

Section 20: Economic Impact and Performance

The following section provides an overview of the anticipated economic performance associated with the implementation of the SMHA Heritage Tourism Management Plan. Economic performance includes increased private investment in heritage tourism facilities, related job creation, building restoration or rehabilitation, and expanded business activity related to the implementation of Management Plan projects and strategies. The indicators addressed herein include the number of visitations to the region, which includes direct visitor spending (sales) and the impact of these expenditures in the region and the state, for example employment, income tax receipts, and sales tax receipts.

This evaluation of economic impact and performance is a preliminary first-cut analysis that demonstrates the significant economic benefit to the region and the state of pursuing the development of a regional heritage tourism attraction in the Southern Maryland Heritage Area. It should be refined as better data concerning visitations to the region becomes available. Better data will result from implementation of the marketing strategies discussed earlier in this Plan, including development of a coordinated marketing program among the key attractions in and around the region, and use of information gathering techniques to assist in targeting markets.

The anticipated economic performance of SMHA is illustrated in two comparative tables. Table 1 is an illustration of the anticipated economic performance of Southern Maryland without the implementation of the SMHA Heritage Tourism Management Plan. Table 2 illustrates the anticipated economic performance of Southern Maryland with the implementation of the SMHA Heritage Tourism Management Plan. Table 3 illustrates the difference in impact anticipated as a result of Plan implementation.

The analysis of several factors has been taken into account to derive the projected impact of visitation to Southern Maryland both with and without the implementation of the Management Plan. These factors are discussed below.

Number of Visitations

The basis for assumptions for the analysis of the number of visitations to the region includes the following items.

- According to the Maryland Office of Tourism Development's FY 2002 Annual Report, a total of 644,268 person trips were made to Calvert, Charles and St. Mary's Counties during 2001, an increase of 36.4% over 2000. FY 2001 Travel Trends for Southern Maryland indicated that 472,269 person trips were made in 2000, a reduction of -6.2 percent from person trips in 1999.

- In both Table 1 and Table 2, the 644,268 figure was used as the basis from which projected Year 1 visitation totals were derived. Table 1, which projects economic performance without implementation of the Management Plan, projects a 2 percent increase in visitation for Years 1, 2, and 3, and a 3 percent increase for Years 4 and 5. Table 2 projects that, with the implementation of the Management Plan, visitation will increase 5 percent in Year 1 and 2, 8 percent in Year 3, and 10 percent in Year 4 and 5. These assumptions are based on the anticipation that the implementation of the Management Plan, including the addition of new interpretative facilities and exhibits, trails, visitor services, improvements to existing interpretative facilities, and more effective and targeted marketing programs and promotion, should result in a higher increase in visitation. With the implementation of the Management Plan, it is projected that an additional 485,281 visitors will visit SMHA than would have without the implementation of the Plan.
- The FY 2002 report indicates that the average household travel party size for this period was 1.9 persons, a decrease from 2.0 persons reported in FY 2001, and the average trip duration was 3.2 days, an increase of .4 days from the 2.8-day average trip duration reported in FY 2001.

Note: Both Table 1 and Table 2 conservatively estimate no increase in average household travel party size or trip duration during the five-year period.

The State's current tourism product development initiatives, including Civil War trails, a proposed Star-Spangled Banner Trail/War of 1812 trail, and Potomac River Heritage Trails, will significantly increase the promotion of areas that played a large role in the history of war and conflict in Maryland, and bode well for marketing and funding of both colonial and war and conflict-related interpretive sites and activities in SMHA, and should further increase visits to the region. Even so, the annual growth projections show modest increases over the base.

During the course of SMHA's first five years of operation, with implementation of the Management Plan, overall growth in annual visits (186,951 people) will be approximately 29% of the first year's estimate. Given the number and variety of attractions, the size of SMHA, and the fact that the current level of visitation (which is highly seasonal in nature) is not perceived as over-development of the industry, nor as a danger to the resources, projected growth should not threaten over use of resources or disrupt the existing quality of life.

Visitor Spending Impacts

The economic performance analysis looks at the direct and indirect impacts of visitor spending in the region, with projections for regional economic performance with and without the implementation of the SMHA Heritage Tourism Management Plan. Direct visitor spending is based on the data obtained from the Maryland Office of Tourism Development, and includes expenditures on food, lodging, entertainment and recreation, transportation (auto and public),

retail goods, and travel planning. The analysis also considers additional potential income to the SMHA and the interpretive entities that are Heritage Area partners based on the sales of SMHA merchandise at interpretive facilities and special events. Finally, the analysis includes an evaluation of other economic benefits including private investment, job creation, building restoration or rehabilitation, and expanded business activity related to the implementation of the Management Plan strategies.

New visitors will mean higher demand on services, including accommodations, dining, shopping, and infrastructure. Based on current visitor profile information, it is anticipated that demand will increase in the areas of recreation services and facilities, water activities, nature tourism and visiting museums and historic sites. An increase in visitors also will generate an increase in demand for accommodations, which will support development of additional hotel and bed and breakfast facilities. The higher demand on services and for facilities will generate increased employment opportunities within the region, and spur private investment in new facilities and additional investment in existing facilities. Many of the proposed SMHA program activities will add to the favorable climate for private investment and will provide incentives to encourage the development of new facilities, particularly the adaptive re-use of historic structures located in the Target Investment Zones (TIZs).

The steps for calculating per household trip expenditures are based on available data derived from Southern Maryland travel trends and are as follows:

1. Calculate the number of new visitors projected;
2. Divide the number of projected visitors by the average household travel party size (1.9 for 2001; this figure is used for each of years 1-5) to determine the number of household traveling parties;
3. Multiply the number of household traveling parties by the average household trip expenditures (\$360 for 2001, which included basic travel expenses such as food, lodging, entertainment and recreation, transportation (auto and public), retail goods, and travel planning).

Note: The \$360 figure was used as the baseline average per household trip expenditure in both Table 1 and Table 2. In Table 1, average per household trip expenditures are not projected to increase and thus remain at \$360 per household for the five-year period. In Table 2, the \$360 baseline figure is increased to reflect projected sales of new Heritage Area “Everything Southern Maryland” merchandise. The increase is based on the conservative assumption that each year, 10 percent of the households visiting the Heritage Area, in addition to the projected \$360 baseline expenditure, will purchase an “Everything Southern Maryland” product, and that the average sale will be \$10.00.

To calculate indirect impact, regional and state multipliers were used to determine the ripple effects of visitor spending on both the local and state economy. These effects include employee

income (which increases spending in the local economy), new jobs, and tax revenues. The ‘multiplier’ effect is calculated by multiplying the estimates of total expenditures by the regional or state multiplier obtained from the Maryland Tourism Economic Impact Model.

Additional growth in employment as a result of the implementation of the Management Plan is another anticipated economic impact. The Maryland Department of Labor and Licensing Review reported in 2001 that Charles County Leisure and Hospitality employees totaled 4,822, Calvert County Leisure and Hospitality employees totaled 2,424, and St. Mary’s County Leisure and Hospitality employees totaled 2,754. According to the Maryland Office of Tourism Development, every \$80,350 spent by domestic travelers in Maryland generated one job in 2001. In Tables 1 and 2, this formula was used to project Employment Growth in Years 1-5. Projected employment growth by the end of Year 5 in Table 1, without implementation of the Management Plan, totals 6,593 jobs. Projected employment growth by the end of Year 5 in Table 2, with implementation of the Management Plan, totals 7,706 jobs, a projected increase of 1,113 jobs as a result of Plan implementation.

TABLE 1
Estimated Economic Performance for Southern Maryland
without Implementing SMHA Heritage Tourism Management Plan

	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	5 Yr Total
Visitor Expenditures						
Visitors	657,153	670,296	683,702	704,213	725,339	3,440,704
Increase Factor	2%	2%	2%	3%	3%	
Avg. Per HH Trip Expenditure	\$124,513,200	\$127,003,464	\$129,543,533	\$133,429,839	\$137,432,734	\$651,922,771
TOTAL Visitor Expenditures	\$124,513,200	\$127,003,464	\$129,543,533	\$133,429,839	\$137,432,734	\$651,922,771
Indirect Impact						
- Region (2.64 Multiplier)	\$328,714,848	\$335,289,145	\$341,994,928	\$352,254,776	\$362,822,419	\$1,721,076,115
- State (3.14 Multiplier)	\$389,726,316	\$397,520,842	\$405,471,259	\$417,635,397	\$430,164,459	\$2,040,518,273
TOTAL Indirect Impact	\$718,441,164	\$732,809,987	\$747,466,187	\$769,890,173	\$792,986,878	\$3,761,594,389
Employment Growth (Regional)	11,550	13,137	14,756	16,424	18,142	6,593
TOTAL Impact	\$842,954,364	\$859,813,451	\$877,009,720	\$903,320,012	\$930,419,612	\$4,413,517,160

TABLE 2
Estimated Economic Performance for Southern Maryland
with Implementation of the SMHA Heritage Tourism Management Plan

	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	5 Yr Total
Visitor Expenditures						
Visitors	676,481	710,305	767,129	843,842	928,227	3,925,985
Increase Factor	5%	5%	8%	10%	10%	
Avg. Per HH Trip Expenditure	\$128,335,567	\$134,752,345	\$145,532,532	\$160,085,786	\$176,094,364	\$744,800,594
TOTAL Visitor Expenditures	\$128,335,567	\$134,752,345	\$145,532,532	\$160,085,786	\$176,094,364	\$744,800,594
Indirect Impact						
- Region (2.64 Multiplier)	\$322,672,472	\$338,805,896	\$355,746,165	\$373,533,849	\$392,210,517	\$1,782,968,899
- State (3.14 Multiplier)	\$383,784,683	\$402,973,679	\$423,122,333	\$444,278,897	\$466,492,812	\$2,120,652,404
TOTAL Indirect Impact	\$706,457,155	\$741,779,575	\$778,868,498	\$817,812,746	\$858,703,329	\$3,903,621,303
Employment Growth (Regional)	11,597	13,282	15,101	17,102	19,303	7,706
TOTAL Impact	\$834,792,722	\$876,531,920	\$924,401,030	\$977,898,532	\$1,034,797,693	\$4,648,421,897

TABLE 3
Comparison of Economic Impact with and without Plan Implementation - Five-Year Totals

	Without Implementation	With Implementation	SMHA Heritage Tourism Management Plan Impact
Total Visitors	3,440,704	3,925,985	485,281 Visitors
Total Visitor Expenditures	\$651,922,771	\$744,800,594	\$92,877,823 Visitor Spending
Indirect Impact - Regional	\$1,721,076,115	\$1,782,968,899	\$61,892,784 Indirect Impact on Regional Economy
Indirect Impact - State	\$2,040,518,273	\$2,120,652,404	\$80,134,131 Indirect Impact on State Economy
Total Employment Growth	6,593	7,706	1,113 Jobs

Additional Potential Sources of Income

A survey of Southern Maryland tourism organizations indicated that 231,570 people attended special events and festivals in Calvert, Charles, and St. Mary’s Counties during 2001. The proposed project to promote the sale of “Everything Southern Maryland” merchandise in the Heritage Area includes selling “Everything Southern Maryland” merchandise at special events and festivals. In Table 3, three revenues scenarios are illustrated for projected average per person purchase amounts: \$5.00, \$10.00, and \$20.00. Attendance figures are based on a starting figure of 231,570 (2001 attendance), and increase at the same rate projected in Table 2: 5 percent in Years 1 and 2, 8 percent in Year 3, and 10 percent in Years 4 and 5. The table conservatively estimates that 5% of attendees at special events and festivals will purchase SMHA merchandise.

TABLE 20-4
Projected Revenues from Sale of SMHA Merchandise at Special Events & Festivals

YEAR	Average Per Person Purchase \$5.00	Average Per Person Purchase \$10.00	Average Per Person Purchase \$20.00
Year 1	\$60,787	\$121,575	\$243,148
Year 2	\$63,827	\$127,653	\$255,306
Year 3	\$68,933	\$137,865	\$275,730
Year 4	\$75,826	\$151,652	\$303,303
Year 5	\$83,408	\$166,817	\$333,633
Total Projected Revenues	\$352,780	\$705,561	\$1,411,120

Summary

As summarized in the tables above, implementation of the Heritage Tourism Management Plan is projected to have a significant positive economic impact in Southern Maryland and the State of Maryland. Additional new visitors anticipated as a result of the implementation of the SMHA Heritage Tourism Management Plan are expected to number 186,951 over the five-year start-up period. New visitor expenditures as a result of the Plan's implementation are projected to be \$92,877,823 over the five-year period. These sales in turn are projected to generate an additional \$61,892,784 in the regional economy and an additional \$80,134,131 statewide.

Implementation of the Plan is also expected to result in the creation of 1,113 new jobs in the region. Included in regional and state "ripple effect" (multipliers) are estimates of county and state income tax revenues, which are expected to increase over the five-year period by \$777,904 and \$1,194,640, respectively, as a result of growth of employment, income, and tax revenues with implementation of the Plan. Sales of SMHA "Everything Southern Maryland" merchandise have the potential to bring an increase of between approximately \$350,000 and \$1.4 million in additional revenues to the Heritage Area as well, demonstrating that there is the potential for a substantial return on the investment being requested of the MHAA.

Performance Indicators

The Southern Maryland Heritage Area Consortium will use a number of indicators to measure the level of performance of the Heritage over time. In Table 5 these indicators, or performance measures, are shown together with the sources that will provide and compile data, the MHAA performance goal that is measured by each indicator, and the data reporting cycle of each indicator. 2000/FY2001 indicators are also provided in the table to be used as baseline performance measures.

**TABLE 20-5
SOUTHERN MARYLAND HERITAGE AREA
PERFORMANCE MEASURES – BASELINE STATISTICS 2000/FY 2001**

PERFORMANCE MEASURES	ENTIRE CHA	GOALS*	DATA SOURCE	COMPILER	REPORTING CYCLE TO MHAA
Employment					
Total Number of Jobs (2000)		2, 6	DLLR	DHCD	ANNUAL BY MONTH
Calvert	25,900				
Charles	50,100				
St. Mary's	49,600				
TOTAL	125,600				
Accommodations					
Hotel/Motel Tax Collected (FY 2001)		2, 5	MD COMPT	DHCD	ANNUAL BY MONTH
Calvert (n/a)					
Charles (5%)	\$638,054				
St. Mary's (5%)	\$301,441				
TOTAL	\$939,495				
Length of Stay (DAYS)	2.8	2, 5	SURVEY	MNGMNT ENTITY	ANNUAL BY MONTH
Visitation					
Admission and Amusement Tax Collected (FY 2001)		2	MD COMPT	DHCD	ANNUAL BY MONTH
Calvert (1%)	\$76,594				
Charles (10%)	\$748,473				
St. Mary's (2%)	\$85,340				
TOTAL	\$910,407				
Total Museum Visits (2000)	241,638	4	SURVEY	MNGMNT ENTITY	ANNUAL BY MONTH
Total Visits - other relevant anchor attractions (2000)	1,129,877	2	SURVEY	MNGMNT ENTITY	ANNUAL BY MONTH
Purchases					
Restaurant Meals	HA, TZ	2	MD COMPT	DHCD	ANNUAL BY MONTH
Calvert	\$53,288,340				
Charles					
St. Mary's					
TOTAL					
Retail Sales (FY01)**		2	MD COMPT	DHCD	ANNUAL BY MONTH
Calvert	\$621,093,000				
Charles	\$1,762,411,000				
St. Mary's	\$859,856,000				
TOTAL	\$3,243,360,000				
Total Tourism Expenditures (FY 2001)					
Calvert	\$49,560,000				
Charles	\$64,640,000				
St. Mary's	\$31,330,000				
TOTAL	\$145,530,000				
TOTAL PURCHASES	\$3,388,890,000				

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SOUTHERN MARYLAND HERITAGE AREA
PERFORMANCE MEASURES – BASELINE STATISTICS 2000/FY 2001**

PERFORMANCE MEASURES	ENTIRE CHA	GOALS*	DATA SOURCE	COMPILER	REPORTING CYCLE TO MHAA
Construction Activity					
Building Permits Issued (2000)	3,327	1, 2, 6	LOCAL GOVT	MNGMNT ENTITY	ANNUAL BY MONTH
Calvert	931				
Charles	1,233				
St. Mary's	1,163				
Total Construction Expenditure (Value) (2000)	\$364,534,340	2	LOCAL GOVT	MNGMNT ENTITY	ANNUAL BY MONTH
Calvert	\$129,962,443				
Charles	\$174,042,352				
St. Mary's	\$60,529,545				
Certified Rehab Completed	HA, TZ	1, 2, 6	DHCD	DHCD	ANNUAL BY MONTH
Total Certified Rehab Expenditures	HA, TZ	2	DHCD	DHCD	ANNUAL BY MONTH
Business Creation					
Businesses Created	HA, TZ	2, 6	DLLR	DHCD	ANNUAL BY MONTH
Interpretation					
New or Improved Exhibits	HA	1, 4	SURVEY	MNGMNT ENTITY	ANNUAL BY MONTH
Protections					
Listed Structures	HA	3	SURVEY	MNGMNT ENTITY	ANNUAL
Protected Open Space (Acres)	123,076	3	SURVEY	MNGMNT ENTITY	ANNUAL
Calvert	41,588				
Charles	50,900				
St. Mary's	30,588				
	123,076				

***GOALS OF THE MARYLAND HERITAGE PRESERVATION AND TOURISM AREAS PROGRAM**

1. To enhance the visitor appeal and enjoyment of the state's history, culture, natural environment, and scenic beauty by enhancing the overall "product"-- the visitor experience.
2. To increase the economic activity associated with tourism, creating opportunities for small business development, job growth, and a stronger tax base.
3. To encourage preservation and adaptive re-use of historic buildings, conservation of natural areas important to the state's character and environment, and the continuity and authenticity of cultural arts, heritage attractions and traditions indigenous to the region.
4. To enable Marylanders and visitors alike to have greater access to and understanding of the history and traditional cultures of the state and to understand the important events that took place here.
5. To foster linkages among and between heritage attractions that encourage visitors to explore, linger, and sample the diverse offerings of the state's distinctive regions.
6. To balance the impact of tourism activity with the quality of life enjoyed by residents.
7. To accomplish these goals via partnerships among local and regional leaders, non-profit organizations, businesses, and state agencies.

**Retail Sales Totals Source: Sales & Marketing Management Magazine Annual Survey of Buying Power, Calvert County State of the Economy 2002.