



Flemington Center Economic Impact Study

Prepared for Flemington Center Urban Renewal LLC – July 2017



ECONOMIC AND REAL ESTATE ANALYSIS FOR SUSTAINABLE LAND USE OUTCOMES™

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EXECUTIVE SUMMARY

ECONOMIC AND REAL ESTATE ANALYSIS FOR SUSTAINABLE LAND USE OUTCOMES™



Executive Summary: Project Scope

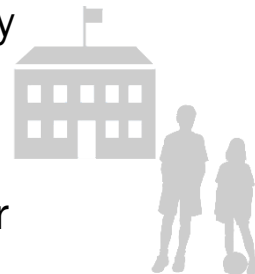
4ward Planning was retained by Flemington Center Urban Renewal LLC to complete an economic impact analysis of a proposed multi-phase, mixed-use development project consisting of multi-family residential, retail, lodging, and institutional space located within the heart of downtown Flemington Borough. The graphic below illustrates the project impacts reviewed or examined. Estimated project phasing and build-out is provided in more detail on the following pages.



- Construction impacts
- Operation at full build-out
 - Retail sales
 - Hotel visitor spending



- Projected school facility capacities
- Prospective municipal personnel and staffing needs for the volunteer fire department



Executive Summary: Economic Impact Analysis

Project: According to our economic impact analysis, during construction, the estimated \$78.4 million in direct construction related project investment will generate a total output of \$121.1 million (a return on investment of \$42.8 million). At project stabilization, the project will support a total of 611 jobs (including 464 direct jobs), contributing over \$28.8 million in annual labor income. The project will generate between \$6.2 and \$7.6 million in annual local and state tax revenues, resulting in between \$62.2 and \$76.0 million in total revenues during the first 10 years of operation.

Phase I: From 2019 to 2020, construction of Phase I will support a total of 640 temporary jobs, contributing over \$44.6 million in labor income. The estimated \$67.9 million in direct project investment will generate a total output of \$107.1 million (a return on investment of \$39.1 million) and between \$4.1 and \$5.0 million in annual local and state tax revenues during construction. At project stabilization, Phase I of the project will create a total of 257 jobs (including 208 direct hotel- and retail-related positions). Phase I will create between \$4.1 and \$5.0 million in annual local and state tax revenues, contributing between \$41.2 and \$50.4 million in total tax revenues during the first 10 years of operation.

Phase II: From 2020 to 2021, construction of Phase II will support a total of 59 temporary jobs, contributing over \$4.3 million in labor income. The estimated \$10.3 million in direct project investment will generate a total output of \$14.0 million (a return on investment of \$3.7 million) and generate between \$392,700 and \$436,400 in annual local and state tax revenues during construction. At project stabilization, Phase II of the project will create a total of 354 jobs (including 256 direct administration, faculty, security and janitorial positions). Phase II will create between \$2.1 and \$2.5 million in annual local and state tax revenues, contributing between \$20.9 and \$25.6 million in total tax revenues during the first 10 years of operation.

Executive Summary: Economic Impact Analysis

The Economic Importance of the Project to Flemington Borough

The proposed mixed-use Flemington Center development project represents what may be Flemington Borough's last best chance to reverse its commercial district's two decade-long economic decline. As with many struggling central business districts, Flemington's loss of traditional retailers and absence of a critical mass of residential dwelling units in its central business district (CBD) has kept the town's economic revitalization beyond arm's reach. And while there have been various attempts to jumpstart private investment in Flemington's CBD over the past 15 years, those efforts have failed for a variety of reasons, including undercapitalized investors, projects lacking in scale and critical mass, and insufficient support from the public sector.

In the fall of 2014, 4ward Planning completed the development of Hunterdon County's Comprehensive Economic Development Strategy (CEDS), the county's first such strategic economic development plan, setting forth a number of goals and objectives for improving the economic condition across all of its municipalities. The proposed Flemington Center development project is particularly consistent with the following goal and associated objectives identified in the Hunterdon CEDS report:

Goal: Channel growth and economic development in the County in an efficient, context sensitive manner.

Objectives:

- Repurpose existing underutilized commercial and industrial properties
- Create revitalized and vibrant communities by focusing development in town centers and for transit oriented development (TOD)
- Support housing variety and density in centers that seek redevelopment/revitalization

Executive Summary: Economic Impact Analysis

In addition to meeting the above identified CEDS' goal and objectives, the proposed Flemington Center development project overcomes many of the hurdles that have plagued prior economic development efforts in Flemington's CBD, the most notable being:

- **Scale** – Expensive on- and off-site infrastructure and related improvements (e.g., demolition, parking, water and sewer lines, etc.), sufficient to permit significant private investment, requires that a development project be of a certain scale, in order for operating revenues to provide a sufficient risk appropriate rate of return; absent the appropriate development scale (e.g., amount, mix and density of uses), the project falls short of achieving economic viability and never moves forward. The Flemington Center project's scale allows the developer to achieve a financial return sufficient to help underwrite the costs of required infrastructure improvements.
- **Strategic Vision** – Unlike many past economic development project attempts in the CBD, the proposed Flemington Center development project is designed not as a one-off project, but an investment having sufficient critical mass to attract yet more private investment in the rest of the Flemington CBD. Our experience working in communities around the country has shown that successful revitalization in CBDs is based on achieving a critical mass of public and private investment in a small window of time, and within a focused geographic area; this approach is also implicit in the above identified Hunterdon County CEDS objectives.
- **Public/Private Partnership** – The proposed Flemington Center project enjoys broad support from state, county and local elected officials, which is of critical importance to achieving economic success and revitalization within Flemington's CBD. This public/private partnership also sends an important signal to other would be private investors that local investment is not only encouraged, it will be supported through appropriate fiscal and regulatory means.

Background: Phasing



Background: Project Buildout

Phase I	2019	2020	
		Costs	
	Hard Costs	Soft Costs	Total Costs
Apartments (New Construction)	\$19,734,652	\$8,457,708	\$28,192,360
Apartments (Adaptive Reuse)	\$1,764,000	\$756,000	\$2,520,000
Hotel (New Construction)	\$6,468,000	\$2,772,000	\$9,240,000
Hotel (Adaptive Reuse)	\$3,640,000	\$1,560,000	\$5,200,000
Retail (New Construction)	\$1,938,125	\$830,625	\$2,768,750
Retail (Adaptive Reuse)	\$2,562,000	\$1,098,000	\$3,660,000
Amenity	\$1,344,000	\$576,000	\$1,920,000
Podium/Structured Parking	\$10,120,600	\$4,337,400	\$14,458,000
Total	\$47,571,377	\$20,387,733	\$67,959,110

Phase II	2021	2022	
		Costs	
	Hard Costs	Soft Costs	Total Costs
Institutional Space	\$7,245,000	\$3,105,000	\$10,350,000
Surface Parking	\$58,240	\$24,960	\$83,200
Total	\$7,245,000	\$3,105,000	\$10,350,000
Total	\$54,816,377	\$23,492,733	\$78,309,110

Land Uses	
Multi-family Rental	222 Units
Hotel	100 Keys
Educational-Med Space	45,000 SF
Retail and Dining	32,250 SF

Source: 4ward Planning, 2017

ECONOMIC IMPACT ANALYSIS

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Methodology: Proposed Mixed-Use Development Project

The purpose of this economic impact analysis is to identify (1) the construction impacts (e.g., local jobs created, fees paid, and expenditures made) associated with the phased development of the mixed-use project; and (2) the local and regional direct and indirect economic impacts associated with project construction and stabilized occupancy, inclusive of job creation and economic output.

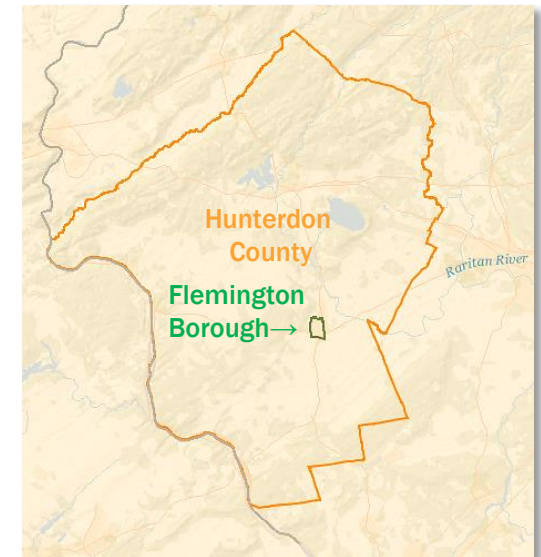
4ward Planning used IMPLAN Professional, a widely applied economic impact assessment software system. IMPLAN is designed to simplify and expedite the input-output accounting process (e.g., commodity flows from producers to intermediaries to final consumers, and all related multipliers associated with output and employment for a given geography). To adequately evaluate the prospective economic impacts of the proposed mixed-use development project, 4ward Planning purchased the most recent economic and demographic data files for Hunterdon County. These data files, once combined with the IMPLAN Professional 3.0 software system, permit the creation of a detailed Social Accounting Matrix (SAM) and location-specific multipliers for the area – effectively recreating the local economy, as it might exist, today.

The following metrics were identified for the proposed project :

- Direct, indirect, and induced construction employment
- Direct, indirect, and induced permanent employment over a 10-year period;
- Direct, indirect, and induced economic output over a 10-year period; and
- Identification of the top five industries most impacted by the project's development activity within the surrounding area (Hunterdon County).

All dollar figures, unless otherwise stated, are presented in 2017 dollars.

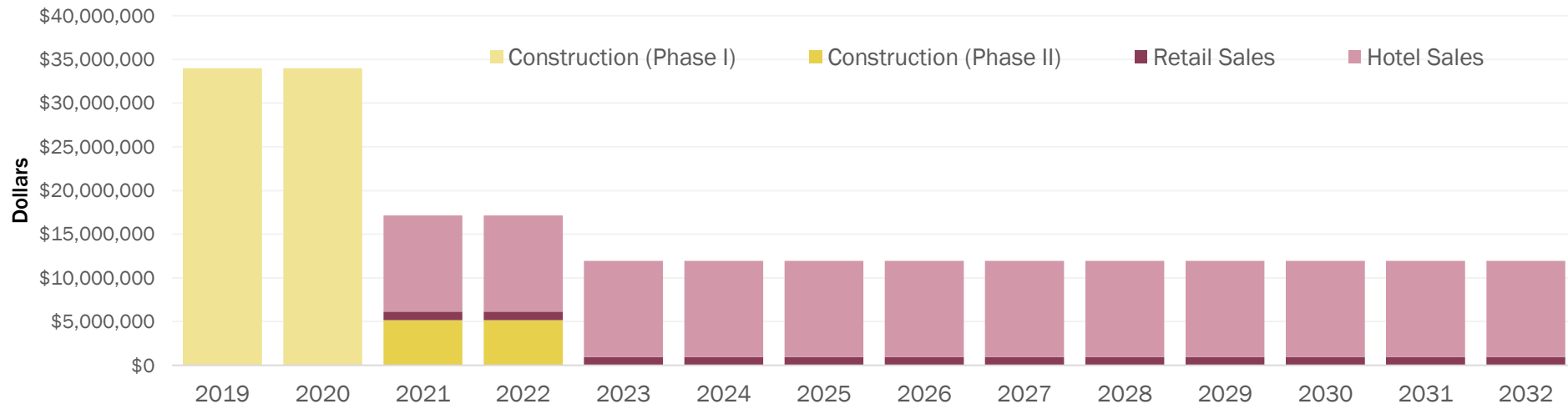
Additional project assumptions are provided on the following pages.



Assumptions: Project Construction Phasing and Operation

- **Construction Phasing:** Construction of Phase I is expected to occur from 2019 to 2020, while construction of Phase II is expected to occur from 2020 to 2021.
- **Project Stabilization (Year One):** Project stabilization for Phase I is expected to occur in 2021, while project stabilization for Phase II is expected to occur in 2022.
- **Project Stabilization (First 10 Years):** Total retail sales for the first 10 years of operation for both Phase I (includes sales from hotel and retail space) are calculated over the 2021 to 2031 period, while total retail sales for first 10 years of Phase II (includes retail spending from the student population) is calculated over the 2022 to 2032 period.

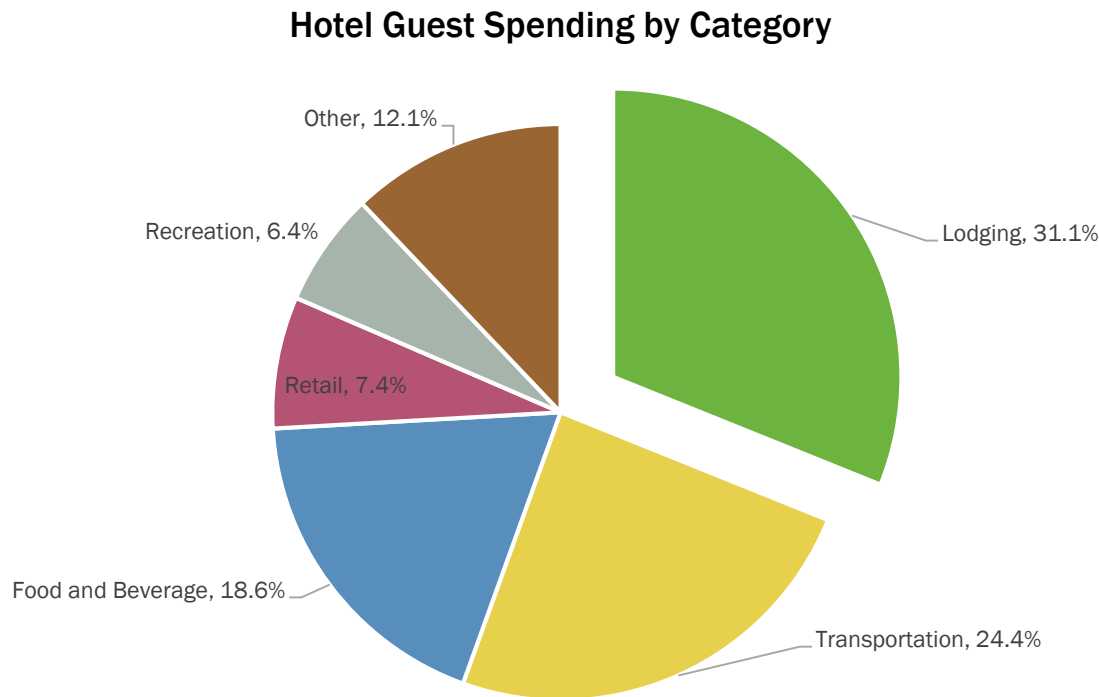
Construction Costs and Retail Sale Assumptions by Year



Source: 4ward Planning, 2017

Assumptions: Hotel Revenue/Visitors

An average occupancy of 75 percent and average daily rate (ADR) of \$125 were used to calculate annual hotel revenue. The chart to the right illustrates hotel spending by category according to 2005 report conducted by Oxford Economics. The study found that for each \$100 hotel guests spend on lodging, they spend another \$221 on transportation, food and beverages, and recreation retail within the destination. Lodging costs typically compose just 31.1 percent of total hotel guest spending.



Source: Oxford Economics, Economic Impact of the US Hotel Industry, June 30, 2016

Key Findings: Employment

According to our analysis, from 2019 to 2020, construction of Phase I will create a total of 640 temporary jobs (contributing over \$44.6 million in labor income). From 2020 to 2021, construction of Phase II will create a total of 59 temporary jobs (contributing over \$4.3 million in labor income).

At project stabilization, Phase I will support a total of 257 full- and part-time jobs (largely retail-related positions), in Hunterdon County, contributing approximately \$11.6 million in annual labor income. Phase II will create a total of 354 jobs (including 256 direct administration, faculty, security and janitorial personnel positions), in Hunterdon County, contributing approximately \$17.2 million in annual labor income.

Construction

	Temporary Jobs				Labor Income			
	Direct	Indirect	Induced	Total	Direct	Indirect	Induced	Total
Phase I	362	138	140	640	\$29,691,828	\$8,127,984	\$6,853,105	\$44,672,917
Phase II	34	12	14	59	\$2,951,683	\$736,146	\$669,103	\$4,356,932

Project Operation (Year 1)

	Permanent Jobs				Labor Income			
	Direct	Indirect	Induced	Total	Direct	Indirect	Induced	Total
Phase I	208	12	36	257	\$9,203,613	\$608,842	\$1,770,438	\$11,582,893
Phase II	256	44	54	354	\$12,297,922	\$2,263,708	\$2,650,590	\$17,212,220
Total	464	\$57	90	611	\$21,501,535	\$2,872,550	\$4,421,028	\$28,795,113

Source: IMPLAN, 4ward Planning, 2017

Key Findings: Economic Output

According to our analysis, during construction, the estimated \$78.3 million in direct project investment (construction costs) will generate an additional \$18.5 million in indirect and \$20.5 million in induced economic output – resulting in a total output of \$121.1 million, or a return on investment of \$42.8 million. At project stabilization, the estimated \$47.4 million in direct economic output from the project will generate an additional \$8.1 million in indirect and \$13.4 million in induced economic output – resulting in a total output of \$68.9 million from retail spending, or a return on investment of \$21.5 million.

Construction*

	Direct Investment	Indirect	Induced	Total	ROI
Phase I	\$67,959,110	\$18,398,125	\$20,741,271	\$107,098,506	\$39,139,396
Phase II	\$10,350,000	\$1,674,613	\$2,024,863	\$14,049,476	\$3,699,476
Total	\$78,309,110	\$20,072,738	\$22,766,134	\$121,147,982	\$42,838,872

Project Operation (Year 1)**

	Direct Output	Indirect	Induced	Total	ROI
Phase I	\$23,902,814	\$1,938,791	\$5,360,208	\$31,201,813	\$7,298,999
Phase II	\$23,474,730	\$6,222,148	\$8,019,184	\$37,716,062	\$14,241,332
Total	\$47,377,544	\$8,160,939	\$13,379,392	\$68,917,875	\$21,540,331

Project Operation (First 10 Years)

	Direct Output	Indirect	Induced	Total	ROI
Phase I	\$302,045,951	\$30,056,928	\$121,158,760	\$453,261,639	\$151,215,688
Phase II	\$220,000,000	\$72,728,242	\$93,296,927	\$386,025,169	\$166,025,169
Total	\$522,045,951	\$102,785,170	\$214,455,687	\$839,286,808	\$317,240,857



*For the construction period
**Annual spending

Key Findings: Local and State Taxes

According to our analysis, from 2019 to 2020, construction of Phase I is expected to generate between \$4.1 and \$5.0 million in annual local and state tax revenues. From 2020 and 2021, construction of Phase II is expected to generate between \$392,700 and \$480,000 in annual local and state tax revenues.

Construction

	Low (90%)	IMPLAN Estimate	High (110%)
Phase I	\$4,127,558	\$4,586,176	\$5,044,794
Phase II	\$392,722	\$436,358	\$479,994

Project Operation (Year 1)**

	Low (90%)	IMPLAN Estimate	High (110%)
Phase I	\$4,122,784	\$4,580,871	\$5,038,958
Phase II	\$2,096,584	\$2,329,538	\$2,562,492
Total	\$6,219,368	\$6,910,409	\$7,601,450

Project Operation (First 10 Years)

	Low (90%)	IMPLAN Estimate	High (110%)
Phase I	\$41,227,839	\$45,808,710	\$50,389,581
Phase II	\$20,965,842	\$23,295,380	\$25,624,918
Total	\$62,193,681	\$69,104,090	\$76,014,499

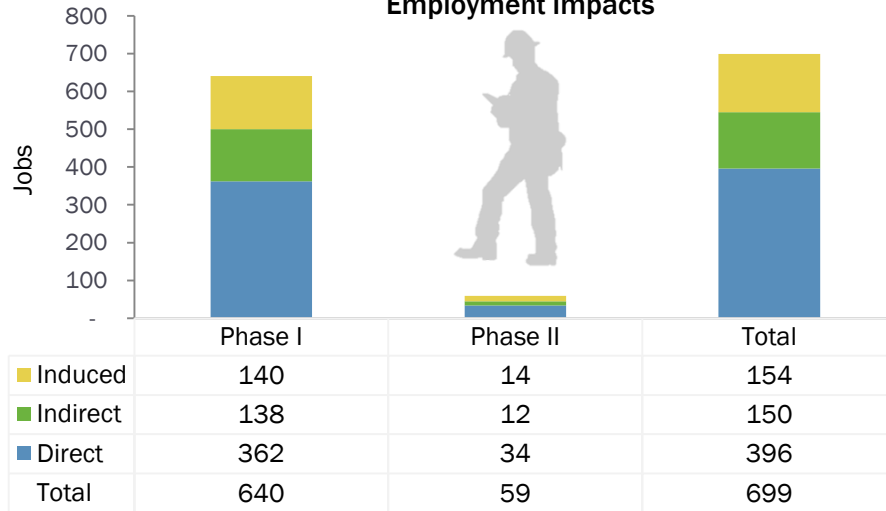
At project stabilization, combined, the project will create between \$6.2 and \$7.6 million in annual local and state tax revenues, contributing between \$62.2 and \$76.0 million in total tax revenues during the first 10 years of operation.



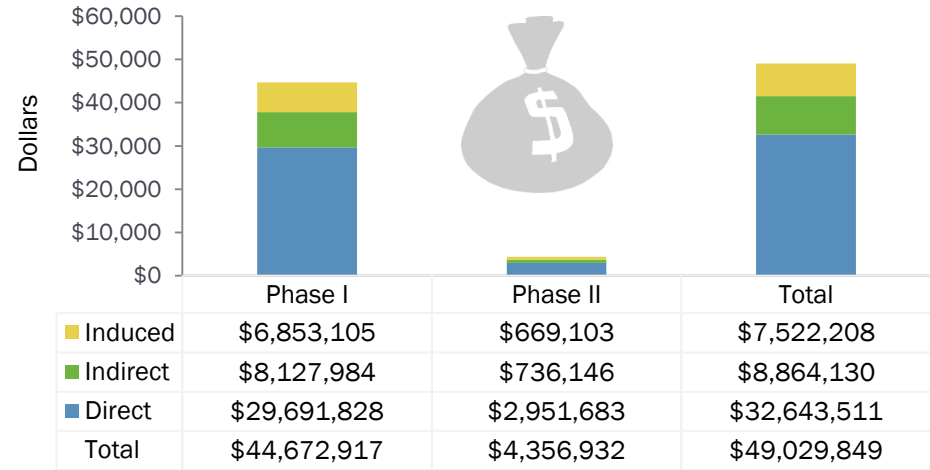
Source: IMPLAN, 4ward Planning, 2017

Key Findings: Construction

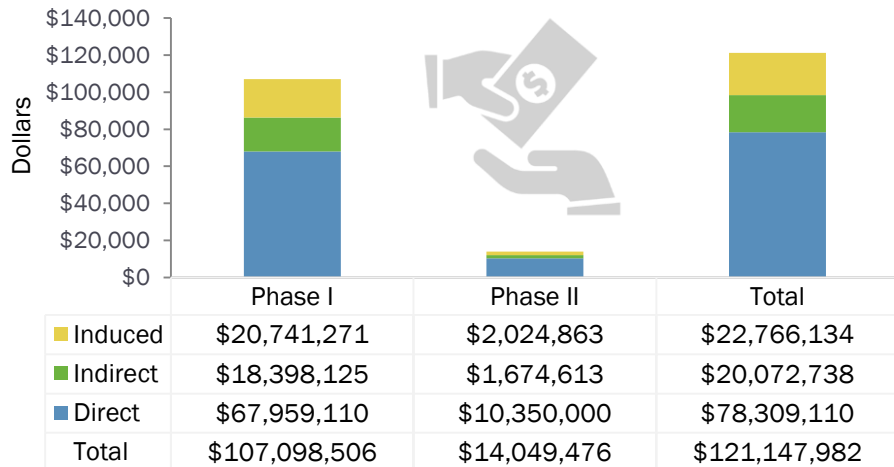
Employment Impacts



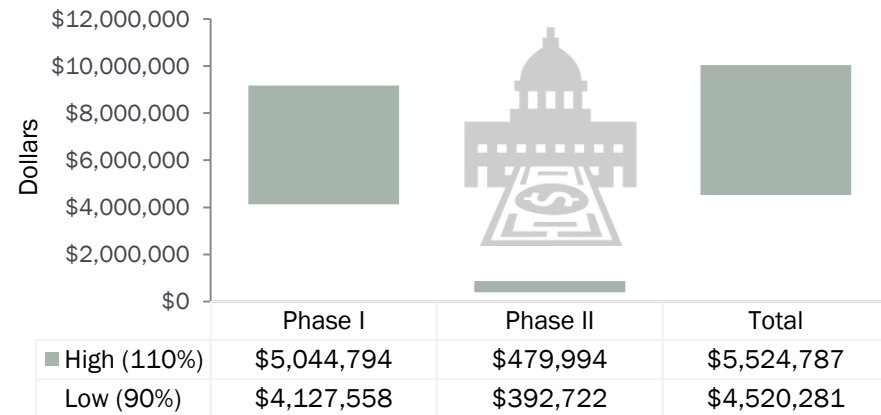
Labor Income Impacts



Output Impacts

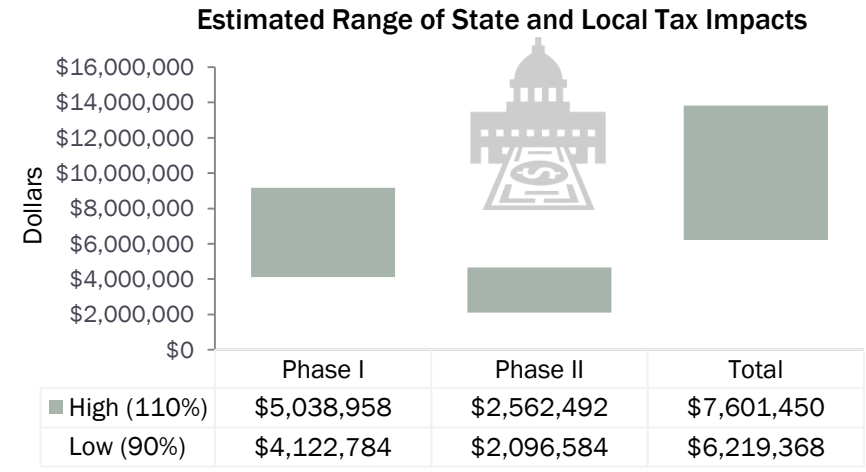
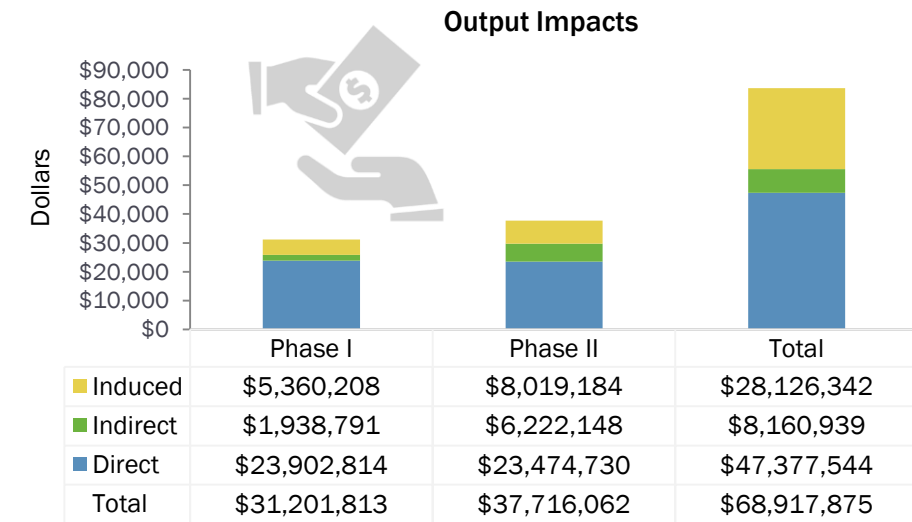
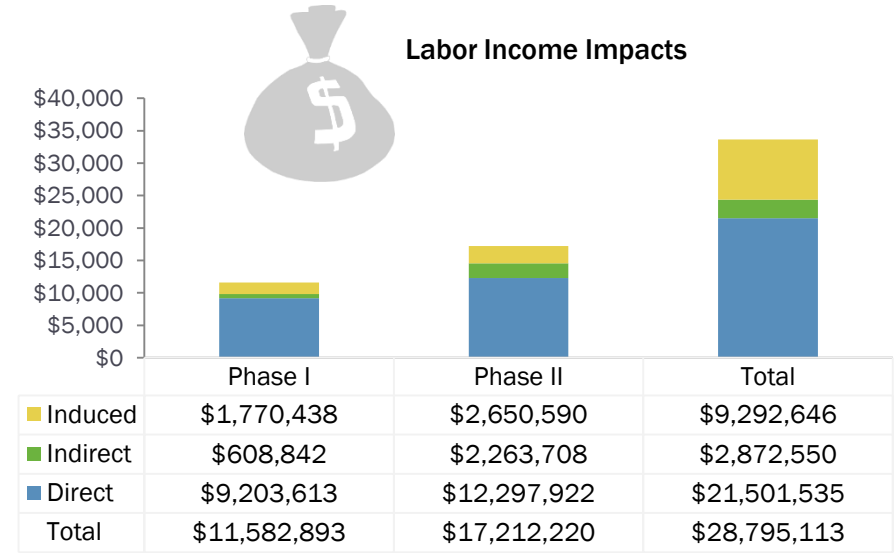
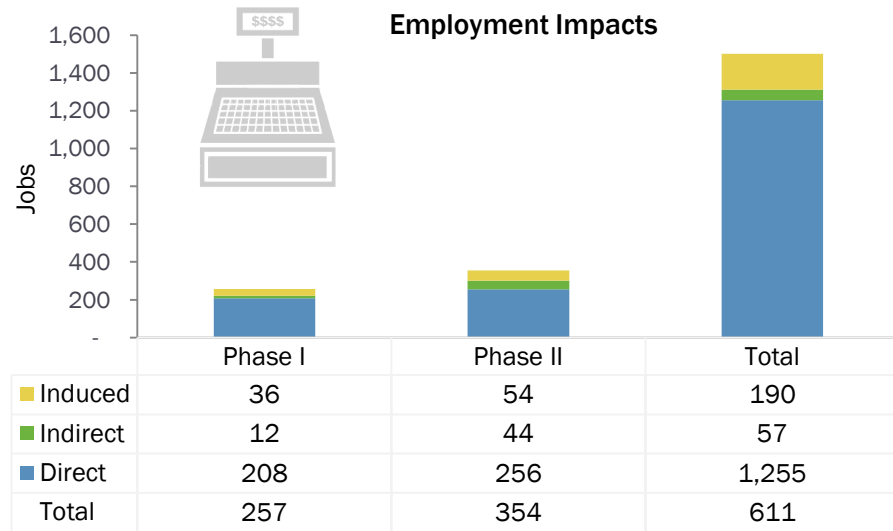


Estimated Range of State and Local Tax Impacts



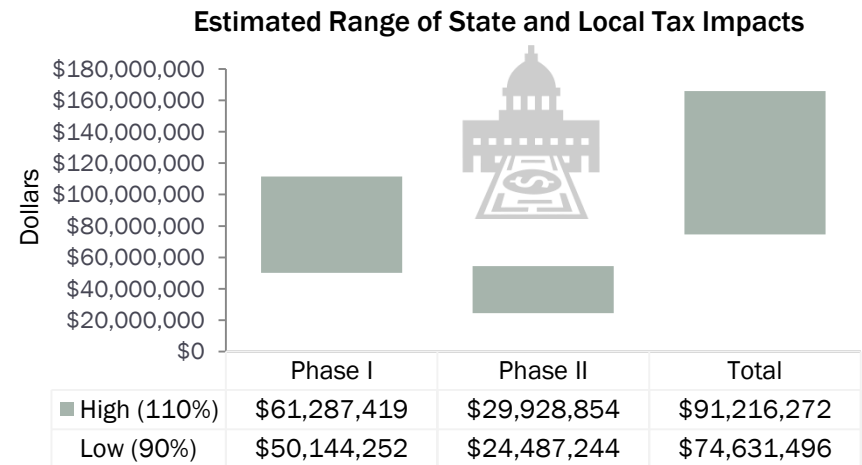
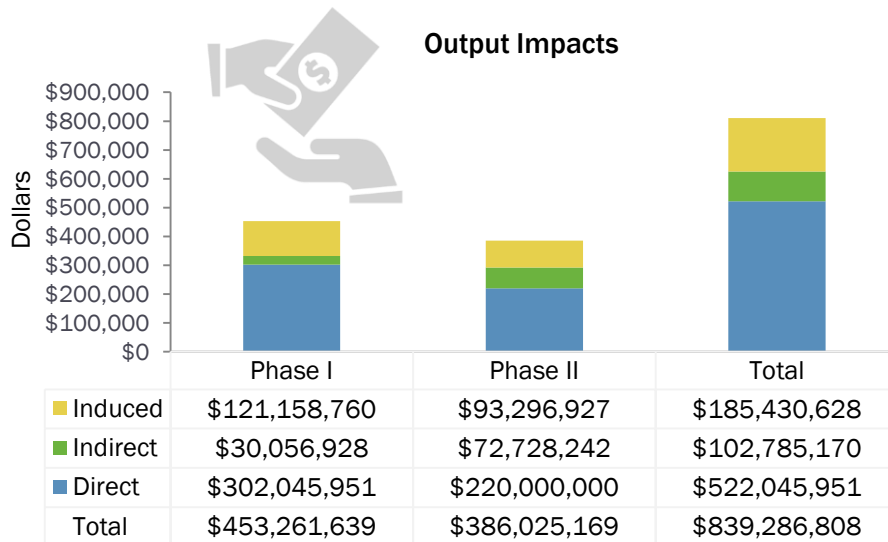
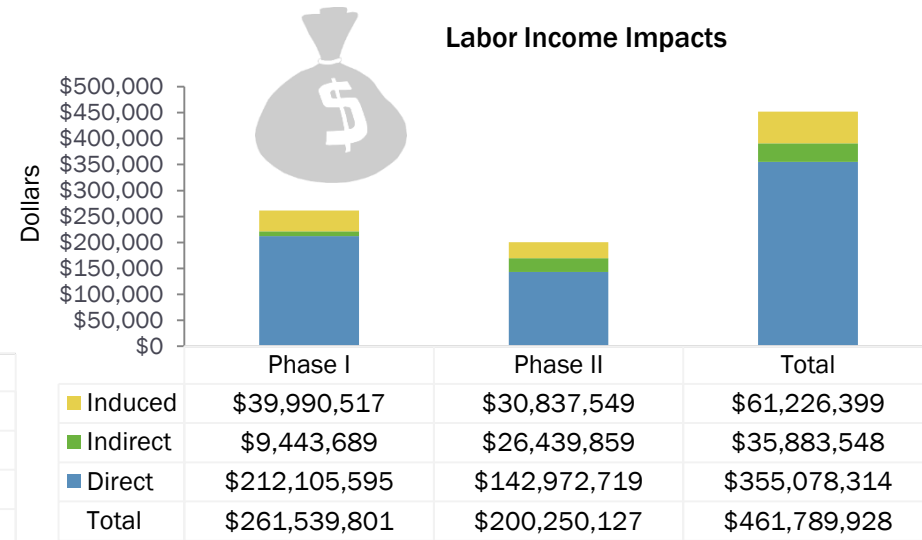
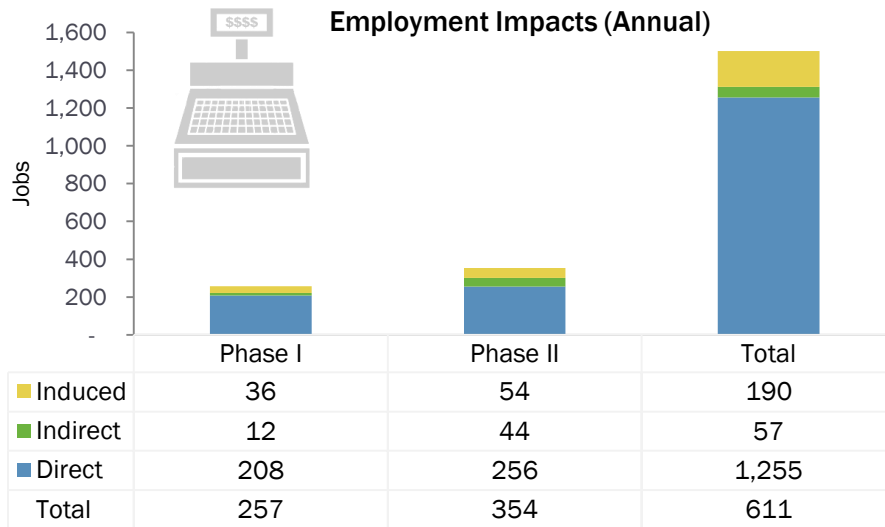
*Represents 90% to 110% of the estimate provided by IMPLAN

Key Findings: Project Stabilization (Year One)



*Represents 90% to 110% of the estimate provided by IMPLAN

Key Findings: Project Stabilization (First 10 Years)



*Represents 90% to 110% of the estimate provided by IMPLAN

APPENDIX

ECONOMIC AND REAL ESTATE ANALYSIS FOR SUSTAINABLE LAND USE OUTCOMES™

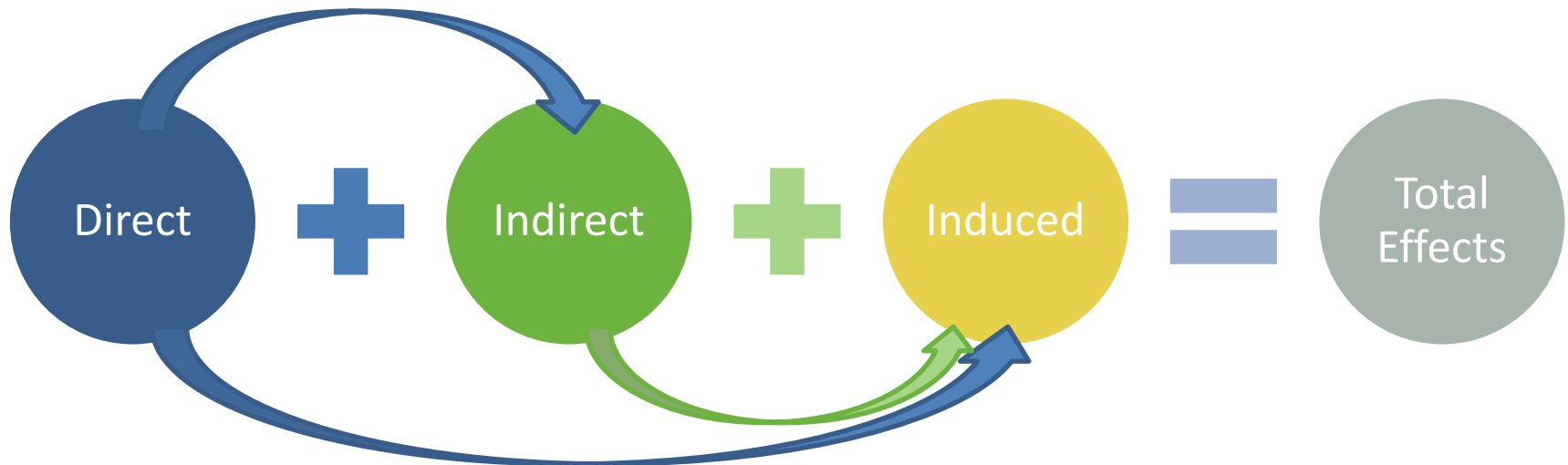


General Input-Output Impact Modeling: Overview

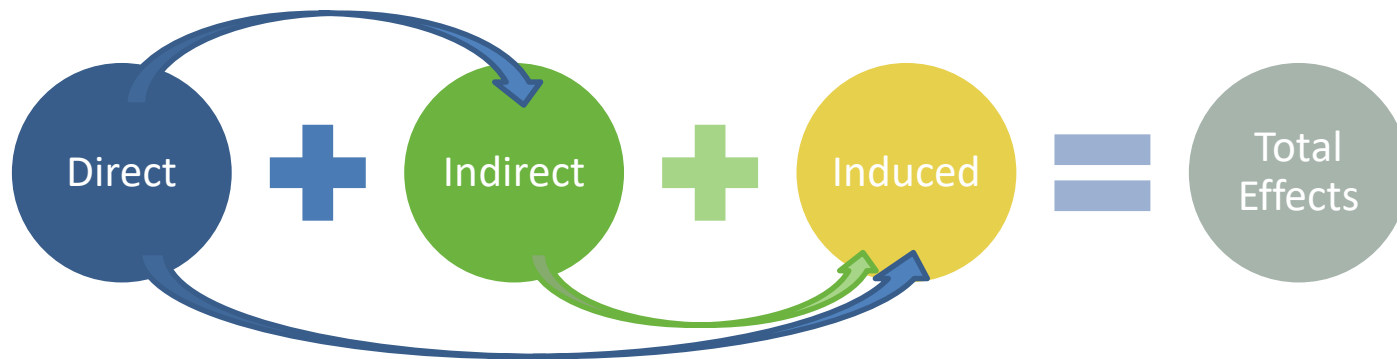
Economic impact analysis involves applying a final demand change to a predictive economic input-output model, and then analyzing the resulting changes in the economy under study.

More concisely, an impact analysis is an assessment of change in overall economic activity as a result of change in one or several specific economic activities.

Economic impacts, whether for employment or output, are typically referenced as **direct**, **indirect**, and **induced**. 4ward Planning has expressed the estimated direct, indirect, and induced impacts for each activity in this analysis.



General Input-Output Impact Modeling



Direct impacts are the result of a change in final demand.

- Construction: \$10 million is invested in building construction, increasing demand for buildings by \$10 million...
- Employment: new retail space hires 500 new employees to work in a region...

Indirect effects result from changes in demand for factors of production.

- Construction: \$10 million increase in the construction industry sector revenue causes a \$4 million increase in purchase orders to related industries, like lumber and heavy machinery.
- Employment: Not only would the workers receive a collective annual salary of \$20 million (assuming a mean salary of \$40,000), but the office would need to purchase supplies - including computers, paper, and telephone and internet services - totaling another \$7 million.

Induced effects result from changes in household spending.

- Construction: Building construction, lumber production, and heavy machinery manufacturing pay their workers wages to deliver various products, enabling workers to spend an additional \$100,000 within the regional economy, such as buying lunch locally while working.
- Employment: Retail services pay their own workers' wages, enabling those workers to spend an additional \$1 million within the regional economy.

Total effects are the combination of direct, indirect, & induced effects.

- Construction: The total effect of a \$10 million increase in building construction demand, then, is equal to \$14.1 million (\$10 million + \$4 million + \$100,000).
- Employment: Total effect of a \$20 million increase in local retail salaries, then, is equal to \$28 million (\$20 million + \$7 million + \$1 million).

General & Limiting Conditions

4ward Planning Inc. has endeavored to ensure that the reported data and information contained in this report are complete, accurate, and relevant. All estimates, assumptions, and extrapolations are based on methodological techniques employed by 4ward Planning Inc. and believed to be reliable. 4ward Planning Inc. assumes no responsibility for inaccuracies in reporting by the client, its agents, representatives, or any other third party data source used in the preparation of this report.

Further, 4ward Planning Inc. makes no warranty or representation concerning the manifestation of the estimated or projected values or results contained in this study. This study may not be used for purposes other than that for which it is prepared or for which prior written consent has first been obtained from 4ward Planning Inc. This study is qualified in its entirety by, and should be considered in light of, the above limitations, conditions, and considerations.



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