

**THE LONG ISLAND CENTER FOR
SOCIO-ECONOMIC POLICY**

ECONOMIC IMPACT

OF

**CERRO WIRE COALITION ALTERNATIVE DEVELOPMENT PLAN
THE 39-ACRE FORMER CERRO WIRE SITE
SYOSSET, NEW YORK**

PREPARED FOR

THE BIRCHWOOD CIVIC ASSOCIATION

BY

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INTRODUCTION

The Long Island Center for Socio-Economic Policy has been retained by the Birchwood Civic Association to prepare an analysis comparing the projected economic benefits of The proposed Taubman Company Mall at Oyster Bay with an alternative development plan of the Cerro Wire Coalition comprised of housing, hotel, office and retail. This analysis updates the economic impact of the Cerro Wire Coalition's 2007 alternative development plan.

The information set forth in my analysis, and the basis for my conclusions, draws upon current industry and economic data and both the December 1999 Draft Environmental Impact Statement (DEIS) and May 2000 Final Environmental Impact Statement for the Mall at Oyster Bay (FEIS) submitted by The Taubman Company.

It should be noted that the economic benefits derived from retail developments are typically based upon an industry standard of Gross Leasable Area (GLA) which represents the area actually leased and utilized by tenants. We have been advised that an issue exists in connection with the Mall proposal regarding the size of the proposed project. The issue concerns the Mall developer's offer in 2001 to reduce the total square footage of the Mall structure from 860,000 square feet Gross Floor Area (GFA) to 750,000 square feet of gross floor area. A proposal of 750,000 square feet GFA is estimated to contain approximately 675,000 of GLA.

Apparently the developer is claiming that its offer to reduce the size of the Mall contemplated 750,000 square feet of GLA or approximately 860,000 square feet GFA, not 750,000 square feet of GFA. Therefore, in order to make this analysis as accurate as possible, and in order to consider both scenarios, we have presented the impact of an 860,000 GFA Mall, which is 750,000 square feet GLA. We have also presented the impact of a 675,000 square foot GLA project, which as noted earlier, is comparable to a 750,000 square foot GFA project.

THE PROPOSED TAUBMAN COMPANY MALL AT OYSTER BAY

PROJECTED ECONOMIC ACTIVITY DURING CONSTRUCTION PERIOD

The total direct construction costs for the proposed development of an 860,000 square

foot GFA Mall at Oyster Bay, according to the previously submitted FEIS by The Taubman Company is estimated to be approximately \$263.5 million (in 2000 dollars), exclusive of government fees for permits and approvals, and site inspection and monitoring. This is an estimated \$306 per square foot construction cost that includes site work, the building of the two major anchors totaling 330,000 square feet, 530,000 square feet of smaller retail tenants, and a three level parking garage accommodating 4,500 parking spaces.

Based on The Taubman Company's FEIS, the total projected construction costs of \$263.5 million expressed in 2011 dollars, based on a 36 percent aggregate growth in the Long Island Consumer Price Index between August 2000 and August 2011, are now estimated to be \$358.4 million.

The \$358.4 million in estimated construction cost expressed in 2011 dollars represents direct expenditures during the construction period, and includes hard costs (actual construction), site preparation for the new construction, and design, professional, and related costs. Employing the economic multiplier of 1.81 as used in The Taubman Company's FEIS analysis of total economic impact, the \$358.4 million of primary economic impact from direct construction spending would generate a secondary economic impact in the retail, service, entertainment, construction, and financial, insurance and real estate sectors of \$290.3 million. This would result in a total primary and secondary projected economic activity of \$648.7.

The construction job creation projections by The Taubman Company for the mall in the FEIS are based on a 24 hour construction workday for a 24 month construction period and are estimated to be 1,111 employees working throughout the construction period. The 1,111 construction jobs would generate 2,243 person-years of employment resulting in primary and secondary job creation of 4,465, which equates to 2,232 employees during the 24 month construction period. This results in direct construction wages and salaries of \$99.4 million (in 2000 dollars) and \$135.2 million expressed in 2011 dollars after adjusting for a 36 percent increase in the Long Island Consumer Price Index. Accordingly, the secondary wages generated in 2000 dollars was \$86.5 million and \$117.7 million expressed in 2011 dollars, resulting in \$252.9 million of primary and secondary wages generated by the mall construction as expressed in 2011 dollars.

The total primary and secondary economic impact of wages and construction costs of \$648.7 million (2011 dollars) is expected to generate over the two year construction period an estimated \$35.1 million in state and local sales tax and Metropolitan Transportation Authority payroll tax revenues.

One important caveat to the forgoing is that the creation of the temporary secondary jobs may not materialize in such magnitude. This is because an expanding economy necessary to generate these secondary jobs may not materialize because of the regional recession. It therefore could be argued that businesses may decide to keep any profits from the mall construction to either pay down debt or replenish capital lost during the recession rather than hiring temporary workers.

TAX REVENUES FROM THE PROJECTED MALL AT OYSTER BAY

Sales Taxes During The Construction Period

The FEIS indicates that during the 24 month construction period for the 860,000 square foot GFA mall, \$25.8 million (2000 dollars) tax revenues (exclusive of property taxes) would be generated for Nassau County, the Metropolitan Transportation Agency (MTA), and New York State. The largest portion of the taxes would come from sales taxes on construction material and other purchases, with a much lesser amount from utility taxes. The \$25.8 million of tax revenues, when expressed in 2011 dollars by adjusting for the 36 percent growth in the Consumer Price Index between August 2000 and August 2011 the result is \$35.1 million in new tax revenues. The MTA collects a 0.25 tax and tax surcharges on business and utility taxes in the 12 county MTA region.

The Mall would also generate real property tax payments and non-property tax payments to local taxing jurisdictions and the state. Non-property tax payments would include sales taxes and other non-real property taxes.

Annual Sales Tax Revenues From Post Construction Permanent Operations

The FEIS projects that by the third year of operations the 860,000 square foot GFA Mall at Oyster Bay would generate annual retail sales of \$347.1 million (2000 dollars). When adjusted for the 36 percent increase in the Long Island Consumer Price index the sales are \$472.1 million as expressed in 2011 dollars and are projected to generate \$40.7

million (2011 dollars) in additional sales tax revenues to Nassau County, the MTA, and New York State.

Property Taxes

The FEIS projects the investments to the Cerro Wire property would substantially increase the assessed value of the land and its improvements, thereby significantly increasing property tax revenues to the Town of Oyster Bay, the Syosset School District, Nassau County, and the special taxing districts. Although the actual assessed value would be determined by the County, the FEIS presented a preliminary estimate of the 860,000 square foot GFA mall based on typical appraisal standards and comparable information from other malls in the area resulting in an assessed value of approximately \$10.49 million. Thus the project site would generate approximately \$7.31 million annually, which is nearly 11 times greater than the 1998 property tax levy of \$672,000, and results in a net increase of \$6.6 million in property taxes.

The revised FEIS for 750,000 square feet GFA mall reflects \$6.4 million in property taxes (stated in 2000 dollars), with schools receiving \$3.6 million, Nassau County receiving \$1.6 million, the Town of Oyster Bay receiving \$327,000, and \$871,538 for special districts. When stated in 2011 dollars projected property taxes are \$8.5 million and are allocated as follows: \$4.7 million to schools, \$2.1 million to Nassau County, \$432,416 to the Town of Oyster Bay, and \$1.2 million to special districts.

Certainly the proposed Mall at Oyster Bay would generate more property taxes than a vacant parcel of land, but so will the Cerro Wire Coalition's alternative proposal, the benefits of which are included in the following discussion.

THE CERRO WIRE COALITION ALTERNATIVE PROPOSAL

Introduction

The alternative development proposal by the Cerro Wire Coalition is based on current total square foot construction costs, including the estimated material and per hour labor cost components. This economic analysis indicates that the alternative development plan generates significant primary and secondary job creation and economic activity for the Town of Oyster Bay and the surrounding community. The alternative plan is a mixed use

development featuring smart growth principles and comprises residential units, office space, hotel and spa, and retail.

The following analysis will clearly illustrate that the alternative development will generate sales and property tax revenues comparable to, or greater than The proposed Taubman Mall at Oyster Bay. Furthermore, the proposed Mall at Oyster Bay would not bring in the level of permanent wealth and economic activity that future residents would bring to the community during the period that they live in the residences that are built.

For this analysis, labor costs have been estimated at 50 percent of total development costs and anticipate using union labor. Material costs would consume the remaining 50 percent of the development budget. Soft costs, including architectural, legal, engineering services, marketing and financing are calculated at an additional 30 percent of total development costs.

The Cerro Wire Coalition's alternative development plan calls for 550 residential units comprised of 250 town homes and 300 flats. Town homes are typically 2 ½ stories with finished walkout ability on the lower level. The flats would include 10 percent next generation housing for young people, 30 percent for senior citizens with one-third of the senior housing priced as affordable, and 60 percent market rate housing divided between two and three bedrooms units.

It is expected that the permit approval process will take a minimum of between 18 to 24 months, with another six to eight months to do site preparation and site work. After that it will take another three years to complete the housing. It is anticipated that construction will be in phases and as the residences become occupied then the commencement of construction of the next phase would begin. The time to complete construction and have all the residences occupied would be up to four years.

The residential units, regardless of whether they are age restricted or not will have lower school impact just by the design of the proposed housing. The units, the sizes of which are presented in the following discussion, are smaller and the building design is not conducive to school age children. The housing offers young people the opportunity to establish themselves economically and begin to raise a family. Once the 2nd child arrives or reaches school age, the parents more than likely will be looking to move to larger quarters. These larger quarters may either be in the community school district or

not. This housing also offers an alternative for empty-nesters who wish to downsize their living quarters but still wish to remain in the community. Diminishing land and changing times have made housing in smart growth style communities much more acceptable. Despite these communities having been successful elsewhere, they are in short supply on Long Island.

The impact of adding school age children will be minimal due to declining elementary school enrollment in the region. Thus any new students from the Cerro Wire alternative development plan will not increase the student body population. Furthermore, Rutgers University has concluded that residential housing doesn't adversely impact school districts with a disproportionate increase in children.

According to Rutgers University's Center for Urban Policy Research (Burchell, 2006), employing demographic multipliers, newly constructed one-bedroom occupied residences with five or more units with costs of housing greater than \$1,000 per month and located in New York State would generate approximately 1.67 persons. Of the 1.67 persons .08 persons would be school aged, or between five and 17 years of age, 1.51 persons would be 18 years of age and older, and the balance of .08 would be toddlers or infants. Two-bedroom housing with five or more units with housing costs greater than \$1,100 per month and located in New York State would generate approximately 2.31 residents. Of the 2.31 residents 1.89 would be persons 18 years of age and older, .23 would be school-aged, and .19 would be infants and toddlers.

The Cerro Wire Coalition Alternative Development Plan would actually benefit the school district by saving teachers' jobs and providing a stable future source of tax revenues for the schools. Without the new students from the Cerro Wire Alternative Development Plan, a declining student body would result in teachers being laid off and vacant school buildings would result. Many Long Island school districts are facing these issues in their upcoming 2012/2013 budgets.

RESIDENTIAL HOUSING

Construction Labor Cost

The annual construction employee cost for the Cerro Wire alternative development is based on the 2009 average Long Island construction employee wage of \$60,162 as

reported by the New York State Department of Labor’s Quarterly Census of Employment and Wages. Since any development is several years away, the construction employee wage is calculated by applying an average 3 percent increase in the Consumer Price Index to the average 2009 Long Island construction wage. Thus the 2015 construction wage of \$69,764 is based on average 2013 wages of \$67,713; \$69,744 for 2014; and a 2015 employee wage of \$ 71,836.

The 2000 FEIS for the proposed Taubman Mall indicates 2,222 direct construction jobs stated in person-years. When the FEIS direct construction wages of \$99.4 (stated in 2000 dollars) are adjusted for the 36% increase in the Consumer Price Index between 2001 and 2012, the adjusted for inflation direct construction wages increase to \$135.2 million, or an average of \$60,842 for each of the 2,222 construction workers.

250 Town homes

The town homes are projected to be between 2,400 and 2,800 square feet each. For purposes of this analysis an average of 2,750 square feet per town home will be used.

Construction Costs for 250 Town Homes

Average 2,750 square feet x \$210/sq ft hard costs = \$ 577,500
 Soft Costs (30% Hard costs)= 173,250
Total Cost \$ 750,750

Distribution of 250 Town Home Construction Costs

Hard Costs Labor at 50%	\$ 288,750	x	250 units	=	\$ 72,187,500
Hard Costs Materials 50%	265,823	x	“	=	66,455,750
Hard Costs Sales Taxes	22,927	x	“	=	5,731,750
Soft Costs	<u>173,250</u>	x	“	=	<u>43,312,500</u>
<u>Total Costs</u>	<u>\$ 750,750</u>	x	250 unit Total	=	<u>\$ 187,687,500</u>

Construction Jobs Created by 250 Town Homes

The average hourly construction wage is calculated at \$39.86 and based on 1,750 hours per year worked by a construction worker and the 2015 construction wage of \$69,764 that was the calculated average of 2013 wages of \$67,713; \$69,744 for 2014; and a 2015 employee wage of \$ 71,836.

The average hourly cost per construction worker is based on \$75 per hour and includes wages, fringes and allocated overhead costs for each worker. The number of construction workers needed to complete the project was determined by dividing the total hours paid for by the average hours each year that a construction worker will work. (35 hour work week for a 50 week year is 1750 hours). The construction period is assumed to be 36 months. The following analysis calculates the economic impact for that period.

Construction Jobs Created for 250 Town Homes

Labor Costs $\frac{\$72,187,500}{\$75.00} = \frac{962,500 \text{ total hours}}{1,750 \text{ hrs/worker/year}} = 550 \text{ total jobs each year for 3 years}$
or a total of 1650 person-years.

Annual Economic Impact of 550 Primary Construction Jobs and 1,100 Secondary Jobs:

The 550 created primary construction jobs multiplied by an economic multiplier of 2 generates 1,100 secondary jobs resulting in a total of 1,650 primary and secondary jobs created annually by the construction of 250 Town homes.

Economic Impact of Construction Wages Created for 250 Town Homes

Using the projected average annual payroll of \$69,764, the 550 construction jobs would have an average total payroll and primary economic impact of \$38,370,200. This primary economic impact would generate a secondary economic impact of \$53,718,280 (primary economic impact less 30 percent for payroll taxes). The result is a total projected average economic impact from the construction labor for the 250 town homes of \$92,088,480.

300 Residential Flats

The affordable units are projected to be ten percent of the housing, have 2 bedrooms and are 1,100 square feet; the senior housing units are projected at 30 percent of the housing, have 2 bedrooms and are 1,600 square feet; and the market rate housing units are projected to 60 percent of the housing, with 75 percent of the market rate units having 2 bedrooms and are 1,600 square feet each, with 25 percent of the market rate residences having 3 bedrooms and 1,800 square feet in size.

Construction Costs of 300 Residential Flats

Affordable Housing(10%)	30 units x 1,100 sq ft x \$210/sqft hard costs=	\$ 6,930,000
Senior Housing (30%)	90 units x 1,600 sq ft x \$210/sqft hard costs=	30,240,000
Market Housing (45%)	135 units x 1,600 sq ft x \$210/sqft hard costs=	45,360,000
Market Housing (15%)	45 units x 1,800 sq ft x \$210/sqft hard costs=	<u>17,010,000</u>
	Total Hard Costs	\$ 99,540,000
	Soft Costs-30% Hard Costs	<u>29,862,000</u>
	Total Costs	<u>\$ 129,402,000</u>

Distribution of 300 Residential Flat Construction Costs

Hard Costs: Labor at 50%	x	99,540,000	=	\$ 49,770,000
Hard Costs: Materials at 50%	x	99,540,000	=	45,818,182
Hard Costs Sales Taxes: 8.625%			=	3,951,818
Soft Costs				<u>29,862,000</u>
	<u>Total Costs</u>		Total	<u>\$ 129,402,000</u>

Construction Jobs Created by 300 Residential Flats

Labor Costs $\frac{\$ 49,770,000}{\$75.00} = 663,600$ total hours = 379 total jobs each year for three years
or a total of 1,138 person-years.

Annual Economic Impact of 379 Primary Construction Jobs and 758 Secondary Jobs:

The primary construction jobs created are 379 which generate 758 secondary jobs for a total of 1,137 annual primary and secondary jobs created by the construction of 300 residential flats.

Economic Impact of Construction Jobs Created

The 379 primary construction jobs earning an average annual wage of \$69,764 generates \$26,440,556 of primary economic activity and secondary economic activity of \$37,016,778 after deducting 30 percent for payroll taxes withheld. The result is a total economic impact of 300 flats construction labor of \$63,457,334.

Below Grade or Structured Parking for 300 Residential Flats

It is anticipated that below grade parking or structured parking integral to the building design would be needed for the residential flat units based on two cars per unit. It is estimated that the parking grading and blacktopping would be completed over a one-year period, coinciding with building construction and site preparation.

Construction Costs of Structured Parking for 300 Residential Flats

300 units x 2 parking spaces = 600 spaces x \$25,000 cost per space = Total	<u>\$15,000,000</u>
Labor = 50% x 15,000,000	7,500,000
Materials = 50% x 15,000,000	6,904,488
Sales Taxes 8.625%	595,512

Construction Jobs Created by 600 Below Grade or Structure Parking Spots

Labor Costs $\frac{\$ 7,500,000}{\$75.00} = \frac{100,000 \text{ total hours}}{1,750 \text{ hrs/worker/yr}} = 57 \text{ total jobs over 1 year}$

Economic Impact of 57 Primary Construction Jobs and 114 Secondary Jobs:

During the below grade parking construction period, the 57 primary construction jobs created will generate 114 secondary jobs when employing an economic multiplier of two. This results in a total of 171 primary and secondary jobs generated by the construction of structured parking for the 300 residential flats.

Economic Impact of Construction Jobs Created

Fifty-seven construction jobs earning an average annual payroll of \$69,764 results in primary economic activity of \$3,976,548 and net of 30 percent withholding taxes generates a secondary economic impact of \$5,567,167. The result is \$9,543,715 of total economic impact from the construction jobs for the parking for the 300 residential flats.

Hotel and Spa

A 120,000 square foot hotel and spa is planned that would have approximately 150 rooms. Construction would take 14 months to complete. Cost to construct is estimated to be \$210 per square foot or \$25.2 million. Labor costs are projected at 50 percent of the construction costs, soft costs approximating an additional 30 percent, and when completed the hotel will create 65 to 70 permanent jobs.

Distribution of Hotel Construction Costs

Hard Costs: Labor at 50%	x	25,200,000	=	\$ 12,600,000
Hard Costs: Materials at 50%	x	25,200,000	=	11,599,540
Hard Costs Sales Taxes 8.625%			=	1,000,460
Soft Costs 30%	x	25,200,000		<u>7,560,000</u>
<u>Total Costs</u>			Total	<u>\$ 32,760,000</u>

Construction Jobs Created by Hotel

Labor Costs $\frac{\$ 12,600,000}{\$75.00} = \frac{168,000 \text{ total hours}}{1,750\text{hrs/worker/yr}} = 96 \text{ total jobs for one year and a total of 112 person-years.}$

Economic Impact of 96 Primary Construction Jobs and 192 Secondary Jobs:

The annual 96 Primary construction jobs created will spin off annually 192 secondary jobs for an aggregate of 288 primary and secondary jobs created annually by the hotel construction. As noted the construction period will be more than one year.

Economic Impact of Wages for the 96 Primary Construction Jobs Created

The 96 primary construction jobs, each earning an average annual payroll of 69,764 will result in \$6,697,344 of primary economic activity. Net of withholding taxes a secondary economic impact of \$9,376,282 will be generated, resulting in a total of primary and secondary economic impact of \$16,073,626 from hotel construction labor.

Economic Impact of an average 68 Permanent Hotel Jobs

The permanent jobs necessary to operate the hotel are projected to be between 65 and 70 jobs. For the purpose of this analysis 68 permanent jobs will be used. The jobs range from housekeeping, maintenance, office, clerical and managerial and wages are based on the 2010 median hourly wage according to the U.S. Bureau of Labor Statistics projected for a 35 hour work week and 52 week work year. On this basis hotel, motel, and resort desk clerks will earn an annual median wage of \$26,244; the annual median wage of janitors and cleaners except maids and housekeeping is \$29,629; maids and housekeeping workers will earn an annual median wage of \$27,937; office and clerical an average wage of \$32,705; bookkeeping an average wage of \$32,123, and supervisors an average wage of \$65,993. Since most of the hotel jobs will be lower paying, the economic impact of the permanent jobs will be based on a 2010 average median annual wage of \$30,000 per year per hotel employee.

Permanent Hotel Primary and Secondary Jobs:

The hotel is projected to have an average of 68 primary permanent jobs that will generate another 68 secondary jobs, resulting in a total of 136 primary and secondary jobs created by the hotel.

Economic Impact of Hotel Permanent Wages Created

The 68 jobs created by hotel operations, each estimated to earn an median annual payroll of \$30,000 will generate \$2,040,000 primary economic activity and net of withholding taxes, a secondary economic impact of \$1,428,000 will be generated. The result is a total of \$3,468,000 primary and secondary economic impact from hotel jobs. The recurring sales taxes from the primary and secondary economic impact of the permanent jobs, based on 75 percent spent on taxable sales are \$224,336.

Retail/Office

The Cerro Wire Coalition alternate proposal for a mixed-use development of housing and hotel also includes 60,000 square feet of retail/office space, costing approximately between \$150 and \$170 per square foot to build. Since construction costs are constantly increasing due to steel and concrete, \$170/square feet will be used, resulting in a total projected cost of construction of \$10.2 million with another 30% for soft costs resulting in total construction costs of \$13,260,000.

It is anticipated that the construction of the retail/office space will take up to 24 months to complete and is projected to create 145 primary full-time annual construction job equivalents each earning an average annual salary of \$69,764.

Assuming for this analysis 160 permanent secondary job equivalents will be created with 40 percent permanent and 60 percent of the balance assumed to be half time, for a total of 122 annual full time job equivalents. To determine the economic impact of the 122 jobs, the 2010 median annual wage of 33,706 for retail salespersons and \$32,705 for office workers, as recorded by the U.S. Bureau of Labor Statistics will be used. Assumed is that most of the jobs will be sales and office related, with the median wages for office and store managers between \$34,125 and \$88,780, depending on store size and responsibility. However, to be conservative an average median wage of \$33,000 will be used in the following economic impact analysis of the permanent jobs.

Distribution of Retail/Office Construction Costs

Hard Costs: Labor at 50%	x	10,200,000	=	\$ 5,100,000
Hard Costs: Materials at 50%	x	10,200,000	=	4,695,052
Hard Costs Sales Taxes: 8.625%			=	404,948
Soft Costs 30%	x	10,200,000		<u>3,060,000</u>
<u>Total Costs</u>			Total	<u>\$ 13,260,000</u>

Construction Jobs Created by Retail/Office Development

Labor Costs $\frac{\$ 5,100,000}{\$75.00} = \frac{68,000 \text{ total hours}}{1,750 \text{ hrs/worker/yr}} = 39 \text{ total jobs per year with a total of 78 person-years.}$

Primary Construction and Secondary Jobs:

The 39 primary construction jobs created will generate 78 secondary jobs for a total of 117 total jobs created by the retail/office construction.

Economic Impact of Retail/Office Construction Wages Created

The 39 primary construction jobs earning an average annual payroll of \$69,764 will generate \$2,720,796 of annual primary economic activity, which in turn spins off a secondary annual payroll impact of \$3,809,114 from the 117 jobs. The result is \$6,529,910 of primary and secondary economic impact from retail/office construction labor.

.Primary Retail/Office and Secondary Jobs:

The permanent primary 122 full time retail/office job equivalents are expected to spin off another 122 jobs, with a total of 244 permanent primary and secondary jobs in the retail/office facilities.

Economic Impact of Permanent Retail/Office Wages Created

The 122 full time equivalent employees in the retail/office operations earning an average median annual payroll of \$33,000 results in \$4,026,000 of primary economic activity and \$2,818,200 of secondary economic impact, resulting in \$6,844,200 of primary and secondary economic impact from the created 224 retail/office permanent

jobs. The permanent sales tax generated by the primary and secondary economic impact is \$442,734, based on 75 percent of the economic impact spent on taxable sales.

Construction Economic Impact, Jobs Creation, and New Tax Revenues: Proposed Mall-vs-Cerro Wire Coalition Proposal

The alternative proposal from the Cerro Wire Coalition would create a total of 3,363 primary construction jobs. This would generate over \$187 million of primary and secondary economic activity from the construction wages and another \$395 of primary and secondary economic activity from construction materials and soft costs, aggregating \$582 million in combined economic activity. This would generate \$49.4 million of sales tax revenues.

By comparison, the 860,000 square foot GFA Mall generates fewer construction jobs at 2,243 and a primary and secondary economic impact projected to be \$635.2 million. A 750,000 square foot GFA mall generates even fewer construction jobs at 1,680, resulting in a lower \$552.6 million primary and secondary economic impact. This results in \$29.6 and \$25.8 million of sales tax revenues respectively for the 860,000 and 750,000 square foot GFA mall.

Additionally, the Cerro Wire Coalition’s proposal provides a permanent annual source of primary and secondary economic activity of \$208,686,600 and new sales tax revenues of \$ 11,895,371.

The comparative economic activity, and related property and sales taxes generated by the Cerro Wire Coalition alternative development and the Mall appear in the following tables.

Economic and Job Impact:Cerro Wire Coalition Alternative Development (Note 1)

<u>Project Element</u>	<u>Construction</u>			<u>Total Economic Impact</u>
	<u>Jobs Created</u>	<u>Primary/Secondary Constr. Wages</u>	<u>Economic Impact Materials/Other</u>	
250 Town Homes	1,650	\$ 92,088,480	\$ 197,582,850	\$ 289,671,330
300 Residtl Flats	1,138	63,457,334	136,224,328	199,681,662
Parking for Flats	57	9,543,715	12,428,078	21,971,793
Hotel-construction	112	16,073,626	34,487,172	50,560,798
Retail/Office	78	6,529,910	13,959,093	20,489,003
Total	<u>3,035</u>	<u>\$ 187,693,065</u>	<u>\$ 394,681,521</u>	<u>\$ 582,374,586</u>
Proposed Mall: 860,000 sqft(2)	2,243	\$ 247,273,600	\$ 387,934,400	\$ 635,208,000
Proposed Mall: 750,000 sqft.(2)	1,951	\$ 215,128,032	\$ 337,502,928	\$ 552,630,960

Tax Impact: Cerro Wire Coalition Alternative Development Proposal (Note 3)

<u>Project Element</u>	<u>Construction Sales Taxes</u>		<u>Recurring Taxes</u>		<u>Total Tax Impact</u>
	<u>Primary</u>	<u>Secondary</u>	<u>Property / Sales</u>		
250 Town Homes	\$ 5,731,750	\$ 18,738,114	\$ 3,645,971 / \$6,736,981		\$ 34,852,816
300 Residtl. Flats	3,951,818	12,916,908	2,513,730 / 4,491,320		23,873,776
Parking-Res. Flats	595,512	1,421,300	378,802 / -----		2,395,614
Hotel	1,078,125	3,270,652	1,273,791 / 224,336		5,846,904
Retail/Office	<u>404,948</u>	<u>1,325,382</u>	<u>515,582 / 442,734</u>		<u>2,688,646</u>
Total	<u>\$11,762,153</u>	<u>\$ 37,672,356</u>	<u>\$ 8,327,876 / \$11,895,371</u>		<u>\$ 69,657,756</u>

<u>Proposed Mall:860,000 sqft.(2) -----</u>	<u>\$ 34,207,808-----</u>	<u>\$ 9,723,000 / \$29,648,000</u>	<u>\$ 73,578,808</u>
<u>Proposed Mall:750,000 sqft.(2)-----</u>	<u>\$ 29,760,792-----</u>	<u>\$ 8,479,000 / \$25,793,760</u>	<u>\$ 64,033,552</u>

Note (1): Jobs created are the primary construction jobs and the secondary job creation, with the permanent created hotel and retail jobs and the resulting secondary jobs. The economic impact, expressed in 2011 dollars, is for the total construction period, while the economic impact for materials/other are for what is actual to each aspect of the project x multiplier of .80.

Note (2): The 860,000 and 750,000 square foot mall are expressed in Gross Floor Area (GFA) with construction employees as per Taubman Company in their FEIS; the construction expenses and associated economic Impact for the 750,000 square foot GFA projected at 87 percent of 860,000 square foot GFA mall. As noted in the introduction the developer is claiming that its offer to reduce the size of the Mall contemplated 750,000 of Gross Leasable Space (GLA) not 750,000 GFA. Thus the 860,000 square foot GFA is also 750,000 GLA and the 750,000 square foot GFA Mall is 675,000 of GLA.

Note (3): Sales tax revenues from construction are reflected as 8.625 percent of materials purchased while the secondary sales taxes are from total economic activity from the Job and Economic Impact Table of the Cerro Wire Coalition alternative proposal less the direct sales taxes from construction activities. Recurring sales taxes derived from economic activity from permanent residents living in the housing. See Permanent Economic Activity From Housing Stock Alternative table below. Sales taxes are from discretionary income of residents net of payroll taxes which are available for spending in the regional economy and wages of employees and not from hotel stays or retail sales, which would result in higher total sales taxes generated. Since the exact mix and potential business is unknown, the sales taxes presented are extremely conservative.

As per the Nassau County Department of Assessment, current commercial property taxes are calculated thus: school taxes are \$291.58 per \$100 of assessed valuation; general taxes are \$224.38 per \$100 of assessed valuation; and library taxes are \$10.41 of every \$100 of assessed valuation, for a total of 526.37 per \$100 of assessed valuation. Level of assessment is based on 1% of market value. Market value would consider some level of the proposed Mall construction costs (that would provide an upper limit of value) but Market value would also be calculated on an income capitalization approach which would capitalize the annual rent roll after deduction for expenses including financing costs, depreciation, property taxes, etc. Assessed value for 860,000 square feet in 2000 was \$10,488,708.

Current residential property taxes per the Nassau County Department of Assessment are calculated thus: school taxes are \$713.62 per \$100 of assessed valuation; general taxes are \$312.80 per \$100 of assessed valuation; and library taxes are \$ 25.48 per \$100 of assessed valuation for a total of \$1,051.90 per \$100 of assessed valuation. Assessment is based on .25% market value as shown in the table for Permanent Economic Activity from Housing Stock .

PERMANENT ECONOMIC IMPACT: CERRO WIRE COALITION OPTION

While both the proposed Taubman Company 860,000 square foot GFA Mall at Oyster Bay and the alternative proposal by the Cerro Wire Coalition generate economic activity, the Cerro Wire Coalition's alternative proposal is economically superior to the proposed Mall since it attracts to Nassau County and the Town of Oyster Bay a permanent source of nearly \$83 million of wages from individuals residing in the 550 residential housing units. These dollars would be kept in Nassau County, while the income generated by the Mall would be exported from Long Island to benefit The Taubman Company and their merchandise suppliers in other regions of the country and the world given that so much of what is purchased is foreign manufactured. Wages paid at the mall would not benefit the surrounding area of the mall but would benefit the communities where the workers at the mall lived.

Furthermore, the \$83 million of wages earned by residents of the 550 residential units would generate on a permanent annual basis, after taxes withheld, nearly \$58 million of disposable income, \$8.3 million in property tax revenues and \$11.9 million sales tax revenues. Of the \$8.3 million in property taxes schools would receive \$4.62 million, Nassau County \$2.14 million, special districts \$1.14 million and \$424,722 to the Town of Oyster Bay.

The Coalition proposal also helps fill a regional need of affordable housing for young Long Islanders so they can stay and work here. The Cerro Wire Coalition's proposal calls for allocating 10 percent of the flat units for young people at affordable prices, as well as providing 30 percent of the housing for seniors, with one third of the senior housing made available at affordable prices.

Also important is that the residents of the housing would generate on a permanent annual basis over \$173 million of primary and secondary economic activity for the merchants in the surrounding community, while the proposed Mall would generate economic activity only for the merchants able to afford rents in the Mall.

Furthermore the \$173 million in primary and secondary economic activity generated by the residents living in the housing in the Cerro Wire Coalition alternative development is nearly \$88 million (2010 dollars) more than the economic activity generated by the

\$58.7 million wages (adjusted for 30% increase in consumer price index) projected in the FEIS to be paid by the merchants in the proposed mall.

The following tables illustrate the permanent sources of economic activity from the housing options, hotel, and retail/office. The assumptions for the housing are that town homes would attract prior home owners or individuals earning higher wages who would be able to afford a larger residence; young people who earn lower wages and fixed income seniors would be attracted to the affordable housing units; and the market rate housing would attract people either selling a prior residence, or relocating from other areas of the region. The presumption is that the housing costs would represent one-third of the monthly gross family income.

Permanent Economic Activity: Housing Options

	<u>Flat Residential Units</u>				
	<u>Town Homes</u>	<u>Affordable</u>	<u>Affordable</u>	<u>Market</u>	<u>Market</u>
550 Units	250	30 youth	30 Senior	60 Senior	180
Square feet	2,750	1,100	1,600	1,600	1,800
Bedrooms	3	2	2	2	3
Monthly Cost of Occupancy Necessary	\$ 5,500	\$ 1,500	\$ 2,200	\$ 2,700	\$ 3,600
Monthly Wage	\$16,500	\$ 4,500	\$ 6,600	\$ 8,100	\$ 10,800
Annual Wages	\$198,000	\$54,000	\$79,200	\$ 97,200	\$129,600
Housing Units	<u>x 250</u>	<u>x 30</u>	<u>x 30</u>	<u>x 60</u>	<u>x 180</u>
Total Units:					
Annual Wages	<u>\$ 49,500,000</u>	<u>\$ 1,620,000</u>	<u>\$ 2,376,000</u>	<u>\$ 5,832,000</u>	<u>\$23,328,000</u>

Note: The housing units are 250 town homes and 300 flats

Permanent aggregate of all annual wages for all units:	\$ 82,656,000
Permanent disposable income after taxes withheld:	\$ 57,859,200
Permanent secondary economic activity	\$115,718,400
Permanent primary and secondary economic activity	\$173,577,600
New sales tax revenues (75% economic activity)	\$ 11,228,301

Permanent Economic Activity Hotel - Retail – Office

	Permanent <u>Jobs</u>	<u>Wages Economic Activity</u>			Sales <u>Taxes</u>
		<u>Primary</u>	<u>Secondary</u>	<u>Total</u>	
Hotel	68	\$ 2,040,000	\$ 1,428,000	\$ 3,468,000	\$ 224,336
Office/Retail	122	<u>\$ 4,026,000</u>	<u>\$ 2,818,200</u>	<u>\$ 6,844,200</u>	<u>\$ 442,734</u>
Total	<u>190</u>	<u>\$ 6,066,000</u>	<u>\$ 4,246,200</u>	<u>\$10,312,200</u>	<u>\$ 667,070</u>

The above analysis illustrates that Nassau County and the Town of Oyster Bay will benefit greatly from the Cerro Wire Coalition's alternative proposal. This analysis also confirms that there is a viable and sustainable alternative to the economic activity that the proposed mall proponents suggest that it will generate.

CONCLUSION

What is clear is the Cerro Wire Coalition alternative development plan should be seriously considered since it financially and fiscally compares very favorably with The proposed Taubman Company Mall at Oyster Bay by bringing in millions of dollars of permanent economic activity and sales tax revenues; by creating over 4,000 primary and secondary jobs during the construction period, millions of dollars of economic activity for local merchants, and property tax revenues for the local school district without negatively impacting the nature and quality of life of the Syosset/Jericho neighborhoods.

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