



May 8, 2020

Mr. Christopher Stralkowski  
 Executive Project Manager, Ferguson Development  
 Lansing, MI 48906

RE: The economic and fiscal benefits of the Red Cedar Development Project

Dear Mr. Stralkowski,

The Red Cedar Development Project is important for the City of Lansing, Ingham County, the greater region, and the State of Michigan. The Red Cedar development will result in a net positive economic impact because it will turn under-utilized property into a productive site that will attract employers, visitors, and residents. In this letter, I would like to highlight just a few of the benefits of this project.

In 2018, Anderson Economic Group, LLC provided Continental/Ferguson Lansing, LLC with an economic impact analysis of the development on the City of Lansing. The Lansing City Council used that report to inform their decision to approve the development. In early 2020, we updated that analysis and found that the positive economic impact of the development had grown. We have now completed analysis that shows the economic benefits of the Red Cedar development on the region, specifically Ingham County, as well as on the State of Michigan as a whole, based on the investment details in table 1, below.

**TABLE 1. Estimated Capital Investment by Component**

<b>Component</b>	<b>Updated Capital Investment (millions)</b>
Land Acquisition	\$2.3
Full Service Hotel	\$40.5
Select Service Hotel	\$27.0
Restaurant and Retail	\$4.4
Multi-family Housing with First Floor Retail	\$28.0
Student Housing	\$62.2
Senior Village	\$34.4
Infrastructure	\$56.9
<i>Total Capital Investment</i>	<i>\$255.7</i>

*Source: Anderson Economic Group summary using data provided by Continental/Ferguson Lansing, LLC.*

The \$255 million investment would provide for significant improvement of the main corridor in the area between Michigan State University and the Michigan Capitol building. This is essential to growth in the region. If local area development organizations seek to attract new business and new talent to the region, a properly developed main corridor is important to that mission. Creating a more attractive corridor in this case, will attract new activity to not just Lansing, but to East Lansing, Ingham County, and the region over the long-term.

The economic impact of the four-year construction project alone, will include labor payroll of \$148 million. The pledge from Continental/Ferguson to hire local contractors wherever possible, keeps those dollars in our region and enhances the economic and fiscal impact of that spending Ingham County and the State of Michigan. Thus, this development will generate approximately \$840,000 in income tax revenue for the City of Lansing and \$6.3 million in income tax revenue for the State of Michigan. The spending on construction, labor, and materials will have ripple effects throughout Ingham County and beyond, including spending at local businesses. The total economic output due to construction will be \$315 million over four years, and earnings for Ingham County residents will increase by \$15 million during the same period.

**TABLE 2. Income Tax Revenue from Construction Employees by Year**

Year	Annual Payroll (millions)	City Income Tax Revenue	State Income Tax Revenue (millions)
Year 1	\$18.3	\$104,000	\$0.8
Year 2	\$86.3	\$487,000	\$3.7
Year 3	\$36.2	\$204,000	\$1.5
Year 4	\$7.7	\$43,000	\$0.3
<b>Total</b>	<b>\$148.4</b>	<b>\$840,000</b>	<b>\$6.3</b>

*Source: AEG analysis using data from Continental/Ferguson, LLC; City of Lansing; State of Michigan.*

Once complete, 517 people will be employed on site. Many of these jobs will be part-time or seasonal, and we estimate the full-time equivalent to be 397. Of that, 214 of these jobs will be net new. This means that the development will create 214 new FTE jobs in Ingham County. Moreover, \$5.3 million in earnings will be net new. This means that those wages would not be earned in Ingham County if not for the development. Overall, the completed development will support annual earnings of \$10.1 million in Ingham County. This will generate \$177,000 in income tax collections for the City of Lansing and \$1.1 million for the State of Michigan each year. The next two tables show the breakdown of these impacts.

**TABLE 3. Annual Income Tax Revenue for Service Employees and New Residents**

Category	City Income Tax Revenue	State Income Tax Revenue
Retail/Restaurant Employees	\$35,000	\$248,000
Hotel Employees	\$14,000	\$93,000
Market-Rate and Student Housing Employees	\$4,000	\$30,000
Assisted-Living Facility Employees	\$8,000	\$58,000
Market-Rate and Student Housing Residents	<u>\$115,000</u>	<u>\$693,000</u>
<b>Total</b>	<b>\$177,000</b>	<b>\$1,124,000</b>

*Source: AEG analysis using data from Continental/Ferguson, LLC; Bureau of Labor Statistics; City of Lansing; State of Michigan.*

**TABLE 4. Red Cedar Operations Annual Economic Impact on Ingham County**

<b>Component</b>	<b>Output (millions)</b>	<b>Earnings (millions)</b>	<b>Employment</b>
Resident Spending	\$1.33	\$0.26	10
Hotel Visitor Spending	\$4.42	\$1.05	39
Retail and Restaurant	n/a	\$0.92	30
Hotel Operations	n/a	\$1.51	77
Student Housing Operations	n/a	\$0.28	14
Multi-Family Housing Operations	n/a	\$0.21	11
Senior Village	<u>n/a</u>	<u>\$1.06</u>	<u>32</u>
<i>Total</i>	<i>\$5.75</i>	<i>5.30</i>	<i>214</i>

*Source: AEG analysis using data from Continental/Ferguson Lansing, LLC; U.S. Bureau of Economic Analysis, RIMS II Multipliers; and AEG professional judgement.*

Another aspect of the regional and state-wide benefits of the Red Cedar Development project are the lodging and sales taxes that will be collected at two hotels, once construction is complete. Even if we consider this impact very conservatively—60% occupancy from 293 hotel rooms would generate at least \$6 million in revenue. This will be taxed at 12% generating \$720,000. Half of this revenue would remain with the city and CVB, while half would go to the State of Michigan. Over the long-term the two hotels could generate over one million dollars in lodging and sales tax, annually.

The Red Cedar Development will also contribute to increased quality of life for residents by adding a number of commodities and community resources. These include; continuation and improvement of the River Trail bike path; a public amphitheater; connections between nursing programs, the hospital campus, and senior care; as well as facilitating crucial environmental cleanup in the area. Each of these will contribute to a thriving community.

A region that is vibrant and growing can be supported in part by this development. It is in the best interest of the region for the project to be completed, and for businesses and residents to benefit from a properly developed corridor. Long-term investments such as these are what we need to focus on in order to attract and retain new talent and new business to the region.

Sincerely,



Tyler Marie Theile  
Vice President, Anderson Economic Group