



REAL PROPERTY **RESEARCH** GROUP

WASHINGTON/BALTIMORE ■ ATLANTA

Fiscal Impact Analysis

105-113 West Main Street

Frederick, Maryland

Prepared for:

Jabez Properties

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I. OVERVIEW

A. Assignment

Real Property Research Group, Inc. (RPRG) has been engaged to complete a fiscal impact analysis of a proposed mixed-use development in New Market, Maryland. The analysis will derive assumptions regarding potential additions of households and jobs and apply these assumptions to estimate the potential impact on the revenue and expenses for the Town of New Market. As this analysis is conducted independent of an economic impact analysis, only the direct impacts will be estimated, while it is acknowledged that these impacts represent only a portion of the overall economic and fiscal impact generated by the proposed development.

B. Project Description and Assumptions

According to documents provided to RPRG, the development will include 27 townhouse dwelling units, 1,540 square feet of small office use, a 4,105-square-foot restaurant, and 3,270 square feet of general commercial space. Specific users are not known at this time. The subject development is located at 105-113 Main Street in the town of New Market, an emerging exurban town east of the city of Frederick in Frederick County.

RPRG assumes an average townhome price of \$400,000, an average household size of 2.8 persons, and an average annual household income of the proposed townhomes of \$120,700. The combined proposed commercial space is estimated to add 36.3 new jobs (FTE)ⁱ, though this estimate does not include indirect or induced jobs generated by the economic impact of these businesses. The combined subject development is estimated to generate up to 100 temporary jobs during the construction period of the mixed-use development.

C. Report Limitations

The conclusions reached in a community impact analysis are inherently subjective and there can be no assurance that the estimates made or assumptions employed in preparing this report will in fact be realized or that other methods or assumptions might not be appropriate. The analyst relied on statements of the project sponsor and other third parties with respect to the subject project. RPRG made no attempt to verify the truthfulness or accuracy of such statements. The conclusions expressed in this report are as of the date of this report, and an analysis conducted as of another date may require different conclusions. The actual results achieved will depend on a variety of factors including the performance of management, the impact of changes in general and local economic conditions, and the absence of material changes in the regulatory or competitive environment. Reference is made to the statement of Underlying Assumptions and Limiting Conditions attached as Appendix I and incorporated in this report.

II. FISCAL IMPACTS

A. Methodology

The direct economic impacts, or contributions, of the development and operations of the new 103-113 Main Street mixed-use development will contribute to the finances of the relevant taxing jurisdiction, the Town of New Market. The economic impact assumptions outlined previously, namely the addition of 100 construction jobs, 27 households, and 36.3 FTE jobs, will be applied to the estimate of fiscal impact. We note that these estimates are understated as they do not include potential indirect or induced economic impacts. The fiscal impact analysis involves estimating the extent to which the subject project will affect local government revenues and expenditures. The analysis includes estimating payments made between the project and the local government, such as property taxes or operational subsidies. In addition, the analysis estimates any tax revenue, such as income or sales taxes, which can be applied to the economic impact assumptions. The final piece of the fiscal impact analysis estimates the impact of the project on miscellaneous revenue and expenditures of local government, such as parking violations and excise taxes, which cannot be directly attributed to the project, but are assumed to be affected by the economic activity supported by the project.

RPRG reviewed the most recent FY 2021 budget for the Town of New Market to identify the sources of revenue and uses of expenditures. Much of the Town's budget is funded through a combination of property taxes, charges for services, sales taxes, service and permit fees, as well as intergovernmental grant funding. Local taxes are the largest source of revenue for the Town, accounting for 67 percent of the town's revenue. The revenues and expenditures for the taxing jurisdiction is illustrated in Table 1.

A fundamental assumption of this analysis is that demand for government services (and government revenue sources) have constant returns to scale. This means that if the quantities of units of government demand (such as the number of residents or the number of businesses) changes, government revenue and expenditures will change on a pro-rata basis. To estimate this, government revenues and expenditures are attributed to residents or to residents and businesses. The Town's budget does not itemize revenues in a manner allowing for allocation to residents or businesses. However, when possible, resident-based expenditures are estimated and attributed to residents only. Expenditures such as general government and public safety, were attributed to both residents and businesses as each group consumes these services, while also applying national average benchmark ratios provided by IMPLANⁱⁱ.

Of the Town of New Market' \$827,250 of budgeted general fund revenue, \$261,219, or 32 percent, is attributed to resident consumers of services, and \$509,917, or 62 percent of general fund revenue is attributed to the base of resident and non-resident/business consumers of service (Table 1). A similar analysis was completed for budgeted expenditures with 69 percent of budgeted expenditures attributed to both residents and businesses and 31 percent attributed to only residents (Table 2).

Table 1 Budgeted Revenues, Town of New Market

BUDGETED REVENUE	Total Budget	Attributable to:	
		Residents & Business	Residents Only
Town of New Market Adopted Budget FY2021- General Fund			
Grants	\$56,114	\$56,114	\$0
Intergovernmental	\$123,733	\$98,986	\$24,747
Licenses & Permits	\$14,700	\$8,379	\$6,321
Local Taxes	\$555,616	\$329,434	\$226,182
Miscellaneous Revenue	\$11,509	\$11,509	\$0
Service Charges	\$9,450	\$5,481	\$3,969
State Shared Taxes	\$56,128	\$56,128	\$0
Total Town of New Market General Fund Revenue	\$827,250	\$566,031	\$261,219

Source: Town of New Market Adopted Budget FY2021- General Fund

Table 2 Budgeted Expenditures, Town of New Market

BUDGETED EXPENDITURES	Total Budget	Attributable to:	
		Residents & Business	Residents Only
Town of New Market Adopted Budget FY2021- General Fund			
General Administration	\$309,510	\$207,372	\$102,138
Public Works & Services	\$191,831	\$128,527	\$63,304
Public Safety	\$6,500	\$2,169	\$4,331
Recreation & Culture	\$7,527	\$2,512	\$5,015
Grants & Agencies	\$44,200	\$44,200	\$0
Total Town Expenditures	\$559,568	\$384,780	\$174,788

Source: Town of New Market Adopted Budget FY2021 - General Fund

RPRG used population estimates provided by the Town of New Market and data on industry employment from Esriⁱⁱⁱ to compute the base number of demand units for both residents and residents/businesses of each jurisdiction. As a proxy for businesses and business activity, RPRG utilized total At-Place Employment in the Town of New Market.

The Town of New Market's estimated 2021 population is 1,528. Esri data estimates total employment in New Market as of 2020 was 538 (Table 3). To avoid double counting, the number of town residents that also work in the respective jurisdiction was subtracted to compute a total resident and job base of 1,948 in the Town of New Market. Revenue per unit of government demand is computed in Table 4 and expenditures per unit are computed in Table 5. The revenue per unit was computed for each incremental job and resident. The incremental revenue per job was computed with property taxes.

Table 3 Units of Government Demand

	Town of New Market
2021 Estimated Population	1,528
2021 Estimated Employment	504
Estimated % of Resident Workers	16.6%
Less Estimated Resident Workers	-84
2021 Resident and Job Base	1,948
2021 Resident Base	1,528

Sources: US Census Bureau; Esri; US BLS; RPRG, Inc

Table 4 Budgeted Revenue per Unit of Government Demand

Revenue per Unit	Total	Residents & Business	Residents Only
Town of New Market Unit Base		1,948	1,528
Total Town of New Market General Fund Revenue	\$ 827,250	\$ 566,031	\$ 261,219
Per Job (Including Property taxes)	\$ 291	\$ 291	
Per Resident (Including Property taxes)	\$ 461	\$ 291	\$ 171

Sources: RPRG; Town of New Market

Table 5 Budgeted Expenditures per Unit of Government Demand

Expenditures per Unit	Total	Residents & Business	Residents Only
Town of New Market Unit Base		1,948	1,528
Total Town Expenditures	\$ 559,568	\$ 384,780	\$ 174,788
Per Job	\$ 197	\$ 197	
Per Resident	\$ 312	\$ 197	\$ 114

Sources: RPRG; Town of New Market

B. Fiscal Impact Analysis

When an economic impact analysis is performed, the fiscal impacts of a development such as the new 105/113 West Main Development on the Town of New Market are measured as both direct or indirect. Direct fiscal impacts include payments made between the project and/or users and the local government jurisdictions. Direct fiscal impacts consist of the revenue and expenditures per job/resident applied to total direct employment contributions. Indirect fiscal impacts include the revenue and expenditures per job applied to the total indirect and induced employment contributions. In the absence of an economic impact analysis, we will only measure the direct fiscal impacts for the 105/113 West Main Development, though we note that these calculations understate the overall impact of the proposed development.

Fiscal impacts are estimated first for the construction period, based on the estimated number of jobs added as a result of the subject development. Secondly, fiscal impacts are estimated for the operational period, referencing current demographics, tax rates, and Town budget as of January 2021. While construction-period impacts are estimated based on the number of jobs expected to be added by the subject development, impacts will in fact be higher as this estimate excludes additional revenue to the Town resulting from fees contributed by the subject during the development/construction



process. An estimate of 100 jobs related to the subject development is used for this calculation as provided to RPRG.

To estimate the count of residents that will reside at 103/113 Main Street for operation-period impacts, RPRG applies an average household size of 2.8 persons per household to the proposed 27 dwelling units resulting in a total of 76 new residents to the town of New Market (Table 6).

DIRECT PROPERTY TAX

103-113 Main Street Development is planned to include 27 single-family homes, 1,540 square feet of small office use, a 4,105-square-foot restaurant, and 3,270 square feet of general commercial space. To estimate assessed values for calculating property taxes, RPRG used an estimated value for the residential component based on proposed average sales prices per unit (\$400,000) and estimated values for the commercial components provided to RPRG. The total projected assessed values include \$10,800,000 for the residential component, \$500,000 for the office component, \$1,500,000 for the restaurant, and \$1,000,000 for the commercial component. Applying the current residential and commercial property tax rate of 0.1174 per \$100 of assessed value results in a total tax levy for the project of \$16,201 (Table 6). We note that both business personal property and sales tax will also be levied and will contribute to the Town’s revenues. However, with the commercial tenants currently undetermined and with no projected business or sales information, we are unable to determine these calculations.

Table 6 Calculation of Property Tax

2021 Assessment per Appraised Value	27 Townhomes	1,200 SqFt. Office	Restaurant	Commercial	Total
Projected Assessment	\$10,800,000	\$500,000	\$1,500,000	\$1,000,000	\$13,800,000
Tax Rate per \$100 of Assessed Value	0.1174	0.1174	0.1174	0.1174	
Real Property Tax Revenue	\$12,679	\$587	\$1,761	\$1,174	\$16,201

Source: Town of New Market; RPRG, Inc.

Fiscal Contributions

As referenced previously, while the 105/113 West Main Development will have direct, indirect, and induced economic impacts which will all have potential fiscal impacts to the Town, we only address direct impacts of the new households and jobs generated by the development in this study.

Construction-Period Impacts

Construction-period direct revenue contributions during the subject’s development include the prorata increase in revenue for each onsite job. The total direct revenue generated by the project’s development is estimated at \$29,052 (Table 7).

Construction-period direct expenditures expected to result from the development include the prorata increase in local government expenditures attributable to each direct job at the project. The project is expected to generate \$19,749 in direct expenditures.

Netting out expenditures and revenues indicates that the project is expected to generate a net fiscal surplus to the Town totaling \$9,303 during the construction period. Again, we note that the net fiscal surplus during the construction period will likely be higher as this estimate does not include estimated fees assessed during the development process.

Table 7 Fiscal Contributions to the Town of New Market, Construction Period

Source	per Unit Amount	Basis	Annual Contribution
REVENUE			
Direct Revenue Contributions			
Revenue contribution per direct job	\$ 291	x Direct jobs	100
			\$29,052
EXPENDITURES			
Direct Expenditures Contributions			
Expenditure per direct job	\$ 197	x Direct jobs	100
			\$19,749
Total Surplus / (Deficit) to Local Government			\$9,303

Operation-Period Impacts

Operation-period direct revenue contributions upon the subject's stabilization include the prorate increase in revenue for each onsite job and resident as well as collected property taxes. Combined, the total direct revenue generated by the project's operations is \$61,829 (Table 8).

Operation-period direct expenditures expected to result from the development upon stabilization include the pro rata increase in local government expenditures attributable to each direct job and resident at the project. The project is expected to generate \$30,878 in direct expenditures.

Netting out expenditures and revenues indicates that the project is expected to generate a net fiscal surplus to the Town totaling \$30,950 annually once stabilized and fully operating.

Table 8 Fiscal Contributions to the Town of New Market, Operation Period

Source	per Unit Amount	Basis	Annual Contribution
REVENUE			
Direct Revenue Contributions			
Property Tax	see calc	to New Market	--
Revenue contribution per direct job	\$ 291	x Direct jobs	36.3
Revenue contribution per resident	\$ 461	x New Residents	76.0
Total Direct Revenue contribution			\$61,829
EXPENDITURES			
Direct Expenditures Contributions			
Expenditure per direct job	\$ 197	x Direct jobs	36.3
Expenditures per resident	\$ 312	x New Residents	76.0
Total Expenditures			\$30,878
Total Surplus / (Deficit) to Local Government			\$30,950

Combined, the total direct revenue contributions during the construction period and operation period will total \$90,881 (Table 9). Direct expenditures related to the subject's development and operation periods will total \$50,628. Netting out combined expenditures and revenues indicates that the subject development and operation/stabilization will result in an estimated combined Total Surplus contributed to the Town of \$40,253 through its first year of stabilization.

Table 9 Fiscal Contributions to the Town of New Market, Combined Periods

Source	Annual Contribution
REVENUE	
Direct Revenue Contributions	
Construction Period	\$29,052
Operation Period	\$61,829
Combined Total Direct Revenue contribution	\$90,881
EXPENDITURES	
Direct Expenditures Contributions	
Construction Period	\$19,749
Operation Period	\$30,878
Total Revenue contribution	\$50,628
Total Surplus / (Deficit) to Local Government	\$40,253

Again, we note that these estimates of Total Surplus to the Town's revenue are likely understated as they do not include potential fees assessed during the development process or potential business personal property and sales tax during operations.

The conclusion is that the 105/113 West Main Development will have a positive fiscal impact on the Town of New Market. This fiscal impact analysis is narrowly defined and considers only the costs and revenues associated with the new residents, employment, and operations of the mixed-use development.

A broader fiscal impact analysis (beyond the scope of this study) would also consider the potential for development fees, business property and sales tax, and importantly, indirect and induced economic impact generated by the subject development.



APPENDIX 1 UNDERLYING ASSUMPTIONS AND LIMITING CONDITIONS

In conducting the analysis, we will make the following assumptions, except as otherwise noted in our report:

1. There are no zoning, building, safety, environmental or other federal, state or local laws, regulations or codes which would prohibit or impair the development, marketing or operation of the subject project in the manner contemplated in our report, and the subject project will be developed, marketed and operated in compliance with all applicable laws, regulations and codes.
2. No material changes will occur in (a) any federal, state or local law, regulation or code (including, without limitation, the Internal Revenue Code) affecting the subject project, or (b) any federal, state or local grant, financing or other program which is to be utilized in connection with the subject project.
3. The local, national and international economies will not deteriorate, and there will be no significant changes in interest rates or in rates of inflation or deflation.
4. The subject project will be served by adequate transportation, utilities and governmental facilities.
5. The subject project will not be subjected to any war, energy crisis, embargo, strike, earthquake, flood, fire or other casualty or act of God.
6. The subject project will be on the market at the time and with the product anticipated in our report, and at the price position specified in our report.
7. The subject project will be developed, marketed and operated in a highly professional manner.
8. No projects will be developed which will be in competition with the subject project, except as set forth in our report.
9. There are neither existing judgments nor any pending or threatened litigation, which could hinder the development, marketing or operation of the subject project.



The analysis will be subject to the following limiting conditions, except as otherwise noted in our report:

1. The analysis contained in this report necessarily incorporates numerous estimates and assumptions with respect to property performance, general and local business and economic conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will vary from our estimates and the variations may be material.
2. Our estimates are based on the assumption that the product details set forth in our report will be followed without material deviation.
3. All estimates of future dollar amounts are based on the current value of the dollar, without any allowance for inflation or deflation.
4. We have no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal matters, environmental matters, architectural matters, geologic considerations, such as soils and seismic stability, and civil, mechanical, electrical, structural and other engineering matters.
5. Information, estimates and opinions contained in or referred to in our report, which we have obtained from sources outside of this office, are assumed to be reliable and have not been independently verified.
6. The conclusions and recommendations in our report are subject to these Underlying Assumptions and Limiting Conditions and to any additional assumptions or conditions set forth in the body of our report.



APPENDIX 2 ANALYST RESUMES

TAD SCEPANIAK Managing Principal

Tad Scepianiak assumed the role of Real Property Research Group's Managing Principal in November 2017 following more than 15 years with the firm. Tad has extensive experience conducting market feasibility studies on a wide range of residential and mixed-use developments for developers, lenders, and government entities. Tad directs the firm's research and production of feasibility studies including large-scale housing assessments to detailed reports for a specific project on a specific site. He has extensive experience analyzing affordable rental communities developed under the Low Income Housing Tax Credit (LIHTC) program and market-rate apartments developed under the HUD 221(d)(4) program and conventional financing. Tad is the key contact for research contracts many state housing finance agencies, including several that commission market studies for LIHTC applications.

Tad is Immediate Past Chair of the National Council of Housing Market Analysts (NCHMA) and previously served as Nation Chair and Co-Chair of Standards Committee. He has taken a lead role in the development of the organization's Standard Definitions and Recommended Market Study Content, and he has authored and co-authored white papers on market areas, derivation of market rents, and selection of comparable properties. Tad is also a founding member of the Atlanta chapter of the Lambda Alpha Land Economics Society.

Areas of Concentration:

- Low Income Tax Credit Rental Housing: Mr. Scepianiak has worked extensively with the Low Income Tax Credit program throughout the United States, with special emphasis on the Southeast and Mid-Atlantic regions.
- Senior Housing: Mr. Scepianiak has conducted feasibility analysis for a variety of senior oriented rental housing. The majority of this work has been under the Low Income Tax Credit program; however his experience includes assisted living facilities and market rate senior rental communities.
- Market Rate Rental Housing: Mr. Scepianiak has conducted various projects for developers of market rate rental housing. The studies produced for these developers are generally used to determine the rental housing needs of a specific submarket and to obtain financing.
- Public Housing Authority Consultation: Tad has worked with Housing Authorities throughout the United States to document trends rental and for sale housing market trends to better understand redevelopment opportunities. He has completed studies examining development opportunities for housing authorities through the Choice Neighborhood Initiative or other programs in Florida, Georgia, North Carolina, South Carolina, Texas, and Tennessee.

Education:

Bachelor of Science – Marketing; Berry College – Rome, Georgia



ROBERT M. LEFENFELD

Founding Principal

Mr. Lefenfeld, Founding Principal of the firm, with over 30 years of experience in the field of residential market research. Before founding Real Property Research Group in 2001, Bob served as an officer of research subsidiaries of Reznick Fedder & Silverman and Legg Mason. Between 1998 and 2001, Bob was Managing Director of RF&S Realty Advisors, conducting residential market studies throughout the United States. From 1987 to 1995, Bob served as Senior Vice President of Legg Mason Realty Group, managing the firm's consulting practice and serving as publisher of a Mid-Atlantic residential data service, Housing Market Profiles. Prior to joining Legg Mason, Bob spent ten years with the Baltimore Metropolitan Council as a housing economist. Bob also served as Research Director for Regency Homes between 1995 and 1998, analyzing markets throughout the Eastern United States and evaluating the company's active building operation.

Bob provides input and guidance for the completion of the firm's research and analysis products. He combines extensive experience in the real estate industry with capabilities in database development and information management. Over the years, he has developed a series of information products and proprietary databases serving real estate professionals.

Bob has lectured and written extensively about residential real estate market analysis. Bob has created and teaches the market study module for the MBA HUD Underwriting course and has served as an adjunct professor for the Graduate Programs in Real Estate Development, School of Architecture, Planning and Preservation, University of Maryland College Park. He is the past National Chair of the National Council of Housing Market Analysts (NCHMA) and currently chairs its FHA Committee.

Areas of Concentration:

- **Strategic Assessments:** Mr. Lefenfeld has conducted numerous corridor analyses throughout the United States to assist building and real estate companies in evaluating development opportunities. Such analyses document demographic, economic, competitive, and proposed development activity by submarket and discuss opportunities for development.
- **Feasibility Analysis:** Mr. Lefenfeld has conducted feasibility studies for various types of residential developments for builders and developers. Subjects for these analyses have included for-sale single-family and townhouse developments, age-restricted rental and for-sale developments, large multi-product PUDs, urban renovations and continuing care facilities for the elderly.
- **Information Products:** Bob has developed a series of proprietary databases to assist clients in monitoring growth trends. Subjects of these databases have included for sale housing, pipeline information, and rental communities.

Education:

Master of Urban and Regional Planning; The George Washington University.
Bachelor of Arts - Political Science; Northeastern University.



ETHAN REED **Sr. Analyst**

Ethan Reed joined RPRG in 2016 where he focuses on rental market studies and community and economic analyses for development projects. Throughout his extensive career, Ethan has served in various analysis and advisory capacities in the residential and commercial real estate industry. Ethan's experience includes advising lenders, developers, homebuilders, investors, nonprofit organizations and government agencies through market and property analysis, economic analysis, site selection and marketing strategy.

Prior to joining RPRG, Ethan served as Senior Research Manager with CoStar Group, leading market research & analysis efforts as well as developing new research and analysis products & services for the commercial real estate industry. Ethan's additional experience includes directing regional research and marketing efforts for CBRE as well as providing valuation, analysis and advisory services for commercial and residential clients throughout Texas. Appraisal and consulting assignments have included, but are not limited to apartment complexes, for sale subdivisions, agricultural land, shopping centers, office and industrial buildings. Valuations have been prepared on proposed, renovated, and existing structures.

Areas of Concentration:

New Markets Tax Credits: Ethan conducts community development and economic impact analyses to illustrate the impacts of development projects that utilize federally-regulated New Markets Tax Credits. Components of these reports include employment projections, local and regional economic impacts, and fiscal impacts on local governments

Low Income Housing Tax Credits: Ethan prepares rental market studies for submission to lenders and state agencies for nine percent and four percent Low Income Housing Tax Credit allocations.

FHA Section 221(d)(4): Ethan prepares comprehensive feasibility studies for submission to HUD regional offices as part of a lender's application for Section 221(d)(4) mortgage insurance. These reports strictly adhere to HUD's Multi-family Accelerated Processing (MAP) guidelines for market studies

Market and Product Advisory Analysis: Ethan provides detailed analysis of existing markets, product and pricing recommendations, and targeted marketing suggestions for developers and land owners in the preliminary stages of development.

Commercial Feasibility: Ethan conducts comprehensive feasibility analyses of proposed commercial uses in the context of the existing marketplace.

Education:

Masters of Business Administration; Liberty University

Bachelor of Science – Business Administration; University of Texas at Dallas



APPENDIX 3 WORKS CITED AND NOTES

ⁱ Estimated jobs generated by proposed commercial components derived from national standard industry ratios provided by CoreNet Global and CCIM

ⁱⁱ IMPLAN is an economic analysis platform that combines a set of extensive databases, economic factors, multipliers, and demographic statistics with a refined modeling system.

ⁱⁱⁱ Esri is a national vendor of demographic data