate. Since horse parks draw both local residents and tourists, select characteristics for each of these segments are profiled including population, age and income attributes of local residents, corporate base, the size and makeup of the area's tourist market, and activity at other area attractions. By comparing Anne Arundel County to those markets where comparable horse parks already exist, one can begin to estimate the support base for the proposed project.

Population

Population serves as a base from which events at the proposed new horse park will draw attendance and other forms of support. The table below shows the historical and projected trend in population growth for Anne Arundel County, the Baltimore Metro area and the State of Maryland. Anne Arundel County increased in population by 15% between 1990 and 2000 which is a higher rate of growth than both the Baltimore Metro area (7%) and the State (11%). The population of all three geographic areas is projected to continue to increase over the next 10 years.

| Population | Anne Arundel County | Baltimore Metro | Maryland |
|-----------------|---------------------|-----------------|-----------|
| 1990 Census | 427,239 | 2,382,172 | 4,780,753 |
| 2000 Census | 489,656 | 2,552,994 | 5,296,486 |
| 2005 Projection | 513,650 | 2,654,250 | 5,610,500 |
| 2010 Projection | 528,900 | 2,746,600 | 5,856,100 |
| 2015 Projection | 541,250 | 2,817,900 | 6,060,800 |

Note: Projected population figures do not account for upcoming Base Realignment and Closure changes.

Sources: U.S. Census Bureau; Maryland Department of Planning.

As a point of reference, the Kentucky Horse Park is located in Lexington-Fayette County. According to *Sales & Marketing Management*, the Baltimore Metro area is approximately five times the size of the Lexington Metro area.

Personal Income

Another key component of market characteristics is per capita personal income. Income offers a broad measurement of spending potential for a specific population because it indicates the general ability of individuals or households to purchase a variety of goods and services including admission to cultural, recreational and entertainment events. As shown in the table that follows, the per capita personal income for Anne Arundel County is approximately \$39,300 which is higher than that for both the State of Maryland (\$36,300) and the U.S. (\$30,900).

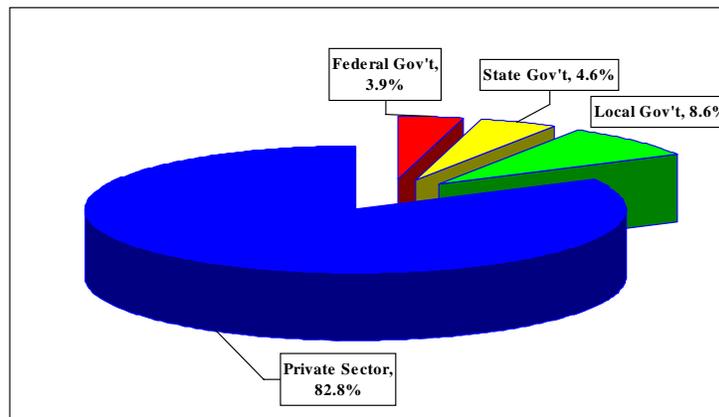
| Per Capita Personal Income (2002) | |
|--|----------|
| Anne Arundel County | \$39,273 |
| Maryland | \$36,303 |
| U.S. | \$30,906 |

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Employment

The employment base of an area also provides a potential target market for events and financial support for the proposed horse park. Area employers may utilize the facility for various events such as meetings, banquets/receptions and other types of special events. Anne Arundel County's 12,900 businesses employ approximately 170,100 workers. The County's economy is comprised of a diverse set of economic generators including professional and business sectors, trade and distribution, the maritime industry and the government sector. In addition, the Baltimore/Washington International Airport (BWI) area, which is located in the northwest section of the County, serves as a hub of commercial and industrial development and supports 50% of all jobs and 57% of all companies in the County.

Summary of Anne Arundel County Employment By Place Of Work



Sources: Maryland Department of Labor, Licensing and Regulation; Office of Labor Market Analysis and Information.



The table that follows illustrates the major employers in Anne Arundel County, as provided by the County’s Economic Development Corporation. As shown, the three largest employers are the National Security Agency, Fort George G. Meade and Northrop Grumman. According to Anne Arundel County Economic Development Corporation representatives, Fort Meade is planning to add approximately 6,000 net new jobs between 2008 and 2010 as a result of the base realignment/closure process. The majority of positions will be civilian Department of Defense with approximately 12% representing military posts. The realignment is estimated to generate 20,000 additional new contractor jobs. Contractors are anticipated to locate as close as possible to Fort Meade along the I-295 corridor and in Odenton which are both proximate to the proposed horse park site.

| Firm | Employment |
|--|------------|
| National Security Agency | 16,000 |
| Ft. George G. Meade ¹ | 14,150 |
| Northrop Grumman | 7,500 |
| North Arundel Hospital | 2,432 |
| Southwest Airlines | 2,425 |
| U.S. Naval Academy | 2,372 |
| Anne Arundel Medical Ctr. | 2,025 |
| Computer Sciences Corp. | 1,829 |
| Giant Food | 1,718 |
| Wal-Mart | 1,303 |
| ARINC | 1,300 |
| U.S. Coast Guard Yard & Tenant Command | 1,200 |
| Anne Arundel Community College | 1,100 |

| Firm | Employment |
|--------------------------|------------|
| Allegis Group | 1,006 |
| Verizon | 844 |
| Home Depot | 750 |
| Safeway | 700 |
| Shoppers Food Whse. | 690 |
| Ciena | 676 |
| U.S.Foodservice | 653 |
| Booz Allen & Hamilton | 620 |
| Laurel Park | 600 |
| Lockheed Martin | 600 |
| Sears Roebuck | 600 |
| Defense Security Service | 561 |

Note: ¹Does not include anticipated 26,000 base and support jobs to be created in next five years.

Sources: Anne Arundel Economic Development Corporation; Maryland Development of Business and Economic Development.

Accessibility

Accessibility, particularly via highway, is an important factor to the overall success of horse parks and attractions. From an east/west perspective, Anne Arundel is serviced by U.S. 50/301, Route 32, Route 100, Interstate 195 and Interstate 695. Interstate 97, the Baltimore-Washington Parkway (Route 295) and Route 2 provide the primary north/south access routes throughout the County. In addition, Anne Arundel has easy access to Interstate 95.

Air access can be a factor in attracting certain regional and national events to the proposed horse park. With more than 700 U.S. and international flights daily, BWI is the primary service provider in the area. As shown in the table that follows, the number of passenger enplanements at BWI increased by approximately 4% between 2000 and 2004. In 2004, BWI ranked 23rd in the U.S. in terms of enplanements. The Federal Aviation Administration (FAA) defines enplanements as domestic, territorial and international passengers who board an aircraft in scheduled and non-scheduled service of aircraft.



| Baltimore-Washington International Airport | | |
|---|---------------------|--------------------------|
| Passenger | | |
| Year | Enplanements | Percentage Change |
| 2000 | 9,675,681 | 11.4% |
| 2001 | 10,098,665 | 4.4% |
| 2002 | 9,367,499 | -7.2% |
| 2003 | 9,768,040 | 4.3% |
| 2004 | 10,103,563 | 3.4% |

Source: Federal Aviation Administration

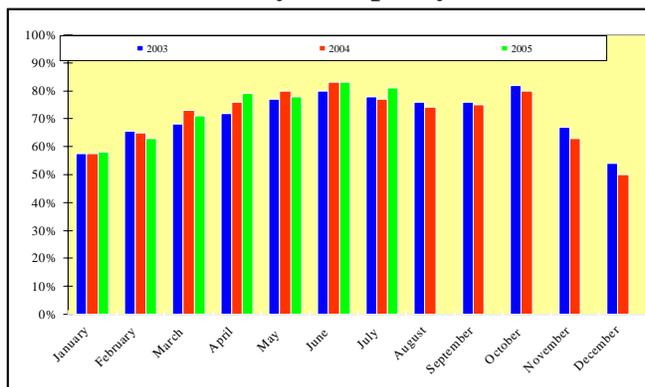
According to the Maryland Office of Tourism, the State BWI Welcome Center which is proximate to the proposed horse park site attracted approximately 390,000 visitors in FY 2004. This represents an increase of 10% over the prior year. The proximity of the airport is of particular importance in terms of attracting Fasig-Tipton auctions which draw customers from all over the world.

Hotel Inventory

The diversity and supply of hotel rooms proximate to the proposed horse park is an important factor in generating room nights. Anne Arundel County offers approximately 8,100 hotel rooms and eight hotels are currently under construction which is estimated to increase the total supply by approximately 1,450 rooms. In addition, several other hotel properties are in the planning stages.

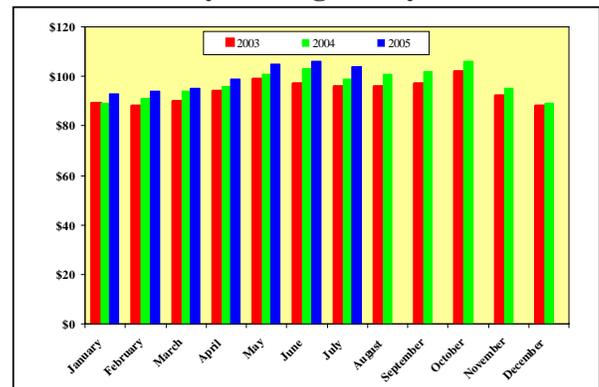
As a point of reference, the average daily rate and occupancy rates for hotels in Anne Arundel County are summarized below as provided by Smith Travel Research for January 2003 through July 2005. As shown, the area's most popular season is during the Summer months and in October during Navy's football season. The average daily rate has ranged from \$90 to \$106 in recent years with the highest rates occurring from May through October. According to potential user surveys, Spring, Summer and Fall are the most popular seasons for equine event activity. The unoccupied current room supply and the additional 1,450 rooms currently under construction should be able to accommodate the housing requirements for overnight participants and spectators at the proposed horse park. In addition, large events typically book well in advance when appropriate room blocks should be available.

Monthly Occupancy Rates



Source: Smith Travel Research

Monthly Average Daily Rate





Area Attractions

The proposed horse park would complement the wide variety of attractions that Anne Arundel County offers its visitors. Anne Arundel County is best known for its boating and water activities such as fishing, crabbing, skiing, sailing and swimming. This reputation allows the area to attract many boat shows each year. The County is home to the Annapolis Maritime Museum and the Chesapeake Bay Maritime Museum. Several sailing schools and special events such as the Maritime Heritage Festival and Maryland Seafood Festival attract many visitors annually. The Maryland Renaissance Festival is hosted over nine weekends in August, September and October in Crownsville proximate to the proposed site. This festival attracts approximately 1,300 participants and 225,000 visitors each season. Furthermore, the County Fair is hosted each year in September at the fairgrounds in Crownsville which is near the proposed horse park site.

In addition, there are two State parks and more than 70 County parks. The County has significant cultural heritage, historic buildings and landmarks which draw tourists. The U.S. Naval Academy is located in Annapolis and hosts tours as well as other special events throughout the year. According to the representatives at the U.S. Naval Academy, approximately 170,000 visitors toured the museum in 2004. There are several shopping options ranging from the shops in historic Annapolis to Arundel Mills Mall.

The following table presents attendance at Anne Arundel County museums based on the 2005 *American Association of Museums Official Directory*. As shown, nearly 400,000 visitors attended existing museums in 2004. In addition, U.S. Naval Academy officials reported that the Academy attracts significantly more general visitors each year than the 170,000 reported by the museum. These visitors indicate potential demand generators for the proposed horse park’s museum/general visitor attendance.

Anne Arundel County Museum Attendance - 2004

| Museum | Attendance |
|-------------------------------------|-------------------|
| Historic Annapolis Foundation | 204,500 |
| U.S. Naval Academy Museum | 170,000 |
| Hammond-Harwood House Association | 12,430 |
| Elizabeth Myers Mitchel Art Gallery | 10,600 |
| Total | 397,530 |

Source: 2005 *American Association of Museums Official Directory*.

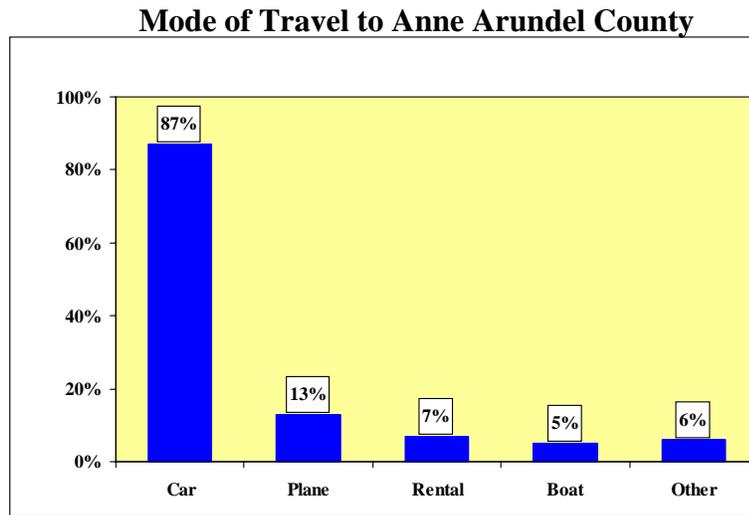
Area Tourism

Based on information from Travel Scope 2004 and the Travel Industry Association of America (TIA), Anne Arundel County hosted 1,647,000 visitors in 2004 which accounted for nearly 8% of total visitors to the State. The Annapolis and Anne Arundel Convention & Visitors Bureau (CVB) conducted research to ascertain the profile of visitors. Based on approximately 2,250 completed surveys, 23% of visitors are from within Maryland but outside the County, 15% are from Pennsylvania. Virginia, New Jersey and New York were the next most popular states of origin. Nearly three-quarters of respondents had visited the area previously.



Approximately 74% of visitors always gather information prior to visiting a destination. One-third of respondents gathered information from the internet prior to their visit to Anne Arundel County. Of those that used the internet, 22% reported that they browsed the CVB website with 99% of them reporting it was “helpful” or “very helpful”. More than half of visitors used the CVB’s visitors guide as a resource prior to their visit. The CVB’s annual budget in FY 2004 was approximately \$1.1 million. Partnering with this established destination marketing organization will assist the proposed horse park’s management in better marketing the facility to tourists.

The majority of visitors travel to Anne Arundel County via car. Multiple modes were chosen, for instance, by those who flew into BWI and then rented a car.

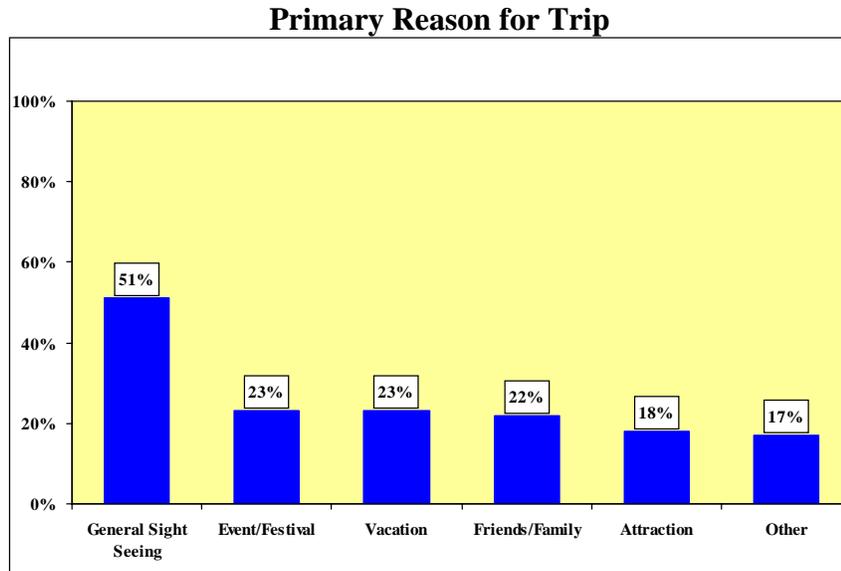


Source: *Tourism Research – Anne Arundel County, Maryland*

Overnight visitors represented 60% of survey respondents with day-trippers making up the balance. Of those staying overnight, the average length of stay was 2.8 nights. More than three-quarters of respondents traveled with family. The average travel party size was 4.0 people (2.5 adults and 1.5 children).



Individuals were asked their primary reason for visiting the County. The following graph illustrates that the most popular answers were general sightseeing, attending a special event or festival and vacationing.



Source: *Tourism Research – Anne Arundel County, Maryland*

The most popular activities mentioned by respondents included restaurant dining and visiting historic sites. Visiting parks, hiking and camping combined represented approximately 34% of respondent activities. The primary sites visited included Historic Annapolis, the Annapolis City Dock and the U.S. Naval Academy.

| Activities in Anne Arundel County | | Sites Visited | |
|-----------------------------------|-----|--------------------------|-----|
| Restaurant | 83% | Historic Annapolis | 72% |
| Historic Site | 64% | Annapolis City Dock | 70% |
| Sightseeing | 60% | U.S. Naval Academy | 58% |
| Mall | 41% | Maryland State House | 30% |
| Antiques | 37% | Arundel Mills Mall | 28% |
| Park/Hiking/Camping | 34% | Westfield Annapolis Mall | 21% |

Source: *Tourism Research – Anne Arundel County, Maryland*

Individuals were motivated to visit by a variety of perceptions including “fun” and “history”. In addition, the County was perceived to be easy and relaxing differentiating it from other hectic cities in the Mid-Atlantic. Conversely, respondents did not expect the area to be “child-friendly” or a hub for “sports”. Visitors did not expect a “nature”-based experience. Respondents sometimes mentioned that their visit did not meet their expectations with regard to being “relaxing”. The proposed horse park could enhance the area’s image in these categories providing a relaxing, natural setting for child-friendly sporting events.

Description of Potential Activity for the Proposed Horse Park

Equine facilities vary in the program elements they offer and, as a result, their operating characteristics differ. The industry offers a variety of event types requiring different amenities. A brief description of equine events is provided below.

Dressage – A French word for “training” describes the process of schooling a horse to respond to its rider’s commands. The goal of dressage is to restore the horse’s natural movement under a rider and to create an alert, supple and responsive horse. Competitive dressage is judged on how well entrants perform certain movements while exhibition dressage is the display of communication between horse and rider. Competitive dressage is popular at all levels of skill from beginner to Olympic-level where tests require movements and gaits to be performed in certain sequences. Exhibition has been made famous by the Spanish Riding School founded in Vienna, Austria in the 16th Century. The School’s Lipizzaners perform worldwide for audiences.

Hunter/Jumper Shows - Participants compete on courses that simulate a hunting field with natural obstacles and jumps. Maryland, Virginia, Pennsylvania and North Carolina have the most registered hunts in the country representing over one-third of the national total. Jumping competitions require jumps over multiple fences and occur at multiple skill levels. Grand Prix events represent the highest level of show jumping offering large stakes and difficult jumps.

Steeplechasing – Jumping races are held at major race tracks over brush and hurdle fences. Individual hunt clubs sponsor hunt race meetings over brush, hurdles and timber fences as well as point-to-point races over timber fences only. Races typically involve professional riders though some are open to amateurs.

Three-Day Eventing – The same combination of horse and rider performs a dressage test, cross country course ride, combination of roads, tracks, steeplechase and stadium jumping round in three consecutive days. The Rolex Three-Day Event falls in this category and is on the world and Olympic competition level.

Western – Horse and rider engage in competitions derived from a cowboy’s work in a field or on the trail. Western events can include cutting, reining, and penning events.

Saddle Horse – With arched necks and elevated legs, these horses compete in equitation (judged on form and control), fine harness (drawing buggies) and gaits (three- and five-gait perform at walk, trot and canter).



Youth Clubs – The United States has over 600 individual Clubs, with more than 12,000 members. The purpose of the Pony Club is to teach riding and care of horses and ponies to those under 21. Programs are offered in dressage, eventing, show jumping, mounted games, and foxhunting, among others. Many competitive riders have learned basic skills from their involvement in a local Pony Club. According to the MHIB, the Maryland region has 21 pony clubs including three in Pennsylvania that come to Maryland for competitions. Approximately 1,500 youth are currently enrolled in the Maryland’s 4-H programs.

Driving – Carriage driving includes three event types: cross-country driving, obstacle driving and dressage.

Rodeo – Competitions are commonly hosted in calf roping, steer wrestling, bullriding and barrel racing. These events typically attract large audiences.

Other Equine Events – Polo, jousting, riding education, therapeutic riding, auctions and trail-rides are other common uses of horse parks.

In addition to equine events, non-equine events such as dog shows or agricultural related events are also accommodated in horse parks. Other horse parks offer supplementary on-site attractions, such as a museum, and amenities such as meeting or banquet facilities which allow them to accommodate a variety of other uses.



Overview of State Facilities

The State of Maryland currently offers several venues for equine events. These are summarized below.

Prince George's Equestrian Center (PGEC) is located in Upper Marlboro and is owned and operated by the Maryland National-Capital Park and Planning Commission (M-NCPPC). The NCPPC was created by the Maryland General Assembly in 1927 to develop and operate public park systems and provide land use planning for the physical development of the great majority of Montgomery and Prince George's Counties, and to operate the public recreation program in Prince George's County.

The PGEC includes the Show Place Arena which seats 3,000 to 5,900 and three outdoor show rings with two adjacent schooling rings. Permanent stables are available for 240 horses. Other amenities include a vendor area, concessions, camping sites with electrical hookups, show offices and judges' stands. The facility hosted 27 equestrian events in 2005 the majority of which represent State horse shows. In addition, the Capital Challenge Horse Show and Grand Prix is hosted in October.

Several of the equestrian events currently hosted at the PGEC responded to the survey and indicated an interest in potentially moving their event to the proposed horse park and/or rotating their event from year-to-year. This transfer of events would be dependent on a number of factors including date availability, amenities and rental rates at the proposed park. Respondents to the survey who had used the PGEC in the past mentioned the quality of footing and limited number of stalls at the venue as challenges in terms of hosting their event. In general, the infrastructure at the PGEC has limited certain events.

Representatives of the PGEC indicated that they regularly turn away equestrian events due to scheduling conflicts. As a result, management indicated that the proposed new horse park would not likely have a negative overall impact on PGEC's event activity.

Maryland State Fairgrounds is located in Timonium and owned by a non-profit organization. This venue hosts a variety of events including Fasig-Tipton horse auctions. The complex houses a variety of buildings that can accommodate a wide range of event types including the Cow Palace, Exhibition Hall, Home Arts Building, Vista Room and Sales Pavilion. These buildings range in size from 5,000 SF to nearly 160,000 SF in open, multi-purpose space. They are used year-round for consumer shows, auctions, expositions, banquets, meetings and concerts. In addition, the grounds offer a horse show ring supported by 163 permanent stalls. The Grand Stand building, site of thoroughbred racing during the State Fair, is also utilized year-round for special events and has a seating capacity of 5,000.

While the Fairgrounds host a variety of events each year including agricultural expositions, tradeshow and the State Fair which itself attracts 500,000 visitors, the vast majority of event activity represents consumer shows. Equestrian activity represents only 8% of events during 2005, including four Fasig-Tipton horse auctions.



Fair Hill (Elkton) - Fair Hill is a 5,613 acre Natural Resources Management Area, located in the northeast corner of Maryland and Cecil County. It borders Pennsylvania to the north and is located within a half mile of Delaware to the east. Fair Hill offers a training center for race horses and a turf course where both steeplechase and flat races are held with pari-mutuel wagering. Generally, races are scheduled on Memorial Day and in the fall. Fair Hill is also the site of many organized activities from equine and canine events to Civil War reenactments and the Cecil County Fair. In addition to these events, there is hiking, fishing and mountain biking. All areas are open to the public from sunrise to sunset, unless otherwise posted. The facility is operated by the non-profit Fair Hill Environmental Foundation, Inc.

Fair Hill is scheduled to host a total of 145 equine events in 2005 with nearly 75% of these representing trail rides. An additional 35 equine events include the Fair Hill International which, according to management, attracts 8,000 to 10,000 people from around the world. Various other state and regional shows, competitions and educational events comprise the remaining event activity. According to users, Fair Hill's limited supply of stalls, campground sites and proximate hotel rooms are challenges for larger equestrian events. The following table summarizes the program elements at these profiled facilities.

State of Maryland Equine Facility Program Elements

| Program Element | Proposed | | Fair Hill Natural | Maryland State |
|-----------------------------|---------------------|-----------------------------------|--------------------|--------------------|
| | Maryland Horse Park | Prince George's Equestrian Center | Resource Mgmt Area | Fairgrounds |
| Site size (acres) | 800 | 100 | 5,600 | 100 |
| Indoor arena (capacity) | 3,580 | 3,000 | n/a | n/a |
| Show rings (number) | 12 | 4 | 5 | 1 |
| Outdoor stadium (capacity) | 2,025 | n/a | 500 | 5,000 ¹ |
| Stalls - permanent (number) | 840 | 240 | 200 | 700 |
| Stalls - temporary (number) | as needed | n/a | n/a | 450 |
| Steeplechase course | Yes | No | Yes | No |
| Carriage course | Yes | No | Yes | No |
| Cross-country course | Yes | No | Yes | No |
| Mountain-biking course | No | No | Yes | No |
| Trails | Yes | No | Yes | No |
| Banquet/meeting facilities | Yes | Yes | Yes | Yes |
| Food service/catering | Yes | Yes | Yes | Yes |
| Campground sites | 60 | 25 | 10 | 30 |
| Retail space | Yes | No | No | No |
| Visitors center/museum | Yes | No | Yes | No |

Note: ¹Represents seating capacity at Grandstand race track.
n/a denotes not applicable.

Sources: gh2 Gralla Architects; individual parks.



Horse Industry Survey

To assist the MSA and its advisors in estimating the spending that could potentially be generated by the proposed new horse park, the Horse Industry Board conducted a survey of potential users of the proposed horse park. The survey was available on the websites of the MSA, the MHIB and the proposed Maryland Horse Park and was also included as an insert in the August 2005 *Equiery* magazine. In addition, the survey was direct mailed to the 17,000 *Equiery* subscribers.

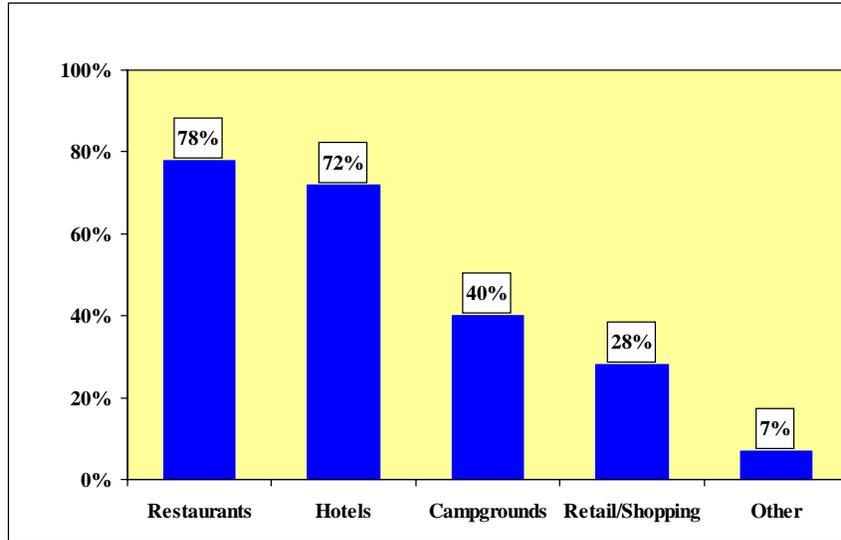
The survey sought to receive input from individuals involved in the horse industry on the preferred location of the proposed horse park, the proposed features (i.e. number of show rings, number of stalls, etc.), required on-site and off-site amenities (i.e. lodging, restaurants, campgrounds, retail/shopping, etc.), potential usage of the proposed facility (i.e. type, frequency, time of year, attendance, etc.) and information regarding estimated spending on items such as horse supplies and services as well as lodging, entertainment and food and beverage outside of the facility itself.

Nearly 1,040 completed surveys were returned and analyzed. Several other people either emailed or telephoned their input regarding the proposed horse park. This response rate suggests significant interest in the project from a variety of Maryland horse owners, businesses, associations and show producers. In addition, the MHIB conducted telephone interviews with each regional equestrian group which could potentially utilize the horse park. Several user groups (e.g. the Potomac Valley Dressage Association and the Maryland Quarter Horse Association) indicated their regional championship events cannot currently be accommodated in existing State of Maryland facilities.

The vast majority (98%) of respondents indicated that the proposed horse park would benefit the Maryland horse industry. Approximately 63% of survey respondents preferred a central location within the State for the proposed horse park which is consistent with the final site selection.

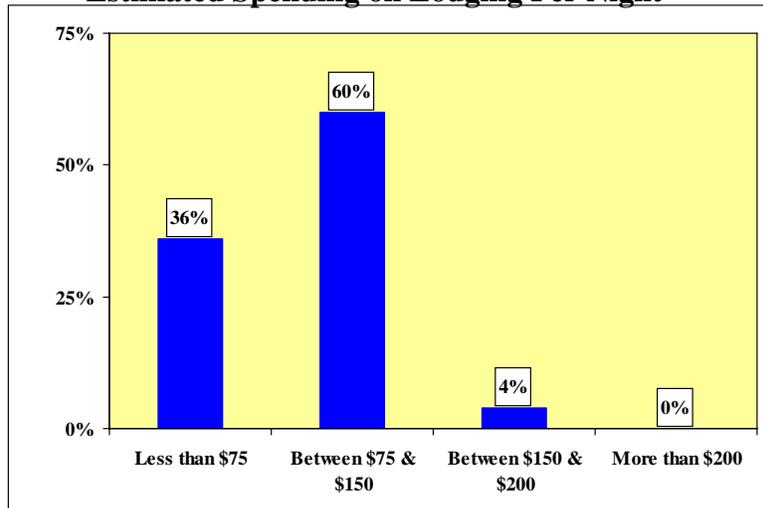
The proposed horse park site is located approximately 15 miles from area hotels and restaurants. The following graph illustrates that restaurants and hotels were the most desired off-site amenities by survey respondents.

Desired Off-Site Amenities



One objective of the survey effort was to understand respondents’ spending patterns outside of the proposed horse park. Approximately 60% of total respondents to the question spend between \$75 and \$150 per night on lodging.

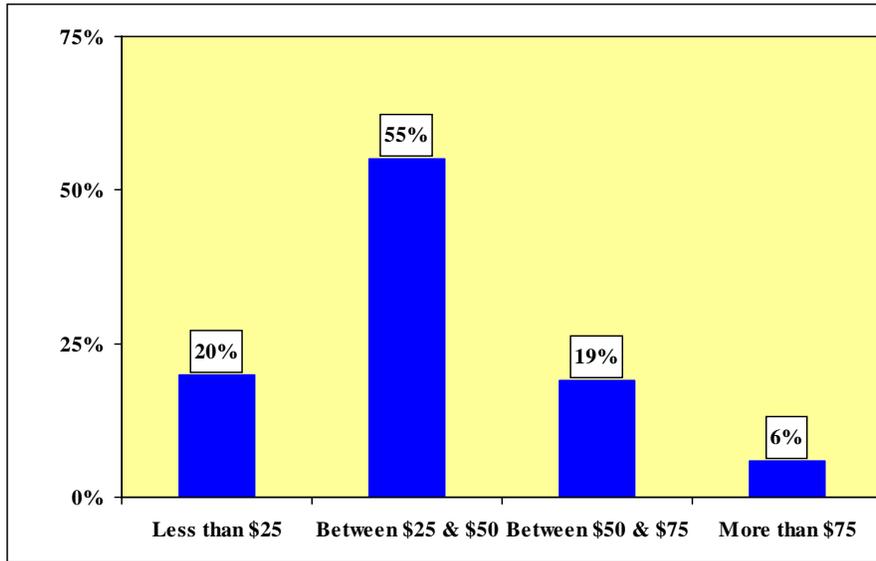
Estimated Spending on Lodging Per Night





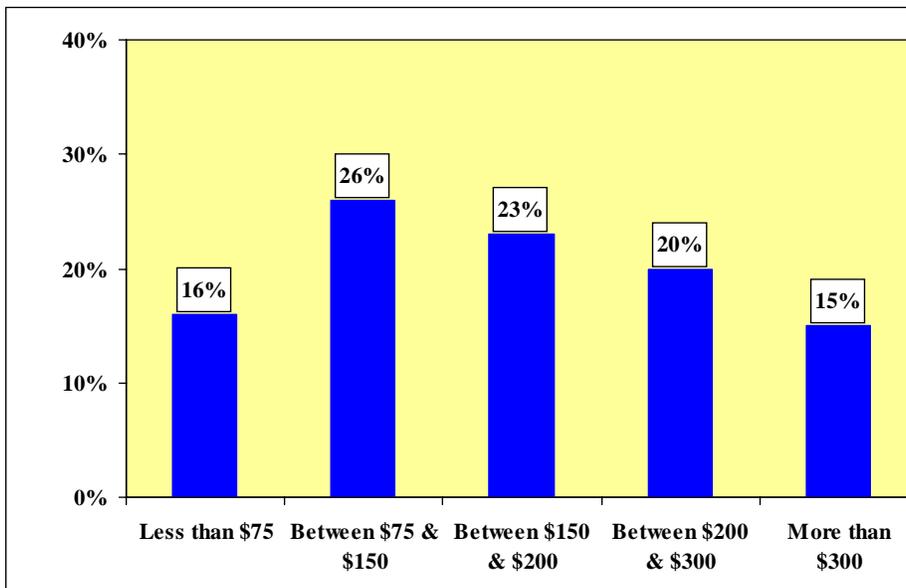
Approximately 74% all respondents to the question spend between \$25 and \$75 per person per day on meals and retail/merchandise.

Estimated Spending on Meals and Retail/Merchandise Per Person Per Day Outside the Park



Approximately 58% of all respondents to the question spend at least \$150 on horse related supplies/services per event.

Estimated Spending on Horse-Related Supplies/ Services Per Event





Survey respondents were asked how often they would likely use the proposed park for hosting their event(s). Dressage events, hunter/jumper, cross country and combined training were the most popular type of riding activity cited by survey respondents. A significant amount of respondents indicated an interest in potentially utilizing the proposed horse park including, but not limited to, the following:

- Dressage – Maryland Dressage Association; Potomac Valley Dressage Association
- Hunter/Jumper – Capital Challenge Horse Show; Washington International Horse Show; Maryland Horse Show Association
- Steeplechase – Maryland Steeplechase Association; North American Point-to-Point Association
- Cross Country/Eventing – United States Eventing Association
- Combined Training – Delaware Valley Combined Training Association; Maryland Combined Training Association
- Western – East Coast Cutting Horse Association; International Barrel Racing Association; National Barrel Racing Association
- Other Equine Events – Arabian Horse Association; Maryland State Quarter Horse Association; Mason Dixon Paso Fino Horse Association; Trail Riders of Today; United States Pony Clubs; 4-H Clubs
- Exhibition Events – Virginia Equine Extravaganza; Equestrian Promotions

In addition to these groups, discussions were conducted with representatives of Fasig-Tipton, a leading equine auction company in the U.S. for over 100 years. From its original headquarters in Madison Square Garden in New York and later at Belmont Park, Fasig-Tipton periodically conducted dispersals and special auctions in Kentucky. In 1972, the company established a permanent, full-service office in Lexington and began a year-round sales schedule for all categories of Thoroughbreds. The company has since grown its auction operations to include those held in Saratoga, Belmont Park, the Maryland State Fairgrounds, Kentucky, Florida and Texas. It has offices in Lexington (KY), Belmont Park (NY), Fair Hill (MD), Ocala (FL), and now in Grand Prairie, Texas. The company began holding auctions in Maryland in 1990 with gross annual sales of approximately \$1.7 million. Fasig-Tipton currently holds five auctions each year at the Maryland State Fairgrounds including two mixed sales, one yearling and two 2-year olds in training. According to company representatives, total sales at the Maryland auctions for 2005 will likely approach \$50 million.

Current rental arrangements at the Maryland State Fairgrounds require 1% of total sales which has historically been approximately \$400,000 per year. Representatives further indicated that the limited number of stalls offered at the Fairgrounds requires the company to rent temporary stalls which can be costly. This has led them to consider alternative locations for their auctions both within Maryland and outside the State. Should their auctions be hosted at an easily accessible facility with more modern amenities and more stalls, representatives indicated they would expect to increase their total sales at these auctions. Fasig-Tipton has indicated an interest in hosting its auctions at the proposed Maryland horse park. Specific needs, according to company



representatives, include a sales pavilion with intimate seating for a maximum of 500 people to encourage bidding and provide some anonymity, few or no steps in seating area, access to concession areas and convenient ingress/egress to ring for delivery of horses. Fasig-Tipton also mentioned the proximity of the proposed park's site to BWI and the availability of hotels and restaurants for their upscale customers as benefits in terms of attracting their event.

Profile of Select Horse Parks

For regional, national and/or international events, the proposed horse park could potentially compete with several other parks nationally. Based on location and program elements, the following parks were profiled to gain an understanding of their utilization and operating characteristics.

Kentucky Horse Park (Lexington, Kentucky) is a working horse farm with 1,200 acres that is owned and operated by the Commonwealth of Kentucky. The park features a visitors center, two museums, twin theaters, and the national horse center housing multiple equine management organizations. On-site facilities house over 50 breeds of horses who reside there year-round. The park offers horseback and children's pony rides as well as trail rides. The Kentucky Horse Park hosts a wide-range of equestrian events including multiple regional and national championships. In 2004, the facility hosted 115 events and nearly 900,000 in total attendance. In addition, the park has an education department offering a variety of classes related to the equine industry.

Virginia Horse Center (Lexington, Virginia) is a 600 acre facility used primarily for horse shows and other livestock events. The Center is comprised of the Virginia Equine Center Foundation and the Virginia Horse Center Foundation which was formed in 1985 for the purpose of providing recreational, educational and demonstrational opportunities to all people living in the Commonwealth of Virginia while also expanding the many facets of the state horse industry and enhancing tourism. The facility is owned and operated by the Virginia Equine Center Foundation and is funded, in part, by State grants, a local lodging tax and private fund-raising efforts.

The facility offers a 4,000 seat indoor arena, eight barns to accommodate 750 horses in permanent stabling, and an additional 450 horses indoors in temporary stabling. Two of the barns are winterized, which along with the indoor arena, allow the venue to host events year-round. The Virginia Horse Center offers 18 show rings and arenas. There is a five-mile Olympic caliber cross-country course, and an internationally recognized carriage driving marathon course. Future plans for Oak Hill include a steeplechase course and steeplechase timber as well. The Center also offers such amenities as two campgrounds, a restaurant, catering service with banquet facilities and gift shop.

The Virginia Horse Center is scheduled to host a total of 62 equestrian events in 2005 representing nearly 200 event days. Multiple events represent regional or national championships. Attendance for 2004 was estimated by park management to be approximately 400,000.

Georgia International Horse Park (Conyers, Georgia) encompasses 1,400 acres and was originally developed to host equestrian events for the 1996 Centennial Olympic Games. The adjacent golf course and hotel make the facility marketable for a variety of event types. An outdoor arena offers seating for 8,000 spectators and support space for vendors. In addition, the park offers an indoor arena with seating for 2,500, ten outdoor rings, 460 stalls, a steeplechase field, and a 12.4 acre glen used for polo matches and regional horse trials. In 2005, the park was scheduled to host a total of 44 equestrian events representing 114 event days. The majority of these represented State equine events. The park is owned and operated by the City of Conyers.



Georgia National Fairgrounds & Agricenter (Perry, Georgia) is a multipurpose, State-owned complex specially designed for livestock and horse shows, fairs, concerts, meetings, trade shows and sporting events. The complex is home to the Georgia National Fair held in October and the Georgia National Livestock Show & Rodeo held each February. The Georgia Agricultural Exposition Authority is an agency of the State charged with operating the facility. A variety of venues allow the complex to host many different types of events including the Reaves Arena which offers 5,000 permanent seats and the horse arena which seats 1,200. In addition, there are multiple barns and exhibition buildings offering permanent and/or portable stalls that can accommodate a maximum of nearly 1,600 horses. Multiple indoor and outdoor show rings and on-site campgrounds make the complex marketable to a variety of equine events. In calendar year 2004, the Fairgrounds hosted a total of 306 events, 53 of which were equine related. Non-equine events hosted at the facility include the State fair, consumer shows, meetings and banquets as well as various agricultural related events. According to management, total attendance in 2004 was nearly 800,000. Approximately 113,000 attendees were associated with equestrian events.

The following table presents the key program elements offered at select profiled horse parks as well as that for the proposed horse park in Anne Arundel County.

Program Elements at Select Horse Parks

| Program Element | Proposed Maryland Horse Park | Kentucky Horse Park | Georgia National Fairgrounds | Georgia International Horse Park | Virginia Horse Center |
|-----------------------------|---|--------------------------------|---|---|----------------------------------|
| Site size (acres) | 800 | 1,200 | 1,130 | 1,400 | 600 |
| Indoor arena (capacity) | 3,580 | 3,500 | 5,000 | 2,500 | 4,000 |
| Show rings (number) | 12 | 12 | 8 | 10 | 12 |
| Outdoor stadium (capacity) | 2,025 | n/a | 1,200 | 8,000 | n/a |
| Stalls - permanent (number) | 840 | 1,100 | 480 | 460 | 750 |
| Stalls - temporary (number) | as needed | n/a | 1,092 | 540 | 450 |
| Steeplechase course | Yes | Yes | No | Yes | Yes |
| Carriage course | Yes | No | No | No | Yes |
| Cross-country course | Yes | Yes | No | Yes | Yes |
| Mountain-biking course | No | No | No | Yes | No |
| Trails | Yes | Yes | No | Yes | Yes |
| Banquet/meeting facilities | Yes | Yes | Yes | Yes | Yes |
| Food service/catering | Yes | Yes | Yes | Yes | Yes |
| Campground sites | 60 | 260 | 300 | 50 | 90 |
| Retail space | Yes | Yes | No | Yes | Yes |
| Visitors center/museum | Yes | Yes | No | Yes | Yes |

Note: n/a denotes not applicable.

Sources: gh2 Gralla Architects; individual parks.



The table below summarizes the event activity at profiled horse parks.

Event Activity at Profiled Horse Parks

| Horse Park Category | GA National Fairgrounds | | KY Horse Park | | VA Horse Center | | GA International | |
|--|-------------------------|-------------|---------------|-------------|-----------------|-------------|------------------|-------------|
| | Number | % Total | Number | % Total | Number | % Total | Number | % Total |
| Events | | | | | | | | |
| Equine | 53 | 17% | 80 | 70% | 62 | 78% | 44 | 65% |
| Non-Equine | 253 | 83% | 35 | 30% | 18 | 23% | 24 | 35% |
| Total | 306 | 100% | 115 | 100% | 80 | 101% | 68 | 100% |
| Event Days | | | | | | | | |
| Equine | 179 | 32% | 240 | 36% | 198 | 83% | 114 | 65% |
| Non-Equine | 379 | 68% | 421 | 64% | 41 | 17% | 62 | 35% |
| Total | 558 | 100% | 661 | 100% | 239 | 100% | 176 | 100% |
| Distribution of Equine Events | | | | | | | | |
| Low Impact | 13 | 25% | 28 | 35% | 12 | 19% | 7 | 16% |
| Mid Impact | 32 | 60% | 43 | 54% | 42 | 68% | 35 | 80% |
| High Impact | 8 | 15% | 9 | 11% | 8 | 13% | 2 | 5% |
| Total | 53 | 100% | 80 | 100% | 62 | 100% | 44 | 101% |
| Distribution of Equine Event Days | | | | | | | | |
| Low Impact | 25 | 14% | 46 | 19% | 21 | 11% | 7 | 6% |
| Mid Impact | 94 | 53% | 153 | 64% | 135 | 68% | 97 | 85% |
| High Impact | 60 | 34% | 41 | 17% | 42 | 21% | 10 | 9% |
| Total | 179 | 101% | 240 | 100% | 198 | 100% | 114 | 100% |

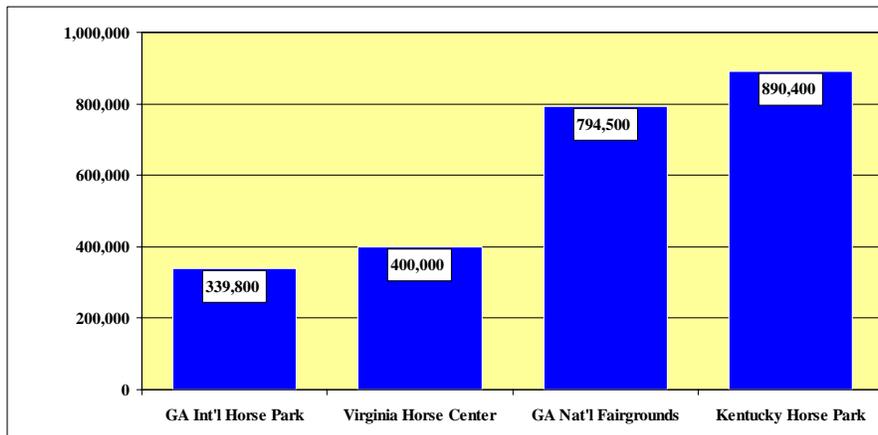
Note: Sorted by number of events.

Source: Individual parks.

As shown, equine events represent 17% to 78% of profiled horse park event calendars. Event days for the Kentucky Horse Park are skewed by a large art exhibition that lasted 214 days. The Virginia Horse Center hosts a number of equestrian events greater than four days in length contributing to the relatively high percentage of equine event days. Equine events are categorized as low, medium or high impact based on their likelihood to draw overnight attendees and generate greater economic impact. For purposes of this analysis, local pony clubs or trail rides are considered low impact events. State and regional shows or qualification events are considered mid-level. Regional championships, national events as well as events with more than four event days are categorized as high impact.

As a point of reference, this graph illustrates the total attendance at other horse parks.

Annual Attendance at Select Horse Parks



Source: Individual facilities.



Financial operations at profiled horse parks were also reviewed by the MHIB and MSA in order to gain an understanding of the total revenues and expenses the proposed park may be expected to generate. The following table summarizes total operating revenues and expenses for the profiled horse parks.

Financial Operations at Profiled Horse Parks

| Horse Park | KY Horse Park | GA National Fairgrounds | VA Horse Center | GA International |
|-----------------------|----------------------|--------------------------------|------------------------|-------------------------|
| Operating Revenues | \$6,190,000 | 6,171,000 | \$3,205,000 | \$1,178,000 |
| Operating Expenses | \$7,239,000 | 7,447,000 | \$3,558,000 | \$1,117,000 |
| Operating (Loss)/Gain | (\$1,049,000) | (\$1,276,000) | (\$353,000) | \$61,000 |

Source: Individual facilities.

Proposed Maryland Horse Park Operations

In addition to market factors, the MSA and its advisors have considered various financial factors as they have explored the merits of the proposed horse park. With respect to financial performance, it is important to understand that the vast majority of horse parks typically realize an operating deficit or operate near breakeven. However, one of the primary reasons that horse parks are developed is because of the economic impact that they can generate in terms of spending, employment, earnings and tax revenues to local and state governments. One objective of horse parks is typically to attract events that draw patrons from outside of the immediate market area who spend money on hotels, restaurants and other related services. These net new benefits can outweigh the operating costs and, as such, provide economic and tax benefits to the local and State economies in which they operate. An order-of-magnitude estimate of the potential economic benefits associated with development of the proposed horse park is provided in the next section of the report.

The geographic location of a horse park plays a role in its marketability and can impact the level of event activity and financial operating characteristics. These characteristics of the chosen site in Anne Arundel County were considered by the MSA in its assumptions related to event activity and financial operations:

- Maryland is located in an attractive region for equestrian activity. Surrounding states such as Virginia, Pennsylvania and New Jersey are all popular for equine participants;
- Ability to capitalize on established tourism base of Annapolis and Anne Arundel County;
- Potential to generate overnight stays due to proximity and supply of hotel rooms;
- Potential to retain out-of-park spending due to proximity and supply of restaurants, entertainment and retail establishments; and
- Established CVB to assist with booking large events, securing hotel room blocks and general marketing of the proposed park as a tourist attraction.

This section of the report presents several operational assumptions that the MSA and its advisors used in developing their estimates of event activity and financial operations for the proposed horse park. These operational assumptions include:

- The preliminary building program prepared by gh2 Gralla Architects.
- The proposed park is assumed to be owned or leased and operated by the MSA.
- Due to the competitive environment in which the proposed new horse park will operate, facility management will need to have established contacts and strong relationships with regional and national event promoters and producers, particularly in the equine industry, in order to maximize bookings.
- The proposed park will be aggressively marketed by established tourism agencies at the State and local level in addition to facility marketing efforts.
- This analysis assumes that no other similar, competitive facilities will be constructed in the region once the new Maryland horse park is built.
- The financial estimate is rounded to the nearest thousand dollars.



It should be noted that these assumptions are preliminary and will continue to be refined as decisions related to the building program and other operating characteristics evolve.

Proposed Maryland Horse Park Estimated Financial Operations

Based on several assumptions including the proposed building program, estimated utilization for the proposed horse park as well as information from comparable horse park operations, the MSA and its advisors estimate that the proposed horse park will operate near break-even financially during a stabilized year of operations. While financial data from other horse parks was considered by the MSA and its advisors, more weight was placed on the operations of the Kentucky Horse Park due to its anticipated similarity in building program elements and estimated utilization. In addition, unique characteristics of the proposed new horse park, the location in populated Central Maryland which is already a popular tourist destination and the existing marketing resources in Annapolis/Anne Arundel County were also considered. In addition, the financial operations include the use of the park by Fasig-Tipton. The company currently holds five auctions each year at the Maryland State Fairgrounds. According to company representatives, total sales at the Maryland auctions for 2005 will likely approach \$50 million. However, representatives also indicate that the company is actively seeking alternative venues outside Maryland due to the inability of the existing venue to accommodate the significant growth its auctions have experienced in recent years. Based on the company's historical sales and conversations with representatives, the proposed horse park is assumed to generate \$500,000 in rental revenue from Fasig-Tipton. Total operating revenue in a stabilized year is estimated at approximately \$6.6 million as calculated utilizing 2005 dollars and as indicated previously the proposed horse park should operate at break-even.

This estimate is based on certain hypothetical assumptions pertaining to operations of the facility, attendance levels and other related financial assumptions as provided by the MSA and its advisors. No independent verification of this information will be made by KPMG and we assume no responsibility for the accuracy or reliability of the information provided to us. As this analysis represents an estimate based on assumptions, it is subject to change depending on the actual building program, event calendar, contractual agreements with service providers, and further refinements regarding operating strategies for the facility.

The analysis performed was limited in nature and does not constitute an examination, compilation or assembly of financial information in accordance with standards established by the American Institute of Certified Public Accountants. Therefore, KPMG does not express an opinion or any other form of assurance on the information presented in this report. As with all estimates of this type, we cannot guarantee the results nor is any warranty intended that they can be achieved. Since these estimates and assumptions are based on circumstances that have not yet transpired, they are subject to variation. Further, there will usually be differences between estimated and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.



Attendance Assumptions

The hypothetical, order-of-magnitude estimate of operating revenues and expenditures prepared by the MSA and its advisors is based on several factors including the hypothetical estimate of utilization. Comparable park utilization data and survey results were used by the MSA and the MHIB in estimating utilization at the proposed park. Based on the proposed park’s program elements and the MHIB’s expectation that it will be a tourist attraction, estimated utilization is expected to be similar in number and distribution to the Kentucky Horse Park. The table below presents the estimated event activity at the proposed Maryland horse park.

| Estimated Utilization Category | Proposed MD Horse Park | |
|---|-------------------------------|----------------|
| | <i>Number</i> | <i>% Total</i> |
| Event Days | | |
| Equine | 223 | 68% |
| Non-Equine | 105 | 32% |
| Total | 328 | 100% |
| Attendee Days | | |
| Equine | 479,600 | 60% |
| Non-Equine | | |
| Special Events | 120,750 | 15% |
| Visitors Center/Museum | 170,000 | 21% |
| Campgrounds | 27,000 | 3% |
| Total | 797,350 | 100% |
| Distribution of Equine Events | | |
| Low Impact | 25 | 33% |
| Medium Impact | 40 | 53% |
| High Impact | 10 | 13% |
| Total | 75 | 99% |
| Distribution of Equine Event Days | | |
| Low Impact | 38 | 17% |
| Medium Impact | 140 | 63% |
| High Impact | 45 | 20% |
| Total | 223 | 100% |

Sources: MSA and MHIB.

Some events may be hosted over multiple days. As such, event days are calculated as the number of days that a particular event uses the facility. Likewise, attendees consist of both participants and spectators who often attend each event day. An attendee day is therefore defined as total attendance multiplied by the event length. Equine events are categorized as low, medium or high impact based on their likelihood to draw overnight attendees and generate greater economic impact. For purposes of this analysis, local pony clubs or trail rides are considered low impact events. State and regional shows or qualification events are considered medium level. Regional championships, national events as well as events with more than four event days are categorized as high impact.

The development of the proposed horse park will likely take three years to complete. In addition, event activity at new facilities typically experiences a “ramp up” period to a stabilized level of activity which occurs for several reasons. For instance, some groups that book their event years in advance may not want to risk that a facility’s construction is delayed and not completed in time for their event. In addition, some groups may choose to let



management “fine tune” its operations before hosting an event at the facility. Overall utilization at any facility is typically dependent on a number of factors and is rarely consistent. For purposes of this analysis, it is assumed that the estimated utilization represents a stabilized year of operation.

The MSA’s estimates are based on the assumption that the facility offers event planners the high-quality facilities and program elements they require, is actively marketed by local and State agencies and is operated in a professional manner. In addition, some events that cannot currently be accommodated in the State of Maryland such as the Maryland Quarter Horse Association and Potomac Valley Dressage Association regional championships are assumed to be held at the proposed horse park, negating some impacts of a transfer of event activity from existing State venues.

The following provides a more detailed breakdown of equestrian activity as provided by the MSA and its advisors based on survey results and other input from potential users.

| Proposed Maryland Horse Park Equine Activity | Eventing/ Combined | | | | | | Other Equine Events | Total |
|---|-----------------------|-------------------|---------------|---------------|---------------|--------------|---------------------------|----------------|
| | Dressage | Hunter/ Jumper | Steeplechase | Training | Western | Auctions | | |
| Number of Events | 15 | 20 | 3 | 4 | 15 | 4 | 14 | 75 |
| Number of Event Days | 38 | 80 | 8 | 10 | 38 | 8 | 41 | 223 |
| Attendee Days | | | | | | | | |
| Spectator | 7,500 | 172,000 | 71,250 | 1,500 | 7,500 | 6,400 | 1,680 | 267,830 |
| Participant | 13,500 | 54,000 | 2,700 | 20,520 | 60,750 | 1,440 | 58,800 | 211,710 |
| Total | 21,000 | 226,000 | 73,950 | 22,020 | 68,250 | 7,840 | 60,480 | 479,540 |

Sources: MSA and MHB.

Operating Revenues

The estimated operating revenues for the proposed horse park in Maryland prepared by the MSA and its advisors are based on the hypothetical utilization shown above, financial information from the Kentucky Horse Park and other profiled facilities as well as information from its survey. The following table illustrates a more detailed breakdown of estimated operating revenues at the proposed horse park:

| Proposed Maryland Horse Park | Stabilized Year |
|------------------------------|--------------------|
| Operating Revenues | |
| Rent/Admissions | \$3,110,000 |
| Merchandise/Retail | \$1,530,000 |
| Food/Beverage | \$872,000 |
| Fees | \$768,000 |
| Parking | \$283,000 |
| Other | \$50,000 |
| Total | \$6,613,000 |

Source: MSA



Operating Revenues Assumptions:

Rent/Admissions (net) – The revenues generated from horse park utilization are typically derived from three primary usage fees: general facility rental, stall rental and admissions. General facility rental is based on an average rental per equine event day of \$500 and \$2,000 per special non-equine event. Stall rental is based on the estimated number of participant days, industry standard assumption that three participants attend an event per horse and an average net stall fee rental of \$20.00 to the facility. Admissions are based on museum/visitor center attendance estimated to be comprised of 70% adults and 30% children and average ticket prices of \$10.00 and \$7.00, respectively. Based on these assumptions, revenues associated with rent/admissions are estimated to generate approximately \$3.1 million per year.

Merchandise/Retail – Revenues generated from the sale of merchandise or retail items are based on the number of visitors and an estimated \$9.00 per capita spending. This amount is approximately 10% less gross revenues than generated at the Kentucky Horse Park during its FY 2004 operations. Merchandise/retail sales are estimated to generate approximately \$1.5 million per year at the proposed horse park.

Food/Beverage (Net) – It has not yet been decided whether the proposed horse park will contract with a third party for food/beverage operations or retain concessions/catering in-house. For purposes of this analysis, a net food/beverage amount is estimated. Consequently, the method of food/beverage operations is not required. Net revenues from concession sales are based on an estimated per capita amount of \$1.00 per attendee. This per capita estimate is applied to participants, spectators and general visitors to the proposed horse park.

In addition to concessions, catering comprises the food and beverage service provided to meeting, banquet and social events. Event catering is typically supplied by a contracted food service provider, and a percentage of the gross sales is paid to the horse park. Catering revenue from special events is estimated for 50 non-equine events with an estimated average attendance of 400. Per capita spending for these events is estimated at \$25.00 with the facility's net portion estimated to be 15%.

Based on these assumptions, net revenue associated with food/beverage sales is estimated to be approximately \$872,000 per year.

Fees – Revenues from the campground and those associated with Fasig-Tipton horse auctions combine to represent estimated fees. Campground revenue is based on the estimated equine event days, the proposed building program allowing for 60 pull-through camp sites, and estimated revenue per RV per day of \$20.00. Fasig-Tipton fees are estimated to be 1% of gross auction sales based on the company's current agreement at the Maryland State Fairgrounds and estimated gross sales of \$50 million, or \$500,000 in fees, per year at the proposed horse park. The addition of a sales pavilion to the proposed park is based on retaining Fasig-Tipton auctions in the State of Maryland and is a significant assumption related to the projected breakeven operation. Based on these assumptions, revenues generated by fees are estimated to be approximately \$768,000 per year.



Parking - It is assumed that there will be adequate on-site parking spaces controlled by the proposed park. For purposes of this analysis, the MSA and its advisors assumed parking would be charged to participants with an estimated three people per car and a daily \$5.00 per car charge. Parking fees are estimated to generate approximately \$283,000 per year.

Other Revenue - Other revenue consists of fees for such items as laundry facilities at the campground, photographs and pony/carriage rides as well as other miscellaneous revenue sources. Based on information provided by comparable facilities, other revenue is estimated to be approximately \$50,000 per year.

Operating Expenses

The estimated operating expenses for the proposed horse park in Maryland prepared by the MSA and its advisors are based on the hypothetical utilization shown previously, financial information from the Kentucky Horse Park and other profiled facilities as well as other information. The following table illustrates a more detailed breakdown of estimated operating expenses at the proposed horse park:

| Proposed Maryland Horse Park | Stabilized Year |
|-------------------------------------|------------------------|
| Operating Expenses | |
| Personnel Expense | \$3,409,000 |
| Gift Shop (Cost of Goods) | \$744,000 |
| Utilities | \$715,000 |
| Contract Services | \$755,000 |
| Repairs & Maintenance | \$440,000 |
| Materials & Supplies | \$300,000 |
| General & Administrative | \$150,000 |
| Site Rental | \$40,000 |
| Other | \$60,000 |
| Total | \$6,613,000 |

Note: Operating expenses exclude depreciation expense.
Source: MSA

Operating Expenses Assumptions:

Personnel Expense - Although the staffing requirements and subsequent salaries and wages can represent a significant expense, permanent full-time staffing plans can vary greatly. This variance in staffing levels is generally attributed to multiple factors. The first relates to the management philosophy of maintaining event-related personnel as full-time or part-time staff. The second factor relates to the management and physical relationship the facility might have to other public facilities. For example, if staffing can be shared by physically proximate venues. Finally, the last determinant of staffing requirements is the extent that contracted services are used.

As a point of reference, the Kentucky Horse Park has approximately 80 full-time equivalent (FTE) employees. The MSA and its advisors estimate that the proposed horse park will have approximately 70 employees. For purposes of this analysis, the MSA and its advisors estimate that salaries, wages and benefits associated with the proposed horse park’s staff will be approximately \$3.4 million per year.



Cost of Goods Sold – Cost of goods sold represent inventory for sale. Annual expenses associated with the proposed park’s gift shop operations are estimated to be approximately 10% less than that incurred by the Kentucky Horse Park during its FY 2004 operations or \$744,000.

Utilities - Utilities generally represents one of the highest expense items for public assembly facilities. As with personnel, utility expenses can be variable depending upon the level of utilization, type of facilities and climate. The MSA and its advisors estimate that expenses associated with utilities at the proposed park will be approximately 15% higher than the Kentucky Horse Park’s FY 2004 operations. Based on this assumption, expenses associated with utilities are estimated to be approximately \$715,000 per year. It should also be noted that actual utility expenses will depend on facility design and decisions concerning energy systems and management.

Contract Services – Contracted services represent a variety of professional services which may include legal, accounting, janitorial, trash removal, landscaping and/or advertising/marketing. The MSA and its advisors estimate that contract services at the proposed horse park will be approximately \$755,000 per year.

Repairs & Maintenance - This line item includes various expenses that will be incurred related to building, equipment and grounds maintenance and will vary based on utilization. Expense allocations for repair and maintenance are also highly dependent upon the owner/management philosophy relative to upkeep of the facility. For purposes of this analysis, the MSA and its advisors estimated that expenses associated with repair and maintenance of the proposed park will be approximately 10% higher than the Kentucky Horse Park’s FY 2004 operations. Expenses associated with repairs and maintenance are estimated to be approximately \$440,000 per year.

Materials & Supplies - This expense includes various materials and supplies necessary for the operation of the proposed new horse park such as electrical equipment, office and janitorial supplies. For purposes of this analysis, the MSA and its advisors estimated that materials and supplies expenses associated with the proposed park will be approximately the same as those incurred by the Kentucky Horse Park during its FY 2004 operations. Expenses associated with the purchase of materials and supplies are estimated to be approximately \$300,000 per year.

General & Administrative – This line item includes various general expenses used in the day-to-day management of the facility that may include travel, communications, technology, postage, membership dues, etc. For purposes of this analysis, the MSA and its advisors estimated that general and administrative expenses associated with the proposed park will be approximately the same as that incurred by the Kentucky Horse Park during its FY 2004 operations. General and administrative expenses are estimated to be approximately \$150,000 per year.



Site Rental – Based on preliminary information supplied to the MSA and its advisors, it is estimated that the proposed park will pay the U.S. Naval Academy \$40,000 per year for rental of the Naval Academy Dairy Farm site.

Other Expenses - Other expenses consist of miscellaneous goods and services including insurance for which the facility may be responsible outside that likely to be covered under the State's blanket policy. Based on Kentucky Horse Park FY 2004 operations, other expenses at the proposed Maryland horse park is estimated to be approximately \$60,000 per year.

Economic and Fiscal Impacts Analysis

As mentioned previously, the primary goals of the proposed horse park are to enhance the State of Maryland's tourism appeal as well as its rich history and tradition in the horse industry; promote business activities related to the horse industry; and encourage maintenance of open space. Anne Arundel County and the State of Maryland would benefit from operations of the proposed horse park in a number of ways, including such tangible and intangible benefits as:

- Enhancing the area's image as an entertainment destination by increasing its offering of visitor amenities;
- Receiving increased State, regional and national exposure given the populated location of the proposed horse park, the estimated event activity and anticipated sponsorship opportunities;
- Increasing the overall quality of life in the area by offering additional park and recreational space and tying into existing trail systems;
- Creating an attractive venue to host special events which are currently held outside the County (e.g. Anne Arundel County high school graduations); and
- Preserving open space;
- Promoting agriculture and equine related businesses;
- Generating additional economic activity in the area; and
- Generating fiscal revenues for local and State governments.

Each of these benefits is important in assessing the impacts that the proposed horse park may have on the Anne Arundel County area as well as the State of Maryland as a whole. Qualitative benefits such as those listed above are supported by industry representatives who indicated that the development of additional horse parks in a particular region can create synergies in terms of market demand, media attention and sponsorship opportunities as the overall region gains a reputation for being a hub of equine activity.

While the value of most of these benefits is difficult to measure, the economic activity generated in the region can be quantified. This analysis quantifies the direct and induced/indirect benefits associated with the proposed horse park at the local level as well as the associated tax revenues.

Methodology

An assessment of the economic benefits that could potentially accrue to Anne Arundel County and State of Maryland as a result of the proposed horse park can be approached in several ways. One approach, which is frequently used in the industry, considers the revenue side of a facility for documentation of the initial direct impacts to a community. In this approach, revenues generated by the facility and its attendees from sources such as rental/admissions, food/beverage, merchandise, parking and other sources are used as an initial measure of economic activity within the marketplace. Additionally, revenues associated with attendee spending outside the horse park on items such as lodging, transportation, food/beverage, retail and entertainment are also estimated. Once the amounts for both in-facility and out-of-facility direct spending are estimated, a multiplier is applied to generate the total (direct and induced) spending, earnings and



employment associated with the proposed horse park. This "multiplier" effect is estimated in this analysis using a regional economic forecasting model provided by the Minnesota IMPLAN Group, Inc.

The economic activity directly generated by the proposed horse park affects more than just the horse enthusiasts, the horse park and immediately surrounding restaurant, hotels, and businesses. As this money ripples through the economy, several other economic sectors are impacted and jobs are created. For example, when the concessionaire at the proposed horse park purchases food for the participants, everyone from the wholesaler to the farmer that produced the food is impacted. In addition, local and State government entities that tax these economic transactions are also impacted.

The specific aggregate industries used in this analysis are:

- Hotel/entertainment
- Eating and drinking places
- Retail trade
- Transportation
- Horse industry services
- Business services

The three categories of measurement used to assess the economic impact of an event are spending, earnings and employment, which are defined below:

Total spending (output) represents the total direct and induced spending effects generated by the facility. This calculation measures the total dollar change in spending (output) that occurs in the local economy for each dollar of output delivered to final demand.

Personal earnings represent the wages and salaries earned by employees of businesses associated with or impacted by the facility. In other words, the multiplier measures the total dollar change in earnings of households employed by the affected industries for each additional dollar of output delivered to final demand.

Employment represents the number of full and part-time jobs supported by the proposed horse park. The employment multiplier measures the total change in the number of jobs supported in the local economy for each additional \$1.0 million of output delivered to final demand.

As part of this analysis, fiscal benefits or tax revenue impacts that might result from on-going operations of the proposed horse park are also estimated. The governmental entities considered in this fiscal analysis are the City of Annapolis, Anne Arundel County and the State of Maryland. Revenues estimated from admissions and amusements tax, hotel/motel tax, personal income tax, sales and use tax, as well as corporate income tax are estimated. All amounts depicted in this report are presented in constant (2005) dollars unless otherwise noted.



Summary of Estimated Economic Impacts

The summary of estimated economic benefits from the proposed horse park is presented in the following table.

| Estimated Annual Economic Benefits | <i>Anne Arundel County</i> | <i>State of Maryland</i> |
|---|--------------------------------|------------------------------|
| Spending | | |
| Direct Spending | \$66,649,000 | \$70,450,000 |
| Induced/Indirect Spending | \$37,673,000 | \$52,058,000 |
| Total Spending | \$104,322,000 | \$122,508,000 |
| Total Earnings | \$41,089,000 | \$47,482,000 |
| Total Employment (number of FTEs jobs) | 1,570 | 1,900 |

Note: State amounts include local amounts.

The estimated economic impacts from the proposed horse park are described below in terms of direct and induced/indirect spending, employment and earnings.

Direct Spending - The first step in calculating economic impact is estimating the direct spending. For purposes of this analysis, direct spending relates to revenues generated from activity at the proposed new horse park as well as attendee spending outside the facility.

Gross Revenues for the Proposed Horse Park – Based on information provided by the MSA and its advisors, including operations at similar facilities, gross facility revenues for the proposed new horse park on items such as rent/admissions, merchandise/retail, food and beverage, parking, event services and other revenues are estimated to be approximately \$6.6 million.

Attendee Spending Outside the Proposed Horse Park - This category attempts to reflect the spending patterns for attendees outside of the proposed horse park on items such as lodging, food/beverage, retail, entertainment and transportation. The table below summarizes the estimated attendance at the proposed horse park.

| Event Type | Attendee Days |
|---------------------------|----------------------|
| Equine | 479,600 |
| Non-Equine/Special Events | 120,750 |
| Visitors Center/Museum | 170,000 |
| RV Park | 27,000 |
| Total | 797,350 |



Equine attendees are grouped into participant days and spectator days. Based on the estimated mix of local/State and regional/national event business, attendees are categorized as either high impact, defined as those generating hotel room nights, or low impact and are assigned different spending amounts.

Based on survey results, average spending per night on lodging was \$90. Assuming an average party size of 1.5 people per room, hotel spending per person per day approximates \$60. Survey results also indicated an average of \$40 per person per day on such items as food, beverage and retail. Thus, it is estimated that all overnight visitors (spectators or participants) spend \$100 per day. Non-overnight visitors are estimated to spend only the \$40 on food, beverage and retail. Based on survey responses, overnight participants are also estimated to spend approximately \$170 per event on horse related supplies and services outside the park.

The table below summarizes the number of attendee days by major activity.

| Major Activity | Attendee Days |
|--------------------------------|----------------------|
| Equine Events | |
| Participant Days (Low Impact) | 32,000 |
| Participant Days (High Impact) | 179,700 |
| Spectator Days (Low Impact) | 104,000 |
| Spectator Days (High Impact) | 164,000 |
| Non-Equine Events | |
| Low Impact | 92,400 |
| High Impact | 28,400 |
| Visitors Center/Museum | |
| Low Impact | 17,000 |
| High Impact | 153,000 |
| Campers | |
| Low Impact | 27,000 |
| Total Attendees | 797,500 |

Note: Due to rounding, total does not equate to table shown on previous page.

Spending amounts and the allocation of spending among categories including hotel, restaurant, entertainment/retail, transportation, horse industry services and business services are based on various research including information from profiled horse parks, results from the horse industry survey, as well as other studies conducted for Anne Arundel County and the State of Maryland. Based on these and other assumptions, direct event attendee spending outside of the proposed horse park is estimated to be approximately \$63.8 million in the State, of which approximately \$60.0 million is estimated to occur in Anne Arundel County.

Based on this information, the direct spending associated with the proposed horse park is estimated to be nearly \$70.5 million at the State level, of which approximately \$66.6 million is estimated to be generated in Anne Arundel County. As a final step, each of the direct spending estimates are assigned to a logical category to be used as inputs into the regional economic multiplier model.



Induced/Indirect Spending – The economic activity generated by the proposed horse park affects the broader economy. In preparation of new spending in the economy, several other economic sectors are impacted and jobs are created. It is a common misconception to assume that the induced spending occurs subsequent to the purchase of the good as an “after effect.” To further illustrate this point, consider that raw materials are purchased, labor is hired, goods are produced, transported and marketed to retailers before the attendee spending takes place. To yield direct spending, several intermediary levels of spending must occur first.

In an effort to quantify the inputs needed to produce the direct output, economists have developed multiplier models. This “multiplier” effect is estimated in this analysis using a regional economic forecasting model provided by Minnesota IMPLAN Group, Inc., a private economic modeling company. One of the major advantages of this type of model is that it is sensitive to both location and type of spending, and has the ability to provide induced/indirect spending, employment and earnings information by industry category based on direct spending inputs. The direct spending amounts estimated for the proposed horse park are applied to the multipliers in order to calculate estimates of total spending, earnings and employment (jobs), which are summarized in the following paragraphs.

Total Spending – Outputs from the model indicate that annual total (direct, induced and indirect) spending from operations of the proposed horse park are estimated at \$122.5 million to the State, of which approximately \$104.3 million is anticipated to be generated in Anne Arundel County. Therefore, it is estimated that the direct spending related to the proposed horse park induced an additional \$52.1 million in economic activity in the State and \$37.7 million in the County.

Earnings – Earnings estimates indicate that the average annual salary for jobs supported by the proposed horse park’s activity is approximately \$26,200 at the County level and approximately \$25,000 at the State level. Total earnings equate to approximately \$47.5 million in the State, of which approximately \$41.1 million is estimated to be generated within the County.

Employment – It is estimated that a total of 1,900 jobs would be supported at the State level as a result of the proposed horse park’s operations. Approximately 83% of these jobs are estimated to be created within Anne Arundel County. These jobs would be created in many sectors of the economy, which would both directly and indirectly support the increased level of business activity in the area.



Summary of Estimated Fiscal Impacts

The estimated fiscal impacts generated from activity at the proposed horse park are described below.

| Estimated Annual Fiscal Benefits | <i>City of Annapolis</i> | <i>Anne Arundel County</i> | <i>State of Maryland</i> | Total Fiscal Impacts |
|---|--------------------------|----------------------------|--------------------------|-----------------------------|
| Admissions and Amusements Tax | | | | |
| Inside the Horse Park | n/a | \$56,000 | \$222,000 | \$278,000 |
| Outside the Horse Park | \$12,000 | \$104,000 | n/a | \$116,000 |
| Hotel/Motel Tax | \$167,000 | \$1,502,000 | n/a | \$1,669,000 |
| Personal Income Tax | n/a | \$631,000 | \$1,353,000 | \$1,984,000 |
| Sales and Use Tax | n/a | n/a | \$5,052,000 | \$5,052,000 |
| Corporate Income Tax | n/a | n/a | \$245,000 | \$245,000 |
| GRAND TOTAL | \$179,000 | \$2,293,000 | \$6,872,000 | \$9,344,000 |

Note: n/a denotes not applicable.

Admissions and Amusements Tax - The admissions and amusements tax is a local tax collected by the State Comptroller's Office for local municipalities. Both the City of Annapolis and Anne Arundel County apply a 10% tax to the admission or amusement cost for activities such as boating trips, movies, athletic events, concerts and golf. According to the statute, if sales tax is also applicable, then a maximum combined rate of 10% can be assessed. The estimated fiscal benefits of the proposed horse park generated by the admissions and amusements tax are approximately \$394,000 annually. Revenues collected from establishments located in the City go to the City's general fund while those collected at County establishments go to the County's general fund. For purposes of this analysis, the MSA estimates that 8 points of the admissions and amusements tax revenues from activities inside the park will be dedicated to the proposed horse park while the remainder will go to the respective local governmental entity. Based on FY 2005 collections, approximately 10% of the \$116,000 estimated to be generated outside the horse park is estimated to benefit the City of Annapolis while the remainder would benefit the County.

Hotel/Motel Tax – The City of Annapolis and Anne Arundel County each tax the furnishings of lodging within their jurisdictions. The hotel/motel tax is levied in addition to State sales tax. The current hotel/motel tax rate in the City and County is 7.0%. This rate is applied to 100% of the estimated County-level direct hotel spending. The fiscal benefits generated by this tax are estimated to be approximately \$1.7 million annually. According to CVB officials, the City represents approximately 10% of the hotel supply in the overall County. As such, Annapolis would benefit from horse park operations with approximately \$167,000 in hotel/motel tax revenue annually.

According to City of Annapolis finance officials, all hotel/motel tax revenues go to the City's general fund. County finance officials indicated that 7% of hotel/motel tax collections is dedicated to CVB operations and 7% is dedicated to the Annapolis/Anne Arundel County Economic Development Corporation. The balance of collections generated by the County's hotel/motel tax goes to the County's general fund.



Personal Income Tax – The State of Maryland imposes a personal income tax which is assessed against personal income earned in the State. The State income tax is based on a graduated scale of adjusted gross income and represents the State’s largest single source of general fund revenue. For purposes of this analysis, a 4.75% tax rate is applied to 60% of State level earnings. Based on this analysis, the estimated revenues generated by this tax would be approximately \$1.4 million annually. In addition, Anne Arundel County imposes its own personal income tax at a rate of 2.56%. This tax rate is applied to 60% of County level earnings and is estimated to generate approximately \$631,000 annually within the County.

Sales and Use Tax – The State of Maryland collects a sales and use tax from sales and leases of tangible personal property and services throughout the State. Sales and use tax is uniform throughout the State at 5%. This tax source is the State’s second largest source of general fund revenue. Applied to total taxable revenue estimated to be generated by the proposed horse park, sales and use tax is estimated at approximately \$5.1 million annually.

Corporate Income Tax – The State of Maryland imposes a 7% tax on a corporation’s net income apportioned and allocated to the State. Based on data from the State of Maryland Comptroller’s office, the total tax liability for the State was approximately 0.2% of Maryland’s Gross State Product, a measure of total output in the economy. For purposes of this analysis, the 0.2% effective tax rate is applied to 100% of estimated total State level spending. Based on these assumptions, this tax is estimated to generate approximately \$245,000 annually.

In addition to those sources outlined above, local governments could potentially benefit from increased property values due to the proposed park’s development, according to studies provided by the National Association of Realtors. One such study titled *The Impact of Parks and Open Space on Property Values and the Property Tax Base* by John L. Crompton cited empirical support for increased values of properties proximate to large state parks and open space in rural areas. The study suggests that a positive impact of up to 20% on property values abutting or fronting a facility (up to 2,000 feet) such as the proposed horse park may be possible. This would be dependent on a variety of factors, however, including the park’s size, use, how well it is maintained, visibility, traffic and privacy of adjacent properties.

The rural studies cited also refuted the idea that creating large state parks results in a net reduction in the value of an area’s tax base. Several studies were cited showing that the public costs associated with new residential development actually exceed the tax revenues they generate due to the level of services required by residents. Parks and open spaces, in contrast, require fewer services and thus can potentially generate a positive property value impact for some communities, according to the Crompton study. While all land uses are important for viable communities, development of parks and open space has also been shown to be relevant to fiscal planning.

Annual State and local taxes generated by the proposed horse park’s operations are estimated to total approximately \$9.3 million. These are assumed to be net new tax revenues based on the MSA’s survey of potential users and market research associated with Maryland equine venues as well as comparable horse parks. Attracting direct spending to the local community can generate a variety of other benefits not quantified here including various ripple effects such as enhanced property values.