



**MB3 Consulting**

## **Economic Impact Analysis of Pinecrest – a Planned Mixed-Use Development in the Village of Orange, Ohio**

**Prepared For:  
Lewanski Development LLC**

**Date:  
Revised June 26, 2013**

**Prepared Using:  
IMPLAN Software, Version 3.1**

## Introduction

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Lewanski Development LLC (“Lewanski Development” or the “Developer”) has requested that MB3 Consulting (“MB3”) provide an analysis of the estimated temporary and permanent economic impacts associated with the proposed development of a mixed-use commercial/residential center in the village of Orange, Ohio. It is our understanding that following the construction of the commercial and residential areas, the building(s) will be fully occupied by quality tenants, or owners in the case of the residential units.

As requested, economic impact estimates were prepared for the planned mixed-use project on the village of Orange (“Village”) and the Orange City School District (“School District”). This memo provides estimates of the total economic impacts (direct + indirect + induced).<sup>1</sup> To quantify the total economic impact of the planned development, MB3 modeled the following direct effects:

- Sales increases to construction firms.
- Sales increases for new businesses in the retail, restaurant, cinema, office, and hotel industries at the project site.

MB3 examined the above scenarios using the IMPLAN input-output model. *“The IMPLAN software system helps analysts address questions about economic study and analysis like these:*

- *How does the local economy function?*
- *What would the economic consequences of this project be?*
- *What would the effects of this company/base closure be?*

*By constructing Social Accounts that describe the structure and function of a specific economy, IMPLAN can create a localized model to investigate the consequences of projected economic transactions in your geographic region. Used by over 2,000 public and private institutions, IMPLAN is the most widely employed and accepted regional economic analysis software for predicting economic impacts”* (IMPLAN Group LLC, <http://implan.com/V4/Index.php>).

Using the IMPLAN model, MB3 developed a standard forecast of the total effects associated with construction of the mixed-use center and the on-going retail/commercial operations that will occur at the project site. For this analysis, the Developer provided MB3 with projections of the proposed development project size, costs, residential unit sales prices, and potential tenant mix. The retail sales per square feet data used to estimate potential increases in retail industry sales because of the development project does not represent data from actual or committed tenants at the project site.

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<sup>1</sup> The total economic impact of the project is the sum of three effects: (1) the *direct effect* – the change in activity that stimulates other activity; in this case, construction and an increase in employment, (2) the *indirect effect* – resulting from businesses at the project site purchasing from other industries due to increased demand, and (3) *induced effects* – resulting from the expenditure of new household income generated by the direct and indirect effects. The indirect and induced effects, which are triggered by the direct effects, are often called the ripple or multiplier effect.

**Table 1. Development Uses and Square Footage**

<b>Improvements</b>	
<b>Retail, total (SF)</b>	<b>448,000</b>
Anchor	225,500
Small shops	73,000
Restaurants	58,000
<b>Office (SF)</b>	<b>18,500</b>
<b>Theater (SF)</b>	<b>40,000</b>
<b>Hotel (SF)</b>	<b>33,000</b>
<b>Residential, units</b>	<b>220</b>
Flats, for sale units	104
Villas, for sale units	32
Townhomes, for sale units	84

Our impact analysis approaches the development of the proposed mixed-use center and its operation in a customary way. There are two parts to this impact estimate. The **construction phase** is a one-time, temporary impact that creates economic activity during the building process, but then goes away once construction is complete. The **operations phase** generates an ongoing impact that creates economic activity each year of operations by the businesses at the project site. If the companies maintain the level of business operations as projected, the operations phase has recurring impact. Both phases are modeled as direct positive stimulants that help grow and develop the regional economy. For this analysis, the new retail development is seen as non-displacing and a net new generator of revenue. Since the retail component is expected to develop a new set of stores that would attract new business to the region (increasing exports and keeping local shopping trips from occurring outside of the region), this assumption is reasonable.

### **Summary of Estimated Impacts**

- Total estimated construction investment = \$147,485,000.
- Construction of the project is anticipated to create 1,059 direct, temporary jobs with associated total employee compensation of nearly \$60.75 million.
- Over the construction phase, more than \$1.2 million of new local income tax revenue is expected to be generated.
- The proposed Pinecrest development is expected to create an estimated \$263.3 million of new retail, restaurant, hotel, cinema, and medical office industry sales annually.
- The project is expected to create more than 2,110 permanent direct jobs with associated annual employee compensation of more than \$52 million.
- The planned mixed-use development project is estimated to generate more than \$1.58 million and \$2.94 million of new tax revenues each year to the Village and School District, respectively.

## Construction-period Impacts

Construction-period impacts – these are the jobs and income created as a result of increased construction spending because of the project. They are one-time, non-recurring impacts. Total construction costs are estimated by the Developer to be \$147,485,000, including \$89,600,000 for commercial buildings, \$48,760,000 for residential buildings, and \$9,125,000 for basic site work. Construction cost estimates are outlined in the tables below.

**Table 2. Estimated Commercial Building Construction Costs (Sales)**

	[A]	[B]	[C]
<b>Commercial</b>	<b>Square Feet</b>	<b>Bldg. Cost/SF</b>	<b>Bldg. Constr. Cost (A x B)</b>
Retail, sub-total	356,500	\$200	\$71,300,000
Anchor	225,500		
Small shops	73,000		
Restaurants	58,000		
Office	18,500	\$200	\$3,700,000
Theater	40,000	\$200	\$8,000,000
Hotel	33,000	\$200	\$6,600,000
<b>Commercial, Total</b>	<b>448,000</b>		<b>\$89,600,000</b>

**Table 3. Estimated Residential Building Construction Costs (Sales)**

	[A]	[B]	[C]	[D]
	<b># of units</b>	<b>Avg. SF/unit</b>	<b>Constr. costs/SF</b>	<b>Constr. Costs (A x B x C)</b>
Residential, units	220			\$48,760,000
Flats	104	1,900	\$100	\$19,760,000
Villas	32	2,500	\$100	\$8,000,000
Townhomes	84	2,500	\$100	\$21,000,000

Using the estimated increase in construction spending (i.e., sales) as an input in the IMPLAN software model, the construction-related economic impacts in the Village as a result of the planned project were calculated to be as follows:



**Table 4. Estimated Impacts during Construction Period (3 years)**

		[A]
	<b>Construction Impacts</b>	<b>Total</b>
[1]	<b>Total Construction Jobs [rows 2+6+7]</b>	<b>1,762</b>
[2]	<b>Direct construction jobs [rows 3+4+5]</b>	<b>1,059</b>
[3]	Commercial	721
[4]	Residential	303
[5]	Site work/infrastructure	35
[6]	<b>Indirect construction jobs</b>	<b>250</b>
[7]	<b>Induced construction jobs</b>	<b>453</b>
[8]	<b>Total Construction Employee Compensation [rows 9+13+14]</b>	<b>\$91,904,600</b>
[9]	<b>Direct construction employee comp. [rows 10+11+12]</b>	<b>\$60,745,900</b>
[10]	Commercial	\$42,451,400
[11]	Residential	\$15,149,000
[12]	Site work/infrastructure	\$3,145,500
[13]	<b>Indirect construction employee comp.</b>	<b>\$12,514,000</b>
[14]	<b>Induced construction employee comp.</b>	<b>\$18,644,700</b>
[15]	<b>Local Temp. Income Tax - Village [A9 x 2%]</b>	<b>\$1,214,900</b>

**Note:** Employee Compensation in IMPLAN is the total payroll cost of the employee paid by the employer. This includes, wage and salary, and all benefits (e.g., health, retirement, etc.). This is equivalent to taxable income as defined by R.I.T.A. (<http://www.ritaohio.com/fag/Item/?id=1289>).

### Permanent Annual Economic Impacts

Permanent impacts are a result of the ongoing economic activity (e.g., sales and employment) generated by the businesses at the project site. As mentioned previously, the proposed development is expected to result in net increases in sales/output in the retail, restaurant, hotel, cinema, and medical office industries. Expected sales increases in the local economy are summarized in the table below. Please refer to Appendix A for a detailed summary of sales projections. As mentioned previously, the retail sales per square feet data used to estimate potential increases in retail industry sales because of the development project does not represent data from actual or committed tenants at the project site.

**Table 5. Estimated Increase in Industry Sales/Output**

Estimated Sales/Output:	Total, annual
<b>Retail</b>	
Anchors	\$118,970,096
Small Shops	\$69,664,002
Full-service restaurants	\$49,300,000
Cinema	\$7,514,451
<i>Sub-total</i>	<i>\$245,448,549</i>
<b>Hotel</b>	<b>\$4,737,360</b>
<b>Office</b>	<b>\$13,112,694</b>
<b>TOTAL</b>	<b>\$263,298,603</b>

Using the estimated annual net increase in industry sales as an input in the IMPLAN software model, the permanent employment and employee compensation impacts in the Village as a result of the planned development project were calculated to be as follows:

**Table 6. Estimated Permanent Employment and Employee Compensation**

Impact Type	Employment	Employee Compensation
<b>Direct</b>	<b>2,113</b>	<b>\$52,145,600</b>
Retail - anchors	733	\$17,685,500
Retail - small shops	348	\$8,587,800
Restaurants	833	\$16,262,200
Cinema	56	\$1,575,700
Office - medical	100	\$6,749,200
Hotel	43	\$1,285,200
<b>Indirect</b>	<b>306</b>	<b>\$14,343,900</b>
<b>Induced</b>	<b>371</b>	<b>\$15,254,700</b>
<b>TOTAL, annual</b>	<b>2,790</b>	<b>\$81,744,200</b>

The table below shows annual tax impacts on select local taxing jurisdictions associated with the on-going operations at the development project site. Please refer to Appendix B for a detailed summary of the estimated property tax impacts associated with the proposed development project.

Table 7. Estimated Permanent Local Tax Impacts

		[A]	[B]	[C]	[D]
	<b>Fiscal Impacts:</b>	<b>Orange Village</b>	<b>Orange Schools</b>	<b>Library</b>	<b>Total</b>
[1]	Income Taxes – withholdings (A7 x A8)	\$1,042,900			\$1,042,900
[2]	Income Taxes - corporate profits*	\$124,900			\$124,900
[3]	Property Taxes	\$437,608	\$3,130,102	\$154,085	\$3,721,795
[4]	<b>TOTAL NEW TAXES (rows 1+2+3)</b>	<b>\$1,605,408</b>	<b>\$3,130,102</b>	<b>\$154,085</b>	<b>\$4,889,595</b>
[5]	Current taxes paid**	\$26,396	\$186,266	\$9,294	\$221,957
[6]	<b>NET NEW TAXES (row 4 – 5)</b>	<b>\$1,579,012</b>	<b>\$2,943,835</b>	<b>\$144,791</b>	<b>\$4,277,970</b>
	<u>Assumptions/Inputs:</u>				
[7]	Total Direct Employee Comp	\$52,145,600			
[8]	Local income tax rate	2.00%			
	*Source: IMPLAN, 2011 Cuyahoga County data file.				
	**Source: Cuyahoga County Treasurer				



# **APPENDIX A. Projected Industry Sales Increases**

Retail Industry Sales Estimates			
	[A]	[B]	[C]
	Sq. Ft.	Est. Sales/SF	Est. Annual Sales (A x B)
<b>Project Summary - Retail/Restaurant</b>			
<b>A1</b> Anchor store - sporting goods	100,000	\$340	\$34,042,553
<b>A2</b> Anchor store - department store	75,000	\$465	\$34,881,376
<b>A3</b> Anchor store - misc. home goods	23,000	\$1,017	\$23,398,667
<b>A4</b> Anchor store - specialty grocery	27,500	\$969	\$26,647,500
<b>Sub-total</b>	225,500		\$118,970,096
<b>S1</b> Small shop/convenience retail	26,000	\$954	\$24,811,836
<b>S2</b> Small shop/convenience retail	7,000	\$954	\$6,680,110
<b>S3</b> Small shop/convenience retail	10,000	\$954	\$9,543,014
<b>S4</b> Small shop/convenience retail	14,500	\$954	\$13,837,370
<b>S5</b> Small shop/convenience retail	15,500	\$954	\$14,791,672
<b>Sub-total</b>	73,000		\$69,664,002
<b>R1</b> Full-service restaurant	6,000	\$850	\$5,100,000
<b>R2</b> Full-service restaurant	10,000	\$850	\$8,500,000
<b>R3</b> Full-service restaurant	10,000	\$850	\$8,500,000
<b>R4</b> Limited-service restaurant	10,000	\$850	\$8,500,000
<b>R5</b> Limited-service restaurant	10,000	\$850	\$8,500,000
<b>R6</b> Full-service restaurant	7,000	\$850	\$5,950,000
<b>R7</b> Full-service restaurant	5,000	\$850	\$4,250,000
<b>Sub-total</b>	58,000		\$49,300,000



**Table 7. Estimated Permanent Local Tax Impacts**

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	<u>Assumptions/Inputs:</u>				
[7]	Total Direct Employee Comp	\$52,145,600			
[8]	Local income tax rate	2.00%			
	*Source: IMPLAN, 2011 Cuyahoga County data file.				
	**Source: Cuyahoga County Treasurer				

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<b>R6</b> Full-service restaurant	7,000	\$850	\$5,950,000
<b>R7</b> Full-service restaurant	5,000	\$850	\$4,250,000
<b>Sub-total</b>	<b>58,000</b>		<b>\$49,300,000</b>

T	Cinema	40,000	\$188	\$7,514,451
	TOTAL - Retail/Restaurant	396,500		\$245,448,549
	SALES INPUTS:			
		Est. Sales per SF		
	Anchor Stores			
	Department store	\$465	Source(s): Sales/sf calculated from Nordstrom's 2012 10-K/annual report (Net Sales/Total SF), pg. 15.	
	Misc. goods retailer	\$1,017	Source(s): Sales/sf calculated from Restoration Hardware Holdings, Inc. Reports Third Quarter 2012 Financial Results, <a href="http://ir.restorationhardware.com/phoenix.zhtml?c=79100&amp;p=irol-newsarticle&amp;ID=1766773">http://ir.restorationhardware.com/phoenix.zhtml?c=79100&amp;p=irol-newsarticle&amp;ID=1766773</a> .	
	Specialty grocery store	\$969	Source(s): Whole Foods. <a href="http://www.wholefoodsmarket.com/sites/default/files/media/Global/Company%20Info/PDFs/canacord_presentation_2012-2.pdf">http://www.wholefoodsmarket.com/sites/default/files/media/Global/Company%20Info/PDFs/canacord_presentation_2012-2.pdf</a>	
	Sporting goods retailer	\$340	Source(s): Sales/sf calculated from Cabela's 2011 annual report, p.4.	
	AVERAGE SALES/sf	\$698		
	Convenience/Specialty Retail			
	Specialty retail - Lululemon Athletica (clothing)	\$1,936	Source(s): MB3 Consulting industry research. <a href="http://www.usatoday.com/story/money/business/2012/11/18/most-successful-retail-stores/1710571/">http://www.usatoday.com/story/money/business/2012/11/18/most-successful-retail-stores/1710571/</a>	
	Specialty retail - Birks & Mayors (jewelry)	\$1,082	Source(s): MB3 Consulting industry research. <a href="http://www.usatoday.com/story/money/business/2012/11/18/most-successful-retail-stores/1710571/">http://www.usatoday.com/story/money/business/2012/11/18/most-successful-retail-stores/1710571/</a>	
	Specialty retail - Select Comfort (home goods)	\$1,314	Source(s): MB3 Consulting industry research. <a href="http://www.usatoday.com/story/money/business/2012/11/18/most-successful-retail-stores/1710571/">http://www.usatoday.com/story/money/business/2012/11/18/most-successful-retail-stores/1710571/</a>	
	Specialty/retail - True Religion (clothing)	\$1,227	Source(s): MB3 Consulting industry research. <a href="http://www.usatoday.com/story/money/business/2012/11/18/most-successful-retail-stores/1710571/">http://www.usatoday.com/story/money/business/2012/11/18/most-successful-retail-stores/1710571/</a>	
	Convenience retail - Starbucks	\$560	Source(s): Sales/sf estimated from Starbucks's 2012 annual report, pgs. 3 and 22, assumes avg. store size = 2,000 SF.	
	Convenience retail - Cellular store	\$561	Source(s): Estimated by MB3 Consulting based on data from Verizon Wireless Communications News Center.	
	AVERAGE SALES/sf	\$954		
	Restaurants			



	Full-service restaurant - casual	\$900	Source(s): PF Chang's China Bistro, Inc., Investor Day, November 18, 2011. Sales/SF avg. of True Food and PF Chang (\$935/SF). Adjusted down to \$900/SF to be conservative.
	Full-service restaurant - hi-end	\$800	Source(s): Sales/sf = \$864 from Cheesecake Factory 2011 annual report, p. 7. Adjusted down to \$800/SF to be conservative.
	AVERAGE SALES/sf	\$850	
	Cinema		
	Cinema	\$188	Source(s): Sales/sf estimated from AMC Entertainment Inc. 2012 annual report (total revenue/total theaters/40000SF), pg. 5.

Medical Office Industry Sales				
	[A]	[B]	[C]	[D]
	Sq. Ft.	Output / worker <sup>1</sup>	SF / Employee <sup>2</sup>	Est. Annual Output (A/D x B)
OF1				
	Project Summary - Commercial			
	Office - medical	6,500	\$124,039	175
OF2				
	Office - medical	12,000	\$124,039	175
	Sub-total	18,500		\$13,112,694
	TOTAL - Office	18,500		\$13,112,694
	INPUTS/ASSUMPTIONS:			
1	Source: IMPLAN Group LLC, Cuyahoga County 2011 data file.			
2	Source: CoreNet Global.			

Hotel Industry Sales				
	[A]	[B]	[C]	[D]
	Sq. Ft.	No. of Rooms	Est. Sales / Room	Est. Annual Sales (B x C)
H				
	Hotel	33,000	80	\$59,217
				\$4,737,360
	INPUTS/ASSUMPTIONS:			
	Hotels			
	Full-service avg. total revenue/room	\$59,217	Source(s): STR Global, 3/23/12 ( <a href="http://www.strglobal.com/Samples/NA/HOSTHighlights.pdf">http://www.strglobal.com/Samples/NA/HOSTHighlights.pdf</a> )	

# APPENDIX B. Estimated Property Tax Impacts

In thousands	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total - 10 yrs.
<b>COMMERCIAL</b>											
Current market value	\$5,072.6	\$5,072.6	\$5,072.6	\$5,072.6	\$5,072.6	\$5,072.6	\$5,072.6	\$5,072.6	\$5,072.6	\$5,072.6	
Current taxes paid	\$143.5	\$143.5	\$143.5	\$143.5	\$143.5	\$143.5	\$143.5	\$143.5	\$143.5	\$143.5	\$1,435
County	\$31.9	\$31.9	\$31.9	\$31.9	\$31.9	\$31.9	\$31.9	\$31.9	\$31.9	\$31.9	\$319
City/Village	\$12.6	\$12.6	\$12.6	\$12.6	\$12.6	\$12.6	\$12.6	\$12.6	\$12.6	\$12.6	\$126
School district	\$94.6	\$94.6	\$94.6	\$94.6	\$94.6	\$94.6	\$94.6	\$94.6	\$94.6	\$94.6	\$946
Library	\$4.4	\$4.4	\$4.4	\$4.4	\$4.4	\$4.4	\$4.4	\$4.4	\$4.4	\$4.4	\$44
<i>New Comm. Development</i>											
Est. bldg. market value				\$89,600	\$89,600	\$89,600	\$89,600	\$89,600	\$89,600	\$89,600	
Est. land market value				\$14,300	\$14,300	\$14,300	\$14,300	\$14,300	\$14,300	\$14,300	
Total est. taxes paid				\$2,939.6	\$2,939.6	\$2,939.6	\$2,939.6	\$2,939.6	\$2,939.6	\$2,939.6	\$20,577
County				\$653.1	\$653.1	\$653.1	\$653.1	\$653.1	\$653.1	\$653.1	\$4,572
City/Village				\$258.2	\$258.2	\$258.2	\$258.2	\$258.2	\$258.2	\$258.2	\$1,807
School district				\$1,937.4	\$1,937.4	\$1,937.4	\$1,937.4	\$1,937.4	\$1,937.4	\$1,937.4	\$13,562
Library				\$90.9	\$90.9	\$90.9	\$90.9	\$90.9	\$90.9	\$90.9	\$636
<b>RESIDENTIAL</b>											
Current market value	\$6,510	\$6,510	\$6,510	\$6,510	\$6,510	\$6,510	\$6,510	\$6,510	\$6,510	\$6,510	
Current taxes paid	\$145.8	\$145.8	\$145.8	\$145.8	\$145.8	\$145.8	\$145.8	\$145.8	\$145.8	\$145.8	\$1,458
County	\$35.5	\$35.5	\$35.5	\$35.5	\$35.5	\$35.5	\$35.5	\$35.5	\$35.5	\$35.5	\$355
City/Village	\$13.8	\$13.8	\$13.8	\$13.8	\$13.8	\$13.8	\$13.8	\$13.8	\$13.8	\$13.8	\$138
School district	\$91.7	\$91.7	\$91.7	\$91.7	\$91.7	\$91.7	\$91.7	\$91.7	\$91.7	\$91.7	\$917
Library	\$4.9	\$4.9	\$4.9	\$4.9	\$4.9	\$4.9	\$4.9	\$4.9	\$4.9	\$4.9	\$49
<i>New Res. Development</i>											
Est. bldg. market value				\$69,200	\$69,200	\$69,200	\$69,200	\$69,200	\$69,200	\$69,200	
Est. land market value				\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	
Total est. taxes paid				\$1,897.3	\$1,897.3	\$1,897.3	\$1,897.3	\$1,897.3	\$1,897.3	\$1,897.3	\$13,281
County				\$462	\$462	\$462	\$462	\$462	\$462	\$462	\$3,234
City/Village				\$179.4	\$179.4	\$179.4	\$179.4	\$179.4	\$179.4	\$179.4	\$1,256
School district				\$1,192.7	\$1,192.7	\$1,192.7	\$1,192.7	\$1,192.7	\$1,192.7	\$1,192.7	\$8,349









