

**The Economic Impact of Liberty Center
On Butler County**

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Executive Summary

The development of Liberty Center, a mixed-use development in Liberty Township, will have a significant impact on the economy of Liberty Township and Butler County. This impact is measured in terms of both the construction of the new development and the ongoing business activity once Liberty Center is in full operation. Several economic highlights are summarized below:

Economic Impacts

- The development of Liberty Center will generate nearly \$528 million in economic activity for the local economy of Butler County. A total of 2,300 temporary jobs will be associated with this activity. An estimated \$103 million will be generated in household earnings from the development of Liberty Center.
- By 2018, the annual operations impact of Liberty Center is projected to reach \$459 million. This economic impact includes direct business sales as well as indirect economic activity. The impact on household earnings is expected to approach \$102 million, and 3,560 jobs will be generated.

Fiscal Impacts

- Development activities are expected to generate \$1.86 million in local tax revenue, including \$1.47 million in earnings taxes.
- In 2018, operations of Liberty Center are expected to generate \$9.54 million annually in revenue. This includes:
 - Nearly \$1.39 million in earnings taxes,
 - Almost \$2.09 million in sales taxes,
 - Approximately \$3.95 million in tax increment financing (TIF) revenue, and
 - A projected \$1.90 million in revenue through the Liberty Community Authority.

Other Effects

- The introduction of Liberty Center will likely induce investment by other property owners in the region.
- The proposed development will attract people to shop, work, and live in Liberty Township and Butler County.

Section I Introduction

Steiner+Associates and Bucksbaum Retail Properties are developing Liberty Center, which will include a movie theater, hotel, retail stores, office space, and upscale apartments in Liberty Township. The development will encompass approximately 65 acres of a 100-plus acre site northwest of Interstate 75 and Liberty Way. Liberty Center will be the largest project ever for Liberty Township and the largest retail or mixed use development in Butler County.

Liberty Center is expected to retain shoppers from Butler County who currently travel to Hamilton and Warrant County regional centers, as well as attract shoppers from outside Butler County.

Purpose of the Study

The purpose of this study is to measure the economic impact of expenditures associated with the construction and business sales of Liberty Center on Butler County. The development will include:

- two retail anchors
- specialty retail
- restaurants
- a movie theater
- integrated office space
- 240 residential units
- a hotel with 150 rooms

The development of this mixed-use town center will create considerable new economic activity in the region. This economic activity is important since it will generate earnings, sales, and property tax revenue for Butler County and other local governments, in addition to creating new employment opportunities. This report measures the different economic impacts of this development.

Definitions

The economic impact of Liberty Center includes two elements, as defined here: the direct impact and the indirect impact.

- The direct impact of Liberty Center comprises the purchases of local resources (labor and services) and all business sales associated with the tenants of the development.
- The indirect impact includes the purchases of local resources made by local businesses in order to produce the services purchased by Liberty Center and its occupants, along with consequent purchases by other businesses that supply the first group of businesses. The indirect impact also includes local household spending of the earnings of employees of Liberty Center's tenants and their suppliers.

Section II Development Impacts

The first way in which Liberty Center will produce an impact on the local economy is through its construction and related activities. Such large projects involve use of large quantities of building materials, many purchased from local businesses, as well as the services of local building contractors and related trades.

Project Costs

Based on a project budget prepared in early 2014, total expenditures for the development of Liberty Center are expected to total \$400 million, including the public parking garage and other public infrastructure. Construction expenditures represent a majority (60%) of the project costs. As shown in the table below, there will also be expenditures for other hard costs and tenant finishes that are part of the initial construction estimate.

Development Expenditures, by Type and Location			
	Local	Local %	Total
Construction Expenditures	\$239,695,000	100.0%	\$239,695,000
Other Hard Costs (land, fixtures, equip.)	\$53,683,000	100.0%	\$53,683,000
Tenant Finish Expenditures	\$31,000,000	55.3%	\$56,075,000
Soft Costs (prof. services, financing, etc.)	\$15,774,000	31.2%	\$50,635,000
Total Development Expenditures	\$340,152,000	85.0%	\$400,088,000

Economic Impact

The substantial majority of these expenditures (85%) are expected to occur locally within Butler County. As a result of the development of Liberty Center, additional economic activity, including jobs and wages for local workers will be generated in Butler County.

The total impact resulting from the development of Liberty Center is estimated to be \$528 million, as shown in the following table.

Economic Impact of Development	
Direct Local Spending on Development	\$340,152,000
Indirect Impact	\$187,645,000
TOTAL	\$527,797,000

This spending on the development of Liberty Center will also generate household earnings in the region amounting to \$103 million. The total direct earnings from project development will be \$65.5 million, generating an additional indirect impact of \$37.8 million.

Impact on Earnings Due to Development	
Earnings from Direct Development Spending	\$65,514,000
Indirect Impact	\$37,819,000
TOTAL	\$103,333,000

A total of 2,300 jobs will be generated from development spending. These development activities will directly produce 1,351 of these jobs.

Impact on Employment Due to Development	
Jobs from Direct Development Spending	1,351
Indirect Impact	949
TOTAL	2,300

Section III Annual Operations Impact

Liberty Center is expected to be open by late September of 2015. Full occupancy and target-level sales activity are expected to be reached by the end of 2017, so 2018 is considered the year in which operating revenues and expenditures will stabilize. The operations impact of Liberty Center will be generated by the economic activity of the businesses operating in the development. This activity will create additional economic growth in Liberty Township and Butler County.

The development of Liberty Center will bring economic benefits to residents of Butler County. The new Liberty Center will result in increased office space and residential units as well as offer a new place for shopping and recreational activities that will include retail stores and a dinner-and-movie theater.

Liberty Center’s operations will yield \$459 million in annual economic activity for Butler County in 2018, the anticipated stabilization year. This includes direct sales generated by business tenant activities. Household earnings of nearly \$102 million will be generated, and 3,560 jobs will be supported in Butler County.

In the short term, this development will cause some loss of business at other retail stores in the County, but continued residential growth should generate additional demand that will eventually offset any temporary sales declines.

Impact from Operations

The business sales of Liberty Center tenants in 2018 are projected at \$314 million. These sales will generate \$145 million in indirect impact. This will result in a total annual impact of \$459 million. These calculations are presented in the table below.

2018 Economic Impact from Operations	
Sales	\$314,000,000
Indirect Impact	\$145,280,000
TOTAL	\$459,280,000

Approximately 3,560 new jobs will be created due to this economic activity, generating a combined additional annual payroll approaching \$102 million. The table below summarizes the annual earnings and employment impacts of Liberty Center’s sales.

2018 Earnings and Employment Impact		
	Earnings	Employment
Direct Impact	\$80,590,000	2,856
Indirect Impact	\$21,040,000	704
TOTAL	\$101,630,000	3,560

Section IV Fiscal Impacts

Fiscal Impacts from Development

The primary source of tax revenues from the development of Liberty Center will be local earnings (income) taxes. Development expenditures contribute to increased earnings in the region. Increased earnings result in more tax revenues. Earnings tax revenues from development activities are estimated to be \$1.47 million. This includes \$766,700 for Liberty Township and \$704,100 for various municipalities located in Butler County.¹

In addition, \$391,700 in sales tax revenues will be generated from activities associated with the development of Liberty Center. As shown in the following table, income and sales tax revenues combined will result in a total of \$1.86 million in total tax revenues for local jurisdictions.

Fiscal Impacts of Development				
	Liberty Twp.	Butler County	Other Local	TOTAL
Income Tax *	\$766,700		\$704,100	\$1,470,800
Sales Tax		\$391,700		\$391,700
Overall Fiscal Impacts	\$766,700	\$391,700	\$704,100	\$1,862,500

* Does not include Mason’s share of JEDD earnings tax revenue.

2018 Fiscal Impacts from Operations

The fiscal impacts resulting from Liberty Center’s 2018 operations come from several revenue streams. Income, sales, and hotel taxes are one source, accounting for nearly 40 percent of the total fiscal impact. Tax increment financing (TIF) revenues represent more than 41 percent of all fiscal impacts, and the remaining 19 percent comes from “community authority” charges.

Tax revenues benefit both the County and various local jurisdictions. Nearly \$2.09 million will be generated annually in Butler County sales taxes.² Another \$1.39 million in income tax revenues will be generated annually for Liberty Township and neighboring municipalities from Liberty Center’s operations, along with \$315,000 in hotel taxes.

¹ Other municipalities include Fairfield, Hamilton, Middletown, Monroe, Oxford and Trenton.

² Because it is located close to both Warren and Hamilton Counties, a large proportion the households within Liberty Center’s market area are not residents of Butler County. Non-residents are projected to account for over 41 percent of all retail spending by households within a 15-minute drive time of Liberty Center. As a result, most of the sales tax revenue generated by Liberty Center will result from purchases by residents of other counties, the recapture of sales that Butler County residents currently make elsewhere, or the indirect impacts of Liberty Center.

Another important source of income for Butler County is the TIF revenue from payments in lieu of taxes for public improvements associated with Liberty Center. A total of \$3.95 million will be generated in 2018 to pay for public infrastructure in the area. Lakota Local School District will also benefit from the development of Liberty Center, receiving 35 percent of these revenues. Thus, Lakota will receive \$1.30 million while the remaining \$2.65 million will go to Butler County to fund public infrastructure improvements required in the Liberty interchange area.

The remaining share of revenue will come from the Liberty Community Authority. Ohio law enabled the creation of new community authorities to facilitate the development and operation of large projects. The Community Authority has the power to finance certain operation and infrastructure needs and to levy charges to pay for these activities. The Liberty Community Authority will generate nearly \$1.80 million in revenue in 2018.

As shown in the following table, tax, TIF, and Community Authority revenues combined will result in a total of \$9.54 million in total fiscal impacts for Butler County jurisdictions in 2018.

2018 Fiscal Impacts from Operations				
	Liberty Twp.	Butler County	Other Local	TOTAL
Income Tax *	\$943,100		\$443,900	\$1,387,000
Sales Tax		\$2,089,000		\$2,089,000
Hotel Tax	\$157,700		\$157,700	\$315,400
TIF Revenue **		\$2,654,600	\$1,297,900	\$3,952,500
Community Authority				
Facilities Charge			\$1,211,400	\$1,211,400
Assessed Value			\$587,200	\$587,200
Overall Fiscal Impacts	\$1,100,800	\$4,743,600	\$3,698,100	\$9,542,500

* Does not include Mason's share of JEDD earnings tax revenue.

** Other local is Lakota SD share.

While the Butler County TIF and Community Authority revenues will be reserved to pay off debt incurred to invest in public infrastructure, the remaining \$5.09 million of annual tax and TIF revenues will benefit residents and businesses in Liberty Township, Lakota Local School District, and throughout Butler County.

Section V Methodology & Key Assumptions

The total economic impact of Liberty Center operations is derived from business sales estimates prepared from consultations with Steiner+Associates. The total economic impact is the value of Liberty Center business sales plus the value of any other local economic activity that is directly or indirectly linked to it.

Development impact calculations are based on similar methodology using expenditure estimates for construction activity. Steiner+Associates has estimated the costs for construction-related expenditures. All costs are presented in nominal dollars. These expenditure estimates were used to measure the economic impact from the development of Liberty Center on Butler County.

Research by the Economics Center was combined with information from Steiner+Associates on employment, along with the type of business operations, of the building tenants. Based on this information, average earnings were estimated from economic multipliers for those particular business operations.

Measuring the indirect impacts related to Liberty Center operations and construction expenditures on Butler County is made possible by multipliers derived from an input-output table ("I-O table") for the region. The Bureau of Economic Analysis of the U.S. Department of Commerce has constructed these tables for major metropolitan areas in the U.S. through its RIMS II project. The RIMS II tables for Butler County provide multipliers to measure the indirect impacts of virtually any type of economic activity in the region.

About the Economics Center

The Research and Consulting division of the Economics Center provides the knowledge building blocks that help clients make better policy and economic development decisions. Our dynamic approach and critical data analysis empower leaders to respond to changing economic conditions, strengthen local economies and improve the quality of life for their communities.