Sage Policy Group, Inc.

The Cecil County Growth Study

Submitted to:

Cecil County Office of Economic Development

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Table of Contents

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Executive Summary

Purpose of the Study

This growth study is intended to provide policymakers and other stakeholders with highly detailed statistical and descriptive portraits of the range of issues and options that face the community. Ultimately, this study is to inform the community about the choices it will need to make and to provide the data, analysis and insight necessary to help the community adopt a coherent set of policies and principles to guide economic growth and development.

Background

The Cecil County Economic Development Commission created a workgroup to oversee the development of this Economic Growth Study. The workgroup initiated a Request for Proposal (RFP) process which resulted in the selection of Sage Policy Group, Inc. to conduct this study. Sage began by reviewing key documents including the Cecil County Comprehensive Plan, the Cecil County Economic Development Strategic Plan and The Report of the Cecil County Agriculture and Farmland Protection Task Force. Sage collected quantitative and qualitative data from both public and private sources that allowed for the characterization of economic, demographic and fiscal trends in Cecil County.

The analysis was and is complicated by numerous factors, including:

- the presence of eight municipalities and the political complexity that creates;
- a perpetually evolving set of environmental regulations emerging from state and federal government;
- the disparate interests of Cecil County stakeholders; and
- the uncertainty associated with reactions of the marketplace to various policies and public investments.

To date, Cecil County has been regarded as a largely rural jurisdiction on the edge of two large metropolitan areas, Philadelphia/Wilmington and Baltimore. Cecil County will increasingly be viewed as a suburb of both. Growth pressures originating from more populous areas are already evident. Over the past five years, the county's employment surged 27 percent while its population rose 13 percent. The availability of developable land, mounting growth pressures originating in larger, surrounding jurisdictions and the presence of I-95, Route 40 and other elements of the Northeast's transportation infrastructure effectively guarantee rapid growth in the decades ahead.

The challenge, therefore, is not simply to stimulate economic development, but to aggressively manage it in order to: promote the county's environment and rural heritage;

provide an adequate infrastructure; and create a balanced tax base. At the same time, Cecil County must create an environment that can simultaneously attract high–wage employers and businesses that are of central importance to quality of life, including restaurants and retailers.

Key Analytical Findings

1. Cecil County's socio-economic circumstances reveal a need for economic development to maximize quality of life

Cecil County is already an extraordinarily pleasant place, with plentiful open space, charming, historic town centers, expansive waterfront, and supportive institutions like Union Hospital and the Community College. That said, there remains room for social improvement and this is made evident through analysis of relevant data.

As an example, labor force participation among working-age males has been declining in Cecil County. Discouragement among males generates a myriad of social ills, including divorce and an elevated population of single-parent families (refer to Exhibits 8, 10 and 11). Not coincidentally, Cecil County suffers one of Maryland's highest and most rapidly climbing divorce rates. By creating relevant job opportunities and by working in conjunction with institutions such as the Community College and with workforce development professionals, Cecil County can re–engage those who have disengaged, thereby creating a better foundation for family and social stability.

Related to the need for improved job access is the fact that Cecil County's population suffers lengthy commutes largely due to a spatial mismatch between population and regional job centers. Fewer than half of Cecil County residents remain in the county for work compared to 52 percent in Harford County and 86 percent in New Castle County.

The most efficient manner in which to address this is to better co-locate households with jobs. Given the addition of professionals to Cecil County's population in recent years, it stands to reason that without suitable white-collar employment additions within the county's boundaries, commutes will lengthen even in the presence of road improvements.

2. Mounting growth pressures in rural areas pose a permanent threat to the community's rural heritage and quality of life

In 1970, Cecil County's population barely exceeded 50,000 people and its population density remained below 150/square mile. By 2005, the county's population was approaching 100,000 and population density has increased to 270/square mile.

According to population projections, between 2005 and 2030, the county will add over 60,000 new residents and its 2030 population density will approach that of Harford County (2000). During this period, the county's share of statewide population is projected to rise from 1.7 percent to 2.4 percent. Maryland Department of Planning projections indicate that Cecil County's percentage population growth and percentage household growth will be more rapid than any of Maryland's other 23 jurisdictions.

Projections suggest that only about one–quarter of all projected population growth over the next five years will take place among Cecil County's eight municipalities. Between 2005 and 2010, the county's eight municipalities are collectively projected to add approximately 3,000 residents. The implication is that the balance of population growth (about 8,860 people) will take place beyond municipal boundaries. To create an environment that permits accommodation of desirable economic activity and heritage, the study team has put forth six recommendations to help support and manage development.

Recommendations for the Constructive Management of Cecil County's Growth and Development

1. The County must take the lead on infrastructure formation

Virtually all stakeholders agree that the primary challenge facing the community is locating adequate sources of water to meet the requirements for the high quality, high-density development envisioned for the growth corridor. While fragmented infrastructure has slowed the pace of development in Cecil County's growth corridor, it has probably accelerated development in the county's northern and southern rural areas.

The goal is simple: to develop an uninterrupted supply of water/wastewater treatment/broadband/natural gas infrastructure from Perryville to Elkton.

2. The County should utilize multiple infrastructure financing options

2a: Impact Fees

An impact fee is most commonly assessed on the construction of new structures to pay for the expansion of the service capacity of government, including by supporting the construction of fire stations, police stations, sewer/water supply systems, parks, libraries, etc. Impact fees are designated for specific uses and funds are not to be intermingled with the general fund.

In places lacking impact fees (e.g., municipalities, counties), jurisdictions must either generate funds for infrastructure expansion from the existing tax base or through the issuance of bonds. One can imagine a circumstance under which the existing community would see their taxes raised in order to finance new infrastructure and then eventually see their taxes dropped again once new taxpaying development formed around the infrastructure. The problem with this structure is that raising taxes is rarely politically convenient, and therefore communities end up in an equilibrium characterized by moderate taxes, permanently inadequate infrastructure and stunted development.

Impact fees would allow for projects to move forward within the growth corridor, thereby siphoning off much of the residential development pressure from the county's rural areas. Impact fees should be set considerably higher in the county's agricultural regions than within the growth corridor and presumably reinvested in water/sewer infrastructure, schools and other government controlled facilities.

2b: Excise Taxes

Excise taxes represent another approach. These are sales taxes and can be levied on real estate transactions. Excise taxes are not as constitutionally limited as impact fees, which is typically viewed as an advantage from the perspective of local government, but funds generated from these taxes may be diverted for non–infrastructure purposes. If excise taxes are adopted, the study team recommends that the use of these funds be largely limited to infrastructure build–out within the county's growth corridor.

2c: Tax Increment Financing to Spur Redevelopment

Tax increment financing (TIF) permits jurisdictions to create special districts and to make public improvements within those districts that will generate private sector development. During the development period, the tax base (assessed value) is frozen at the predevelopment level. Though property taxes continue to be collected, taxes derived from increases in assessed values (the tax increment) resulting from the new investment either head toward a special fund created to retire bonds issued to accommodate the development or to promote additional economic expansion in the district.

The study team envisions impact fees as the way to help accelerate new development within the growth corridor, while TIF districts could be defined to promote redevelopment of already developed areas that suffer from an unacceptably low average quality of development. Whichever financing mechanisms the County opts to pursue, it must be immediate. Why? The County is already behind the infrastructure build-out curve and the impact of the latest round of Base Realignment and Closure (BRAC) will mean additional stress on the infrastructure base. Without a dramatic acceleration in infrastructure build-out, Cecil County will not be positioned to accommodate the opportunities BRAC will create for economic development later this decade and early into the next. The longer the community is forced to wait for the availability of these financing mechanisms, the greater the loss of productive farmland to development.

3. Promote transportation solutions

3a: Move the I-95 Toll

The result of the I-95 toll is an economic softspot in and around Port Deposit and Perryville. Port Deposit and Perryville have slipped seriously behind other towns along I-95 and behind the Cecil County averages.

The presence of the toll also has the impact of displacing traffic from I-95 to Cecil County's roads, creating congestion in the process. This has negative implications for quality of life, public safety and business convenience.

The solution is to relocate the toll to the Maryland/Delaware border perhaps by creating a shared facility with DelDot.

3b: Continue to Push for Mass Transit Linkages

Linking Perryville and Elkton and Elkton to Newark through two separate investments would close the only gap in parallel commuter rail service along the entire Northeast Corridor. MARC Penn Line service terminates at Perryville and the SEPTA R2 regional rail service terminates at Newark. The existence of seamless commuter rail service linking Perryville, North East, Elkton, Newark, Wilmington and other communities would tie Cecil County more closely to the dense economics of the broader Philadelphia region while also supporting the County's ongoing efforts to direct growth to its towns and development district.

Given this, it is incumbent upon County policymakers to push aggressively to forge these links. These projects would not only benefit Cecil County, but are sufficiently transformative to benefit both large portions of Maryland and Delaware. Therefore, over the long term, support for these investments may become sufficiently broad to allow their final design and completion.

4. Commit to the concepts of clustering and shared facilities

Clustering development in residential areas can be utilized to maximize the use of developed land while preserving open space. It can also be used to limit the amount of tension between farming activities and new residential communities by placing development away from the most intense agrarian activities.

Clustering development can and should be used in conjunction with shared facilities, which allow for land slated for development to be utilized with maximum efficiency. Without the presence of shared facilities, the number of units that can be developed on any given parcel may be severely limited by access to water, with the implication being that more acreage of development is required to support a given population. This results in the sub-optimal utilization of land and unnecessary sprawl.

5. Pursue a relentless focus on R&D activities and high-wage service sector industries

The growing influence of the Baltimore metropolitan area on Cecil County, the impending effects of the latest round of Base Realignment and Closure (BRAC), the increasing importance of research and development in manufacturing and other industries, and the characteristics of the population moving to Cecil County all suggest that the county's focus going forward must be on the attraction of high-wage service sector employers and upon employers engaged in research and development activities.

6. Establish a Growth Coordinator

To support implementation, an office of Growth Coordination should be established. The individual who would direct the office would coordinate the efforts of economic development, planning, public works, mayors and other agencies/people who have an impact on where development takes place and its quality. The Growth Coordinator would be primarily responsible for establishing and monitoring the achievement of benchmarks for relevant agencies/officials. The goal of this office would not be to maximize economic activity, but rather to ensure that new economic activity locates in desired areas and does not locate in areas designated for open space and agricultural preservation.

Though the study team understands that this would create an additional expense for County government, the rate of return in the form of investment, tax revenues and heightened quality of life could be substantial. The County may ultimately choose to place this office within that of the County Administrator though the study team believes that a high level of independence is preferable.

Summary

Cecil County is fortunate to find itself in the midst of a level of economic opportunity likely unprecedented in the county's modern history. This opportunity comes with challenges, however, including in the form of infrastructure demands, pressures on open space, the county's agricultural sector, and workforce. The data, analysis, and recommendations provided by the study team are intended to help the County manage growth while accommodating the opportunity that emerges from the Philadelphia/Wilmington and Baltimore areas.

Next Steps

1. Growth Study presented to Commissioners (January)
2. Commissioners accept report (February)
3. Form Implementation Oversight Taskforce (February/March)
4. Public presentations to delegation, municipalities, chambers, other community organizations (February)
5. Action plan developed to implement growth study recommendations (April/May)
6. Commissioners approve action plan and necessary resources (May/June)
7. Monthly status updates provided (ongoing)
8. Quarterly monitoring of benchmarks and performance metrics (ongoing)

The Cecil County Growth Study

A. Introduction

Purpose

At first glance, it would appear that the last thing Cecil County requires is a growth strategy. Residential and commercial developers alike have discovered Cecil County, helping to boost the county's employment totals 26.9 percent over the past 5 years and its population by 13.2 percent. The availability of developable land, mounting growth pressures in surrounding jurisdictions and the presence of I-95 and Route 40 effectively guarantee rapid growth in Cecil County in the years ahead.

The overarching purpose of this growth study is to help shape, channel and marshal growth into productive quality of life outcomes. One aspect of shaping growth entails prioritizing certain industries over others. In past years, the County has actively worked to attract large-scale distribution centers to its industrial parks. Among many other items, this study addresses the question of whether or not this still makes sense given the other emerging opportunities facing Cecil County.

Channeling growth involves efforts to direct it toward areas most suitable for development because these areas are well served by infrastructure, proximate to strategic institutions, less environmentally sensitive and/or are associated with less opportunity cost. Marshaling growth focuses upon ensuring that the development/growth that occurs is consistent with the highest possible quality of life, retention of community heritage, fiscal stability and broadly shared and sustainable economic prosperity.

In conducting its analysis, the study team did not attempt to develop a vision for the community. This was already done with the development of the Comprehensive Plan and vision development remains the community's prerogative. But the study team did work to identify key choices facing the community with respect to land-use/zoning, infrastructure development and industry targeting. Decisions made with respect to these items and others will permanently affect the types of people who come to the county, what they do there, for whom they work, how much they earn, where and how they live, the size of their property tax bill, the length of their commute, their prospects for upward mobility and their satisfaction with the community.

To promote effective decision-making, the study team collected virtually every available piece of data characterizing economic life in Cecil County and in influential counties like New Castle, DE and Harford, MD.

Organization of the Report

The report's analysis begins with an assessment of Cecil County's underlying economic trends. The discussion can be found in section B: Current Situation and Trends. The report then provides insight into the community's development and land–use objectives in section C: The Stated Aspirations of the Community. Together, these two sections help readers determine the extent to which community objectives overlap with development trends. Section D: Land–Use Policy Options and Scenarios highlights the types of decisions the County will need to make in order to create a tight fit between the community's goals and development patterns. Section E: Recommendations – Ways to Support and Manage Development provides six concrete recommendations to help shape development in ways consistent with the community's stated aspirations.

Study Team

The study team involved four individuals from Sage Policy Group, Inc. (Sage) in Baltimore, MD. Economist Anirban Basu led the study team and is the primary author of this report. Sage analysts John Duberg, Braedyn Woodring and Oyinade Koya provided data collection and analytical support.

Methods/Approach

Sage began its development of the growth study by reviewing pertinent key documents, including the County's Economic Development Strategic Plan, a recent traffic study, a bond rating presentation, the County's Comprehensive Master Plan, a Lipman, Frizzell & Mitchell study from the late-1990s, budgets from recent years and other reports.

Sage then collected quantitative data from both public and private sources that allowed for the characterization of:

- county demographics;
- employment base;
- labor market dynamics;
- housing market;
- commercial real estate performance;
- fiscal structure and tax/fee revenue collections;
- economic growth across various county communities;
- ongoing projects/investments; and
- trends within surrounding jurisdictions.

With data in hand, Sage created a Cecil County Data Compendium that is provided as an appendix. These data were critical in helping to identify the needs of and challenges faced by the community and the extent to which promoting economic expansion could be expected to help alleviate some of the county's more obvious issues, including family stress and lengthy commutes.

To generate additional understanding of county issues and trends, Anirban Basu with the assistance of Sage staff conducted interviews over the course of two days, including with all five County Commissioners, several mayors, heads of major corporations, leaders at

Cecil Community College and Union Hospital of Cecil County, farmers, developers, anti-growth advocates, educators/librarians and a host of others. All individual responses are deemed confidential, but are collectively summarized later in this report.

With data collection complete, Sage proceeded with its analysis. The analysis was and is complicated by numerous factors, including the presence of eight municipalities within the county and the political complexity that creates, a perpetually evolving set of environmental regulations emerging from the federal government and State of Maryland, the disparate interests of Cecil County stakeholders and the uncertainty associated with reactions of the marketplace to various policies and public investments.

B. Cecil County's Current Situation & Trends

Considerable Progress has been Made

Though this document focuses heavily upon that which needs to be accomplished, the County Commissioners have already created a foundation upon which to base future progress. Perhaps the single-most important accomplishment was the creation of a capital facilities administrator position; a position designed to expedite the establishment of water/sewer infrastructure in the growth area. Successful execution by the person who inhabits this position would not only be consistent with economic development in the growth corridor, but also with reduced development pressure in the northern and southern rural regions of the county. The Commissioners have also been instrumental in the development of a Strategic Roadway Plan, in developing an improved framework for shared facilities, and a new Parks and Recreation department, which was created specifically to enhance quality of life.

The statistical analysis that follows will include both positive and negative indicators regarding quality of life and development in Cecil County. Because the document seeks to eliminate the negative as well as to accentuate the positive, at least some attention must be focused upon those aspects of life in Cecil County that fall short of satisfactory. However, the discussion below should not be interpreted as suggesting that Cecil County has been heading in the wrong direction from an economic development standpoint. Rather, the discussion is intended to help stakeholders understand the extent to which economic development in Cecil County has been progressing in accordance with the community's stated goals and the decisions that will need to be made and the investments that will need to be undertaken to create a better fit between economic development outcomes and the community's stated aspirations.

This portion of the analysis is also intended to help stakeholders understand the rationale behind economic development efforts. A lack of proximate economic opportunity is statistically associated with lower student performance, higher rates of family break-up, dependence on government for income, healthcare and other support, crime and strain on local government finances. While economic development cannot solve these issues completely, it can help promote an environment that is more conducive to the minimization of the factors that compromise a community's quality of life, including by generating the government resources needed to fund impactful social and educational programs.

Statistical Trend Analysis

To date, Cecil County has been regarded as a primarily rural jurisdiction that is on the edge of two massive metropolitan areas, Philadelphia/Wilmington and Baltimore. But with housing costs soaring and with the two areas expanding geographically over time, Cecil County will find in future years that rather than occupying the edge, it will increasingly occupy the center.

- **Cecil County's economic base is very different from Maryland's**

For now, the county's economic and demographic profile continues to reflect a rural and blue–collar heritage. Because of its status as a largely rural county in one of the nation's most urbanized, metropolitan states, the jurisdiction distinguishes itself by maintaining a profile that sharply differs from the balance of Maryland along multiple dimensions. As an example, Cecil County continues to house a large and growing manufacturing sector while the balance of the state is characterized by a relatively small manufacturing base that continues to shed employment.

This is reflected in the exhibit below. Whereas fewer than 1 in 16 jobs in Maryland is in the manufacturing sector, in Cecil County, more than 1 in 7 jobs is in manufacturing.[1] Historically, this mix of jobs has served Cecil County well, with jobs in manufacturing and distribution offering competitive pay and benefits relative to skill levels.

By contrast, statewide, roughly 1 in 4.5 jobs is in professional services or finance while in Cecil County the corresponding statistic is 1 in 11 jobs. Cecil County is also home to a proportionately larger distribution sector while having less presence in information technology.

[1] These proportions relate to non–agricultural employment, which is how the underlying data from the Maryland Department of Labor, Licensing and Regulation are organized.

Exhibit 1: Share of Non–Ag Employment by Industry, Cecil County vs. Maryland, 2005Q3

Industry	**Proportion of Cecil Employment**	**Proportion of Maryland Employment**
Government	21.0%	16.9%
Trade, Transportation & Utilities	20.2%	18.7%
Manufacturing	15.1%	5.6%
Leisure & Hospitality	12.6%	9.8%
Education & Health Services	9.6%	13.5%
Construction/Mining	7.8%	7.8%
Professional & Business Services	6.1%	15.5%
Other Services	3.8%	3.8%
Financial Activities	2.9%	6.4%
Information	0.9%	2.0%
Total – All Industries	**100.0%**	**100.0%**

Source: Maryland Department of Labor, Licensing and Regulation

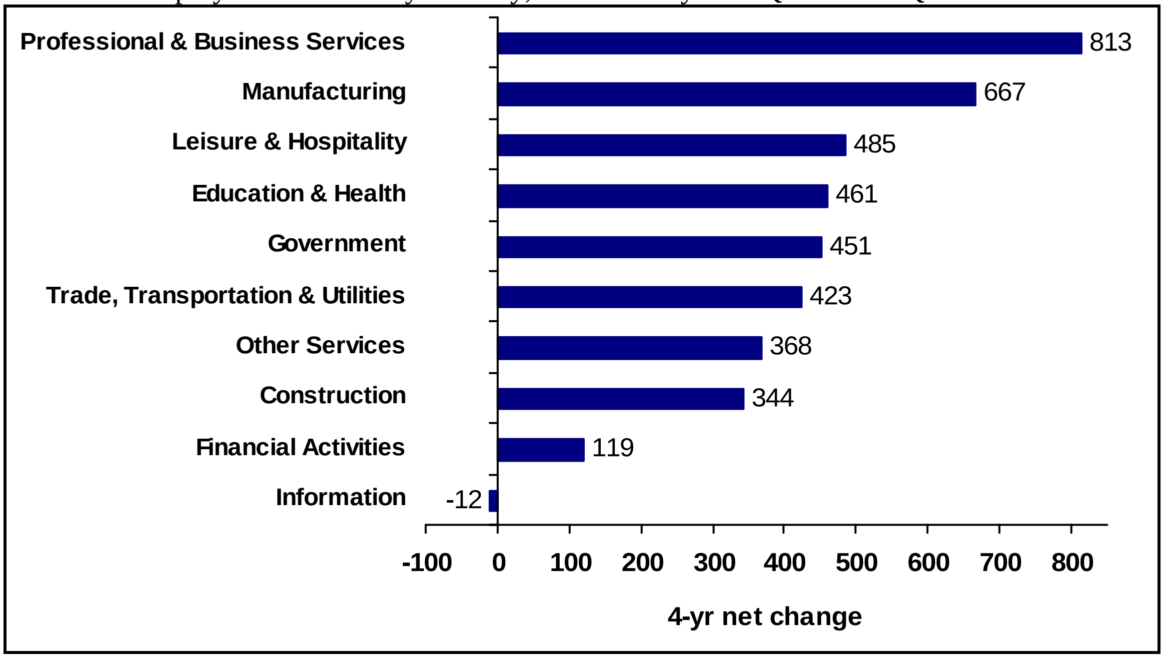
- **Job growth has been recorded in various industries**

As Cecil County's economy has begun to become more fully integrated into proximate metropolitan areas, the county's employment base has begun to reflect those of other areas. As an example, during the four–year period between the third quarters of 2001 and 2005, the leading job adding sector countywide was professional and business services, a sector that includes accountants, attorneys, architects and other professionals. The sector added roughly 200 jobs per annum over the course of this four–year period. Financial services employment also expanded during this period.

But manufacturing and distribution employment has also been rising in Cecil County. Together, the two industries added nearly 1,100 jobs over four years, with manufacturing responsible for approximately two–thirds of that jobs augmentation. These trends inform us that even as the county takes on suburban and service sector characteristics, there will continue to be a role for traditional economic activities. Cecil County is home to several large and innovative manufacturers that have the potential to thrive in the emerging economy, including ATK (propellants), Terumo (Medical/Cardiovascular) and W.L. Gore (Gore–tex products).

Because of I–95, Route 40 and other thoroughfares, Cecil County will continue to be home to a significant distribution industry. One of the decisions the County will need to make is whether it will want to actively encourage the location of large distribution centers/warehouses or take a more passive approach to an industry that pays substantially lower wages than manufacturing and professional/business services while generating fewer jobs per acre. One could even argue that the County should actively dissuade the location of additional distribution facilities in the county due to associated truck traffic and the loss of developable land available for other, higher wage purposes.

Exhibit 2: Employment Growth by Industry, Cecil County 2005Q3 vs. 2001Q3



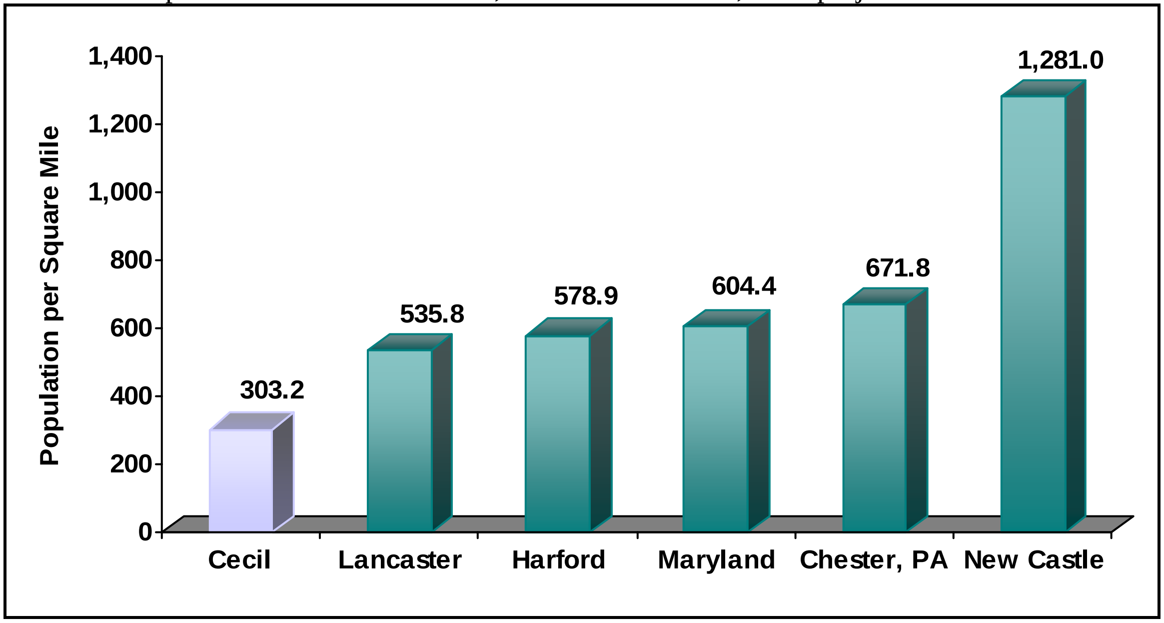
Source: Maryland Department of Labor, Licensing and Regulation

Construction has been another significant jobs contributor in Cecil County adding roughly 350 jobs between the third quarters of 2001 and 2005. This figure does not fully reflect the level of construction activity that has taken place in Cecil County this decade since a significant fraction of the associated construction employment will be reflected in the job totals of proximate counties in which firms are located. It is likely that as Cecil County becomes more central to broader development activities, more construction companies will opt for a permanent presence in the county rather than serving demand from afar.

That there will be greater development/construction activity going forward has become increasingly apparent given the expansion that has taken place in surrounding jurisdictions. For instance, while Cecil County added nearly 4,000 jobs between September 2001 and September 2005, Chester and Lancaster counties, PA, Harford County, MD and New Castle County, DE collectively added nearly 35,000 jobs during the same period.

The implication is not only that there is greater commercial density in and around Cecil County today than just a few years ago, but that there is also considerably greater demand for housing. Even by 2010, however, Cecil County is projected to still have only 300 people living per square mile, roughly one–half to one–fifth the density of neighboring jurisdictions.

Exhibit 3: Population to Land Area Ratio, Select Jurisdictions, 2010 projections



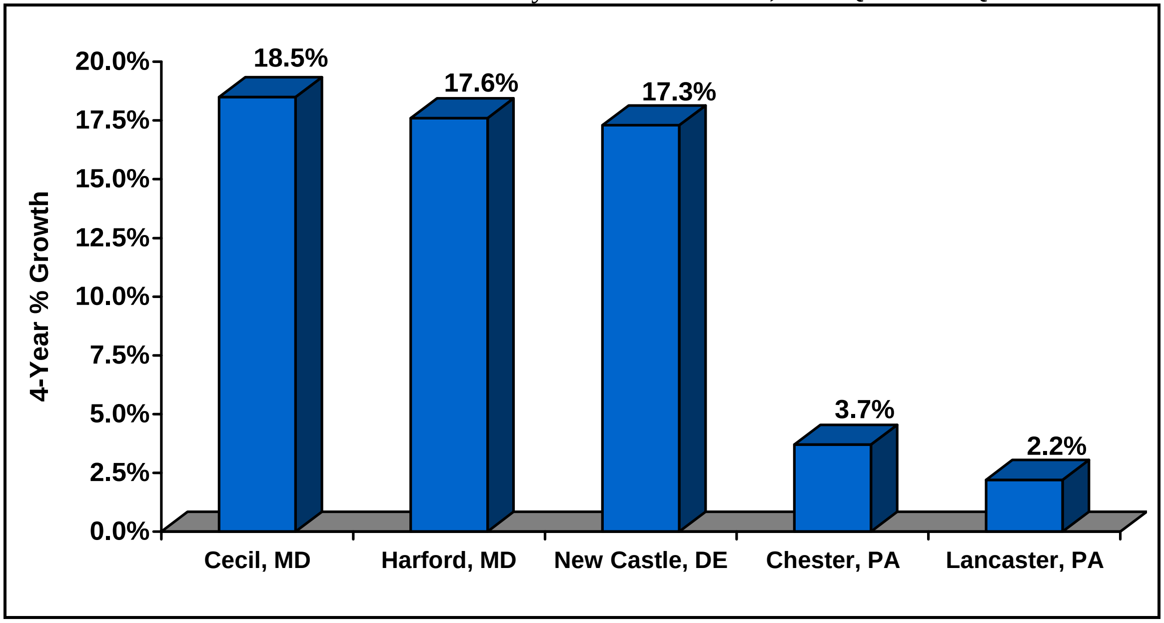
Source: U.S. Census Bureau; Maryland Department of Planning; Demographics Now

The implication is that there is considerable land to develop as anyone even slightly familiar with the county knows. Developers know this, too. The unprecedented housing boom of recent years only serves to intensify the current and future demand for residential Cecil County addresses. Housing prices have more than doubled in recent years in metropolitan Maryland, and residents are searching for pockets of affordability.

From the perspective of those living and/or working in Harford County, Anne Arundel County, Baltimore County and City, Cecil County remains a relative bargain despite the fact that median home prices have roughly doubled countywide over the past six years. Along these lines, one of the goals of this report is to help Cecil County policymakers and other stakeholders understand the desirability of accommodating various development pressures and to identify ways in which this can be accomplished while preserving the community's quality of life, rural heritage, open space and fiscal viability.

Recent employment growth has been a function both of business expansion and the formation of new business establishments. Between the third quarters of 2001 and 2003, the number of business establishments in Cecil County expanded 18.5 percent, faster than surrounding jurisdictions. As a result, the proportion of Maryland business establishments has ticked slightly higher since 2001, from 1.1 percent then to 1.2 percent today.

Exhibit 4: Business Establishment Growth by Select Jurisdiction, 2001Q3 – 2005Q3



Source: Bureau of Labor Statistics

This employment growth is accompanied by a number of beneficial impacts. For instance, for the most part, job growth has been disproportionately concentrated in higher–wage private sectors such as manufacturing ($1,130 average weekly wage; 2005Q3), professional and business services ($751) and finance ($639).

It is worth noting that of every major industrial classification, manufacturing has recorded the most rapid increase in average weekly wages in recent years, which is the result of growing international competition and the need for American manufacturers to adopt the most sophisticated technologies in pursuit of capital–intensive production techniques. This has the effect of reducing the demand for less–skilled labor and increasing the demand for specialized labor, resulting in significant increases in wages for those that are able to remain in the industry or secure a place there.

Exhibit 5: Average Weekly Wage by Industry, Cecil County, 2005Q3

Industry	Average Weekly Wage	4-Year % Change in Avg Weekly Wage
Government	$1,232	18.6%
Manufacturing	$1,130	31.7%
Information	$825	17.7%
Professional & Business Services	$751	16.8%
Education & Health Services	$720	15.2%
Construction	$647	25.4%
Financial Activities	$639	29.4%
Trade, Transportation & Utilities	$544	1.1%
Other Services	$395	1.5%
Leisure & Hospitality	$277	7.8%
Total – All Industries	**$780**	**16.4%**

Source: Maryland Department of Labor, Licensing and Regulation

The formation of new business establishments in Cecil County also creates opportunities for residents to secure gainful employment without leaving the county for more developed, metropolitan counties each day. Less than half of the county's working population currently works in the county. Roughly a third commutes to New Castle County, while significant numbers also commute to Harford County, Baltimore County, Baltimore City (58 miles away[2]) and Chester County, PA.

Exhibit 6: Top 15 Jurisdictions to Which Cecil County Residents Commute to for Work, 2000

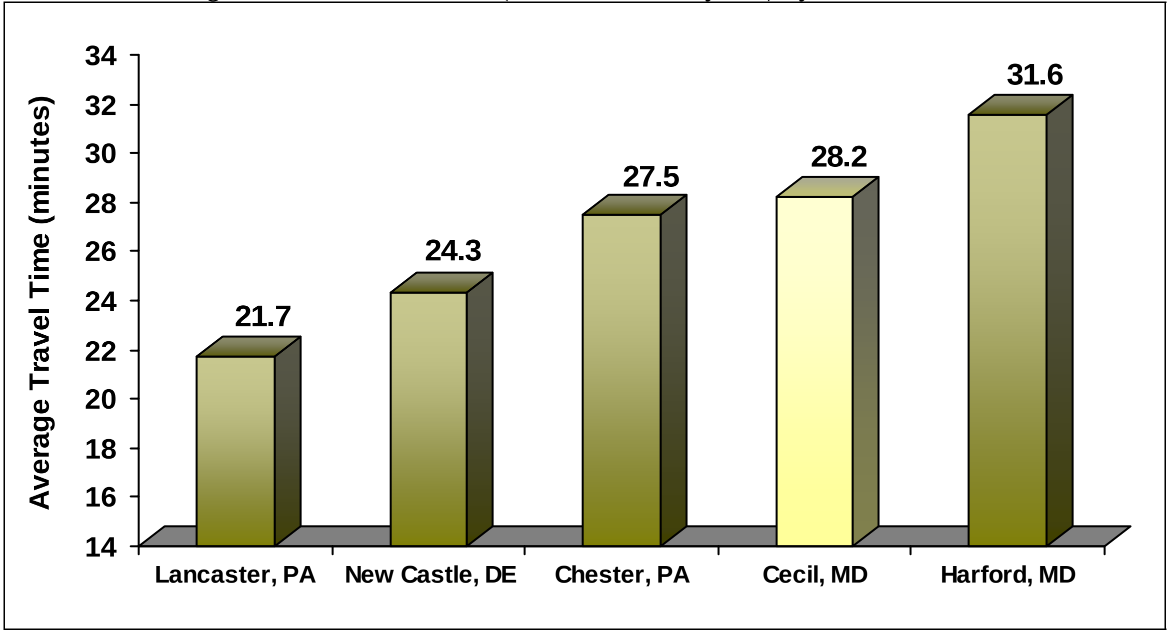
Jurisdiction	Number of Cecil County Residents (16+) Commuting to Select Jurisdiction	% of Cecil County Residents (16+) Commuting to Select Jurisdiction
Cecil County, MD	18,446	43.9%
New Castle County, DE	14,059	33.4%
Harford County, MD	4,441	10.6%
Chester County, PA	941	2.2%
Baltimore County, MD	876	2.1%
Baltimore City, MD	546	1.3%
Delaware County, PA	373	0.9%
Philadelphia County, PA	254	0.6%
Kent County, MD	190	0.5%
Kent County, DE	186	0.4%
Montgomery County, PA	176	0.4%
Lancaster County, PA	163	0.4%
Salem County, NJ	139	0.3%
Anne Arundel County, MD	119	0.3%
York County, PA	109	0.3%

Source: U.S. Census Bureau

[2] Source: Mapquest.

As a result of the need to look elsewhere for gainful employment, Cecil County residents suffer lengthy average commutes. Some of this is, of course, by choice. For instance, many who work in New Castle County choose to live in Cecil County, and do not concern themselves greatly with the lack of suitable job opportunities in Cecil County. Nonetheless, the impact of this is to render Cecil County a bedroom community with less balanced tax base than is optimal. Moreover, providing people with the option of a shorter commute is consistent with improving quality of life, minimizing energy utilization and balancing the tax base more evenly between residential and commercial activities. Data regarding average travel time to work is presented in the exhibit below.

Exhibit 7: Average Travel Time to Work (for workers 16+ years) by Select Jurisdiction, 2000



Source: U.S. Census Bureau

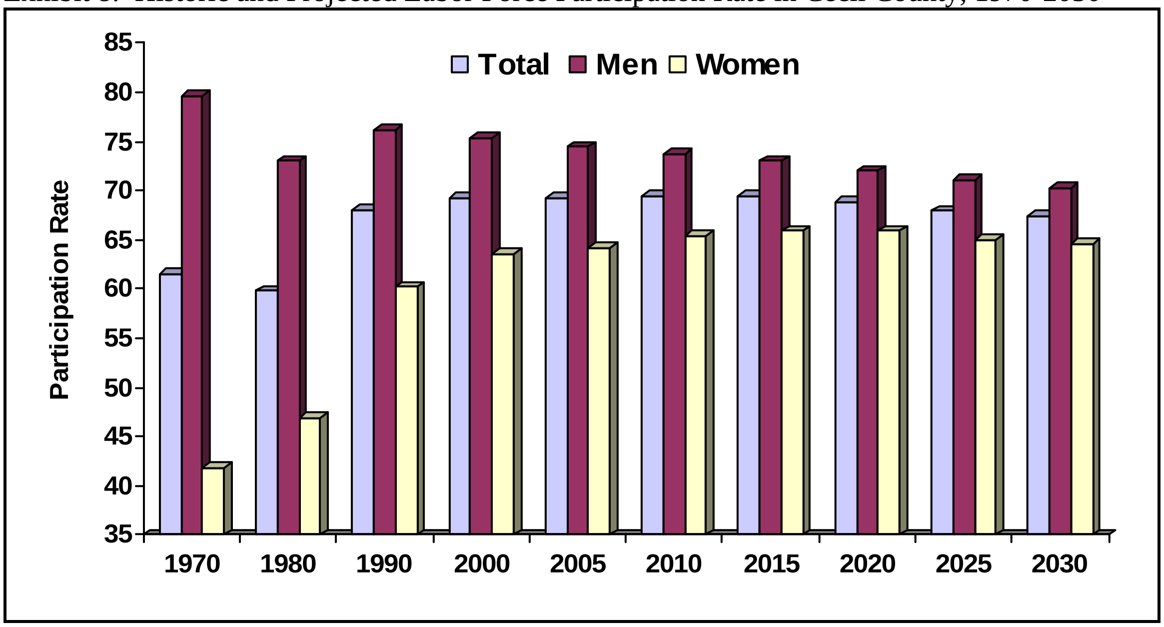
Many of the stakeholders with whom we have spoken over the course of 2006 have also suggested that they would prefer a denser set of job opportunities within the county's boundaries so that a higher proportion of young people can remain close to their families while pursuing gainful career paths. Presently, many of the county's most talented choose to attend college/university beyond the county's borders and typically choose not to return so that they can pursue employment opportunities in Philadelphia, Baltimore, Washington and other major job markets. The presence of a denser set of job opportunities within the county will also help to leverage the presence of UMBC operations in the county as well as to improve the life chances of those graduating from Cecil Community College.

Perhaps employment growth's most beneficial impact is the reduction of unemployment rates. By early 2006, Cecil County's unemployment rate hovered just above 4 percent, a reflection of the job opportunities present within and beyond the county's borders. In recent years, Cecil County's unemployment rate has been steadily declining as the nation's economy has improved, and among the greatest challenges for expanding employers is cobbling together a diversely–skilled and motivated workforce.

- **Cecil County's labor force participation rate has been declining, particularly among men**

Trends in labor force participation have not helped employers and likely reflect some level of community distress. Male labor force participation in Cecil County has been declining since at least 1990 and is projected by the Maryland Department of Planning to continue to decline through 2030. Please see the Exhibit below for additional detail.

Exhibit 8: Historic and Projected Labor Force Participation Rate in Cecil County, 1970-2030



Source: Maryland Department of Planning

Some of this is understandable. Going forward, labor force participation will decline across the nation as the baby boom generation (1946–1964) begins to retire en masse. But this leaves unanswered the substantial decline in male labor force participation between 1990 and 2005.

One likely explanation centers around the county's educational attainment. Cecil County remains considerably less educated on average than Maryland. For instance, statewide, more than a third of those 25 or older boasts a bachelor's degree or higher. The corresponding proportion in Cecil County is fewer than one in five. The exhibit below presents data regarding the highest level of education completed.

Exhibit 9: Population 25+ by Highest Level of Education Completed, Cecil County, 2005 est.

Highest Level Completed	**Cecil Total**	**Cecil % of Population 25+**	**Maryland Total**	**Maryland % of Population 25+**
High school graduate	22,439	35.2%	1,039,070	27.9%
Associate's Degree	4,033	6.3%	261,118	7.0%
Bachelor's Degree	7,678	12.1%	745,770	20.0%
Graduate/Professional Degree	4,517	7.1%	603,214	16.2%

Source: Demographics Now

With the average job becoming more complex and demanding a higher skill level, many Cecil County residents may find that their place in the modern economy is shrinking, leading to discouragement and declining labor force participation. Because males have traditionally been more closely associated with goods producing industries, this may explain why males are represented in larger proportions than females among discouraged workers. This logic is consistent with observed patterns in labor force participation rates. It is also worth noting that by definition, discouraged workers are not calculated as part of the unemployment rate and that therefore some of the improvement in unemployment rates in Cecil County in recent years may not be due to growing economic opportunity, but may be a sign of growing economic disenfranchisement among males. It is on this basis that the official unemployment rate measure is often criticized by economists and others.

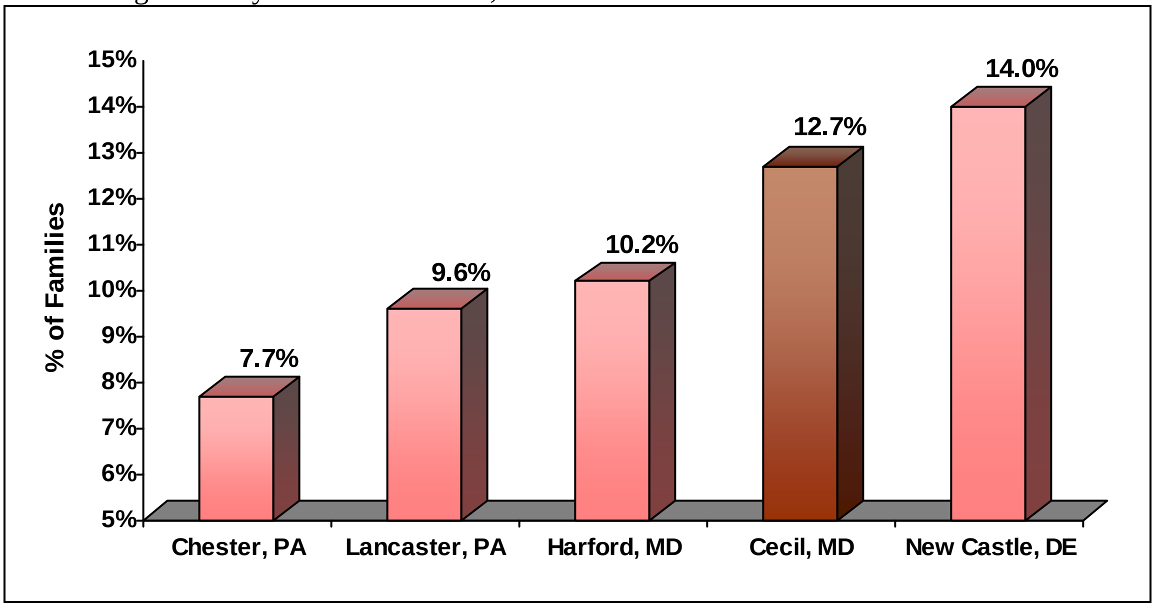
Discouragement among males generates a myriad of social consequences. For instance, job instability among males is often associated with fragile families and family break–up. It should be of little surprise then that Cecil County reports one of the state's highest divorce rates, and the divorce rate has been rising more rapidly in Cecil County than most other Maryland jurisdictions. By 2005, the proportion of residents over the age of 15 that were divorced had risen to nearly 10 percent, above the corresponding proportion in every Maryland jurisdiction except Baltimore City, Caroline County, and Wicomico County. Not surprisingly, the county also has a higher proportion of single–parent households with children.

Exhibit 10: Proportion of Residents 15+ who are Divorced by MD Jurisdiction, 1990 vs. 2005

Jurisdiction	**% Divorced, 2005**	**% Divorced, 1990**	**Percentage Point Increase, 1990 – 2005**
Baltimore City	10.63%	8.99%	1.64%
Caroline County	10.13%	7.13%	3.00%
Wicomico County	9.70%	7.87%	1.83%
Cecil County	**9.69%**	**7.52%**	**2.17%**
Washington County	9.59%	8.01%	1.58%
Prince George's County	9.47%	8.01%	1.46%
Anne Arundel County	9.29%	7.58%	1.71%
Talbot County	9.29%	7.35%	1.94%
Baltimore County	9.17%	7.54%	1.63%
Dorchester County	9.11%	7.77%	1.34%
Charles County	9.08%	6.83%	2.25%
Queen Anne's County	8.95%	6.66%	2.29%
St. Mary's County	8.92%	6.24%	2.68%
Maryland	*8.90%*	*7.60%*	*1.30%*
Calvert County	8.52%	6.40%	2.12%
Worcester County	8.48%	7.59%	0.89%
Kent County	8.45%	6.53%	1.92%
Harford County	8.44%	6.24%	2.20%
Somerset County	8.32%	7.63%	0.69%
Howard County	8.13%	7.02%	1.11%
Frederick County	8.12%	6.56%	1.56%
Allegany County	7.90%	7.02%	0.88%
Garrett County	7.87%	6.09%	1.78%
Montgomery County	7.63%	6.94%	0.69%
Carroll County	7.50%	6.04%	1.46%

Source: Demographics Now

Exhibit 11: Proportion of Family Households that are Single-Parent Families with Children under the age of 18 by Select Jurisdiction, 2000



Source: U.S. Census Bureau

From an economic development and policy perspective, this discussion possesses a number of key dimensions. First, when viewed in conjunction with the earlier discussion pertaining to employment trends, this discussion suggests that there is a widening gap between the haves and have–nots in Cecil County. This is consistent with statewide trends, and Maryland in recent years has reported greater disparities in income growth between high income families and low income families than most other U.S. states.

Exhibit 12: Top 12 States with Largest Family Income Gap, 1980 – 2000

Rank	State	Top 5% Income	Bottom 20% Income	Ratio
1	Arizona	$223,081	$15,719	14.2
2	Texas	$203,174	$14,724	13.8
3	New York	$216,061	$16,076	13.4
4	New Jersey	$268,889	$20,391	13.2
5	Kentucky	$193,766	$14,814	13.1
6	Tennessee	$187,026	$14,303	13.1
7	Florida	$199,892	$15,396	13.0
8	California	$207,363	$16,773	12.4
9	North Carolina	$183,253	$14,884	12.3
10	Pennsylvania	$223,152	$18,548	12.0
11	Massachusetts	$233,108	$19,690	11.8
12	**Maryland**	**$253,923**	**$21,480**	**11.8**

Source: Congressional Budget Office

The implication is that economic development and growth must be sensitive to the need to integrate less–skilled, less employable members of the community even as it turns greater attention to professional occupations, technology and research and development activities. This represents a formidable challenge and implicates the efforts of Cecil

Community College, libraries, workforce development, human services agencies, non–profits and other institutions that are relevant to those in need of training, consultation and other forms of support.

Naturally, K–12 education also plays a long–term role in engaging students, limiting drop–outs and endowing graduates with the capacity to compete in the new economy and to have the opportunity to attend college if that is a desired option. But even the world's greatest K–12 program cannot address the demands of those in their 20s, 30s, 40s, 50s and in other age categories who lack the skills to participate in an ever more complex economy that places rising demands on the individual to adapt to new processes, procedures and technologies.

- **Economic development can help alleviate social challenges**

As an example of the social contributions that economic development can make, according to the National Healthy Marriage Resource Center (2005), lower-income households are much more likely to list financial problems as a cause of divorce. The implication is that rising incomes would help diminish family stress allowing households to remain more cohesive, generating benefits for children and reducing the challenges faced by schools and social service agencies.

Economic opportunity is also consistent with crime prevention. A recent study by Bruce Weinberg of the Ohio State University identified a strong correlation between declining inflation-adjusted wages of men and increases in both violent and non-violent forms of crime, including burglary, assault and robbery. The study found that national crime rates rose from 1979 to 1992 when wages for less skilled males were declining. By contrast, crime declined from 1993 to 1997 when wages increased slightly among less skilled workers. Importantly, wages had a statistically larger effect on crime than did the unemployment rate.[3]

Economic opportunity is also associated with improved public health. Research by Susan L. Ettner of the Harvard Medical School's Department of Health Care Policy finds that increase in income significantly improves mental and physical health.[4] These conclusions are consistent with the conclusions of the broader public health research community, and come as no surprise since access to health services, including preventative services, is associated with health insurance status. In short, the higher incomes, the higher the proportion of citizens who enjoy health insurance and corresponding access to care.

Perhaps most importantly, economic opportunity and rising incomes are associated with improved educational outcomes, which in turn are associated with higher incomes. A study by Gordon Dahl of the University of Rochester and Lance Lochner of the

[3] Weinberg, Bruce (2002), Crime Rates and Local Labor Market Opportunities in the United States: 1979-1997.
[4] Ettner, Susan L. (1995), New Evidence on the relationship between income and health.

University of Western Ontario (2005) found that a $1,000 increase in income raises math test scores by 2.1 percent and reading test scores by 3.6 percent of a standard deviation.[5] The implication is that higher income among parents is transmitted to their children not only through direct wealth transfers but also via the educational process.

The recommendations offered in this report are completely consistent with fuller integration between this segment of the population and Cecil County's economy. Though the study team recommends a focus on high-wage activities, these activities will inevitably spin-off entry-level jobs in a variety of sectors. Moreover, by proposing activities that will support more dense development, there is greater likelihood that developers will find it profitable to supply housing at various price points, including rental housing.

- **Population growth has been rapid, will be rapid and remains a genuine threat to the community's rural heritage**

In 1970, Cecil County's population barely exceeded 50,000 people and its population density remained below 150/square mile. By 2005, the county's population was approaching 100,000 and population density has increased to 270/square mile according to DemographicsNow.[6] According to population projections, between 2005 and 2030, the county will add over 60,000 new residents and its population density will approach that of Harford County's as of 2000. During this period, the county's share of statewide population is projected to rise from 1.7 percent to 2.4 percent. Maryland Department of Planning projections also suggest that Cecil County's percentage population growth and percentage household growth will be more rapid than any of Maryland's other 23 jurisdictions.

Exhibit 13: Historic and Projected Population Growth, Cecil County vs. Maryland 1970-2030

Year	Cecil County Population (2010-2030 are projections)	Maryland Population (2010-2030 are projections)	Cecil as % of Maryland
1970	53,291	3,922,399	1.4%
1980	60,430	4,216,975	1.4%
1990	71,347	4,780,753	1.5%
2000	85,951	5,296,486	1.6%
2005	97,300	5,609,170	1.7%
2010	109,160	5,907,610	1.8%
2015	121,700	6,127,230	2.0%
2020	134,550	6,326,980	2.1%
2025	147,400	6,512,640	2.3%
2030	160,000	6,703,800	2.4%

Source: Maryland Department of Planning

[5] Dahl, Gordon and Lochner, Lance (2005), The Impact of Family Income on Child Achievement.
[6] Population estimates differ by source. The Maryland Department of Planning's estimate is that there were almost 280 people per square mile in Cecil County as of 2005.

Exhibit 14: Projected Population Growth by Maryland Jurisdiction, 2005 – 2025

Rank	**Jurisdiction**	**Projected Population Growth (%), 2005-2025**
1	**Cecil County**	**51.5%**
2	St. Mary's County	47.0%
3	Caroline County	41.1%
4	Charles County	40.6%
5	Frederick County	39.9%
6	Queen Anne's County	31.7%
7	Washington County	28.2%
8	Wicomico County	24.7%
9	Worcester County	23.2%
10	Dorchester County	22.9%
11	Montgomery County	19.9%
12	Howard County	18.5%
12	Harford County	18.5%
14	Calvert County	17.1%
15	Talbot County	16.2%
	MARYLAND	*16.1%*
16	Kent County	15.5%
17	Carroll County	14.9%
18	Somerset County	14.7%
19	Prince George's County	11.7%
20	Garrett County	10.3%
21	Anne Arundel County	9.8%
22	Baltimore County	7.5%
23	Baltimore City	1.8%
24	Allegany County	0.0%

Source: Maryland Department of Planning

Projections suggest that only about one–quarter of all projected population growth over the next five years will take place among Cecil County's eight municipalities. Between 2005 and 2010, the county's eight municipalities are collectively projected to add approximately 3,000 residents. However, the implication is that the balance of population growth (about 8,860 people) will take place beyond municipal boundaries over the next 5 years.

This is more than a bit problematic from a rural heritage, agricultural preservation and quality of life standpoint since the lion's share of development taking place beyond the municipalities is outside of any of the county's other designated growth areas. Thus far, the agricultural sector has managed to survive emerging development pressures. For instance, in real terms, the market value of Cecil County agricultural products sold expanded 60 percent between 1992 and 2002. By 2002, Cecil County was home to 3.7 percent of Maryland's farmland acreage, up from 3.6 percent a decade earlier.

But this is not the time for complacency. As of 2001, fully 87.2 percent of acreage developed in Cecil County was developed outside priority funding areas, reflecting both historic development patterns but also the ongoing practice of transforming productive agricultural land into residential development. The implication is that the wave of development to come has the potential to annihilate the county's agricultural sector and compromise the community's quality of life and heritage in the process. The other major implication is that the areas preferred for growth and development are sorely lacking the infrastructure necessary to attract the eyes of developers and to increase their attractiveness relative to the county's agricultural lands.

Not only have growth pressures been building in and around Cecil County for many years, but the most recent round of Base Realignment and Closure will significantly intensify growth pressures over the next five to ten years. Because of the realignment of bases, Central Maryland stands to gain 40,000 to 60,000 jobs over the span of just a few years. Cecil County will be directly affected due to the sharp increase in activity at Aberdeen Proving Ground. Because much of this activity is being transferred from Fort Monmouth, New Jersey, many affected households will likely look to Cecil County as their residence since this would simplify weekend and other trips back to New Jersey.[7] The accompanying intensification of demand for housing, retail and other amenities has the potential to steamroll the county's agricultural sector.

It need not happen. The key is for Cecil County to position its growth corridor to absorb a super–majority of development and growth going forward. This can only happen through more aggressive infrastructure investment (e.g., water and sewer) in the county's growth corridor, but this investment has yet to take place at sufficient scale. Later in this report, we focus heavily on infrastructure investment in Cecil County and policies that may work to move the infrastructure agenda forward.

As a final point in this part of the discussion, there are those who believe that communities can simply lobby against projects to forestall development or use tools such as extremely low densities and similarly–oriented policies to prevent sprawl and accompanying use of farmland/open space. This might be the case but for the Fifth Amendment to the U.S. Constitution, which among other things states that no individual shall be deprived of "property, without due process of law; nor shall private property be taken for public use, without just compensation". Just like the first amendment places severe constraints on governments seeking to limit speech, the Fifth Amendment places limits on government's ability to control land use.

Whatever one's view of this amendment and the body of law that has developed around it, the fact of the matter appears to be that simply forbidding growth is impossible because its associated attempts can run afoul of constitutional law. Individual property owners in Maryland can and have litigated the takings clause of the Fifth Amendment, making complete abolition of development an impossibility. With that in mind, the best public policy can hope to accomplish is to maximize the utilization of land by permitting efficient development where it is least offensive and thereby protecting the rest.

[7] This discussion is not intended to imply that all BRAC-related in-migrants to the region will opt to live in Cecil County. Of course, other options are available, including New Castle County, DE, Harford County, Lancaster County, PA and numerous other proximate jurisdictions. Nonetheless, there is now little doubt that BRAC will generate a significant increase in demand for Cecil County addresses.

- **Individual models for development exist within Cecil County**

Despite the ongoing lack of infrastructure within the growth corridor and therefore its inability to siphon development demand from agricultural land, there are projects underway that serve as models for future development and will help to absorb economic activity within the growth corridor. Perhaps the single–most interesting project is the 1,200 acre project known as the Bainbridge Development, which will eventually offer a mix of uses, including residential and office. Some have criticized the project for being too large in scope and scale, but if well executed, this project will accommodate a substantial amount of economic activity, thereby reducing growth pressures beyond the growth corridor.

The Principio Business Park, a rail–served, 800–acre industrial park is also available for expanding businesses and is home to General Electric's one million square foot East Coast Distribution Center. The Business Park appears to have identified a way to satisfy its own infrastructure needs and therefore represents a potential model for other projects.

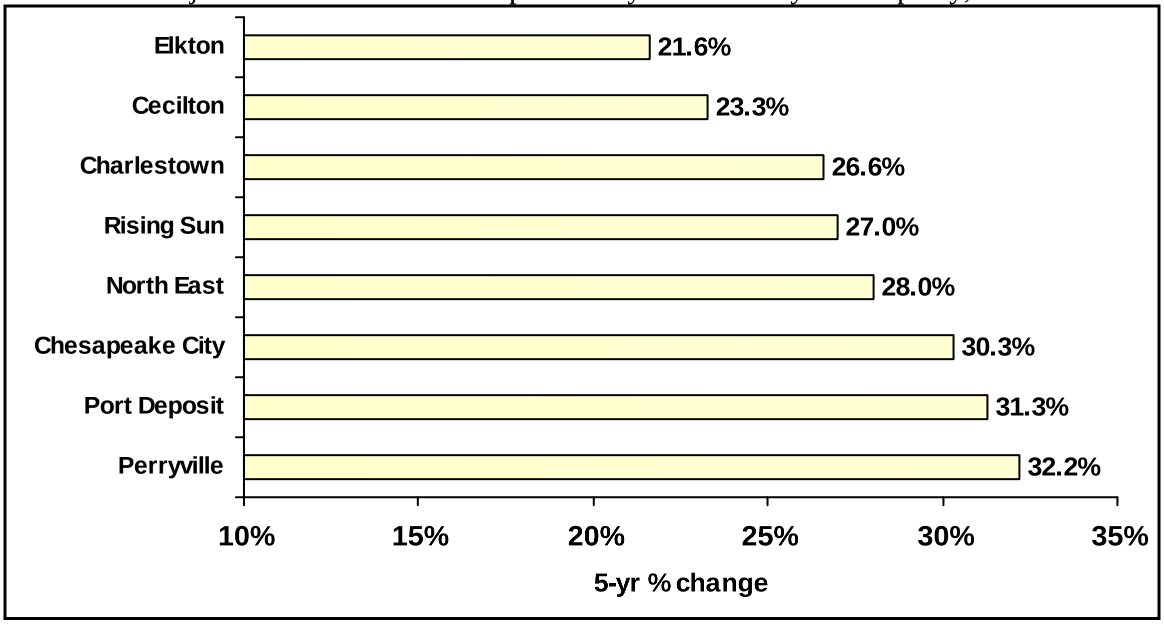
- **Cecil County's senior and youth populations are both increasing rapidly**

Whatever one's view of development and growth generally, virtually everyone appreciates the need for certain amenities based on demographic factors. Consider housing for seniors as an example as well as health facilities. Between 2005 and 2025, Cecil County's population aged 65+ will more than double, increasing from slightly over 10,000 to over 21,000. Cecil County is expected to rank sixth among the state's jurisdictions in terms of the percentage growth of its senior population.

For this reason, there will continue to be rapidly expanding demand for housing with amenities that an aging population requires, including on–demand health services, units without stairs and units that are organized around the needs of people with one or more disabilities. While it is not the case that all people aged 65+ require such amenities in their residences, the demand for such amenities increases with age.

The presence of a greater number of seniors also increases demand for public transit/shuttle buses, senior centers, volunteer opportunities and other elements critical for sustained quality of life. There will also be a need for more pedestrian- and transit-friendly design standards. The provision of these amenities will create financial burdens on government, but also offer opportunities for area businesses.

Exhibit 15: Projected Growth in Senior Population by Cecil County Municipality, 2005-2010



Source: Demographics Now

Paradoxically, Cecil County will also be getting younger. Between 2005 and 2025, Cecil County will add population below the age of 19 more quickly than any jurisdiction in Maryland. While the decade between 2005 and 2015 should not be one that greatly strains the community's school capacity, the decade after will create challenges as the children of the children of the baby boom generation come through the school system. Indeed, just as Cecil County public school capacity remains strained today at the high school level due to the children of the baby boomers, the schools of tomorrow have the potential to overflow with boomers' grandchildren.

In a sense, the County has a decade to prepare for its demographic future. It should take this opportunity to invest in schools by improving music rooms and playing fields, install relevant technologies, recruit the best and brightest teachers and develop programs to train and prepare principals, assistant principals and other current/future leaders. New commercial and residential development should generate additional resources to finance such investment, particularly if the impact fee recommendation is adopted. In the past, investment in schools has undoubtedly been limited by Cecil County's wealth profile, but this need not be the case going forward.

Exhibit 16: Projected Growth in Youth Population (under 19) by MD Jurisdiction 2005-2025

Rank	**Jurisdiction**	**Projected Youth Population Growth (%), 2005-2025**
1	**Cecil County**	**41.4%**
2	St. Mary's County	34.2%
3	Charles County	30.2%
4	Frederick County	30.2%
4	Caroline County	29.8%
6	Queen Anne's County	21.2%
7	Washington County	17.4%
8	Wicomico County	14.7%
9	Dorchester County	14.1%
10	Harford County	9.9%
11	Montgomery County	7.9%
12	Worcester County	6.6%
	Maryland	*6.4%*
13	Howard County	2.9%
14	Carroll County	2.8%
15	Somerset County	2.0%
16	Prince George's County	0.8%
17	Baltimore County	0.6%
18	Calvert County	0.3%
19	Talbot County	0.1%
20	Baltimore City	-0.9%
21	Anne Arundel County	-1.0%
22	Garrett County	-5.5%
23	Kent County	-5.9%
24	Allegany County	-11.8%

Source: Maryland Department of Planning

One of the sets of recommendations generated by this report focuses upon the creation of resources available to invest in county infrastructure, including schools. Whether the County ultimately adopts impact fees, excise taxes, or simply allows growth to provide more revenues, the key will be to place a significant fraction of resources into school facilities, thereby leveraging whatever funding is offered by the State of Maryland. Just as Howard County, MD has made the quality of its school facilities and quality of instruction a core aspect of its economic and social development policy, so too should Cecil County.

Exhibit 17: Local Wealth per Pupil by Maryland Jurisdiction, 2003-2004

Rank	Jurisdiction	Local Wealth per Pupil, 2003-2004	Proportion of State
1	Worcester County	$565,596	1.96
2	Talbot County	$541,603	1.90
3	Montgomery County	$441,465	1.53
4	Kent County	$353,367	1.22
5	Anne Arundel County	$352,560	1.22
6	Howard County	$340,122	1.18
7	Baltimore County	$318,791	1.10
8	Queen Anne's County	$314,257	1.09
	Maryland	*$288,984*	*1.00*
9	Frederick County	$256,351	0.89
10	Garrett County	$250,212	0.87
11	Calvert County	$249,792	0.86
12	Carroll County	$249,229	0.86
13	Harford County	$245,282	0.85
14	Washington County	$240,263	0.83
15	St. Mary's County	$235,373	0.81
16	Charles County	$234,972	0.81
17	Dorchester County	$222,182	0.77
18	Prince George's County	$219,982	0.76
19	**Cecil County**	**$217,695**	**0.75**
20	Wicomico County	$199,878	0.69
21	Allegany County	$177,566	0.61
22	Somerset County	$176,242	0.61
23	Caroline County	$169,629	0.59
24	Baltimore City	$154,118	0.53

Source: Maryland State Department of Education

Most agree that on a per dollar basis, K–12 education in Cecil County is highly effective. As an example, Cecil County outperformed both students statewide and Harford County on the 2005 administration of the geometry HSA and 2006 algebra HSA. Cecil County's students were also competitive on the administration of the English 2 assessment, which is a reflection of the System's performance. However, there is (as there always is) room for improvement. Cecil County's graduation rate in 2005 ranked a lowly 17th among Maryland's 24 jurisdictions, which is undoubtedly a reflection of stress in many county families, but also represents a challenge for the System.

Exhibit 18: High School Graduation Rate by Maryland Jurisdiction, 2005

Rank	Jurisdiction	Graduation Rate, 2005
1	Frederick County	94.97
2	Howard County	93.80
3	Carroll County	93.78
4	Montgomery County	91.43
5	Washington County	91.28
6	Talbot County	91.05
7	Calvert County	89.96
8	Harford County	88.99
9	Worcester County	88.69
10	Queen Anne's County	87.73
11	Allegany County	87.58
12	St. Mary's County	86.97
13	Prince George's County	86.82
14	Garrett County	85.34
Maryland		*84.83*
15	Baltimore County	84.78
16	Charles County	84.74
17	**Cecil County**	**83.40**
18	Anne Arundel County	82.96
19	Somerset County	81.82
20	Caroline County	80.23
21	Wicomico County	78.57
22	Dorchester County	78.28
23	Kent County	76.62
24	Baltimore City	58.99

Source: Maryland State Department of Education

Summing up the Status Quo Path

The discussion above is intended to highlight some of the key macroeconomic and demographic forces influencing life in the county today. From this discussion emerges a reasonably clear status quo path. In other words, based on current trends and in the absence of any significant countervailing policy initiatives and investments, one can envision the county’s future. This section of the report summarizes the discussion immediately above, and as a result some redundancy is unavoidable.

- **Commercial and residential development and growth is on the way**

Cecil County finds itself at a critical juncture in its history. In previous decades, Cecil County was located at the edge of economic activity, positioned between two metropolitan areas. Now it is more accurate to say that Cecil County is an integral part of two major metropolitan areas. Recent data indicate that the conjoining of the Baltimore and Philadelphia metropolitan areas has already generated significant shifts in Cecil County economic activity, including the creation of white–collar jobs at an accelerating pace, the development of larger, more expensive homes and an improving revenue climate for businesses large and small.

- **The gap between the haves and have–nots is widening**

This is not unique to Cecil County. We observe that income growth is most rapid among the high–income statewide and throughout the nation. Nonetheless, Cecil County stakeholders should be aware of the need and challenge to integrate as many members of the community into the modern economy as possible. Cecil County today is simultaneously experiencing rising wages, rising home values, growth in high–wage industries such as professional/business services, manufacturing and finance, competitive student test scores, declining male labor force participation, rising divorce rates and elevated high school dropout rates.

- **The agricultural sector is threatened by development as is the county's rural heritage**

With growth pressures building in and around Cecil County and with the imminent impacts of the latest round of Base Realignment and Closure still to be felt, developers will be searching Cecil County for opportunities more intensely than ever before. While this has some obvious beneficial implications, because so much development in Cecil County takes place beyond priority funding areas or growth corridor, productive farmland is threatened. Demographic factors such as the aging of farmers and retirement serve to intensify fears that Cecil County's rural heritage will be dramatically diminished in years to come.

It is for this reason that the single–most important initiatives for county economic development revolve around water, sewer and other forms of infrastructure in the growth corridor. Thus far, infrastructure formation has been far too slow to effectively siphon off residential development pressures from rural areas. As a result, roughly 87 percent of acreage currently being developed (20 acres or less) in Cecil County falls outside the priority funding area, with the implication being that the type of development taking place requires relatively little infrastructure support[8]. The exhibit immediately following indicates that residential development will continue to be scattered in the years ahead. Exhibit 20 is a map of the County's land use plan for comparison.

[8] Those familiar with land-use in Cecil County understand that this figure may overstate the challenges Cecil County faces since much of the county's growth corridor rests outside the PFAs. Nonetheless, the accompanying map indicates that the scattering of major subdivisions has the potential to engulf the county's land and open spaces over time.

Exhibit 19: Cecil County Proposed Major Subdivisions Map

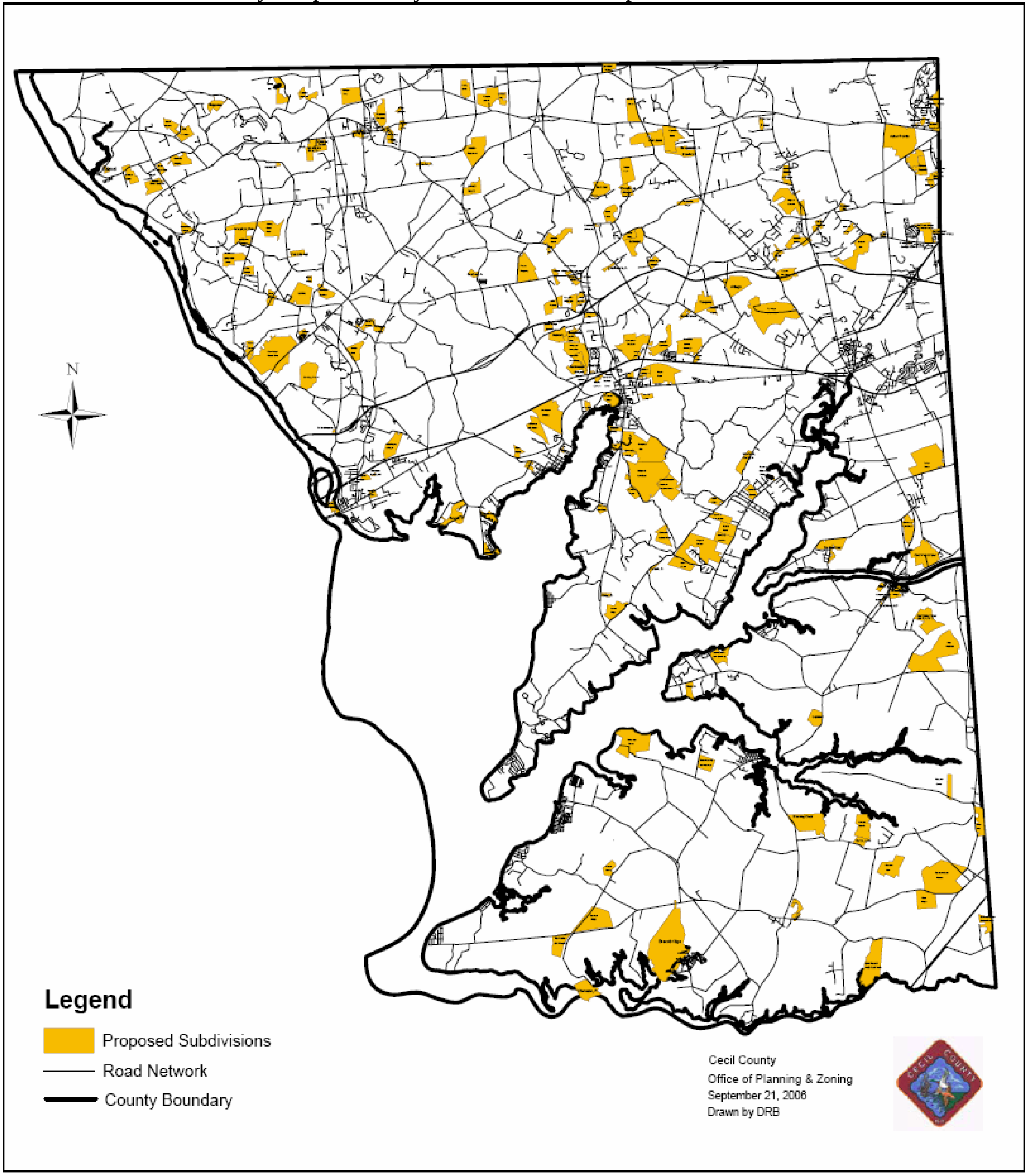
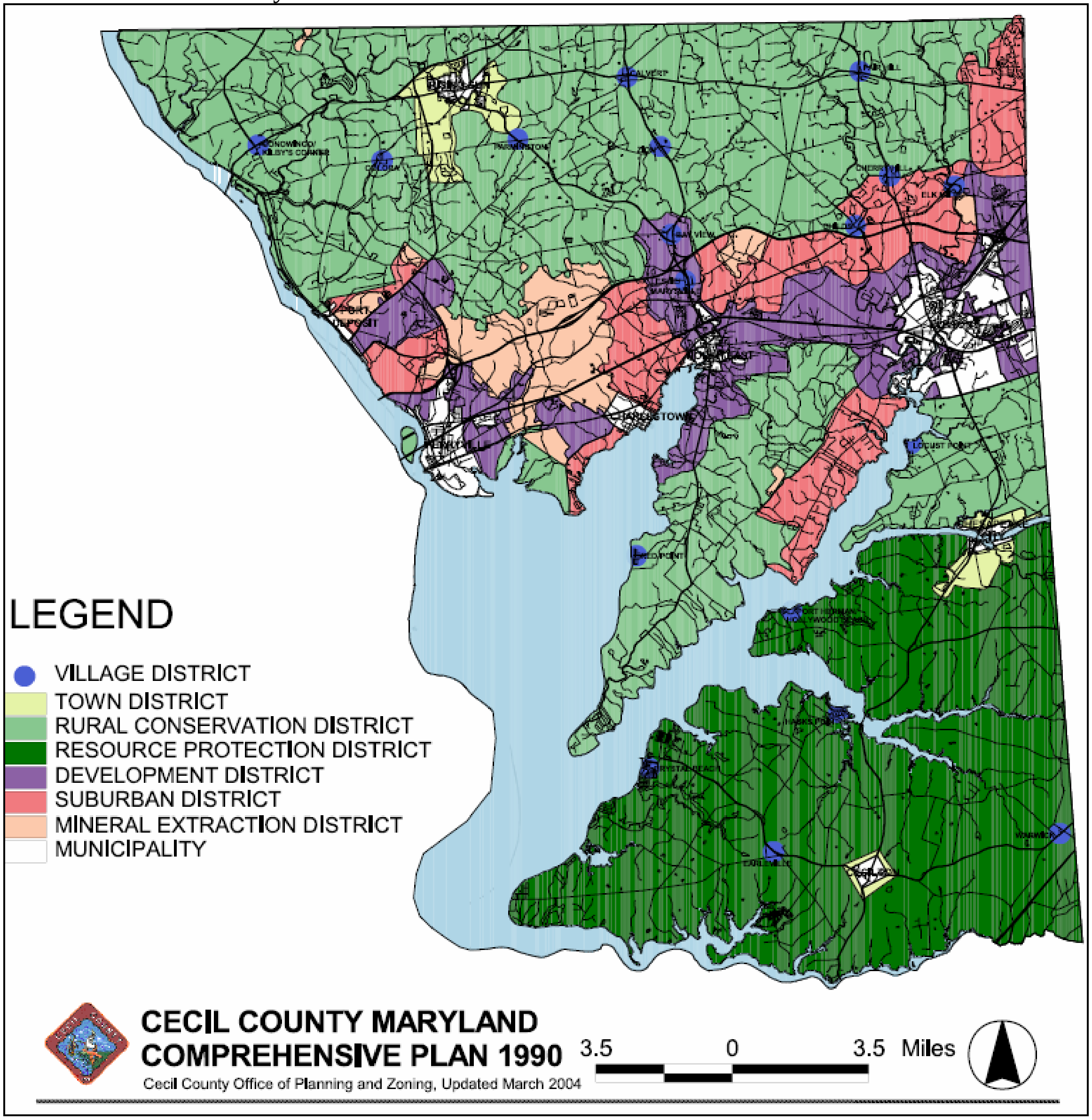


Exhibit 20: Cecil County Land Use Plan



- **The county's demographic future is complex**

Most everyone is aware of the ongoing graying of America as the baby boom generation continues to mature and as people are able to live longer lives. But fewer people are aware of the significant growth in youth population Cecil County will experience over the next twenty years.

These demographic realities have the potential to generate substantial fiscal strains on County government and municipalities over time. The aging of the population will stimulate significant demand for housing, health, transportation and other amenities organized to promote the highest possible quality of life for an aging populace.

Over roughly the same period, the county will experience a rapid expansion in its youth population, which means that it will have to invest significant resources in schools at precisely the same time that people are retiring in larger numbers, paying fewer taxes and demanding an array of additional services.

C. The Stated Aspirations of the Community

Interview Results

Over the course of Thursday, April 6th and Friday April 7th, 2006, Sage conducted interviews with roughly three-dozen community stakeholders. All interviews were conducted under the guarantee of confidentiality, which helped to elicit earnestness and allowed from a thorough vetting of various issues.

Those interviewed included all five County Commissioners, several mayors, heads of various local government agencies, developers, large local employers, small businesses, farmers, anti-growth or slow-growth advocates, heads of major health and educational institutions, members of the general community and a librarian. Though this list reflects a spectrum of perspectives, most of the interviewed quickly honed in on a handful of salient issues.

- **Broad support for a County-led approach to infrastructure development**

A vast majority of interviewees, particularly those who were not representatives of municipalities, suggested that the County must take the lead in infrastructure development. Much discussion revolved around past and ongoing attempts to use the municipalities as the mechanisms by which to supply infrastructure to the county's growth corridor. Though few suggested that these attempts should be abandoned, most agreed that the County should no longer rely upon the success of these attempts given the utter lack of demonstrated progress.

The most articulate of the individuals stating this position suggested that fragmented infrastructure not only slowed the pace of growth and development in Cecil County, but also pushed what development is taking place into the county's northern and southern agricultural regions. Most agreed that accelerating infrastructure formation in the growth corridor was not only important to promote job creation, wage opportunities, shorter commutes and additional tax base, but also was the only hope available for agricultural preservation. In other words, fragmented infrastructure leads to fragmented farmlands. Most interviewees also agreed that because Cecil County's growth corridor represents the last open space on the I-95 corridor and is only fifty-plus miles from the heart of both the Baltimore and Philadelphia regions, growth and development is a given if infrastructure (water, sewer, etc.) is supplied. There was also widely shared concern that the current supply of infrastructure is poised to be overwhelmed by a number of ongoing developments, including Bainbridge, Principio and the impacts of the latest round of Base Realignment and Closure. Bottom line: there is a consensus that Cecil County remains ill-prepared to handle growth of this magnitude.

Of course there were interviewees who would prefer no growth at all. One suggested to us that they rejected the Cecil County Comprehensive Plan (December 1990; discussed in detail below) because it failed to respect the rural character of the growth corridor! In general, however, the anti- or slow-growth advocates expressed frustration not simply over the prospect of further growth and development, but because the Comprehensive Plan's prescription for growth to take place in the growth corridor but not elsewhere in the county is not being adequately respected. Most of these individuals would be placated or at least would not be as opposed to development were it to be relegated to the growth corridor.

Several stakeholders have continued to remind the study team that infrastructure requirements in the growth corridor extend beyond water and sewer disposition. Infrastructure challenges also encompass the needed expansion of affordable broadband access and natural gas. A recent study conducted in conjunction with the Maryland Department of Business and Economic Development, Maryland's Technology Development Corporation, the Tri-County Council for the Lower Eastern Shore and the Mid-Shore Regional Council concluded that the Eastern Shore suffers limited access to competitively priced high-speed communication technologies that are widely available in urban areas.

One of the report's recommendations includes the creation of a Maryland broadband authority to support public and private partnerships in infrastructure development, and certainly Cecil County should attempt to forge partnerships with the large companies that make infrastructure investment decisions. Cecil County should also pursue federal funds, including federal rebates to rural health care providers for broadband Internet usage.

- **Desired industry mix**

There was a similarly high level of consensus regarding the county's desired future industry mix. In particular, interviewees were pleased that there were job opportunities among local manufacturers and distributors, but did not see expansion within these sectors as a high priority going forward. Most expressed a desire to see a dramatic acceleration in white-collar job formation, including in technology, finance, defense contracting and health (though there was relatively less interest in finance as an economic driver). These industries were viewed as clean and offering high wages, which emerged as the most important and desired characteristics of future growth sectors. Many of those expressing a preference for high-wage service sector growth also pointed out that the lack of available office space in Cecil County was problematic from the perspective of enhancing local commercial activity.

There was also a shared consensus that tourism will play a vital role in the county's future, and would not only create jobs (albeit disproportionately in lower-paying occupations), but would also bolster the community's image, support small businesses including restaurants and retailers, and help support farmland preservation.

The County appears ready to take steps to support the expansion of tourism activities countywide, but there appears to be some hesitation regarding contributing investments. The key is for policymakers to understand that the businesses that tourism supports often are the types of businesses most important to quality of life, including first-rate restaurants available for special family or corporate occasions, bed and breakfasts that can support family reunions, and agricultural tourism, which helps to educate young people and to preserve open space.

- **Farmland preservation**

There was effectively unanimous agreement that the County must adopt bold initiatives to preserve farmland. Concerns centered around existing patterns of farmland loss, the fragmentation of farmland, disputes between new residents and farmers, the clogging of farm roads, the loss of access to agricultural services as the marketplace shrinks, the lack of profitability among many farms triggering a desire to sell land, and the lack of interest in farming among younger generations. The collective force of these factors as it relates to farmland loss is substantial and therefore aggressive County-led action is warranted.

But while there was consensus on the need for stepped-up agricultural preservation efforts, there was considerably less agreement with respect to how this ought to be accomplished. A small minority of interviewees believed that utilizing transfer of development rights or TDRs would work. Most interviewees believe that TDRs were not sensible given the lack of development transfer opportunities in the growth corridor. Most also believe that the associated reduction in existing densities in rural portions of the county will only trigger additional large-lot residential development and chew up more farmland than under the status quo. There was also a reasonably widely shared feeling that TDRs failed to pay sufficient homage to the property rights of farmers.

By contrast, there was considerable consensus about the need for impact fees and/or excise taxes. Many expressed the sentiment that developers should be required to pay not only for the infrastructure demands they create, but also for the privilege of developing existing greenfields and open space. There was also a feeling that the new residents that accompany development demand a higher level of service than current residents, including better schools, roads, police and fire services.

Our calculations suggest that at today's prices and tax rates, new residential development pays for the services new households utilize. Based on that, impact fees/excise taxes may seem unfair and unnecessary. However, impact fees/excise taxes really amount to a financing mechanism for new infrastructure; infrastructure that will ultimately benefit newcomers and long-time residents alike. While in a perfect world everyone would pay for the infrastructure they utilize, impact fees finance infrastructure through voluntary payments that are typically made by the final consumer of new housing.

Roughly half of those that mentioned the possibility of shared facilities favored them as a way to preserve productive farmland without annihilating the property rights of farmers. Shared facilities involve permitting the development of one portion of farmland while preserving the rest for agricultural pursuits. Several interviewees suggested that shared facilities simply cannot serve as a functioning model since development and agriculture cannot peacefully co-exist. Others suggested that shared facilities may make sense in growth areas, but not in rural portions of the county. In short, there was no consensus on shared facilities.

Another overlapping group of individuals discussed the notion of supporting the market for "farms as farms". They pointed to the fact that the Amish and Mennonite communities continue to consider Cecil County as a potentially important location for lifestyle and economic opportunities. Among those that discussed this aspect of life in Cecil County, there was unanimous agreement that Amish and Mennonite farmers who could help maintain farmland for productive uses were more than welcome in the community.

- **Issues of workforce and social development**

Most of the interviewees agreed that economic development should be organized to support other forms of development as well. Several major employers bitterly complained about the lack of availability of technically proficient labor, including those with specialized skills in engineering, health and information technology. These employers believed that accelerated progress must be made in higher education, K-12 education, and in providing housing for professionals at various levels of the wage scale. A few employers suggested that the Cecil Community College had made enormous strides in recent years, particularly given constraints on the College's budget.

These employers also expressed delight with respect to the imminent arrival of UMBC as a provider of higher education services in Cecil County (Bainbridge). These interviewees also agreed with the notion that the county's growth strategy should increasingly focus on the attraction and retention of high-wage service sectors as opposed to distribution facilities.

Several interviewees also expressed a desire to see an augmented set of vocational offerings at the high school level (e.g., carpentry, automotive, HVAC, plumbing, electrical, etc.). There was a feeling that many of the county's high school graduates remain ill-prepared to forge a career path and are unprepared for financial independence and household management. Several interviewees also suggested the need for substantially expanded math and science programs (also geography), especially in light of ongoing workforce shortages and the imminence of Base Realignment and Closure. Virtually all interviewees that discussed the issue stated that young people simply do not have enough constructive activities in which to engage. Along these lines, there was satisfaction with the efforts of the local library to engage young people. Use of services by young adults at the Central library is up 81 percent over the last year for which data are available.

Still, young people in the eyes of many are simply too disengaged, leaving them vulnerable to negative influences. At least two interviewees focused a considerable amount of the discussion on emerging gang activity within the county and also suggested that Cecil County was vulnerable given the emergence of such activity in proximate jurisdictions (in both Maryland and Delaware).

With respect to the availability of health services, many suggested a high level of satisfaction with Union Hospital. However, a few of our interviewees stated that health service availability remains far too limited in the western portion of the county.

Finally, with respect to the functioning of government, there was widespread acceptance of the need to enhance the technological capacity of many agencies, including the Department of Public Works, which at the time of the interviews was described as being "overwhelmed" by magnitude increases in the number of plans for review. But interviewees that discussed the issue of technology and government agreed that there was a general lack of technology adoption within local government, and this was increasingly unacceptable given the growing demand for government services and the costs savings many believe new technology could generate.

Survey of Relevant Cecil County Documents

Key documents can also provide insight into a community's aspirations. The list of documents reviewed on behalf of this growth study is lengthy. Below is discussion related to several of the most important documents produced by and/or on behalf of the community in recent years. Rather than summarize the complete content of these reports, this section is intended to highlight those portions that relate to statements of community wants and needs as they pertain to economic development and growth.

- **Cecil County Comprehensive Plan, December 1990**

The Plan represents the single most important statement of Cecil County's vision for its own future. The Plan explicitly states goals with respect to land use, economic development, the physical environment, social environment and management/implementation.

Land-Use

With respect to land use, the Plan states that a major goal is to "achieve quality growth of the County by maintaining desirable, existing community characteristics in new development, recognizing existing settlement patterns in rural areas, and providing for appropriate expansion."[9] This language is consistent with the notion that the people of Cecil County are willing to accommodate growth so long as it is attractive and respects the character of existing communities.

Another major goal is to "concentrate high density development in carefully designated areas contiguous to existing population centers and public facilities."[10] This goal effectively states the core principle of Smart Growth. Related to this is another stated goal, which is to "maintain agricultural uses by resisting encroachment of development into prime agricultural lands, and physically separating other land uses [from] agricultural activities."[11] The Plan also calls for the designation of areas for "orderly suburban growth at densities consistent with the ability of the County to provide adequate infrastructure."[12]

Viewed collectively, these goals are consistent with growth that is minimally intrusive and is associated with high quality development. Naturally, all of these goals are consistent with the need for infrastructure development in the growth corridor and the higher densities such infrastructure would support. Development in the growth corridor, in turn, would help to siphon off excess demand for development in rural portions of the county, thereby creating an economic dynamic consistent with agricultural preservation and the separation of uses.

Economic Development

Remarkably, of the ten goals falling under the economic development heading, fully six related to the viability of agriculture, natural resource extraction and commercial fishing. This is evidence that the community remains committed to its rural heritage and that many of the economic activities of the past will continue to be valued well into the future.

This is not to imply that the community does not seek to attract new economic drivers. Among stated goals is that the community must "capitalize on the availability of Bainbridge as an economic asset" and that the county should "attract suitable commerce and industry to Cecil County."[13] Another goal states that the County should "encourage a balance of residential development and employment opportunities in the County", with the implication that county residents want fiscal diversification, an array of job

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[9] Cecil County Comprehensive Plan, December 1990, at 2.
[10] Id.
[11] Id.
[12] Id.
[13] Id. at 3.

opportunities, and impactful development that attracts attention to Cecil County's offerings and quality of life.[14]

Physical Environment

Perhaps the most important policy statement in this section of the report regards infrastructure. Goal number three under the physical environment heading states that policymakers should "plan and encourage a water supply under the control of the County's government for the needs of development within the County".[15] Indeed, three of the ten physical environment recommendations relate to infrastructure, including sewage and wastewater treatment, water supply and storm water management. The balance of the goals relate to agriculture and preservation of the environment, including forests, shorelines and wetlands.

Social Environment

Compared to the goals listed in other categories, the goals falling under the social environment heading are less well defined. Three of the eight goals focus upon education, including the need for adult education programs. There is also a high degree of emphasis placed on the need for recreational opportunities, proximate health services and even public transportation.

Management

Goals falling under the management heading focus on measuring outcomes, public access to information and the desire to see "close coordination between County and Towns to plan for future annexation by the Towns".[16] There is also an emphasis placed upon government efficiency.

- **Economic Development Strategic Plan (2004)**

The 2004 Strategic Plan was developed to help guide economic development in Cecil County over a five-year period. Though this plan did not list community goals as explicitly as the Comprehensive Plan, several statements provide insight into the demands of the community.

For instance, the Strategic Plan laments the fact that "more than 50 percent of the County's workers continue to commute outside the county for daily employment".[17] The report goes on to state that "while the number of County jobs is at an all-time high, residential growth in the eastern areas of the County is 'spilling over' from Delaware and

[14] Id.
[15] Id.
[16] Id. at 4.
[17] Cecil County Strategic Plan for Economic Development (2004), p. 15.

being fueled largely by buyers who already work in Delaware but who cannot or choose not to pay New Castle County prices for housing."[18]

- **The Report of the Cecil County Agriculture and Farmland Protection Task Force (November 1999)**

This report was chiefly concerned with the fact that the "implementation measures taken to achieve the Comprehensive Plan land use goals are not working. The areas planned for growth are not attracting the growth and the agricultural areas are not protected from the growth . . . Based on the past, official growth projections assume that a third of all population growth will occur in the rural district. However, in recent years, 75% of all new lots created in the county are in the rural district, 60% in the northern district. It appears that, in the face of development pressures affecting Cecil County, the 1993 change in rural district zoning did not lessen the vulnerability of its agricultural resources to development."[19]

The statement highlights several items. First, there continues to be broad support for the goals of the Comprehensive Plan. Controversy does not appear to revolve around Plan objectives, but rather around failed implementation, including the failure to sufficiently accelerate infrastructure development in designated growth areas. Second, the report suggests that altering zoning in rural areas does little to reduce the vulnerability of productive farmland to development. This is a reflection of the fact that demand will find a way to secure its release, and without the opportunity for demand-letting in the county's growth corridor, agricultural lands are vulnerable irrespective of the zoning regime.

Summing up the Community's Stated Aspirations

Much of the community appears willing to embrace the opportunities that economic development can generate, but not at the expense of damaging the functionality of the county's agricultural sector, excessive loss of open space and loss of rural heritage. In short, the community believes that growth should be concentrated in designated growth areas and that much of the balance of the county should remain largely untouched. There is also a stated preference for development that is most conducive to improving the County's fiscal health, including commercial development, which would help to further diversify the County's tax base and better allow County policymakers to resist increases in local taxes.

[18] Id.
[19] Id. at p. 70 (Appendix III of the Cecil County Strategic Plan for Economic Development). Some have suggested that these data are no longer fresh enough to be relevant, but at a minimum they suggest that ongoing vigilance with respect to the protection of agricultural lands is required.

D. Land–Use Policy Options and Scenarios

If organized and managed, economic development can dramatically improve Cecil County's quality of life and help the county reach its desired outcomes. Additional job growth in the growth corridor, including in and around municipalities such as Perryville, North East and Elkton can help to shorten commutes, retain the most skilled and talented workers, reduce both unemployment and underemployment, and alleviate social ills.

<u>Various Models to which Cecil County can Look</u>

- **Carroll County Model – The status quo trajectory**

Without much intervention, Cecil County could come to look very much like Carroll County, MD. Like Cecil County, Carroll County is home to a number of important manufacturers. However, Carroll County is not known for nor is it home to a significant number of large white-collar employers. Moreover, Carroll County has experienced substantial residential expansion in recent years, including outside its growth boundaries. Coincidentally, like Cecil County, Carroll County is home to eight municipalities.

Carroll County is further along its development trajectory because of its greater proximity to Baltimore City and Baltimore County. The commercial growth in these two large jurisdictions has triggered residential demand in Carroll County. At the same time, the lack of high-quality office inventory in Carroll County, including in Westminster, has resulted in regional firms satisfying their suburban space needs in Hunt Valley, Towson, Lutherville, Owings Mills, Columbia and other Baltimore/Howard County locations.

Not surprisingly, the influx of residents to Carroll County has spawned an aggressive anti-growth movement, particularly in the traffic-challenged southern portion of the county. Also, despite the use of impact fees, there remains an inadequate supply of infrastructure to support the expansion of Westminster, particularly water. Needless to say, this is probably not the model that Cecil County should follow, but provides a sense of what the future will bring without more aggressive planning and implementation.

- **Columbia, MD Model – The village center concept**

In October 1963, the Rouse Company announced to the residents of Howard County that it had accumulated more than 14,000 acres or roughly 10 percent of Howard County. Connecticut General Life Insurance funded the acquisition at an average price of $1,500 per acre. The announcement put to rest rumors related to mysterious parcel purchases, including the theory that Howard County was to become a massive laboratory for studying diseases and another that the site was to become a giant compost heap.

From October 1963 to November 1964, Rouse Company planners authored a general plan for the city, detailing land uses, the pace of development, desired densities and underlying economics. The planned new city was designed to avoid the leap-frog and spot development then threatening the county's quality of life, and would be complete with jobs, schools, medical services and a range of housing choices. The town would be comprised of a series of villages, like Easton, Maryland, for instance, where James Rouse was raised. Each village would encompass several neighborhoods and would include a shopping center, recreational facilities, a community center, a system of bike/walking paths and homes. In rough order of opening, the villages were: Wilde Lake, Harper's Choice, Oakland Mills, Long Reach, Owen Brown, Hickory Ridge, Dorsey's Search, King's Contrivance, River Hill and Town Center. Earlier this year, Money Magazine ranked Columbia the fourth best place in the nation to live.

Though Columbia, MD embodies a bold vision, one can view the endeavor as a series of successful mixed-use developments, and Cecil County could follow this type of strategy in its growth corridor and in its eight municipalities. The development of identifiable villages is consistent with Cecil County's rural history, and may also have the benefit of providing opportunities for people to live near their work, for employers to gain access to proximate labor force, and for there to be broadly shared prosperity countywide.

- **The Wake County, NC Model – Forging a common county-municipality strategy**

For most of its modern history, Wake County and its 12 municipalities pursued a traditional approach of working independently to deliver services, to plan for their own futures, and to address growth-related impacts within their own borders. The County and the municipalities each adopted their own land use plans, zoning and subdivision ordinances, and capital improvement programs.

Earlier this decade, the county, its municipalities and the local school system faced challenges associated with rapid, uncoordinated growth, including mind-numbing traffic jams, overcrowded schools, the ongoing loss of open space and natural areas. From September 2000 to January 2003, a Growth Management Task Force comprised of 42 members targeted seven key issues:

1. respecting the uniqueness of each community;
2. land use and development standards;
3. schools;
4. transportation;
5. open space;
6. water and sewer; and
7. paying for growth.

Despite the size and diversity of the Task Force, members were able to rally around a number of agreed upon principles, including the need for:

- adaptive reuse of vacant structures;
- agreed upon appearance standards to be implemented through a municipal/county authority;

- landscaping requirements for installing buffering and screening in of new developments;
- open space dedication requirements;
- development of mix-used zoning overlays;
- adoption of fair-share agreements between jurisdictions so that all communities zone for their fair share of affordable units based on population and jobs;
- adoption of zoning ordinances that permit high-density, mixed-use development;
- use of water/sewer revenues to acquire strategic open space parcels;
- adoption of impact fees to provide dedicated source of funds for open space acquisition; and
- centralization of all facilities, management, operations, maintenance and financing for water/sewer service in one entity by 2015.

This final notion, the unification of water/sewer management, may be particularly advantageous in a Cecil County context since it would likely promote more orderly and efficient infrastructure build-out through the county's growth corridor. However, given the divisions between Cecil County and her municipalities, this is an idea that appears unlikely to gain much traction. That said, the approach should at least be proposed.

The Land–use Models to Follow

The authors of this report recommend that Cecil County adopt the village/mixed-use approach of Columbia, MD and the unifying approach of Wake County, NC. This could be implemented through the creation of a task force with representatives from the county and the eight municipalities to establish agreed upon principles and to determine the role that each municipality will play in Cecil County's future. Undoubtedly, such a process will be accompanied by contentiousness and heated discussion, but this represents the only way for Cecil County to create the possibility of broadly shared quality of life and balanced development from north to south and east to west.

In the absence of more aggressive growth management and a more assertive County role, Cecil County can expect to emerge as a Carroll County-like jurisdiction. While this is certainly not the worst of all conceivable futures, Cecil County would end up with less farmland, more traffic, lower quality development, less commercial tax base, longer commutes and less government capacity to improve infrastructure than were a thoughtful, purposeful plan to be implemented.

Other Land-use Issues

The history of surrounding counties suggests that policymakers and implementers are generally reluctant to convert commercially-zoned land into residential land, since commercially-zoned land that is well served by infrastructure tends to be exhausted more quickly than residentially zoned land. To the extent that such conversion occurs, it should generally be when a developer proposed a mixed-use development with a substantial commercial component that is complemented by residential offerings.

Moreover, it is important for planners to view mixed-use at two levels. The first is at the project level. The second concerns a broader geography. For instance, mixed-use synergies can be generated either by approving mixed-use projects or by supporting commercial development adjacent to residential development. The authors of this strategic plan strongly approve of mixed-use principles at both levels, particularly when there exists a realistic possibility that those who inhabit neighborhoods could support the labor force needs of proximate employers.

Of course, whether mixed-use or not, virtually everyone agrees that development should disproportionately take place in areas designated for growth. It can be done. For instance, in Lancaster County, PA, a total of 11,100 acres were developed between 1994 and 2002. Of this total, nearly half of the acreage was developed in Growth Areas, including 76 percent of all new dwellings. However, large lot development remains an issue beyond the growth areas. The density of residential development outside Growth Areas was 0.8 dwellings per acre compared to 5.0 dwellings per acre inside Growth Areas.

During the 1994-2002 period, Lancaster County also preserved 35,401 acres of farmland while nearly 3,000 acres of parkland were acquired by municipalities. Another 208,264 acres of farmland were protected by agricultural resource zoning as of the end of 2002. As stated elsewhere in this report, Cecil County's approach must be to generate revenues from development in the growth corridor, including Bainbridge and then to re-invest surplus monies into preserving rural heritage and quality of life.

The lesson for Cecil County is that the economic forces generating large lot residential development beyond designated growth areas are formidable. To counter this, Cecil County will have to take bold steps even apart from supporting denser development in designated growth areas.

Baltimore County's Urban-Rural Demarcation Line (which separates the county into a northern preservation area and the southern development area) may be a model (URDL, 1967). Today, 85 percent of Baltimore County's population lives below the URDL on 33 percent of the land. As of 2004, agriculture remained an important industry with an annual value topping $400 million. The overwhelming majority of Baltimore County's 132,500 acres of forest and tree cover and 100,000 acres classified as agricultural land are located north of the URDL. The success of the URDL lies in draconian zoning restrictions, with only 1 unit permitted for every 50 acres in much of the county north of the URDL.

The Optimal Mix of Growth

A number of key stakeholders requested that Sage provide as much insight as possible into the desired composition of development going forward. This analysis attempts to do that by analyzing the likely evolution and expansion of Cecil County's tax base.

Presently, Cecil County boasts one of the best tax base mixes (residential and commercial) in the state. Many jurisdictions struggle with a base that is heavily biased toward their residential sector, but only nine Maryland jurisdictions have a higher commercial share of overall tax base than Cecil County. Most of these jurisdictions are highly urban or suburban in character. Three have relatively inexpensive housing stock which helps to boost their respective commercial tax base shares (Allegany, Wicomico and Dorchester). These nine jurisdictions are Baltimore City and Washington, Allegany, Baltimore, Wicomico, Dorchester, Montgomery, Howard, and Anne Arundel counties.

Because Cecil County housing values continue to rise and because new residential projects continue to be added to the county's tax base, significant commercial tax base expansion will be required merely to hold the commercial/industrial share at or near its current fiscal 2006 level (18.3%). Even in the presence of significant commercial tax base expansion, the residential share (presently 75.8%) could climb going forward due to the combination of housing assessment appreciation and residential supply increase.[20]

- **The Analysis**

In constructing the analysis, Sage presumed that Cecil County would continue to add roughly 900 residential units per year over the next fifteen years. This would imply in and of itself roughly 36,000 additional residents in the county by FY2022, consistent with prevailing Maryland Office of Planning projections. Sage further presumed that assessed residential values would rise 3 percent per annum in real terms over the next fifteen years and that new homes would cost $375,000 is 2006 dollars based on recent activity.

Finally, Sage also presumed that the agriculture's share of tax base would trend lower from its current 5.9 percent to 5.0 percent. This may be too optimistic given the demographics of the farming community and the growth pressures that the county faces, but one of the overarching themes of the growth strategy has been to create an environment supportive of agricultural productivity and the market for "farms as farms". Through successful policy implementation, the agrarian may yet be preserved into economic perpetuity.

Sage conducted optimal growth mix assessment based on three scenarios. The mid-point scenario generates the amount of commercial development necessary to achieve a residential tax base share that would equal 75 percent in fifteen years. This share would be slightly smaller than the prevailing share and consistent with the stated goals of Cecil County to continue to maintain a diversified tax base.

The commercial driven scenario is associated with the amount of commercial development necessary to achieve a residential tax base share of 70 percent by FY2022. Among the three scenarios, this one is associated with the highest level of required commercial development. Only four Maryland jurisdictions currently maintain a

[20] The balance of Cecil County's tax base is comprised primarily of agricultural land value.

residential share less than 70 percent (Baltimore City and Dorchester, Washington and Caroline counties).[21]

The third and final scenario is the residential scenario, which is associated with the amount of commercial development that would be accompanied by a rise in the residential tax base share to 80 percent by FY2022. The exhibit below provides the results.

- **Results and Implications**

Based on 900 permits per year

Exhibit 21: Summary of Growth Mix Analysis based on 900 Permits per Year

Scenarios based on residential share of tax base in fifteen years	Net commercial investment[22] required in Cecil County per year (millions of 2006 dollars)	Net commercial investment required in Cecil County over fifteen years (millions of 2006 dollars)	Jobs created in Cecil County per year	Jobs created in Cecil County over the next fifteen years
80 percent scenario	$117.89	$1,768.37	1,094	16,407
75 percent scenario	*$201.72*	*$3,025.75*	*2,394*	*35,906*
70 percent scenario	$297.86	$4,467.94	3,890	58,356

The composition of commercial investment and associated jobs will largely be determined by the marketplace. However, elsewhere in this report, Sage has suggested that white collar jobs would best help to diversify the county's economic base and would also help to preserve open space since these jobs can be added in substantial numbers on a per acre of developed land basis. These white collar jobs will likely be concentrated in sectors such as professional services, defense contracting/consulting, research and development, financial services, health services, logistics/supply chain management and education.

[21] At 15.85 percent in FY2006, Caroline County maintains the state's highest agricultural tax base share.
[22] Net of depreciation.

Exhibit 22: Total Employment in Cecil County, MD based on 75 percent Scenario at 900 Residential Permits per Annum

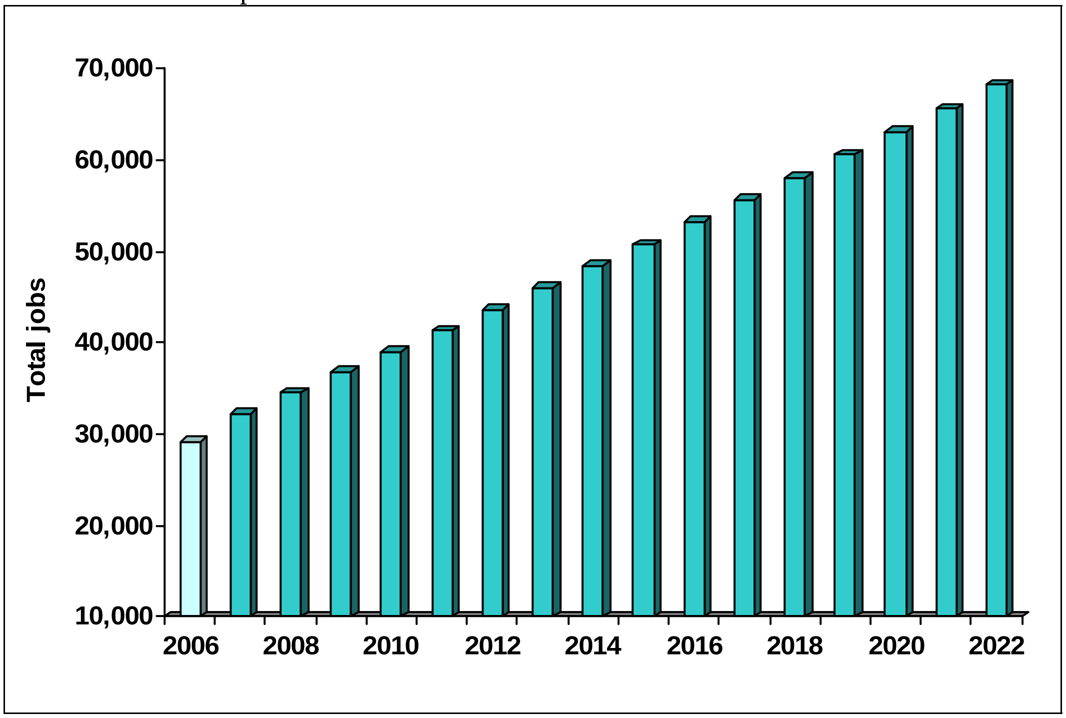
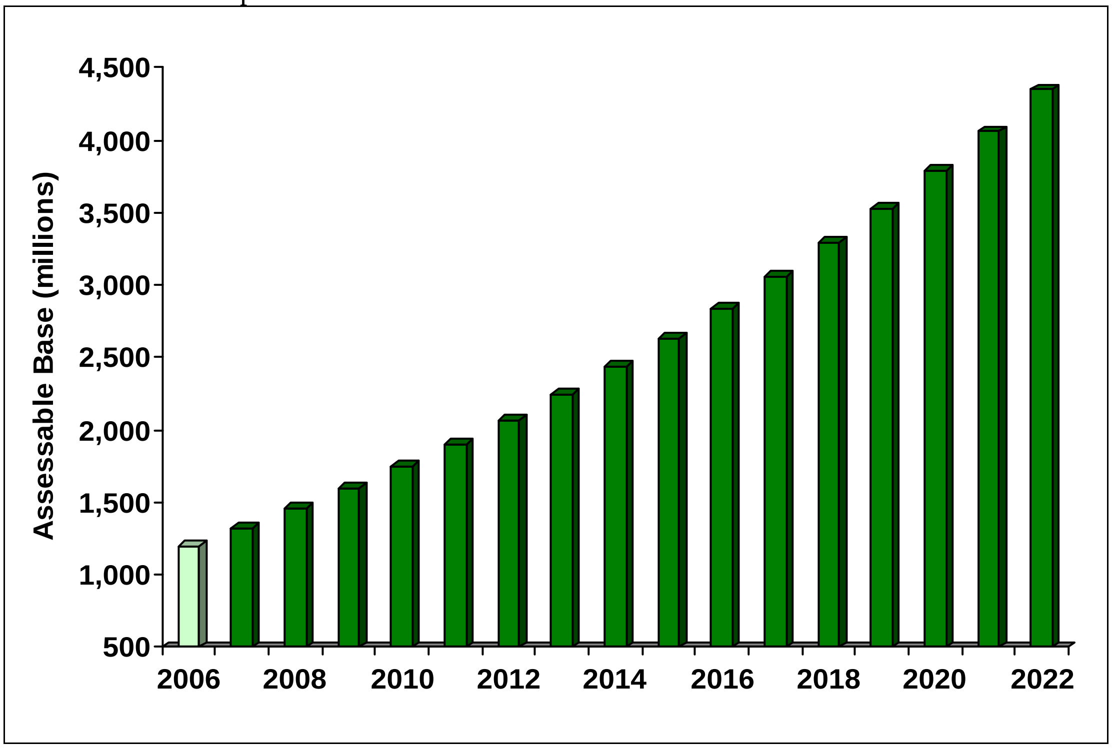


Exhibit 23: Total Commercial Base in Cecil County, MD based on 75 percent Scenario at 900 Residential Permits per Annum



- **Are these scenarios realistic?**

The middle (75 percent) scenario would require that the number of jobs located in Cecil County increase by 111.6 percent over the next fifteen years or 5.1 percent per year. While this is rapid growth, it should be noted that over the past 9 years for which data are available, Cecil County has added jobs at a pace of 4.5 percent per year despite lacking a desirable level of available office space inventory. The implication is that achieving the middle scenario is possible even if residential development is as significant as assumed above.

Still, simply because something may be achieved doesn't necessarily imply that it ought to be. The study team has concluded that 900 residential permits per year may require too high a level of development given Cecil County's other priorities, including infrastructure balance, open space and agricultural preservation.

- **What if residential building is slower than assumed above?**

Based on 600 residential permits per year

Because of recent downzoning in Cecil County, the significant slowdown in the housing market, and the uncertainty related to the tributary strategy, Sage also conducted the analysis assuming slower future residential build-out (i.e., 600 residential permits per year). The results below present the amount of net commercial investment required to produce residential tax base shares of 70, 75, and 80 percent, respectively, given this new assumption.

With respect to the middle (75%) scenario, the county would require 1,658 jobs per year to generate a residential tax base share of 75 percent by FY2022 assuming 600 residential permits per year. This is significantly less than the 2,394 jobs per year that would have to be generated by the community were 900 residential units constructed per annum. Over the course of fifteen years, this translates into approximately 11,000 fewer jobs required and $48 million in less required net commercial investment.

Exhibit 24: Summary of Growth Mix Analysis based on 600 Permits per Year

Scenarios based on residential share of tax base in fifteen years	Net commercial investment required in Cecil County per year (millions of 2006 dollars)	Net commercial investment required in Cecil County over fifteen years (millions of 2006 dollars)	Jobs created in Cecil County per year	Jobs created in Cecil County over the next fifteen years
80 percent scenario	$84.63	$1,269.41	588	8,814
75 percent scenario	*$153.80*	*$2,307.02*	*1,658*	*24,869*
70 percent scenario	$233.24	$3,498.62	2,893	43,3941

Exhibit 25: Total Employment in Cecil County, MD based on 75 percent Scenario at 600 Residential Permits per Annum

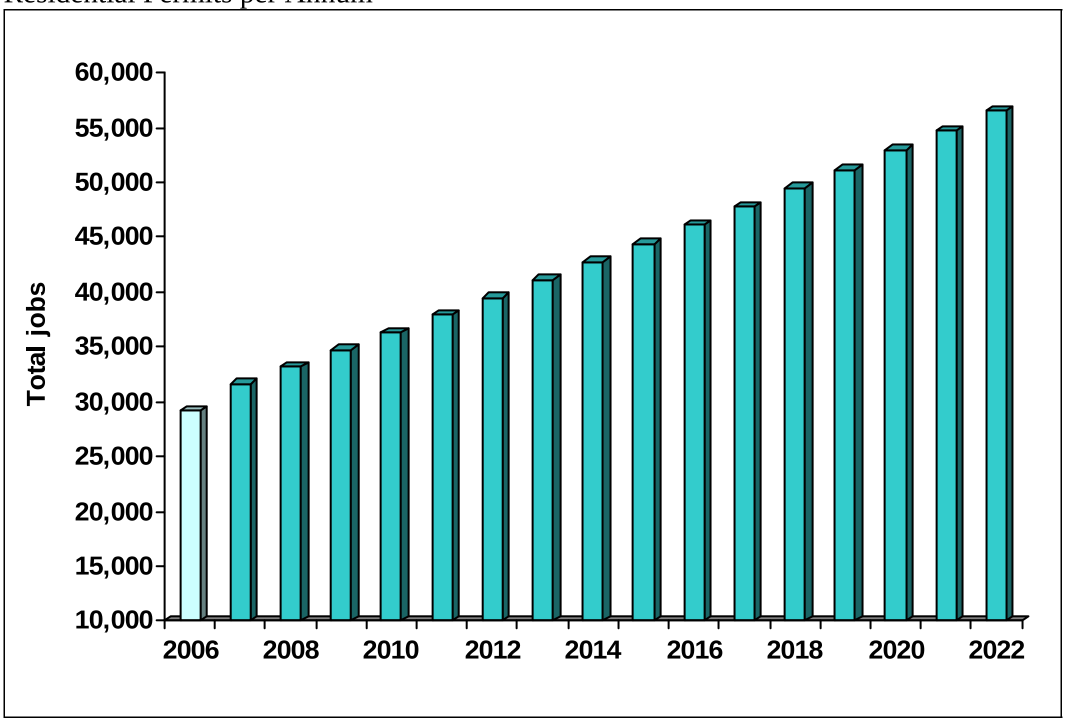
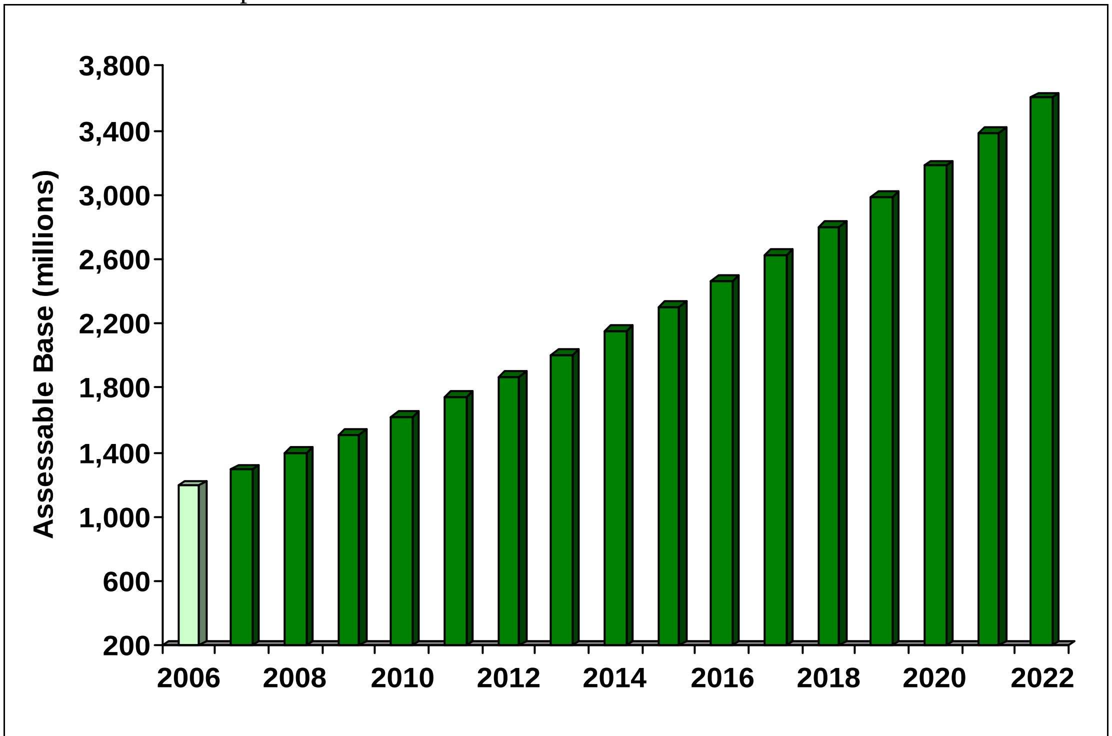


Exhibit 26: Total Commercial Base in Cecil County, MD based on 75 percent Scenario at 600 Residential Permits per Annum



- **What is the right level of permits?**

This is ultimately a community choice, but the analysis above suggests that 900 permits per year countywide may be too many. The County must establish in conjunction with its municipalities a sustainable level that provides for economic opportunity and labor force formation while allowing for the achievement of other quality of life objectives. This level is likely to be in the range of 600-800 permits per year.

E. Recommendations – Ways to Support and Manage Development

Recommendation 1: The County Must Take the Lead on Infrastructure Formation

Virtually all stakeholders agree that the primary challenge facing the community is locating adequate sources of water to meet the requirements for the high quality, high-density development envisioned for the growth corridor. While fragmented infrastructure has slowed the pace of development in Cecil County's growth corridor, it has accelerated development in the county's northern and southern rural areas by virtue of the fact that the growth corridor has not been positioned to accommodate as much growth as had been expected or hoped. The result has been that growth pressures have descended upon the rural areas considerably more than most residents would have desired. Presently, it is estimated that the growth corridor is served by 4 million gallons a day of water, but ultimately will require 14 million gallons per day.

The County's approach to infrastructure development has been to rely heavily upon the good will and efforts of several municipalities. This isn't working and is costing the county's citizenry dearly in multiple ways (e.g., fewer job opportunities, higher unemployment, accelerated loss of farmland, reduced average quality of development[23], longer commutes, etc.). Moreover, the Harford County experience suggests that when county government is known to have the wherewithal to move the infrastructure ball forward without assistance, municipalities are more likely to support the effort in a collaborative manner.

The County should also work in close collaboration with those developers willing to invest their own resources to supply water and other related amenities. Ultimately, the goal is simple: to develop an uninterrupted supply of water/wastewater treatment/broadband/natural gas infrastructure from Perryville to Elkton (the growth area). Under the status quo approach and at the present pace of infrastructure formation, Cecil County will have forsaken much of its rural heritage by the time the infrastructure network is competitive.

Obstacles to implementation are discussed further below, but cost is always an issue. The next recommendation relates directly to the issue of government resources available for infrastructure investment.

- Obstacles

While it is true that locating an approved water source is difficult, had more effort been spent to promote a County-led water strategy, we suspect that more progress could have been made to date. Under the theory that something positive is better late than never, the County should begin to redeploy its focus away from a municipal-led strategy, and toward one that is either more collaborative or one that places the responsibility of infrastructure formation (e.g., water, sewer, broadband, etc.) squarely on the shoulders of the county commissioners and county government.

Another obstacle is the inability of rural or semi-rural communities to attract the investment dollars of large utilities or quasi-utilities upon which society depends for the provision of broadband and natural gas infrastructure. Companies such as Verizon and Constellation are publicly traded and therefore respond first and foremost to the needs of their shareholders. While this represents a fundamental way in which our society is organized, it has the unfortunate consequence of requiring private investments to generate financial returns immediately. Less populated areas are often not able to generate the required quick return and therefore do not benefit from the types of infrastructure investment that are taken for granted in more populous areas. An aforementioned report found that as of 2004 a majority of Eastern Shore businesses lack affordable access to leading edge communications services.

[23] A lower quality of development is characterized by sub-optimal building standards, less investment in landscaping, fewer shared amenities, and less attention to architectural detail.

One complication that has emerged in recent years is the so-called Tributary Strategy. Maryland's Tributary Strategy is a statewide initiative to develop comprehensive nutrient reduction policies and goals. Among the most relevant aspects of the Tributary Strategy is that there are expensive requirements to upgrade Maryland's wastewater treatment plants such that they meet concentrations of 3.0 mg/l (parts per million) or less total nitrogen and 0.3 mg/l or less total phosphorus.

These specifications are technically difficult to obtain. Specific strategies aimed at nutrient reduction include urban, stormwater, septic, growth management, agricultural, point source and air pollution reduction.

Point Source Strategy: Restoring the Chesapeake Bay

Point Sources are sources of nutrient discharge attributed to a specific identifiable end of pipe "point". Significant portions of nutrient point source discharge come from wastewater treatment plants. The Point Source Strategy address impacts attributed to specific points sources throughout the State.

Maryland's Point Source Strategy for the Bay consists of two parts:

(1) To upgrade Maryland's wastewater treatment plants with the latest Enhanced Nutrient Removal (ENR) technology to meet concentrations of 3.0 mg/l (parts per million) or less total nitrogen and 0.3 mg/l or less total phosphorous and;

(2) To maintain nutrient loading caps.

- Significant wastewater treatment plants

Wastewater treatment plants with a design capacity of 500,000 gallons per day or more require upgrades to achieve ENR as soon as possible in order to optimize nutrient removal capabilities. Plants have a minimum total nitrogen discharge of 75 lbs/day or a minimum total phosphorous discharge of 10 lbs/day (500,000 gallons per day at 18 mg/l total nitrogen or 3 mg/l total phosphorous for a municipal wastewater treatment plant).

- Non-significant wastewater treatment plants

Wastewater treatment plants with a design capacity of 500,000 gallons per day or less with users that are not paying Maryland's Bay Restoration Fee require maintenance of ENR levels in their discharges. Annual nutrient loads for these facilities are based on design capacity or projected 2020 flows (whichever is less) and concentrations of 18 mg/l total nitrogen and 3 mg/l total phosphorous. Expanding non-significant plants cannot exceed 6,100 lbs/yr in nitrogen and 457 lbs/yr in phosphorous.

The problem is technological. Meeting these requirements is extremely expensive and therefore may significantly hamper the County's ability to generate wastewater treatment capacity. The future impact of the Tributary Strategy remains incompletely understood.

Recommendation 2: The County Should Utilize Multiple Infrastructure Financing Options

2a: Impact Fees

An impact fee is most commonly assessed on the construction of new structures. Their purpose is to pay for the expansion of the service capacity of government, including by supporting the construction of new fire stations, police stations, sewer and water supply systems, parks, libraries and other government agencies and services.

In places lacking impact fees (e.g., municipalities, counties), jurisdictions must either generate funds for infrastructure expansion from the existing tax base or through the rapid accumulation of debt obligations through the issuance of bonds.[24] One can imagine a circumstance under which the existing community would see their taxes raised in order to finance new infrastructure and then eventually see their taxes dropped again once new taxpaying development formed around the infrastructure. The problem with this scenario is that raising taxes is rarely politically convenient, and therefore communities end up in an equilibrium characterized by moderate taxes, permanently inadequate infrastructure and stunted development.

Impact fees serve to undo this politically convenient but strategically unwise equilibrium by requiring the developer to take on the cost of the associated infrastructure up front. Many believe this is fundamentally unfair since the developer typically contributes to the formation of infrastructure that is widely used by the broader community. However, the alternative for the developer is often to have their project denied due to infrastructure-related and other concerns.

In a Cecil County context, impact fees would allow for projects to move forward within the growth corridor, thereby siphoning off much of the residential development pressure from the county's rural areas. Impact fees should be set considerably higher in the county's agricultural regions than within the growth corridor. The logic behind this is that those who choose to live in the county's agricultural areas should be required to pay a hefty price for the privilege and associated impact on the agrarian sector. Monies collected from this type of development could then be used for various purposes, including to set aside open space and mitigate environmental effects, or to invest in rural roads to promote the competitiveness and efficiency of the county's agrarian sector.

Fees collected for development within the growth corridor would presumably be reinvested in water/sewer infrastructure, schools and other government-controlled facilities. A lower fee should be set for those developers willing to develop within the growth corridor since the associated environmental and agricultural impacts will be considerably less harmful.

[24] Excise taxes represent another possibility and are discussed below.

2b: Excise Taxes

Several highly visible stakeholders within County government have suggested that excise taxes on residential sales would be a better option for the County than impact fees. The logic is that while impact fees are governed by numerous constitutional and administrative restrictions, excise taxes flow to the general fund and can be deployed in any manner policymakers see fit.

It is for this reason that the study team has been somewhat less enthusiastic about excise taxes, since the monies may not ultimately be spent on addressing the county's infrastructure requirements. That said, if policymakers are disciplined, excise taxes represent a flexible mechanism by which to promote growth within the growth corridor and to make development outside designated growth areas relatively less attractive.

2c: Tax Increment Financing to Spur Redevelopment

Tax increment financing (TIF) permits jurisdictions to create special districts and to make public improvements within those districts that will generate private sector development. During the development period, the tax base (assessed value) is frozen at the predevelopment level. Though property taxes continue to be collected, taxes derived from increases in assessed values (the tax increment) resulting from the new investment either head toward a special fund created to retire bonds issued to accommodate the development or to promote additional economic expansion in the district.

Like impact fees and excise taxes, TIFs represent another form of financing. A tax increment financing district is created through the adoption of a plan for redevelopment and a TIF plan. The assessed value of the property within the district is then determined according to the most recent tax roll and represents the pre-redevelopment assessed value of the tax increment district. Again, each of the taxing jurisdictions, including the County, continues to receive its share of the taxes collected on the original assessed value as if the district had never been created. It is also worth noting that the tax freeze lasts for a defined period of time as set forth in the redevelopment plan. At the end of that period, taxing jurisdictions enjoy the benefit of the increased property values.

The study team envisions impact fees as the way to help accelerate new development within the growth corridor, while TIF districts could be defined to promote redevelopment of already developed areas that suffer from an unacceptably low average quality of development. Of course, TIFs can be used to promote new development and impact fees may spur redevelopment in many instances, but we still find the proposed paradigm to be useful.

Key stakeholders with whom we have discussed the TIF recommendation have generally concluded that the establishment of TIF districts is a low priority relative to establishing impact fees and/or excise taxes. We are inclined to agree.

Whether the County opts to pursue impact fees or excise taxes, the availability of one or both of these financing mechanisms must be immediate. This is true for at least three reasons. First, the County has already been behind the infrastructure build-out curve and the impact of the latest round of Base Realignment and Closure will mean additional stress on the infrastructure base. Moreover, without a dramatic acceleration in infrastructure build-out, Cecil County will not be positioned to accommodate the opportunities BRAC will create for economic development later this decade and early into the next.

Second, the longer the community is forced to wait for the availability of these financing mechanisms, the greater the loss of productive farmland to development. Finally, the availability of these financing mechanisms is necessary to permit the County to meet its Capital Improvement Program requirements. The exhibit below indicates that by fiscal year 2009, general fund debt service, net debt per capita and net debt to income will all exceed comfortable ranges. If capital program requests are respected, net debt per capita will vastly exceed the $1,200 benchmark as early as fiscal year 2008, which indicates that new infrastructure monetary flows cannot arrive too quickly.

Exhibit 27: Capital Improvement Program Request vs. Maximum Debt Standards

Standards	**Benchmark**	**2007**	**2008**	**2009**	**2010**
G.F. Debt Service/G.F. Expenditures	10.00%	8.01%	8.73%	**11.21%**	**14.02%**
Fund Balance/G.F. Revenue	7.50%	11.00%	11.00%	11.00%	11.00%
Debt/Assessed Valuation	6.00%	1.56%	2.02%	2.67%	2.80%
Debt/Full Value	6.00%	1.56%	2.02%	2.67%	2.80%
Net Debt/Capita	$1,200	**$1,201**	**$1,640**	**$2,282**	**$2,530**
Net Debt to Income	10.00%	6.57%	8.73%	**11.83%**	**12.78%**

- Obstacles

Impact fees must be set to satisfy a constitutional rational nexus test. Below is a chart indicating impact fee levels in several other Maryland jurisdictions.

Exhibit 28: Most Current Impact Fee Schedules, Select Maryland Jurisdictions

Jurisdiction	**Single-Family Impact Fee**	**Townhome Impact Fee**	**Multifamily/ Other Impact Fee**
Anne Arundel County	$4,394	$3,033	$2,233 - $3,498
Queen Anne's County	$5,744	n/a	$3,397
Carroll County	$6,836	$7,610	$2,787 - $3,599
Frederick County	$11,595	$9,573	$2,192
Harford County	$7,442	$5,148	$1,473

Source: Various County websites; *APFO in Maryland: An Analysis of their Implementation and Effects on Residential Development in the Baltimore Metropolitan Area*, by the National Center for Smart Growth Research and Education

A second obstacle is the delegation that represents Cecil County in Annapolis. In the past, this delegation has not been particularly supportive of Cecil County impact fees or excise taxes. As the chart above indicates, counties similar to Cecil County have them and the intellectual justification for not having them in Cecil County remains unclear.

With respect to tax increment financing districts, it should be noted that there is a political process involved with creating them and selecting the affected area. Districts should not be in areas that are already poised for substantial redevelopment. Rather, they should be situated in areas characterized by low quality development and a lack of apparent redevelopment momentum. It is also recommended that the public be invited to comment at length with respect to the area definition of TIF districts to be defined in the future.

Recommendation 3: Promote Transportation Solutions

3a: Move the I–95 Toll

Early in the Comprehensive Plan, it is said that growth pressures facing the county are "originating in the Wilmington-Newark area, and to a lesser extent, from Baltimore".[25] At first blush, this might strike the casual observer as an innocuous statement. After all, Cecil County enjoys greater proximity to Wilmington than to Baltimore and therefore it should come as little surprise that growth pressures are more evident from the east than from the south.

But Baltimore is considerably larger than the Wilmington metropolitan area (2006 estimates suggest that with 2.6 million residents, the Baltimore metropolitan area is more than 4 times larger than Wilmington), which all things being equal would suggest that Baltimore's influence should be more pronounced. It is probably the case that Baltimore's influence and associated Cecil County economic development opportunities are effectively cut off by the I-95 Exit 93 toll, which also has the effect of slicing the county's economy in two.

[25] Comprehensive Plan at 4.

A proper analogy would be the notion of a planet served by two suns. The first is more proximate but also smaller. The second is more distant but much larger. Which of the two will cast more light and heat upon the planet? The answer is not a given.

The result of the I-95 toll is an economic softspot, namely in and around Port Deposit and Perryville. This is particularly true in the areas of business establishments, employment, and payroll where Port Deposit and Perryville slip seriously behind other towns along I-95 and behind the average Cecil County community. As reflected in Exhibit 22, the broader Port Deposit and Perryville areas have the smallest number of establishments and employees as well as the smallest payroll of any of the selected jurisdictions. Some of this variation among communities is attributable to the variation in population.

By normalizing economic variables around population, employment, or establishments, a clearer comparison of business activity in Port Deposit and Perryville versus other jurisdictions can be made. Thus, payroll per employee in Port Deposit and Perryville is 9 percent to 40 percent lower than the other jurisdictions while establishments per 1,000 population is at least 20 percent lower. Other variables are similarly skewed; employees per 1,000 population is less than half of other jurisdictions; employees per establishment is at least roughly 40 less than other jurisdictions, while payroll per establishment is 45 percent to 70 percent lower. Payroll per capita is at least 60 percent less than the other jurisdictions.

Those who believe that the toll's impact on the economics of Cecil County is overstated often point to the relative prosperity of Elkton. However, the economics of Elkton is vastly different from the economics of Perryville and Port Deposit. While Elkton largely feeds off the economic energy of New Castle County, Perryville and Port Deposit would be expected to derive a higher proportion of economic demand from Harford County and perhaps other parts of the Baltimore area. The toll effectively cuts Perryville and Port Deposit off from much of this Baltimore metropolitan area influence, thereby condemning these communities to second-class status.

Exhibit 29: Socioeconomic Data for Selected Towns and Cecil County: 2000 and 2003

Jurisdiction(s)	Year	Port Deposit & Perryville	Elkton	North East	Cecil County	Havre de Grace
Zip code(s)		21904 & 21903	21921	21901	N.A.	21078
Nearest I-95 exit		93	109	100	93, 100, & 109	89
Population	2000	11,762	38,231	12,496	85,951	15,841
Per capita income	2000	$20,345	$21,529	$21,506	$21,384	$22,480
Median single-family house	2000	$125,700	$133,700	$132,500	$132,300	$137,600
Establishments	2003	184	808	267	1752	345
Employees	2003	1,434	12,143	3,554	22,374	5,133
Annual payroll (thousands)	2003	$31,769	$448,927	$86,221	$760,940	$151,450
Payroll/employee	2003	$22,154	$36,970	$24,260	$34,010	$29,505
Establishments/ 1,000 population	2003/ 2000	16	21	21	20	22
Employees/ 1,000 population	2003/ 2000	122	318	284	260	324
Payroll per capita		$2,701	$11,742	$6,900	$8,853	$9,561
Employees/ establishment	2003	7.8	15.0	13.3	12.8	14.9
Sources: U.S. Census, Zip Code Business Patterns, County Business Patterns						

Another way to compare these ratios is to set values for Port Deposit and Perryville at 100 and index all other ratios in comparison to that value. These calculations are presented in Exhibit 23 and from this it can be seen as how much Port Deposit and Perryville would have to improve to perform as well as the other jurisdictions. For instance, were Port Deposit and Perryville to have as many establishments per 1,000 population as Elkton, the number of establishments would have to increase 35 percent. If Port Deposit and Perryville were to have the same payroll per establishment as Elkton, the payroll per establishment would have to increase 222 percent.

Exhibit 30: Indexing of Variables for Change in Economic Indicators for Selected Towns and Cecil County: 1998 to 2003 (Port Deposit and Perryville = 100)

Jurisdiction(s)	Port Deposit & Perryville	Elkton	North East	Cecil County	Havre de Grace
Zip code(s)	21904 & 21903	21921	21901	N.A.	21078
Establishments/ 1,000 population	100	135	137	130	140
Employees/ 1,000 population	100	261	233	214	255
Payroll/employee	100	167	110	154	145
Payroll per capita	100	435	255	328	370
Employees/establishment	100	193	171	164	182
Payroll/establishment	100	322	187	252	265

The economic picture of Port Deposit and Perryville that emerges from these data is one of a business community that is substantially underdeveloped relative to other towns along I-95. The business community appears to be one of relatively small establishments with few employees and small payrolls. Such a business community is likely serving very local needs rather than a wider market that would tend to use I-95 to reach these towns. Simply stated, removing the toll would make it easier for the businesses of Port Deposit and Perryville to serve a wider market and develop into a more mature business economy.

The presence of the toll also has the impact of displacing traffic from I-95 to Cecil County's roads, creating congestion in the process. This has negative implications for quality of life, public safety and business convenience. The solution is to relocate the toll to the Delaware River or perhaps by creating a shared facility with DelDOT. Moreover, were State transportation officials to reorient the toll to the southbound lanes of I-95, a number of entrants into Maryland that currently do not pay the toll would be charged.

- Obstacles

The most obvious obstacle associated with moving the toll is the associated cost and the fact that the State of Maryland would be asked to contribute towards its relocation. In the recent past, the Maryland Department of Transportation has hardly expressed enthusiasm or interest in helping Cecil County by relocating the toll. However, the economic arguments are compelling as are other arguments with substantial non-economic content.

3b: Continue to Push for Mass Transit Linkages

Though Cecil County like virtually all Maryland jurisdictions is known more for its roads than its mass transit opportunities, the county sits within or at the edge of major commuter rail systems. Presently, a study is being conducted to examine the ridership potential and engineering feasibility of an extension of regional rail service from Newark, Delaware to Elkton, Maryland. The feasibility study follows a 1995 Delaware Department of Transportation (DelDOT) Regional Rail Study's analysis of the feasibility of “Station West”, which envisioned an extension of the SEPTA R-2 regional rail service from Newark to a station in or near Elkton. That study found that such service could only be made available were it possible to extend Track A from Newark to Elkton. The study concludes that extending Track A would significantly enhance Norfolk Southern rail freight access while serving as an economic development tool for Cecil County, Maryland’s Eastern Shore and Delaware.[26]

A separate but related feasibility analysis focuses upon the possibility of extending Track A from Elkton to Perryville. Together, the two extensions (which would link Perryville and Newark) would close the only gap in parallel commuter rail service along the entire Northeast Corridor. MARC Penn Line service terminates at Perryville and the SEPTA R2 regional rail service terminates at Newark. The existence of seamless commuter rail service linking Perryville, North East, Elkton, Newark, Wilmington and other communities would tie Cecil County more closely to the dense economics of the broader Philadelphia region while also supporting the County’s ongoing efforts to direct growth to its towns and development district.

Given this, it is incumbent upon County policymakers to push aggressively to forge these links. These projects would not only benefit Cecil County, but are sufficiently transformative to benefit both large portions of Maryland and Delaware. Therefore, over the long term, support for these investments may become sufficiently broad to allow their final design and completion.

Recommendation 4: Commit to the Concepts of Clustering and Shared Facilities

Clustering development in residential areas can be utilized to maximize the use of developed land while preserving open space. It can also be used to limit the amount of tension between farming activities and new residential communities by placing development away from the most intense agrarian activities.

Clustering development can and should be used in conjunction with shared facilities, which allow for land slated for development to be utilized with maximum efficiency. Without the presence of shared facilities, the number of units that can be developed on any given parcel may be severely limited by access to water, with the implication being that more acreage of development is required to support a given population. This results in the sub-optimal utilization of land and unnecessary sprawl.

- Obstacles

The major obstacle revolves around misconceptions associated with the consequences of clustering and shared facilities. There is a belief among many that these policies operating in conjunction contribute to sprawl by allowing high impact development in rural areas. This is not a perspective completely without merit, but it fails to fully

[26] Track A Feasibility Study, www.wilmapco.org/Track%20A%20Feasabilty/PhaseI.htm.

consider the alternative outcomes. Specifically, the land-use choice is not between development and no development. This might have been the case but for the 5th Amendment, which among other things states that no person shall be deprived of . . . "property, without due process of law; nor shall private property be taken for public use, without just compensation".

Around these words has sprung an entire body of jurisprudence that defines the limits of governmental control over privately owned property, including limits to government's constitutional ability to regulate. The U.S. Supreme Court first recognized a valid regulatory taking claim in 1922 in a case involving coal-mining regulations enacted by the Commonwealth of Pennsylvania. The regulations required the owners of sub-surface coal deposits to remove the coal in a manner that guaranteed the vertical support of the owners of the surface lands above the coal. While considered a likely legitimate exercise of the State's police power, Justice Holmes in *Pennsylvania Coal Co. v. Mahon* ruled that "while property may be regulated to a certain extent, if a regulation goes too far it will be recognized as a [compensable] taking".[27]

Regulatory takings law continues to evolve, but the bottom line is that regulation cannot simply annihilate property rights, and therefore development will continue in some form even in the presence of an unmitigated public desire to forbid it. Given this, the goal of public policy must be to direct growth and development in a way that makes maximum use of available land, accommodates market demand, and allows land valuable for other purposes (e.g., environmental, agricultural) to remain undeveloped because demand has been satisfied on land offering lower development opportunity costs.

Clustering and shared facilities are consistent with the constitutional and economic realities of land use. It is a lack of density that produces sprawl as economic activity is thinly spread over far-flung areas and it is sprawl that most threatens Cecil County's agricultural heritage. Therefore, these policies should be viewed as an antidote to sprawl and a tool with which to undermine that which most threatens Cecil County's agricultural heritage.

Planners must work diligently to help developers situate projects in ways least injurious to adjacent or proximate agricultural activities. Clustering provides planners with the type of flexibility required to harmonize new development with ongoing agrarian pursuits by (hopefully) allowing homes to be situated away from the most intensive farming activities.

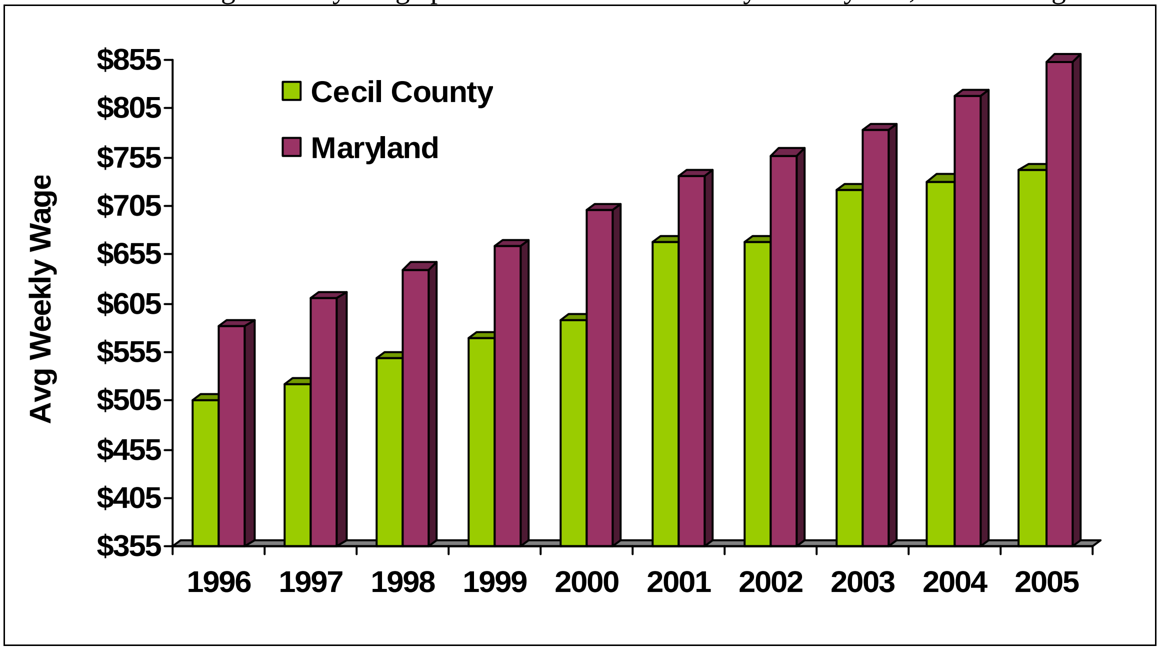
Recommendation 5: Pursue a Relentless Focus on R&D Activities and High-Wage Service Sector Industries

The goal of this recommendation is to increase average wages throughout the community. Faithful implementation of this recommendation would also serve to leverage the higher educational opportunities that are already available in Cecil County or

[27] Penn. Coal Co. v. Mahon, 260 U.S. 393, 415 (1922).

will be made available in the near future. Proper implementation requires that this focus on high-wage sectors include the full participation of UMBC, CCCC and high schools.

Exhibit 31: Average Weekly Wage per Worker in Cecil County v. Maryland, 1996 through 2005



Source: Maryland Department of Labor, Licensing and Regulation

At first blush, it might appear that this recommendation ignores the employment and income needs of many of Cecil County's less educated, less skilled citizens. This is not the case. The presence of high-tech, high-wage jobs creates a multiplier effect that results in the creation of jobs in retail, child care, landscaping, construction and other segments that create entry level job opportunities and provide relevant career paths.

Cecil County is distinguished by large manufacturing and distribution sectors. Often, it is the case that economic growth strategies advise a community that they should continue to build on their strengths by building additional marketshare in those areas that are already over-represented. This strategy is typically referred to as clustering industries.

But clustering makes less sense when it involves industries that pay moderate wages and/or with uncertain futures. For instance, Cecil County will always have an important role in distribution given its permanent place along I-95, but the distribution industry is rapidly shifting as gasoline prices soar and railroads gain marketshare. Moreover, distribution jobs in Cecil County typically pay wages below $15 an hour (sometimes considerably less than that), and therefore should not be considered a primary economic and prosperity driver, but rather as part of a broader array of Cecil County economic engines.

Manufacturing's future is even less certain. Maryland's manufacturers do not only face competition from Mexico, China and other emerging industrial players that offer substantially lower wages and substantially less strict environmental regimes, but also from states to the south which have these and other advantages. Committing to a manufacturing led strategy would render Cecil County even more vulnerable to emerging global forces such as offshoring. That said, manufacturing does and should continue to be supported in Cecil County through enlightened zoning decisions, the provision of infrastructure that supports productivity enhancements, and the supply of vocational training and community college programs that prepare the workforce for specialized manufacturing disciplines.

It is also the case that success in manufacturing is no longer about assembly lines, mass production and economies of scale. Today success in manufacturing is driven by new product development, elevated levels of productivity and the application of cutting edge technology to both innovation and cost containment. Cecil County is fortunate to be home to several large manufacturers known for their research and development prowess, including W.L. Gore and ATK. To the extent that manufacturing remains a priority, these are the types of employers that should be served and for which substantial economic development incentives should be provided, including potentially tax breaks for location/expansion, monies for training and necessary zoning modifications.

But the growing influence of the Baltimore metropolitan area on Cecil County, the impending effects of the latest round of Base Realignment and Closure, the increasing importance of research and development in manufacturing and other industries, and the characteristics of the population moving to Cecil County all suggest that the county's focus going forward must be on the attraction of high-wage service sector employers and upon those employers engaged in research and development activities.

In the past, Cecil County's economy has been more firmly wed to that of New Castle County than Baltimore's due to a combination of proximity and other factors discussed below. In recent decades, the Baltimore area has struggled economically as de-industrialization took hold and as new economic drivers failed to emerge. The result was that Baltimore was typically lumped in with Rust Belt cities like Pittsburgh, Cleveland, Detroit and St. Louis. Baltimore lacked the economic force to overcome distance and to influence Cecil County and generate development and growth opportunities for the county.

This has changed. During the 1990s, developers discovered Harford County as an expanding center of opportunity for investment returns, business locations and household formation. With much of the job loss in manufacturing and warehousing now past, Baltimore's presence in medical research, money management, defense contracting, air transportation, water transportation and software development become more evident. Baltimore City's renaissance turned around one of the nation's sorriest stories, and the City now boasts as much economic development momentum as any one of Maryland's twenty-four jurisdictions.

At the same time, Harford County citizens, reeling from the astonishing pace of growth and development, began to press for tighter growth restrictions. This in concert with ongoing demand for land for development places Cecil County front and center. This decade, it is Cecil County that has been discovered by developers, and much of this is due to the growing influence of Baltimore.

- BRAC

BRAC will intensify this influence and make it even more important that Cecil County is prepared to respond. A recent study indicated that BRAC would attract roughly 45,000 jobs to Maryland, with the bulk of these jobs located in Central Maryland jurisdictions (including Cecil County). Many of these jobs will involve specialized technical and research skills, and these are the types of activities in which Cecil County citizens and businesses should be involved. An ongoing focus on distribution, by contrast, would leave Cecil County out of the game.

BRAC recommendations took effect on November 9th, 2005. Nationally, these recommendations implicate more than 800 installations. Maryland is one of a handful of states slated to gain jobs, primarily at four installations: Aberdeen Proving Ground (APG), Andrews Air Force Base (AFB), Fort Meade and the Bethesda National Naval Medical Center (NNMC).

According to a recently released study by Towson University, Cecil County stands to gain fewer than 1,500 of the over 45,000 net new jobs anticipated in Maryland. By contrast, neighboring Harford County is projected to add over 16,300 jobs between 2005 and 2015. Though the study's results have not gained widespread acceptance[28], if correct, the implication is that Cecil County, despite its proximity to an epicenter of BRAC realignment, stands to gain just 3 percent of BRAC-associated jobs despite its lower cost of development, location between Fort Monmouth and Aberdeen, and available land.

By contrast, Towson University projects that Cecil County will gain more than 3,600 households between 2005 and 2015, including 413 renting households. The implication is that though the county only stands to gain 3 percent of the jobs, it will accommodate nearly 13 percent of BRAC-related households. If one assumes that each of these projected households has three members, the population impact would approach 11,000. This translates into 7.5 new residents for every job created, which is probably an order of magnitude too high.

Though these estimates may be viewed as unreliable, there is more than an element of reality associated with them. Unless promptly addressed, the lack of available office inventory in Cecil County will limit the commercial impact BRAC will have upon the county. The growing availability of office space in New Castle County, DE further complicates Cecil County's competitive position as it relates to attracting white-collar BRAC-associated jobs. At the same time, the availability of developable land, including in the northern and southern agricultural regions, would lend itself to residential development on a large scale, potentially chewing up agricultural land in the process.

[28] The RESI study is currently being revised.

In short, without adequate preparation, BRAC may not turn out to be a positive opportunity for Cecil County, but rather could accelerate sprawl and the loss of rural heritage. The way to manage this is to aggressively put in place the recommendations of this study, including accelerating infrastructure formation in the growth corridor through a bold, county-led implementation plan and to induce the developers of Bainbridge, Principio, and others to site relevant office products in place quickly.

The creation of high-wage service and research/development jobs is also consistent with the employment requirements of those moving to Cecil County. Many of the newcomers to the county possess college degrees, specialized technical skills, and years of experience in growing industries. A focus on high-wage service and development activities would create the types of jobs that are relevant to those that are and will move to Cecil County, creating the opportunities for shorter commutes, less traffic and a higher quality of life.

- Obstacles

The primary obstacle to the expansion of service sector and research/development activities in Cecil County is that lack of office space inventory. Though there is some impending absorptive capacity under various stages of development at Bainbridge and Principio, there is simply not enough space for the Office of Economic Development to market today.

The lack of inventory problem may persist given the significant volume of office projects under contemplation in Harford County and the rising office vacancy rate in New Castle County in the wake of consolidation at MBNA. This will likely make the office developer community hesitant to site more space for fear of a deteriorating supply/demand equilibrium. However, our analysis suggests that the economics of office space development in Cecil County remain promising in both the short- and long-terms since Cecil County can present itself as the low-cost alternative to Harford County and also enjoys greater proximity than New Castle County to the massive business deal flow being generated in Central Maryland.

The Role of Incubator Space

Incubators may be a way for the County to address two issues with one policy solution. Incubators provide space, which would help address the county's inventory shortcomings. But incubators also support small business formation and survival, which is an issue for all jurisdictions in Maryland and nationally.

Indeed, incubators have been introduced in most of Maryland's jurisdictions to support entrepreneurs and nurture early-stage companies and the ideas upon which they are founded. A number of incubators have been developed at and/or in conjunction with institutions of higher education, including at UMBC, Hood College and Shady Grove. Though no market study regarding Cecil County's incubator space demand has been conducted, it may be time for the county to introduce a facility of roughly 10,000 square feet. The incubator should be broadly focused on research and development and or professional activities, and may gain early traction and credibility through an affiliation with UMBC, which is poised to significantly augment the county's higher education opportunities. UMBC's incubator in Catonsville, techcenter@UMBC, possesses a solid track record, and this history of accomplishment could be reinvented in Cecil County.

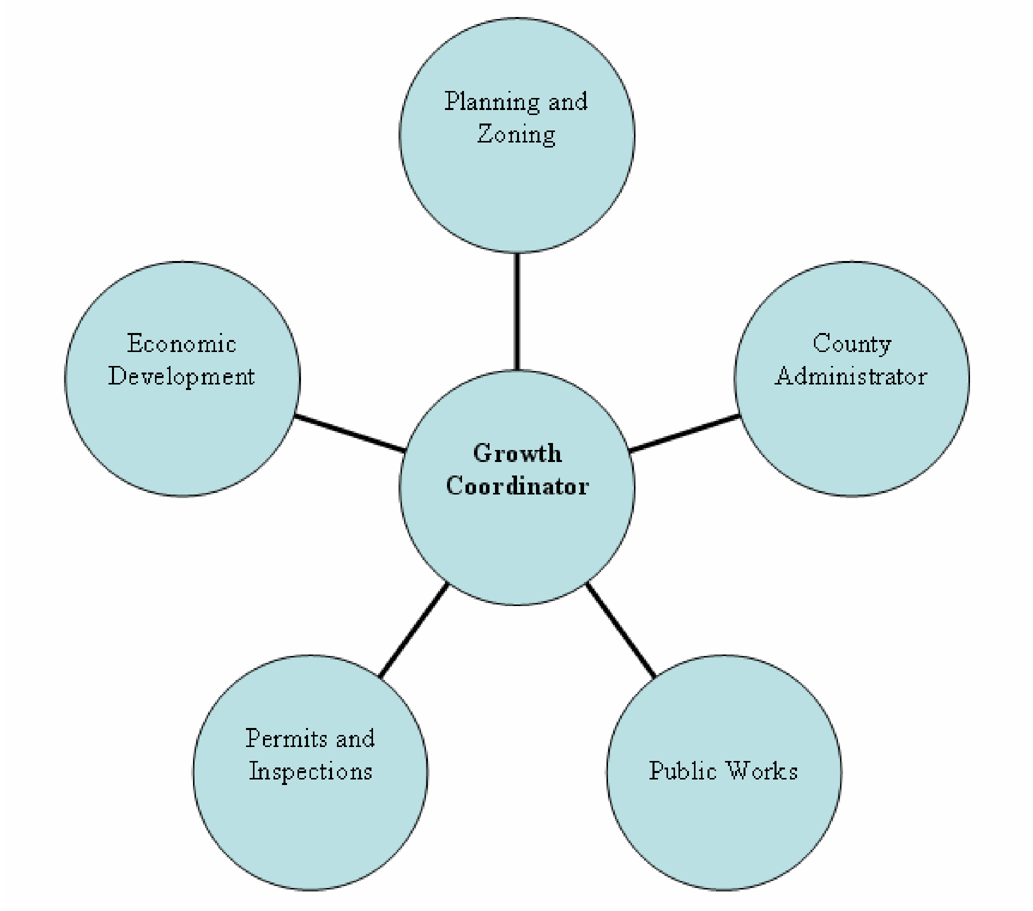
Recommendation 6: Establish a Growth Coordinator

To support implementation, an office of Growth Coordination should be established. The individual who would direct the office would coordinate the efforts of economic development, planning, public works, mayors and other agencies/people that have an impact on where development takes place and its quality. The Growth Coordinator would be primarily responsible for establishing and monitoring the achievement of benchmarks for relevant agencies/officials.

The County is now entering an era in which decision making will have to be better informed and more timely. The projects that the development approval system will encounter going forward will often be large and impactful, and it will be the Growth Coordinator who will work to help all agencies of government understand the ramifications of approval and also their individual responsibilities. Moreover, Cecil County will increasingly be in competition with other jurisdictions for prestigious employers and projects, and the timeliness of response and its appropriateness will determine the extent to which Cecil County can secure highly sought after economic development opportunities.

- Obstacles

The obstacles include cost and internal agency rivalry. The Growth Coordinator should be a highly gifted person. They should also be staffed sufficiently to accomplish their mission of establishing performance benchmarks and monitoring completion. This office may also face substantial resistance on occasion from the agencies and personnel that it seeks to monitor.



Conclusion

This report offers six recommendations that are intended to promote economic growth and prosperity while securing the county's rural heritage and fiscal viability. Special attention is placed on the character of land use and to provide a framework to reverse sprawl. Recommendations include:

1. an aggressive County-led infrastructure strategy for the growth corridor;

2. a. the bestowing of impact fee setting and collection authority to the County;

   b. the bestowing of excise tax setting and collection authority to the County;

   c. the creation of TIF district to spur redevelopment in areas characterized by low quality, unattractive development;

3. a. movement of the Cecil County I-95 toll to the Delaware border to help allow for more intense and higher quality development in the county's growth corridor, particularly in and around Perryville and Port Deposit;

b. continued support for Track A extensions ultimately linking Perryville and Elkton to Newark, DE

4. a permanent commitment by the community and its leaders to the concepts of clustering and shared facilities, which would permit more land to be set aside as open space and would better ensure the efficient utilization of land;

5. a County focus on recruitment and retention efforts of high-wage service sector and research and development activities, including R&D activities that take place within manufacturing contexts. Because of the significant multiplier on high-wage jobs, the presence of these jobs will create opportunities in construction, entry-level healthcare, retail/tourism and in other areas of the economy to create opportunities for those with less advanced skill levels; and

6. the establishment of an Office of the Growth Coordinator. This office would be responsible for coordinating economic development, planning, public works, mayors and other agencies/people that have an impact on where development takes place and its quality. The primary objective of the Growth Coordinator would not be to maximize the amount of growth that takes place in the county, but rather to maximize the proportion that takes place within designated growth areas.

Next Steps

1. Growth Study presented to Commissioners (January)
2. Commissioners accept report (February)
3. Form Implementation Oversight Taskforce (February/March)
4. Public presentations to delegation, municipalities, chambers, other community organizations (February)
5. Action plan developed to implement growth study recommendations (April/May)
6. Commissioners approve action plan and necessary resources (May/June)
7. Monthly status updates provided (ongoing)
8. Quarterly monitoring of benchmarks and performance metrics (ongoing)

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List of Exhibits

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Congressional Budget Office

DemographicsNow

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Maryland Department of Labor, Licensing and Regulation

Maryland Department of Planning

Maryland State Department of Education

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U.S. Census Bureau American Community Survey

U.S. Census Bureau County Business Patterns

Appendix