



Memorandum

Date: March 9, 2020

To: Christopher Stralkowski, Continental/Ferguson Lansing, LLC

From: Tyler Theile, Consultant
Sarah Mixon, Senior Analyst

Re: 2020 Update to AEG’s Economic Impact Study of the Red Cedar Development on the City of Lansing

Purpose

Continental/Ferguson Lansing, LLC commissioned Anderson Economic Group to update our 2018 economic impact analysis of a proposed development located at the former Red Cedar Golf Course in Lansing, Michigan. We completed our study in the fall of 2018 using information pertaining to the development plan at that time. The Lansing City Council used our report to inform their decision to approve the project. In the following memo, we provide an update to that analysis to show how the planned development will result in an increase in jobs and earnings for Lansing residents, and an increase in output (sales) by Lansing businesses due to the revised development plan. For this analysis we rely on revised and updated investment details and data for the project, shown in Table 1 below.

TABLE 1. Change in Estimated Capital Investment by Component

Component	Original Capital Investment (millions)	Updated Capital Investment (millions)
Land Acquisition	-	\$2.2
Full Service Hotel	\$29.7	\$47.3
Select Service Hotel	\$25.0	\$20.3
Restaurant and Retail	\$9.1	\$4.4
Multi-family Housing with First Floor Retail	\$19.3	\$29.5
Active Senior Multi-family Housing	\$13.0	-
Student Housing	\$63.0	\$78.6
Senior Village	\$22.0	\$33.3
Infrastructure	<u>\$69.1</u>	<u>\$59.0</u>
<i>Total Capital Investment</i>	<i>\$250.2</i>	<i>\$274.5</i>

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

Approach

In this memo, we present the net economic impact of the Red Cedar development on the city of Lansing in terms of the net increase in output by businesses in Lansing, and the net increase in employment and earnings for residents of Lansing.

We follow the same methodology employed in the 2018 report using the updated capital investment from Table 1, and development plan provided by Continental/Ferguson Lansing, LLC. Changes to the number of units in the development plan include:

- 16 additional rooms in the select service hotel;
- 3,000 fewer square feet of in-line retail and restaurant space;
- 50 fewer units of multi-family housing;
- 122 fewer beds of student housing.

In total, there are six land uses proposed by the project, including two hotels, residential, retail and restaurant, and a senior assisted-living facility. Each spur additional economic activity in the city through direct spending, as well as recirculation of these expenditures in the city. Similarly to our previous methodology, we are careful to include only economic activity that meets the following criteria:

1. It affects a business or resident located in the city of Lansing, and
2. It would not occur in the absence of the development.

For each of the developments, we estimate the direct impact, which are the output (sales), employment, and earnings generated by businesses located in the development. Our analysis also accounts for a multiplier effect using custom multipliers for the city of Lansing. This multiplier effect occurs as spending at businesses in Lansing causes those businesses to hire more people and purchase more goods and services from local suppliers. Those people and suppliers, in turn, also spend money in the city of Lansing. We note that we used updated RIMs II multipliers for the analysis in this memo and that these have increased since the completion of our original analysis.

Findings

The findings in this updated analysis take into consideration an updated development plan, new data, and changes in market conditions. Nonetheless, we remain confident in our previous findings. Below we lay out updated findings, however, our overall conclusions have not changed.

1. The Red Cedar development will result in a net positive economic impact in Lansing because it will turn under utilized property into a productive site that will attract employers, visitors, and residents that will not otherwise locate in the city of Lansing.

- The economic impact of a project is driven by its ability to generate economic activity in a region that would not otherwise occur without the project. Because of its location and the characteristics of development that would occur on site, the Red Cedar development will generate a positive net economic impact on the city of Lansing, driven primarily by the following factors:
- A significant portion of the site is currently unusable without significant investment and improvement in infrastructure, suggesting that without any investment, the land would remain vacant.

- Student housing in the Red Cedar development is adjacent to the Michigan State University campus and a prime location for its students, attracting students to Lansing that would otherwise reside outside of the city.
- The hotels on site will primarily compete with hotels that are located outside of the city, attracting visitors to Lansing that would otherwise stay elsewhere when visiting the area.
- The site is in close proximity to a major shopping center in Lansing, so new residents, visitors, and students that locate at this site are more likely to purchase goods from Lansing businesses than they would be if they located elsewhere.

The features listed above contribute to the quantified economic impact that we describe in this report. Beyond those quantifiable impacts, the site will provide a boost in density and economic activity along an important corridor connecting the city of East Lansing and the Michigan State campus to Lansing, representing a significant step in economic development for the region.

2. The Red Cedar development will require \$274.5 million in capital investment. Once complete, a total of 477 people will be employed on-site.

The proposed development includes two hotels, multi-family housing, student housing, a senior assisted living facility, and retail and restaurant space. We estimate that there will be an average of 477 employees at businesses on the site, with a significant majority of employment (430 jobs) occurring at the retail, restaurant, and hotel businesses. Many of these jobs will be part-time or seasonal. We estimate that the development will create 357 full-time equivalent (FTE) jobs.¹

3. The total construction cost of the Red Cedar development is approximately \$272 million. The total economic impact of Red Cedar construction will be \$286 million over four years. This project will increase earnings for Lansing residents by \$15 million over the same period.

The total construction cost of the Red Cedar development will be \$272.3 million. A portion of this spending will go to construction materials and service providers in Lansing; however, not all construction-related materials or services can be purchased from local businesses. We estimate that \$250 million of construction spending will go to businesses in Lansing. Of this \$250 million, only a portion will constitute net new spending in Lansing, due to the impacts of substitution. After accounting for substitution, we estimate that net new direct project spending in Lansing will be \$243 million. Figure 1 on page 4 shows the breakdown of net new construction spending in Lansing by type of cost and year.

1. The number of people working on site is different from the net impact on employment in the city. See Finding 4 for more details.

FIGURE 1. Red Cedar Construction Net New Direct Spending in Lansing, by Type and Year



Source: AEG analysis using data from Continental/Ferguson Lansing, LLC.

In total, we estimate that the increase in output (sales by businesses) due to construction spending for this project in Lansing during the construction period will total \$286 million. Table 2 below shows the total net economic impact of construction on Lansing.

TABLE 2. Red Cedar Construction Total Net Economic Impact on Lansing

	Output ^a (millions)	Earnings ^a (millions)	Employment ^b
Construction	\$286	\$14.6	164

Source: AEG analysis using data from ESRI, BEA RIMS II Multipliers, Continental/Ferguson, LLC.

Notes:

(a) Total impact over four years.

(b) The employment impact represents the maximum annual employment level due to construction.

4. Once built, the Red Cedar development will increase annual output at Lansing businesses by \$3.7 million, annual earnings for Lansing residents by \$2.5 million, and employment for Lansing residents by 109 jobs on an ongoing basis.

Once built, the Red Cedar project will result in a permanent, ongoing economic impact in Lansing as new jobs are created and new residents spend their earnings in the city. Table 3 on page 5 shows the annual economic impact of the project by component.

TABLE 3. Red Cedar Operations Annual Economic Impact on Lansing

Component	Output^a (millions)	Earnings	Employment^b
Resident Spending	\$1.4	\$270,000	12
Hotel Visitor Spending	\$2.3	\$570,000	24
Retail and Restaurant	-	\$370,000	13
Hotel Operations	-	\$820,000	43
Student Housing Operations	-	\$25,000	1
Multi-family Housing Operations	-	\$110,000	6
Senior Village	-	<u>\$310,000</u>	<u>10</u>
<i>Total</i>	<i>\$3.7</i>	<i>\$2,470,000</i>	<i>109</i>

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

Notes:

- (a) Output impacts for some land uses will be negligible; therefore, we do not estimate those here.*
- (b) The ongoing jobs impact is presented in terms of overall headcount, not FTE. Also, unlike our construction impact estimates, it is shown as an ongoing impact on employment, not maximum level of employment, since we estimate this jobs impact will continue for the indefinite future.*

About Anderson Economic Group

Founded in 1996, Anderson Economic Group is a boutique research and consulting firm, with offices in East Lansing, Michigan, and Chicago, Illinois. The experts at AEG have particular expertise in public policy and economic analysis. They have conducted nationally-recognized economic and fiscal impact studies for private, public, and non-profit clients across the United States.

Anderson Economic Group has published a number of economic and fiscal impact studies regarding the impact of large-scale construction projects and the ongoing operation of those projects. These include:

- “The Economic and Fiscal Impacts of Fermilab on Illinois,” 2019.
- “Economic Impact of Beer Tourism in Kent County, Michigan,” 2019.
- “Empowering Michigan: 11th Edition of the Economic Impact Report of Michigan’s University Research Corridor,” 2018.
- “The Economic and Fiscal Impacts of Amazon HQ2 in Newark,” 2018.
- “Economic Impact of the St. Clair Power Plant,” 2017.
- “The Economic Impact of the Barack Obama Presidential Library in Chicago,” 2015.

Work by Anderson Economic Group has been utilized in legislative hearings, legal proceedings, and public debates, as well as major planning exercises and executive strategy discussions. For more information, please visit www.AndersonEconomicGroup.com.

About the Authors

Tyler Theile. Ms. Theile is the business manager and a consultant at Anderson Economic Group. Ms. Theile has managed projects in each of the firm's practice areas. His recent work includes annual benchmarking reports, a survey of attendance and spending at a multi-week event, a minority valuation for a beer distributor, an analysis of power transmission infrastructure projects, and an economic impact work related to legislation in Michigan.

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