

Sandusky Marina District & Battery Park Project Economic Impact Study



Final Report
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Prepared for
The Sandusky/Erie County Community Foundation
Sandusky, Ohio

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Project Information

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Sandusky Marina District and Battery Park Development Project

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*The use of any or all parts of this report must be pre-approved in writing
by the Sandusky/Erie County Community Foundation.*

Table of Contents

I. Highlights.....	4
II. Study Purpose and Background.....	8
III. Marina District Project Description.....	9
IV. Research Methodology, Data and Assumptions.....	11
V. Understanding Economic Impact Analysis.....	16
VI. Area Demographic and Economic Analysis.....	22
VII. Project Economic Impact Analysis (Major Findings).....	31
VIII. Conclusions and Recommendations to Achieve Economic Impact.....	40

I. Highlights

A. Project Overview

This economic impact study focuses on the proposed Marina District and Battery Park Development Project (Marina District Project) in Sandusky, Ohio. The study was conducted for the Sandusky/Erie County Community Foundation (Community Foundation) by Donald T. Iannone & Associates (DTIA), an economic development strategy and research company based in Cleveland, Ohio. Four types of economic impacts are estimated, using best available data and reasoned assumptions: 1) spending impacts; 2) employment impacts; 3) income impacts; and 4) tax impacts.

The Marina Project is a mixed-use real estate development project being proposed for the City of Sandusky. The project is best seen as one aspect of the City of Sandusky's overall strategy to revitalize Sandusky and its lakefront. Over the past two decades, Sandusky has experienced significant decline in its population, housing stock, employment and tax base. These trends are discussed in Section VI of this report. This decline underscores the importance of new private investment in the City in the future.

The Marina District project consists of two main parts: a private sector development component; and a public sector development component. The Marina District development is a private-public partnership between a private real estate developer (CEG Development from Dublin, Ohio) and the City of Sandusky.

The Community Foundation's reason for commissioning this study was to help the Sandusky/Erie County community understand the possible impact that the proposed Marina District might have on the economic bases of the City of Sandusky and Erie County. The Community Foundation believed this information was important to community residents, especially in light of the November 6, 2007 public advisory vote on the project.

DTIA's role in this project has been to conduct the study and present the results to the Community Foundation and Sandusky/Erie County community. *The study's sole purpose is to provide a technical estimate of the economic impacts of the project on the Sandusky/Erie County area. Under no circumstance is this study report or any of its contents to be construed as an endorsement of this development project by DTIA, or a statement by DTIA about the technical or financial feasibility of the project.*

B. Main Project Components

Private Development Component (CEG Development): The key elements of the private component of the project will include: 1) 300 condominium units; 2) a family-style and business

class hotel of 120-150 rooms, including a restaurant and small meeting center; 3) roughly 25,000 square feet (SF) of retail shopping and other commercial services; and 4) a 10,000 SF marina services building.

Public Development Component (City of Sandusky): The public component of the project will include three parts: 1) green space and parks for public use; 2) public improvements (road extensions, etc.) to the immediate development site area; and 3) the relocation and construction of a new City Hall Building; which will house City Government offices and services and the Municipal Court offices and services.

C. Overall Study Results and Recommendations

Measurable Economic Impacts of the Marina District Project

About one-third of the total local economic impact of the Marina District Project is expected to occur in the City of Sandusky and the other two-thirds in other parts of Erie County outside Sandusky.¹ On an overall basis, the DTIA consulting team concludes that the Marina District will generate these estimated overall local economic impacts:

1. **Local Spending Impact:** Across all three project phases, the project's local spending impact will total \$204.8 million over the 2008-2014-period, with \$136.2 million of this spending impact accruing to Erie County outside Sandusky and \$68.6 million accruing to the City of Sandusky.
2. **Local Employment Impact:** The combined total local employment impact across all three project phases (2008-2014) is estimated at 1,460, with 971 of these jobs being captured by Erie County outside Sandusky and 489 jobs captured by the City of Sandusky.
3. **Local Income Impact:** Across all three project phases, the total local income impact is estimated at \$34.1 million, with \$22.7 million of that impact in Erie County outside Sandusky and \$11.4 million in the City of Sandusky.
4. **Local Tax Impact:** Across all three project phases, the total local (City, County, other local) tax impact triggered by local project spending is estimated at \$10 million over the project lifetime (2008-2014). Another \$2.9 million in state taxes are generated as part of the project's tax impact.

¹ Note: Based on population, the City of Sandusky represents 33.5% of Erie County's total population. The other 66.5% of the County's population lives outside the City of Sandusky.

Actions to Enhance Long-Term Community Benefits

From a longer term community development standpoint, the following guidelines should be observed in approaching the development of the Marina District:

1. Ensure that adequate public access to the lakefront is protected and public space in the Marina District area is preserved.
2. Ensure that the development is built and operated in an environmentally sound manner. To the extent possible, appropriate green building techniques and materials should be used in the construction and operations.
3. Work during the construction and operating phases of the project to provide employment opportunities for City residents.
4. During the construction and operating phases of the project, businesses based in Sandusky and Erie County should be utilized wherever feasible by the private developer and the City of Sandusky to provide goods and services required by the project.

Each of these guidelines could help to ensure that the project has positive longer term economic and community development impacts on Sandusky.

Positive Gains for Sandusky from the Project

While some readers may only look at the economic impact numbers, it is important to bear in mind that the Marina District project could provide other qualitative positive impacts to the community, if the project is properly developed and operated. These include:

1. Enhancing the physical appearance of the City's lakefront by adding new homes and commercial facilities (hotel, shopping, and marina support services).
2. Preserving and upgrading parks and public space available for community use.
3. Enhancing the City's marinas and recreational boating industry by offering improved amenities to boaters.
4. Providing redevelopment synergy to the nearby downtown area by attracting new residents, who may utilize downtown shopping, entertainment and business services.
5. Expanding the City's currently declining population base by adding new residents, who would act as workers, taxpayers and shoppers in the community.

6. Raising real estate property values on the City's lakefront and in nearby neighborhoods, and in so doing help revive the City's weakened tax base.
7. Expanding the range of housing choices available to Sandusky/Erie County residents and non-residents looking for new housing opportunities.
8. Adding positively to the local tourism industry through a new hotel, retail shopping, restaurant, and marina support services.
9. Providing new tax revenues for the local schools, the library system and City Government through the proposed Tax Increment Financing District (TIF District), which has been proposed by the City to finance a portion of the public investments associated with the project.
10. Providing the community with a new City Hall facility, enhancing public service delivery to residents.

II. Study Purpose and Background

This study was commissioned by the Sandusky/Erie County Community Foundation (Community Foundation) as an objective analysis of the estimated economic impact of the proposed Marina District and Battery Park Development Project (Marina District). Four types of economic impacts are examined in this analysis: 1) spending impacts; 2) employment impacts; 3) income impacts; and 4) tax impacts.

This study was undertaken by Donald T. Iannone & Associates (DTIA), an economic development strategy and research company in Cleveland, Ohio. DTIA was hired to undertake this work because of its extensive national economic development and research experience and knowledge, including extensive experience working on economic impact studies. *DTIA has approached this study in a conservative manner to avoid over-estimating impacts of the project.*

The Community Foundation's reason for commissioning this study was to help the Sandusky/Erie County community understand the possible impact that the proposed Marina District might have on the economic bases of the City of Sandusky and Erie County. The Community Foundation believed this information was important to community residents, especially in light of the November 6, 2007 public advisory vote on the project.

DTIA's role in this project has been to conduct the study and present the results to the Community Foundation and Sandusky/Erie County community. *The study's sole purpose is to provide a technical estimate of the economic impacts of the project on the Sandusky/Erie County area. Under no circumstance is this study report or any of its contents to be construed as an endorsement of this development project by DTIA, or a statement by DTIA about the technical or financial feasibility of the project.*

III. Marina District Project Description

The Marina Project is a mixed-use real estate development project being proposed for City of Sandusky. Figure 1 below shows the project location. The project consists of two main parts: a private sector development component; and a public sector development component. The Marina District development is a private-public partnership between a private real estate developer (CEG Development from Dublin, Ohio) and the City of Sandusky. Each partner is playing a significant role in the planning and development of the project. The project is proposed to develop over three phases, starting in 2008 and ending in 2014.

Private Development Component (CEG Development)

The key elements of the private component of the project will include: 1) 300 condominium units; 2) a family-style and business-class hotel of 120-150 rooms, including a restaurant and small meeting center; 3) roughly 25,000 square feet (SF) of retail shopping and other commercial services; and 4) a new 10,000 SF marina services building, replacing an existing marina service building.

Public Development Component (City of Sandusky)

The public component of the project will include three parts: 1) green space and park space for public use; 2) public improvements (road extensions, etc.) to the immediate development site area; and 3) the relocation and construction of a new City Hall Building; which will house City Government offices and services and Municipal Court offices and services.

Key Participant Perspectives

Interviews with CEG Development and Meacham & Apel Architects indicate that the developer sees a favorable market for the real estate to be developed and the various services to be provided within this real estate. According to the Urban Land Institute, the American Planning Association and the International Economic Development Council, mixed-use real estate development projects on waterfront are among the most popular types of development projects taking place in large and small communities across America.

Interviews with City of Sandusky officials indicate that City Government sees the project in a favorable way because the project is expected to: 1) attract new residents to the City; 2) create an attractive multi-use development that enhances the waterfront and provides enhanced public open space; 3) contribute in a positive way to Sandusky's economic and community development; and 4) provide an opportunity to replace the existing outmoded City Hall facilities with new facilities better supporting city government service delivery. The project is considered by City officials to be highly consistent with its community comprehensive plan.

The project is to be developed on a 30-acre site located just east of Sandusky's downtown area along the Sandusky Bay.

- The site area is currently owned by the City of Sandusky with long term leases with the Ohio Department of Natural Resources because of the submerged land resources.
- Approximately 12 acres of the project site will be provided on a long term lease basis to the project developer for use in constructing the private development components of the project.
- The remaining 18 acres will remain under control of the City of Sandusky and will be preserved as public open space.

Figure 1: Marina District and Battery Park Development Project Area



IV. Research Methodology, Data and Assumptions

A. Research Steps

This study was undertaken using well recognized and widely used research methods and data sources employed in economic impact studies. Five research steps were followed by the DTIA consulting team:

1. **Project and Community Interviews:** DTIA conducted interviews with representatives of key economic and community development stakeholder groups from the Sandusky/Erie County community. Information and views related to the proposed development project and the community were gathered and assessed by DTIA. These interviews were designed to gain the inputs and views of a broad range of community stakeholders and help shape assumptions used in the study.
2. **Marina District Project Information:** DTIA collected relevant project information and data for use at the front end of the study process, especially for use as inputs to the IMPLAN economic model used in the study, which is described below. This information was collected from the following primary information sources: the project developer (CEG Development); the project architect (Meacham & Apel Architects); and the City of Sandusky, including the City Commission, City Manager, Economic Development Department, Planning and Zoning Department, and Finance Department.
3. **Sandusky/Erie County Economic Base Research:** The consultants examined the major local area economic, demographic and housing real estate market trends relevant as the community context for the Marina District project. Data sources consulted and used in this study included: U.S. Census Bureau, U.S. Bureau of Economic Analysis, Greater Erie County Marketing Group, Inc. (GEM), Ohio Department of Development, Firelands Association of Realtors, National Association of Realtors, Colliers International, National Association of Home Builders, American Hotel and Lodging Association, International Shopping Center Association, Hospitality Trends, Inc., and the Urban Land Institute's Real Estate Research Section.
4. **IMPLAN Economic Impact Estimation Model:** DTIA purchased and used IMPLAN industry input-output data for Erie County and the United States for use in estimating the economic impact of the Marina District project on the Sandusky/Erie County community. The IMPLAN data used in this study are for 2006, which is the most current data available.
 - a. IMPLAN Professional® is an economic impact assessment software system used in economic impact analysis. It is one of the most widely used systems of its type

with several thousand users nationwide, including many cities and counties in Ohio and other states. IMPLAN Professional, combined with IMPLAN® Data Files, allows the researcher to develop local level input-output models that can estimate the economic impact of a wide range of economic development projects, including new firms moving into an area, real estate development projects, professional sports teams, recreation and tourism, and many more activities.

- b. IMPLAN input-output (I-O) tables are available for all U.S. counties. Note: *City level data are not available from IMPLAN and most other economic impact assessment programs. Using a city to county (Sandusky to Erie County) population ratio, the consultants were able to estimate the City of Sandusky's share of the total economic impact for the Marina District project.*
 - c. As is true in any economic impact study, where actual data are not available, reasoned assumptions were made in calibrating the IMPLAN model to make certain impact assessment calculations. DTIA used conservative assumptions throughout the project.
 - d. Nearly thirty (30) runs of the IMPLAN model were conducted to model the various individual components of the Marina District project to capture economic impacts (spending, employment, income and taxes) by project component (condos, hotel, retail shopping, marina building, City public improvements, and the new City Hall) by project phase (I, II and III), and by individual year (during the 2008-2014-period). The results of the 30 model runs were then aggregated by year and by phase to show the combined effects of the various runs. This approach was followed to isolate the economic impacts of the various project components.
5. **Study Report Preparation:** With the results from research steps 1-4 in hand, the consulting team interpreted the results and formulated findings, conclusions and recommendations, which were shared with the Community Foundation and the Sandusky/Erie County community. Two public presentations about the study results were provided by DTIA on October 22, 2007.
- a. **Study Findings and Conclusions:** These relate to the economic base research and economic impact assessment modeling undertaken by the DTIA team.
 - b. **Recommendations:** These describe proposed action steps the City of Sandusky, CEG Development, Sandusky/Erie community citizens, and other key stakeholders might consider to ensure that the economic impacts estimated in this study are achieved.

B. Data and Assumptions

The primary data used in this study came from the project developer (CEG Development), the project architect (Meacham & Apel Architects), and various sources within the City of Sandusky Government. Best available data were used from all sources.

In those cases where hard data were not available, DTIA researchers worked with the private developer and the City to formulate reasoned assumptions for use in the study. Assumptions were used because many aspects of the plans of the developer and the City of Sandusky are uncertain at this point.

As a starting technical note, economic impacts are driven by investment. While it may be measured in terms of dollars spent or jobs created, the initial project investment triggers spending, employment, income and tax impacts within a local economy.

Marina District Project Data

Key project data used in the study included:

1. Estimated time schedule for all private and public construction/build-out and operations:
 - Phase I: 2008-2010.
 - Phase II: 2010-2012.
 - Phase III: 2012-2014.

2. Estimated private investment by the developer to build the project components (condominiums, hotel space, retail shopping and consumer services space, marina building space):²
 - Condominiums: \$114,000,000.
 - Retail Shopping/Consumer Services: \$3,700,000.
 - Marina Building: \$1,500,000.
 - Hotel: \$15,000,000.

3. Estimated public investment by the City to build infrastructure required by the project:
 - Public Improvements: \$7,500,000.
 - New City Hall: \$11,900,000.

Not: City Government has identified a proposed financing plan to pay for these public improvements and the new City Hall facility. This plan includes: \$2.5 million from the developer for the long-term lease; \$3 million in municipal court fees; \$1 million in

² Low-end investment numbers were used because upon data provided by the developer. The developer has indicated these numbers may be revised as project planning progresses.

foundation grants; and \$12.9 million from the Tax Increment Financing (TIF) District being considered for this Marina District Project.

4. Estimated land requirements and square footage for all private buildings to be constructed and public open space included in the project:
 - Developed Land Area: 12 acres.
 - Public Open Space Area: 18 acres.

Reasoned Assumptions

In consultation with the private developer and the City, these reasoned assumptions were made where hard data were not available:³

1. Where high and low dollar investment numbers were provided, DTIA either used the lower investment figure or an average of the high and low investment numbers.
2. After reviewing the project data provided by the developer, the researchers assumed a minimal utilization (only 10%) of local goods and service providers in the project, which is more likely than a high reliance on local business suppliers. Examples of goods and service providers include: developer; architect; legal services; general contractor, building and trades subcontractors; construction materials; and equipment and furnishings.
3. The researchers assumed a somewhat extended overall project completion and build-out schedule, given the slow growth of Erie County's economy and the declining economic base of the City of Sandusky. As a part of this extended schedule, we assumed the sale of all 300 condominiums would take through 2014.
4. DTIA assumed that only 15% of the 300 condominiums would be sold locally (to current Sandusky and Erie County residents) and the remainder (85%) would be purchased by non-local buyers. Also, it was assumed that 50% of the condos would be purchased as primary residences and 50% as second homes/vacation homes by buyers.
5. It was assumed that the sales from the retail and consumer services to be included in the project would be 50% local (Erie County) and 50% non-local (outside Erie County).
6. It was assumed that 90% of the sales from the hotel would be to visitors from outside Erie County and 10% to local customers residing within Erie County.

³ Note: Not all assumptions could be directly used in the IMPLAN model, yet they helped the researchers in interpreting the model results.

7. In consultation with the project developer, DTIA used the following assumptions about how the spending/sales impact in the project would occur.⁴ In order to show how the Marina District project's overall economic impact would unfold over time (by year), it was necessary to define the percent of spending impacts occurring on an annual basis.

Phase I Construction Spending Impacts:

- Condos: 25% in 2008; 50% in 2009; and 25% in 2010.
- Retail: 25% in 2008; and 75% in 2009.
- Hotel: 25% in 2008; 50% in 2009; and 25% in 2010.
- Public Improvements: 25% in 2008; 50% in 2009; and 25% in 2010.

Phase I Sales/Operating Impacts:

- Condo Sales: 10% pre-sales in 2008; 30% in 2009; 30% in 2010; 30% in 2011.
- Retail sales: 50% in 2009; and 100% in each year over the 2010-2014-period.
- Hotel sales: 50% in 2010; and 100% in each year over the 2011-2014-period.

Phase II Construction Spending Impacts:

- Condos: 25% in 2010; 50% in 2011; and 25% in 2012.
- Retail: 25% in 2010; and 75% in 2011.
- Marina Building: 25% in 2010; 50% in 2011; and 25% in 2012.
- Public Improvements: 25% in 2010; 50% in 2010; and 25% in 2011.
- City Hall Building: 25% in 2011; and 75% in 2012.

Phase II Sales Spending Impacts:

- Condo Sales: 10% in 2010; 30% in 2011; 30% in 2010; and 30% in 2012.
- Retail sales: 50% in 2011; and 100% in each year over the 2012-2014-period.

Phase III Construction Spending Impacts:

- Condos: 25% in 2012; 50% in 2013; and 25% in 2014.
- Public Improvements: 25% in 2012; 50% in 2013; and 25% in 2014.

Phase III Sales Spending Impacts:

- Condo Sales: 10% in 2012; 30% in 2013; 30% in 2014; and 30% in 2015.

⁴ Spending impact is based upon the private and public investments in the project during the construction aspect of each of the 3 project phases. Operating/sales impact is based upon the sales generated by the sale of the condos and the retail and service sales of the hotel, shopping and other services included in the project.

V. Understanding Economic Impact Analysis

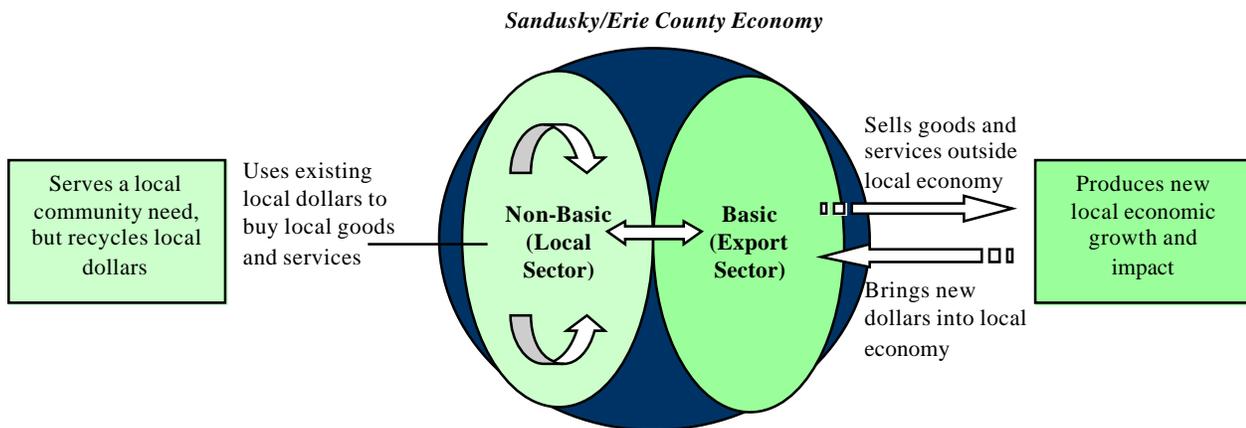
Economic impact studies require careful analysis and the ability to characterize the analyzed project within the local economy. The key technical concepts associated with economic impact analysis are defined in this section to aid the reader in more clearly understanding the study's major findings, conclusions and recommendations. These concepts have been illustrated with applications to the Marina District Project.

Economic Base Theory

In the urban and regional economics field, economic base theory defines a local economy as comprised of two primary sectors: 1) the basic (or non-local) sector; and 2) the non-basic (or local) sector. In essence, the theory says that a local economy grows when its businesses and industries sell their products and services outside the local economy, and in return bring new dollars into the local economy. As an example, the Sandusky/Erie County economy grows when it attracts visitors from outside Erie County to Cedar Point for entertainment and leisure.

Figure 2 below shows how the economic base theory is applied to the Sandusky/Erie County economy. *The economic base theory is important to this study because it provides the theoretical foundation for economic impact analysis.* Each of the theory's component concepts are explained below and how they relate to economic impact analysis.

Figure 2: How the Sandusky-Erie County Economy Grows



Basic Economic Sector

This sector is made up of local businesses that depend almost entirely upon external markets (e.g., non-local customers) in generating their revenues. Most manufacturing, natural resource-based firms (like logging or mining), and certain tourism activities are usually considered to be basic sector firms or industries because their revenues depend largely upon non-local markets.

According to a recent economic study by Angelou Economics for the Greater Erie Marketing Group, Inc. (GEM), three “super-sectors” currently drive growth in the local economy: Leisure and Hospitality (24.2% of local employment); Manufacturing (21.6% of local employment); and Trade, Transportation, and Utilities (21.7% of local employment). The first two sectors (Manufacturing and Leisure/Hospitality), in DTIA’s judgment, are currently the area’s most important sectors as economic base growth engines, but the third (Trade, Transportation, and Utilities) is also important. Examples of the Sandusky/Erie County area’s basic sector businesses include: Cedar Point; Visteon (Ford); Delphi Automotive; Lear Seating; Tenneco; and the Kalahari Resort. Each is a significant basic sector employer stimulating local economic growth and local economic impacts.

While the Sandusky/Erie County area has some major economic development strengths, it is also vulnerable to some sizable economic threats. While the area has succeeded in retaining several of its older manufacturing employers, these employers remain fragile because of global competitive pressure and corporate restructuring. Historically, the automotive sector has played a vitally important role in catalyzing the growth of jobs, income, and taxes in the local area. Downsizing and corporate restructuring have significantly reduced production and employment at local auto-related production facilities, which has in turn diminished the local economic impact of these operations on the area economy.

The area’s leisure and hospitality sector faces two major threats: 1) long-term reductions in personal disposable income in the 3-state (Ohio-Michigan-Indiana) tourism market; and 2) overcapacity in the entertainment and amusement sector and corresponding reductions in capacity through facility cutbacks and closings. *These threats underscore the need for new development projects in the Sandusky area, especially in the City of Sandusky, which has suffered very significant economic losses in recent years.* In Section VI, DTIA has included an analysis of the national, state and local economic situations

Non-Basic Economic Sector

The non-basic sector, in contrast to the basic sector, is composed of those firms and industries that depend largely upon local business conditions, especially local markets. For example, a local grocery store typically sells its goods to local households, businesses and individuals. Its clientele is locally based and, therefore its products are consumed locally. Almost all local services (like drycleaners, most restaurants, and drug stores) are identified as non-basic because they depend almost entirely on local factors, unless their primary customers are out-of-town tourists/visitors.

While non-basic sector economic activities play much less of a catalytic role in local economic growth and economic impact generation, these activities remain important to an area, its businesses, and residents. For one, they provide necessary community amenities that enrich local quality of life. Because of the Sandusky/Erie County area’s very significant reliance on the

leisure and hospitality sector, which is a basic economic sector in this case, a good portion of the area’s retail shopping and consumer service sector serves non-local customers, and therefore it is considered a part of the area’s basic economic sector. For example, many of Erie County’s restaurants and fast food businesses depend heavily on non-local customers during the vacation season.

Economic base theory asserts that the best means of strengthening and growing a local economy is to develop and enhance its basic sector, which brings new economic resources into the local economy from outside, sparking new growth and development within the local economy. The basic sector is therefore identified as the "engine" of the local economy. *Economic activities associated with Sandusky/Erie County’s basic economic sector generate a greater local economic impact than those activities associated with the area’s non-basic economic sector.*

Marina District Project: Basic or Non-Basic Sector Related?

An important question is whether the Marina District project is a part of the area’s basic or non-basic economic sector? The answer is that the project straddles both sectors of the Sandusky/Erie County economy. While data are not available from the developer to estimate the exact percentage to which each project component is oriented to local and non-local markets, it is possible to define the “conditions” under which each project component would be classified as local and non-local market oriented. These conditions are identified in Table 1 below.

Table 1: Marina District Project Components and Their Links to the Local Economy

Project Component	Non-Basic Sector	Basic Sector
Condominiums	Condos purchased as permanent or vacation residences by current Sandusky/Erie County residents.	Condos purchased by non-local buyers as permanent or vacation residences.
Retail Shopping (including restaurants)	Sales to residents of Sandusky/Erie County.	Sales to visitors coming from outside Erie County.
Hotel (including meeting facilities)	Sales to residents and businesses of Sandusky/Erie County. (Small portion of sales.)	Sales to family travel, leisure and business visitors coming from outside Erie County. (Largest portion of total).
Marina Building Commercial	Sales to residents of Sandusky/Erie County. (Small portion of sales.)	Sales to visitors coming from outside Erie County. (Largest portion of sales.)
Public Open Space	Use by residents of Sandusky/Erie County. (Largest portion of total use.)	Use by visitors of Sandusky/Erie County. (Smaller portion of total use.)

Economic Impact Analysis

An Economic Impact Analysis is defined as a study tracing private and public sector spending (dollars invested) through a local economy (in this case Erie County and the City of Sandusky), and the estimated immediate and cumulative effects of that spending, using an economic analysis model (the IMPLAN model in this case).

The model is calibrated using project data (in this case data for the Marina District and Battery Park Development Project). Where data are not available, reasoned assumptions are formulated and used in setting up the model to analyze a project. Economic impact can be assessed on three levels:

1. *Direct Effects (Impacts)*: Equals the increase in output, employment and income in a local economy (Erie County/City of Sandusky) caused directly by the spending (investment) to develop the Marina/Battery Park Project by the private developer and City Government.
2. *Indirect Effects (Impacts)*: Equals the jobs and production needed to produce the goods and services required by the project from within the local economy (Erie County/City of Sandusky) to support the spending or investment.
3. *Induced Effects (Impacts)*: The jobs and production required to fulfill the household demands for goods and service generated by the wages of all the additional demand from the direct and indirect effects. *Note: In looking at the induced effects of this project, DTIA decided to exclude them from its study results because they appeared to unrealistically inflate the overall economic impact numbers for the project.*

Economic Leakage

Not all economic impact produced by a development project (e.g., the Marina District Project) stays within the local economy (Erie County/Sandusky). The portion of the economic impact flowing to other locations outside Erie County is called *economic leakage*. This means that a portion of this economic impact “leaks” outside the local economy in which the development occurs. The amount of economic impact remaining within the local economy is determined by two major factors:

- The first is the industry structure of the local economy; that is whether the industries and businesses capable of producing the goods and service used by the project are located in the local economy. For example, the beds found in the hotel included in this project are not manufactured locally. Therefore, this purchase is made outside the local economy, and the economic impact associated with this purchase flows outside the local economy.

- The second consists of those decisions made about the businesses selected to provide the goods and services required by the project. For example, a non-local general contractor may be hired to manage and undertake the construction of the condominiums and hotel included in the development project because the developer has experience working with a particular general contractor, or because the known general contractor offers certain advantages (lower costs, higher quality) that a local general contractor cannot offer.

As a final note, it is important to consider the realities of globalization and how these realities affect the local economic impact of any development. For example, a substantial portion of the value of manufactured products made (or assembled) in the United States contains goods and services produced and delivered in foreign manufacturing locations. With the increased reliance on off-shore outsourcing by manufacturing and service companies alike, a greater share of the local economic impact of development projects in U.S. communities will flow outside (leak) local economies.

The economic impact findings and conclusions in Section VII identify the economic impact flowing into the Sandusky/Erie County economy and the amount of that impact flowing outside. Overall, 90% of the Marina's project's total private spending impact would flow outside the local economy if the currently proposed business arrangements are followed. On the other hand, 90% of the project's total public spending impact would stay within the local economy.

While a very sizable economic leak occurs relative to the private spending impact, DTIA looks at this issue in the following manner. Businesses only invest their money in projects that will produce a sufficient profit for investors. Increasingly, business profits hinge on tight cost management and quality performance by all entities contributing to a business project. In this respect, CEG Development and the other businesses involved in this deal will only undertake the Marina District project if they can source the skills and materials for this project in a competitive manner, especially in today's current economic environment, which includes a major housing market slowdown in the vast majority of markets across the country.

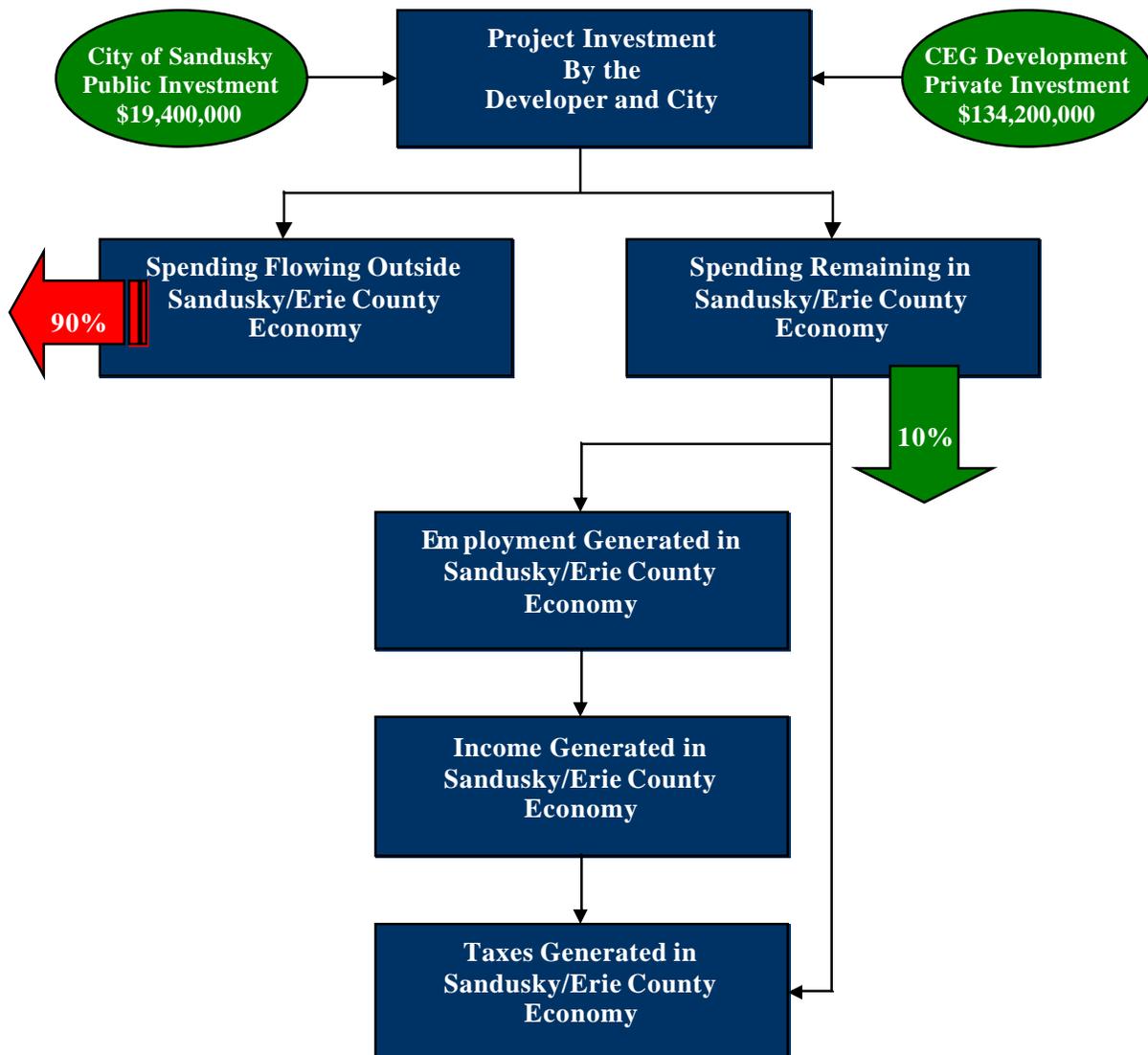
Types of Economic Impact

Four types of economic impacts are estimated in the Sandusky project:

- *Spending Impacts*: Refers to the direct, indirect, and induced impacts of an economic/investment (spending) on a local economy. Spending impacts drive all other types of impacts (employment, income and taxes). (Estimated by the IMPLAN model.)
- *Employment Impacts*: Refers to the direct, indirect, and induced employment impacts of an economic/financial investment (spending) on a local economy. (Estimated by the IMPLAN model.)

- *Income Impacts:* Refers to the direct, indirect, and induced income impacts of an economic/financial investment (spending) on a local economy. (Estimated by the IMPLAN model.)
- *Tax Impacts:* Refers to the direct, indirect, and induced tax impacts of an economic/financial investment (spending) on a local economy. (Manual calculations based upon available data used in this study.)

Figure 3: Tracing Economic Impact Stream from Sandusky Marina District Project



VI. Surrounding Area Demographic and Economic Analysis

A. Current Economic Conditions

U.S. Economy

While the U.S. economic numbers showed some improvement in September, worries continue that the U.S. economy may fall into recession during the first or second quarters of 2008. Economists appear to be evenly split (50-50) whether a recession will occur.

The latest data reinforce the impression of a national economy in which growth remains moderate and inflationary pressures are likely to continue to subside. A soft landing with a slow convergence to trend growth is probable, unless uncertainties among households and investors suddenly trigger a sharp consumption slowdown or the credit crunch spreads beyond the housing sector.

Real GDP growth in the second quarter of this year was revised to 4 percent, which is 0.6 percentage point higher than forecast earlier. Revisions mainly came from higher estimates of business investment and net exports. This brought the average growth rate in the first half of 2007 to 2.3 percent, compared with 2.6 percent in 2006, and 2.9 percent in 2005.

A number of one-time factors provided a boost to growth in the second quarter, most notably an improvement in the trade balance and stronger federal government spending. Business fixed investment also contributed 1.1 percentage points to real GDP growth, far exceeding its historical average. However, growth in consumption, in both durable and nondurable goods, is slowing down.

To date, the housing market remains the biggest drag to the economy, and recent data suggest that it has yet to bottom out. Housing starts declined again in August, by 2.6 percent. Housing permits plunged another 5.9 percent, bringing the total for the year to 17 percent. Both the housing permits and starts were at the same levels a decade ago. Home sales tumbled in July and unsold inventories accumulated rapidly, pointing to further sales deterioration in the near future.

Nonfarm payroll employment declined by 4,000 jobs in August, and July and June payroll employment growth was revised down to 68,000 and 69,000, respectively, for a total downward revision of 81,000 jobs. This came in as a big surprise, as the economy has not seen a single-month payroll decline since the "jobless recovery" of 2002–03. The unemployment rate stayed at 4.6 percent, as both household employment and the labor force declined. Labor force participation rate fell to 65.8 percent, the lowest since 2005.

In the wake of the recent financial market turmoil, investor uncertainty has increased significantly. Borrowing costs have risen, in particular for the short maturities and lower-graded securities, yet lenders are still willing to finance investment-graded securities. Macroeconomic implications of the credit tightening are still quite limited so far, although potentially could be more severe over the coming quarters if the mortgage credit crunch goes further deeper and spreads to other sectors.

Consumers continue to spend. Real personal consumption expenditures rose 0.3 percent in July, and retail sales rose 0.3 percent in August. Consumer confidence retreated in August but stayed flat in September, suggesting that consumers might have adapted a prudent attitude following the recent financial turmoil.

Inflationary pressures continue to ease. The core Consumer Price Index (CPI) rose by 0.1 percent in August, and the overall CPI edged down by 0.1 percent, as the energy component of the index fell 3.2 percent. Recent months have seen a gradual deceleration in the growth of other core consumer price indexes as well. Core Personal Consumption Expenditures edged up 0.1 percent in July, having risen 1.9 percent over the past 12 months.

Ohio/Midwest Economy

The Midwest, comprising Illinois, Indiana, Iowa, Michigan, Minnesota, Ohio and Wisconsin, saw moderate year-over-year employment growth in the first half of 2007. The Midwest had 0.2% nonfarm employment growth, while the U.S. had a 1.5% gain. Each state in the Midwest posted growth in jobs, except for Michigan and Ohio.

Most major industry sectors contributed to the Midwest's sluggish employment growth. The region's manufacturing employment decreased, in large part due to the auto and housing industries' troubles. Midwest employment expanded in the professional, education and health, and leisure and hospitality sectors, though at a slower pace than in the nation.

Rising by at least 1 percent, the professional, education and health, and leisure and hospitality industries led employment growth in the region. Because these sectors make up a good portion of the Midwest's industry mix, they offset declines or tepid growth in other industries.

Indiana, Michigan, Ohio, and Wisconsin all reported declines in manufacturing; those states were heavily weighed down by the declining production activity in the automotive industry. According to the Chicago Fed Midwest Manufacturing Index, auto production in the Seventh District, which comprises all of Iowa and most of Illinois, Indiana, Michigan, and Wisconsin, declined 2% from the first half of 2006. Light vehicle sales and production in the U.S. decreased during the first half of the year (compared with last year) in part because of the ongoing struggles of the Detroit Big Three automakers (Chrysler LLC, Ford Motor Co., and General Motors Corp.).

Payroll auto employment in Michigan reported an 11% drop year-over-year for the first half of 2007. Wisconsin also reported an 11% drop; however, the auto industry makes up a very small share of Wisconsin's industry mix. Indiana's auto employment reported a drop of 4%, and Ohio's decreased by 7%. Automotive employment declines are not confined to production workers.

As measured by payroll employment growth, the Midwest economy continues to expand more slowly than the nation. A general pattern of increasing weakness is evident in contrasting the westward states of Iowa, Minnesota, Illinois, and Wisconsin with Michigan, Ohio, and Indiana in the east. Automotive restructuring there, along with flat nationwide sales in light vehicles, continues to account for a lagging pace of payroll employment.

B. Sandusky/Erie County Economic and Demographic Trends

Population Growth

Table 2 below identifies major population changes in the City of Sandusky, Erie County and several of the surrounding counties.

Table 2: Area Population Changes, 1990-2006

Source: U.S. Census Bureau data

Area	Years			Percent Change	
	1990	2000	2006	1990-2000	2000-2006
City of Sandusky	29,764	27,844	26,216	-6.5%	-5.8%
Erie County	76,781	79,551	78,116	3.6%	-1.8%
Huron County	56,238	59,487	60,313	5.8%	1.4%
Lorain County	271,126	284,664	301,993	5.0%	6.1%
Ottawa County	40,029	40,985	41,331	2.4%	0.8%
Sandusky County	61,963	61,792	61,625	-0.3%	-0.3%

The City of Sandusky's population base has been in decline since 1990, dropping from 29,764 in 1990 to 27,844 in 2000 and to 26,216 in 2006. Until 2000, Erie County's population was growing slowly. Over the last 6 years, the County's population base experienced a loss of 1.8%. Meanwhile, population has grown in 4 of the 5 surrounding counties over the past 16 years.

In part, the population losses in Sandusky and Erie County are explained by the pattern of population decline seen in Ohio and northern Ohio, which have been driven by economic decline, an aging population base, and more robust population and market growth in southern and western states. A more localized explanation of the population drop in Sandusky and Erie County is manufacturing restructuring and the loss of jobs and income in the local economy.

In light of population losses in both Sandusky and Erie County, the Marina District project is a logical development for increasing the number of attractive housing options for existing residents and as a resource in attracting new residents to the area, especially the central city.

Per Capita Personal Income Growth

A prosperous population is a desired outcome of economic development. Tables 3 and 4 below describe per capita personal income trends in the area since 1990. Note: Per capita personal income data are not available for cities.

Table 3: Actual Changes in Area Per Capita Personal Income, Current Dollars

Source: U.S. Bureau of Economic Analysis data

Area	Year						
	1990	2000	2001	2002	2003	2004	2005
Erie County	\$18,316	\$28,645	\$29,514	\$30,692	\$31,976	\$32,095	\$33,426
Huron County	\$16,806	\$24,166	\$24,163	\$23,842	\$24,222	\$25,206	\$25,882
Lorain County	\$17,269	\$26,808	\$26,964	\$26,936	\$27,498	\$28,220	\$29,089
Ottawa County	\$19,050	\$29,101	\$29,113	\$29,886	\$31,200	\$31,241	\$32,095
Sandusky County	\$16,933	\$23,921	\$24,193	\$24,670	\$25,772	\$26,292	\$27,096

Table 4: Percent Changes in Area Per Capita Personal Income, Current Dollars

Source: U.S. Bureau of Economic Analysis data

Area	2000-01	2001-02	2002-03	2003-04	2004-05
Erie County	3.0%	4.0%	4.2%	0.4%	4.1%
Huron County	0.0%	-1.3%	1.6%	4.1%	2.7%
Lorain County	0.6%	-0.1%	2.1%	2.6%	3.1%
Ottawa County	0.0%	2.7%	4.4%	0.1%	2.7%
Sandusky County	1.1%	2.0%	4.5%	2.0%	3.1%

While the local area's population has declined, its per capita personal income (PCPI) level has increased on a current dollar basis. When adjusted for inflation, a different picture appears, and these gains disappear and a flat personal income trend appears. Erie County outperformed its neighboring counties in 3 of the last 5 years in terms of PCPI growth. A legitimate question is what will happen to Erie County's PCPI once the effects of the early retirements and lower starting wages at local auto plants work their way into the local economy. New hires replacing longtime workers will make substantially less than their predecessors. This change will likely contribute to some reduction in available local spending dollars and lower local income tax payments by these workers.

Poverty Trends

Despite an overall current dollar rise in PCPI for Erie County, poverty has continued to grow in the City of Sandusky, as the data in Table 5 below indicate. In 1989, Sandusky had 4,537 people living at or below the poverty level. This represented 67% of all poor people in Erie County. By comparison, Sandusky has 33.5% of Erie County's population, which means that the City's share of the County's poor people is double its overall population share. In 1999, Sandusky's impoverished population increased by 1.4% and the City's share of the County's poor people grew to 71.5%. More recent city-level poverty data are not available, but given the City population and job losses in recent years, it is fair to assume that Sandusky's impoverished population has increased some since 1999.

Table 5: Impoverished Population Trends

Source: U.S. Census Bureau

Area	Number			Percent Change	
	1989	1999	2004	1989-1999	1999-2004
City of Sandusky	4,537	4,601	NA	1.4%	NA
Erie County	6,776	6,439	7,447	-5.0%	15.7%
Huron County	5,278	4,998	5,704	-5.3%	14.1%
Lorain County	30,459	24,809	31,655	-18.5%	27.6%
Ottawa County	2,605	2,374	3,079	-8.9%	29.7%
Sandusky County	5,471	4,542	5,448	-17.0%	19.9%

These poverty numbers underscore the importance of a stepped up economic development effort in the City and more attention to attracting more good-paying jobs to the City. To the extent the Marina District project can add a greater number of higher income residents, this will add in a positive sense to the City's economic base.

Housing Trends

Tables 6, 7 and 8 and Figure 4 below identify housing unit trends over the 1990-2006-period in Erie and surrounding counties. While the housing stock has been growing in Erie and all the surrounding counties, this growth is very modest. Erie County's housing stock grew up 4,600 units over the past 16 years, which averages 287 new units annually.

A review of Multiple Listing Service (MLS) data provided by the Firelands Association of Realtors indicates that in recent years condominium sales have been growing; a trend found in most communities. Figure 4 below shows these sales trends for the 2004-2007-period. Over the past 4 years, Sandusky condo sales have represented 25-30% of Erie County's total condo sales.

Figure 4: Condo Sales in Sandusky and Erie County, 2004-2007

Source: Firelands Association of Realtors, 2007 data through September only

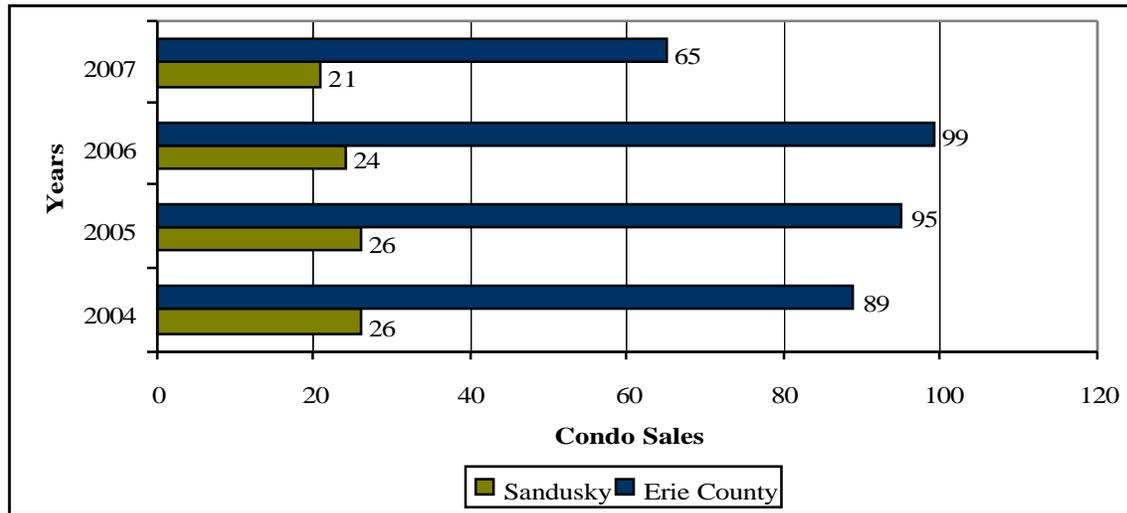


Table 6: Erie County and Surrounding County Housing Unit Trends, 1990-2006

Source: U.S. Census data

County	1990	2000	2001	2002	2003	2004	2005	2006
Erie County	32,828	35,909	36,245	36,428	36,557	36,820	37,082	37,422
Huron County	21,381	23,594	23,812	23,999	24,164	24,336	24,487	24,650
Lorain County	99,937	111,368	113,409	114,941	116,724	118,428	120,161	121,714
Ottawa County	23,340	25,532	25,858	26,055	26,261	26,463	26,633	26,898
Sandusky County	23,753	25,254	25,418	25,564	25,711	25,883	26,021	26,080

In terms of housing market size, Lorain County is as large as the other four counties (Erie, Huron, Ottawa, and Sandusky) combined. Housing units have grown over the 1990-2006-period in each of the five counties examined in Table 6 above and Table 7 below.

Table 7: Annual Housing Unit Growth Rates

Source: U.S. Census data

County	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Erie County	0.9%	0.5%	0.4%	0.7%	0.7%	0.9%
Huron County	0.9%	0.8%	0.7%	0.7%	0.6%	0.7%
Lorain County	1.8%	1.4%	1.6%	1.5%	1.5%	1.3%
Ottawa County	1.3%	0.8%	0.8%	0.8%	0.6%	1.0%
Sandusky County	0.6%	0.6%	0.6%	0.7%	0.5%	0.2%

While comparable annual data are not available for the City of Sandusky, much of the City's housing stock is older, and a high percentage of housing units are renter-occupied. Table 8 below indicates that the City's housing stock is considerably older than that of Erie County. The median value of the City's housing units is also much lower than that of Erie County.

Table 8: Age and Median Value of Housing Units

Source: U.S. Census Bureau

Area	2000 Median Value of	Percent Constructed	Number of		%
			Housing Units		
	Owner-Occupied Homes	Prior to 1940	1990	2000	Chg.
City	\$ 75,400	37.6%	13,416	13,330	-0.6%
County	109,800	25.4	32,827	35,909	+9.4
State	103,700	22.5	4,371,945	4,783,051	+9.4

Data in Table 9 below compares the housing characteristics of the City of Sandusky and Erie County.

Table 9: Sandusky and Erie County Housing Characteristics, 1990 and 2000 Census

	City of Sandusky				Erie County			
	1990		2000		1990		2000	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
OCCUPANCY								
All housing units	13,416	100%	13,323	100%	32,827	100%	35,909	100%
Occupied housing units	12,059	89.9%	11,851	89.0%	28,932	88.1%	31,727	88.4%
TENURE								
Occupied housing units	12,059	100%	11,851	100%	28,932	100%	31,727	100%
Owner-occupied housing units	6,931	57.5%	6,692	56.5%	20,633	71.3%	22,847	72.0%
Renter-occupied housing units	5,128	42.5%	5,159	43.5%	8,299	28.7%	8,880	28.0%
VACANCY STATUS								
Vacant housing units	1,357	100%	1,472	100%	3,895	100%	4,182	100%
For rent	452	33.3%	546	37.1%	639	16.4%	910	21.8%
For sale only	209	15.4%	140	9.5%	424	10.9%	365	8.7%
Rented or sold, not occupied	123	9.1%	75	5.1%	276	7.1%	177	4.2%
For seasonal, recreational, or occasional use	370	27.3%	460	31.3%	2,152	55.3%	2,172	51.9%
For migratory workers	-	0.0%	-	0.0%	4	0.1%	7	0.2%
Other vacant	203	15.0%	251	17.1%	400	10.3%	551	13.2%

The data in Table 9 above indicate a declining and older housing stock in the City, which the Marina District project could help to remedy in some measure by offering new housing opportunities to existing and new residents.

Employment and Labor Force Trends

Table 10 below identifies total employment trends for Sandusky, Erie County and surrounding counties. The City's job total dropped by nearly 1,000 during the last 16 years for an average annual loss of 0.3% during 1990-2000 and 0.6% in 2000-2006. Erie County experienced

a small overall job gain in the 1990s, but saw a slight 0.1% drop over the last 6 years. Job growth has been weak in all the surrounding counties as well, indicating a need for even greater economic development efforts in these areas, but especially in the City of Sandusky.

Table 10: Total Employment Trends, 1990-2006

Source: Ohio Dept. Job and Family Services, LMI Division

Area	Jobs			Annual Average Change	
	1990	2000	2006	1990-2000	2000-2006
City of Sandusky	14,279	13,853	13,386	-0.3%	-0.6%
Erie County	38,474	40,380	40,145	0.5%	-0.1%
Huron County	26,048	29,041	27,785	1.1%	-0.7%
Lorain County	124,534	142,708	145,526	1.5%	0.3%
Ottawa County	19,699	20,320	20,412	0.3%	0.1%
Sandusky County	29,074	31,453	31,508	0.8%	0.0%

Table 11 below shows labor force trends in Sandusky, Erie County and the surrounding counties. The City is losing its workforce base, while Erie County has experienced some slight increase in its workforce size over the last 16 years.

These losses are likely a function of: 1) the exiting of older workers from the labor market due to retirement, especially in manufacturing; 2) the slow growth of the workforce caused by slow to no population growth; and 3) larger regional trends influencing the location of population and jobs.

These regional trends are important, especially in light of longer commute times for workers to work at better paying jobs. Roughly 6,200 working Erie County residents commute to jobs in Lorain and Huron Counties on a daily basis. Also, just over 7,000 workers living in Huron, Sandusky and Lorain Counties commute into Erie County for jobs on a daily basis. The labor market for Erie County and neighboring counties will continue to regionalize in the future as the economic bases of counties from Cleveland to Toledo become even more connected.

Table 11: Area Labor Force Changes, 1990-2006

Source: U.S. Bureau of Labor Statistics

Area	Year			Annual Average	
	1990	2000	2006	1990-2000	2000-2006
City of Sandusky	15,681	14,822	14,310	-0.5%	-0.6%
Erie County	41,030	42,168	42,663	0.3%	0.2%
Huron County	29,097	30,709	30,011	0.6%	-0.4%
Lorain County	135,349	148,876	154,436	1.0%	0.6%
Ottawa County	21,404	21,404	21,944	0.0%	0.4%
Sandusky County	31,540	32,819	33,427	0.4%	0.3%

Table 12 identifies employment by major industry in Erie County in 2006. Comparable data are not available for the City of Sandusky.

Table 12: Erie County Industry Profile, 2006

Source: U. S. Bureau of Labor Statistics

Industry Sector	Total		Percent	Average
	Establishments	Employment	Distribution	Annual Wage
Total Covered Employment and Wages	2,084	38,302	100%	\$33,526
Private	1,934	32,795	85.6%	\$32,842
Agri., forestry, hunting	16	-	0.0%	
Mining	2	-	0.0%	
Construction	200	1,225	3.2%	\$37,578
Manufacturing	122	6,791	17.7%	\$59,897
Wholesale trade	97	1,540	4.0%	\$43,881
Retail trade	321	4,988	13.0%	\$20,725
Transportation, warehousing	67	118	0.3%	\$50,445
Utilities	8	95	0.2%	\$44,739
Information	29	520	1.4%	\$26,550
Finance and Insurance	116	622	1.6%	\$41,819
Real Estate, rental, leasing	61	269	0.7%	\$23,194
Professional, technical services	142	676	1.8%	\$41,689
Mgmt. of companies, enterprises	7	50	0.1%	\$51,678
Administrative, waste services	80	1,003	2.6%	\$22,933
Educational services	48	256	0.7%	\$16,052
Health care, social assistance	206	4,895	12.8%	\$33,007
Arts, entertainment, recreation	71	2,669	7.0%	\$24,252
Accommodation and food services	247	5,464	14.3%	\$12,153
Other services, exc. public admin.	168	878	2.3%	\$17,662
Public administration	76	1,354	3.5%	\$38,831

The data in Table 12 indicate that almost 86% of Erie County’s total employment is in private sector industries and the other 14% is in government and public administration. Manufacturing, which once accounted for over 30% of total county employment is 17.7% of total jobs now. While manufacturing has produced the highest paying jobs in the County historically and will likely do so in the future, manufacturing payroll could see a decline due to renegotiated wage rates at the area’s major automotive plants.

Leisure and Hospitality is a major economic driver for both Sandusky and Erie County, but as the payroll numbers in Table 12 show, pay levels for jobs in this sector are much less than those in Manufacturing.

These employment, industry and payroll trends underscore the importance of stepped up economic development efforts in both Sandusky and Erie County to further diversify the area’s economy and develop more good-paying jobs for area residents. Quality housing and community amenities are important assets to economic development success.

VII. Marina District Project Economic Impact Analysis

This section of the report presents the results of the Marina District economic impact analysis conducted with the IMPLAN economic model. The research methods, data and assumptions related to this part of the study were described in detail in Sections IV and V. For measurement purposes in this study, the project's life is defined as 2008-2014. Obviously, the development will continue to operate and generate operating economic impacts beyond this period.

A. Local Spending Impacts (Occurs within Sandusky/Erie County)

As mentioned earlier, the economic impact chain begins with new spending or investment in a local economy. Nearly \$154,000,000 (\$2006) in private and public investment is proposed for investment in the Marina District Project.

Two types of spending impact are captured: 1) construction spending and its multiplier effects; and 2) operating spending and its multiplier effects. Operating spending is largely produced by ongoing sales activities associated with certain aspects of the project, such as the proposed hotel and retail shops.

Phase I Local Spending Impacts

The spending effects of this \$154 million investment are estimated by project phase. The spending impacts for Phase I construction and operating/sales activities are shown in Table 13 below. This construction spending will be focused on building 100 condos, 18,000 SF of retail space, a 120-150 room hotel, and installing public infrastructure to support the project. The operating spending impact will be generated by condo sales, early operation of the hotel, and sales from the retail stores.

Table 13: Phase I Local Spending Impacts (2006 Constant Dollars)

Phase	2008	2009	2010	2011	2012	2013	2014	Project Life Totals	City of Sandusky Share	Erie County Share
Phase I (2008-2010)								100%	33.5%	66.5%
Construction										
Direct	\$14,040,850	\$28,229,046	\$13,010,185					\$55,280,081	\$18,518,827	\$36,761,254
Indirect	\$318,557	\$636,607	\$298,966					\$1,254,130	\$420,134	\$833,996
Subtotal	\$14,359,407	\$28,865,653	\$13,309,151					\$56,534,211	\$18,938,961	\$37,595,250
Sales/Operations										
Direct	\$200,513	\$2,419,538	\$6,726,728	\$9,054,377	\$8,247,750	\$8,032,128	\$7,821,438	\$42,502,472	\$14,238,328	\$28,264,144
Indirect	\$32,600	\$377,620	\$1,085,652	\$1,486,259	\$1,354,685	\$1,319,252	\$1,284,631	\$6,940,699	\$2,325,134	\$4,615,565
Subtotal	\$233,113	\$2,797,158	\$7,812,380	\$10,540,636	\$9,602,435	\$9,351,380	\$9,106,069	\$49,443,171	\$16,563,462	\$32,879,709
Phase I Total	\$14,592,520	\$31,662,811	\$21,121,531	\$10,540,636	\$9,602,435	\$9,351,380	\$9,106,069	\$105,977,382	\$35,502,423	\$70,474,959

The following major findings are associated with the results in Table 13 above:

1. Phase I investments for both construction and sales/operations are expected to produce a total local spending impact of \$106 million over the entire project life (2008-2014). Of this total, 66.5 % (\$70.5 million) of this spending impact will accrue to Erie County locations outside the City of Sandusky and 33.5% (\$35.5 million) will accrue to the City of Sandusky.
2. Phase I construction spending will produce local spending impacts of \$56.5 million during the Phase I timeframe (2008-2010). Again, roughly 1/3 (\$18.9 million) of this spending impact will accrue to the City of Sandusky and 2/3 (\$37.6 million) to the rest of Erie County.
3. Phase I sales/operating spending impacts will produce local spending impacts totaling \$49.4 million over the entire project lifetime (2008-2014). About \$32.9 million of this amount will accrue to Erie County outside Sandusky and \$16.6 million will accrue to the City of Sandusky.

Phase II Local Spending Impacts

Table 14 contains the spending impact data for Phase II of the Marina District project. Phase II construction spending will focus on building 100 condos, 7,500 SF of retail space, a 10,000 SF marina building, installing public infrastructure needed by the project, and constructing the new City Hall. The operating spending will be generated by condo sales, retail sales, and hotel sales.

Table 14: Phase II Local Spending Impacts (2006 Constant Dollars)

Phase	2008	2009	2010	2011	2012	2013	2014	Project Life Totals	City of Sandusky Share	Erie County Share
Phase 2 (2010-2012)										
Construction								100%	33.5%	66.5%
Direct			\$10,126,847	\$22,952,308	\$17,637,508			\$50,716,663	\$16,990,082	\$33,726,581
Indirect			\$252,200	\$901,543	\$1,422,723			\$2,576,466	\$863,116	\$1,713,350
Subtotal			\$10,379,047	\$23,853,851	\$19,060,231			\$53,293,129	\$17,853,198	\$35,439,931
Sales/Operations										
Direct			\$191,455	\$1,284,114	\$1,947,852	\$1,511,229	\$1,327,874	\$6,262,524	\$2,097,946	\$4,164,578
Indirect			\$31,128	\$202,557	\$304,651	\$233,973	\$204,467	\$976,776	\$327,220	\$649,556
Subtotal			\$222,583	\$1,486,671	\$2,252,503	\$1,745,202	\$1,532,341	\$7,239,300	\$2,425,166	\$4,814,135
Phase 2 Total			\$10,601,630	\$25,340,522	\$21,312,734	\$1,745,202	\$1,532,341	\$60,532,429	\$20,278,364	\$40,254,065

The following major findings are associated with the Phase II results in Table 14:

1. Phase II investments for both construction and sales/operations are expected to produce a total local spending impact of \$60.5 million over the entire project life (2008-2014). Of

this total, 66.5 % (\$40.3 million) of this spending impact will accrue to Erie County locations outside the City of Sandusky and 33.5% (\$20.3 million) will accrue to the City of Sandusky.

2. Phase II construction spending will produce local spending impacts of \$53.3 million during the Phase II timeframe (2010-2012). Again, roughly 1/3 (\$17.9 million) of this spending impact will accrue to the City of Sandusky and 2/3 (\$35.4 million) to the rest of Erie County.
3. Phase II sales/operating spending impacts will produce local spending impacts totaling \$7.2 million over the 2010-2014-period. About \$4.8 million of this amount will accrue to Erie County outside Sandusky and \$2.4 million will accrue to the City of Sandusky.

Phase III Local Spending Impacts

Table 15 contains the spending impact data for Phase III of the Marina District project. Phase III construction spending is focused on building 100 condo units, installing public infrastructure for the project. These investments will generate the construction spending for Phase III. Operating spending will flow from condo sales, retail sales, and hotel sales.

Table 15: Phase III Local Spending Impacts (2006 Constant Dollars)

Phase	2008	2009	2010	2011	2012	2013	2014	Project Life Totals	City of Sandusky Share	Erie County Share
Phase 3 (2012-2014)										
Construction								100%	33.5%	66.5%
Direct					\$9,193,296	\$18,108,976	\$8,917,633	\$36,219,905	\$12,133,668	\$24,086,237
Indirect					\$234,274	\$461,472	\$227,248	\$922,994	\$309,203	\$613,791
Subtotal					\$9,427,570	\$18,570,448	\$9,144,881	\$37,142,899	\$12,442,871	\$24,700,028
Sales/Operations										
Direct					\$147,986	\$434,587	\$425,395	\$1,007,968	\$337,669	\$670,299
Indirect					\$24,060	\$70,657	\$69,163	\$163,880	\$54,900	\$108,980
Subtotal					\$172,046	\$505,244	\$494,558	\$1,171,848	\$392,569	\$779,279
Phase 3 Total					\$9,599,616	\$19,075,692	\$9,639,439	\$38,314,747	\$12,835,440	\$25,479,307

The following major findings are associated with the results in Table 15:

1. Phase III investments for both construction and sales/operations are expected to produce a total local spending impact of \$38.3 million over the 2012-2014-period. Of this total, 66.5 % (\$25.5 million) of this spending impact will accrue to Erie County locations outside the City of Sandusky and 33.5% (\$12.8 million) will accrue to the City of Sandusky.

2. Phase III construction spending will produce local spending impacts of \$37.1 million during the Phase III timeframe (2012-2014). Again, roughly 1/3 (\$12.4 million) of this spending impact will accrue to the City of Sandusky and 2/3 (\$24.7 million) to the rest of Erie County.

3. Phase III sales/operating spending impacts will produce local spending impacts totaling \$7.2 million over the entire project lifetime (2008-2014). About \$4.8 million of this amount will accrue to Erie County outside Sandusky and \$2.4 million will accrue to the City of Sandusky.

Total Local Spending Impacts across Phases I-III

As the data in Table 16 below indicate, it is expected that across all three project phases, project local spending impact will total \$204.8 million over the 2008-2014-period, with \$136.2 million of this spending impact accruing to Erie County outside Sandusky and \$68.6 million accruing to the City of Sandusky.

Table 16: Total Local Spending Impact Summary, Phases I-III (2006 Constant Dollars)

Phase	2008	2009	2010	2011	2012	2013	2014	Project Life Totals	City of Sandusky Share	Erie County Share
Phase 1 Total	\$14,592,520	\$31,662,811	\$21,121,531	\$10,540,636	\$9,602,435	\$9,351,380	\$9,106,069	\$105,977,382	\$35,502,423	\$70,474,959
Phase 2 Total			\$10,601,630	\$25,340,522	\$21,312,734	\$1,745,202	\$1,532,341	\$60,532,429	\$20,278,364	\$40,254,065
Phase 3 Total					\$9,599,616	\$19,075,692	\$9,639,439	\$38,314,747	\$12,835,440	\$25,479,307
Annual Totals	\$14,592,520	\$31,662,811	\$31,723,161	\$35,881,158	\$40,514,785	\$30,172,274	\$20,277,849	\$204,824,558	\$68,616,227	\$136,208,331

With this understanding of the project’s spending impacts in mind, we will now look at the employment, income and tax impacts sparked by this spending.

Local employment impacts are of two types: 1) jobs related to construction activities in each of the three project phases; and 2) jobs related to the operational elements of the project, including operation of the hotel, retail stores, marina building, and maintenance of the condos.

Local personal income impacts result from the employment generated by the project in its construction and operating activities in each of the three phases.

Finally, local tax impacts are generated by the various construction and operating activities associated with the project. These taxes would flow to the City of Sandusky, Erie County Government, local schools, and the library system.

B. Local Employment Impacts (Occurs within Sandusky/Erie County)

Table 17 below identifies local employment impacts of the Marina District project, which are sparked by the local spending impacts identified in Tables 13-16 above.

Table 17: Total Local Employment Impact Summary, Phases I-III

Phase	2008	2009	2010	2011	2012	2013	2014	Project Life Totals	City of Sandusky Share	Erie County Share
Phase 1 (2008-2010)								100%	33.5%	66.5%
Construction										
Direct	19	39	18					76	25	50
Indirect	3	7	3					14	5	9
Subtotal	23	45	21					89	30	59
Sales/Operations										
Direct	2	48	139	183	173	169	164	877	294	583
Indirect	0	5	14	18	17	16	16	85	29	57
Subtotal	2	53	152	201	190	185	180	963	322	640
Phase 1 Total	25	98	173	201	190	185	180	1,052	352	699
Phase 2 (2010-2012)										
Construction										
Direct			15	57	95			167	56	111
Indirect			3	10	16			29	10	19
Subtotal			18	67	111			196	65	130
Sales/Operations										
Direct			2	22	38	33	31	126	42	84
Indirect			0	3	4	3	3	13	4	9
Subtotal			2	24	42	37	34	139	46	92
Phase 2 Total			20	91	153	37	34	334	112	222
Phase 3 (2012-2014)										
Construction										
Direct					14	27	13	54	18	36
Indirect					3	5	3	10	3	7
Subtotal					16	32	16	64	21	42
Sales/Operations										
Direct					1	4	4	8	3	6
Indirect					0	1	1	2	1	1
Subtotal					2	4	4	10	3	7
Phase 3 Total					18	36	20	74	25	49
Annual Totals	25	98	193	292	360	258	234	1,460	489	971

The following findings flow from the data in Table 17:

1. Local spending impacts from Phase I are expected to generate a total local employment impact of 1,052 jobs across the project lifetime (2008-2014). Of this 1,052 total, 699 jobs are expected to occur in Erie County outside Sandusky, and 352 in Sandusky. In 2008-2010, 296 of this 1,052-job impact is expected to occur in Erie County and Sandusky combined.
2. Local spending impacts from Phase II are expected to generate a total local employment impact of 334 jobs from 2010 through 2014. Erie County outside Sandusky is expected to capture 222 of this 334-job impact, and Sandusky is expected to capture the other 112 jobs from this impact.

3. Spending impacts from Phase III are expected to generate a total local employment impact of 74 jobs, with 49 of these jobs captured by Erie County outside Sandusky and the other 25 jobs captured by the City of Sandusky.
4. The combined total local employment impact across all three project phases (2008-2014) is estimated at 1,460, with 971 of these jobs being captured by Erie County outside Sandusky and 489 jobs captured by the City of Sandusky.

Pay levels of the jobs generated by this project will vary, depending upon the nature of the job. For example, construction type jobs, especially if unionized, would pay higher wages than a job as a cashier, hotel clerk, or light truck driver. Here are some examples of possible jobs generated by this project and the 2007 average annual wages for these jobs in Erie County:⁵

- Carpenter: \$36,212.
- Cashier: \$16,515.
- Restaurant cook: \$17,659.
- Construction laborer: \$32,625.
- Food service manager: \$40,186.
- Host/hostess: \$15,538.
- Hotel desk clerk: \$17,865.
- HVAC mechanic: \$36,941.
- Landscaper/groundskeeper: \$19,365.
- Maids: \$15,652.
- Maintenance/repair worker: \$33,446.
- Painter: \$28,891.
- Plumber: \$52,582.
- Real estate sales agent: \$65,894.
- Recreation workers: \$20,176.
- Retail clerks: \$20,218.
- Roofer: \$40,019.
- Security guards: \$26,499.
- Truck driver (light): \$23,650.
- Waiters/waitresses: \$15,080.

C. Local Income Impacts (Occurs within Sandusky/Erie County)

Table 18 below identifies the local income impact flowing from the local spending and employment impacts identified earlier.

⁵ Source: Ohio Department of Job and Family Services, Labor Market Information Division, 2007.

Table 18: Total Local Income Impact Summary, Phases I-III (2006 Constant Dollars)

Phase	2008	2009	2010	2011	2012	2013	2014	Project Life Totals	City of Sandusky Share	Eric County Share
Phase 1 (2008-2010)								100%	33.5%	66.5%
Construction										
Direct	\$750,376	\$1,502,553	\$701,271					\$2,954,200	\$989,657	\$1,964,543
Indirect	\$109,183	\$218,295	\$102,366					\$429,844	\$143,998	\$285,846
Subtotal	\$859,559	\$1,720,848	\$803,637					\$3,384,044	\$1,133,655	\$2,250,389
Sales/Operations										
Direct	\$33,068	\$912,940	\$2,578,757	\$3,377,601	\$3,190,248	\$3,106,939	\$3,025,533	\$16,225,086	\$5,435,404	\$10,789,682
Indirect	\$10,493	\$126,360	\$362,263	\$494,202	\$451,397	\$439,592	\$428,057	\$2,312,364	\$774,642	\$1,537,722
Subtotal	\$43,561	\$1,039,300	\$2,941,020	\$3,871,803	\$3,641,645	\$3,546,531	\$3,453,590	\$18,537,450	\$6,210,046	\$12,327,404
Phase 1 Total	\$903,120	\$2,760,148	\$3,744,657	\$3,871,803	\$3,641,645	\$3,546,531	\$3,453,590	\$21,921,494	\$7,343,700	\$14,577,794
Phase 2 (2010-2012)										
Construction										
Direct			\$576,583	\$1,146,731	\$546,547			\$2,269,861	\$760,403	\$1,509,458
Indirect			\$85,836	\$1,238,893	\$3,235,529			\$4,560,258	\$1,527,686	\$3,032,572
Subtotal			\$662,419	\$2,385,624	\$3,782,076			\$6,830,119	\$2,288,090	\$4,542,029
Sales/Operations										
Direct			\$31,575	\$414,584	\$713,862	\$631,701	\$591,539	\$2,383,261	\$798,392	\$1,584,869
Indirect			\$10,019	\$67,097	\$101,737	\$78,894	\$69,304	\$327,051	\$109,562	\$217,489
Subtotal			\$41,594	\$481,681	\$815,599	\$710,595	\$660,843	\$2,710,312	\$907,955	\$1,802,357
Phase 2 Total			\$704,013	\$2,867,305	\$4,597,675	\$710,595	\$660,843	\$9,540,431	\$3,196,044	\$6,344,387
Phase 3 (2012-2014)										
Construction										
Direct					\$531,822	\$1,047,583	\$515,874	\$2,095,279	\$701,918	\$1,393,361
Indirect					\$79,603	\$156,802	\$77,216	\$313,621	\$105,063	\$208,558
Subtotal					\$611,425	\$1,204,385	\$593,090	\$2,408,900	\$806,982	\$1,601,919
Sales/Operations										
Direct					\$24,406	\$71,672	\$70,156	\$166,234	\$55,688	\$110,546
Indirect					\$7,744	\$22,741	\$22,260	\$52,745	\$17,670	\$35,075
Subtotal					\$32,150	\$94,413	\$92,416	\$218,979	\$73,358	\$145,621
Phase 3 Total					\$643,575	\$1,298,798	\$685,506	\$2,627,879	\$880,339	\$1,747,540
Annual Totals	\$903,120	\$2,760,148	\$4,448,670	\$6,739,108	\$8,882,895	\$5,555,924	\$4,799,939	\$34,089,804	\$11,420,084	\$22,669,720

The following major findings flow from the data in Table 18 above:

1. Across all three project phases, the total local income impact is estimated at \$34.1 million, with \$22.7 million of this impact in Erie County outside Sandusky and \$11.4 million in the City of Sandusky.
2. Phase I local income impacts are expected to contribute \$21.9 million of this \$34.1 million of total local income impact. Phase I will account for roughly 65% of the project's total local income impact.
3. Phase II local income impacts are expected to contribute \$9.5 million of this \$34.1 million of total local income impact. Phase II will account for roughly 27.9% of the project's total local income impact.
4. Phase III local income impacts are expected to contribute \$2.63 million of this \$34.1 million of total local income impact. Phase III will account for roughly 7.7% of the project's total local income impact.

D. Local Tax Impacts (Occurs within Sandusky/Erie County)

Project-related local tax impacts are estimated in Table 19 below. They were estimated manually because of skewed tax impact results created by the IMPLAN model. The manual calculations offer a more realistic picture of tax impact generation of the project.

Table 19: Total Local Tax Impact Summary, Phases I-III

Phase	2008	2009	2010	2011	2012	2013	2014	Project Life Totals
Development Total								
Commercial Property Tax								
City of Sandusky	\$8,039	\$25,266	\$33,397	\$36,428	\$37,118	\$37,118	\$37,118	\$214,482
Erie County	\$11,600	\$36,457	\$48,190	\$52,565	\$53,559	\$53,559	\$53,559	\$309,488
Schools	\$61,730	\$194,008	\$256,443	\$279,724	\$285,015	\$285,015	\$285,015	\$1,646,949
Library	\$1,024	\$3,218	\$4,254	\$4,640	\$4,728	\$4,728	\$4,728	\$27,319
Subtotal	\$82,393	\$258,949	\$342,283	\$373,357	\$380,419	\$380,419	\$380,419	\$2,198,238
Residential Property Tax								
City of Sandusky	\$7,718	\$30,870	\$61,740	\$108,045	\$137,445	\$179,340	\$198,083	\$723,240
Erie County	\$10,088	\$40,350	\$80,701	\$141,226	\$179,655	\$234,416	\$258,915	\$945,350
Schools	\$42,616	\$170,464	\$340,927	\$596,622	\$758,969	\$990,312	\$1,093,808	\$3,993,718
Library	\$804	\$3,218	\$6,435	\$11,261	\$14,326	\$18,692	\$20,646	\$75,382
Subtotal	\$61,225	\$244,901	\$489,803	\$857,155	\$1,090,394	\$1,422,761	\$1,571,451	\$5,737,690
Income Tax	\$9,031	\$27,601	\$56,737	\$86,307	\$122,760	\$90,559	\$95,249	\$488,246
Subtotal	\$9,031	\$27,601	\$56,737	\$86,307	\$122,760	\$90,559	\$95,249	\$488,246
Sales Tax								
Erie County (1%)	\$0	\$21,138	\$71,446	\$107,223	\$112,174	\$109,245	\$106,384	\$527,611
State of Ohio (5.5%)	\$0	\$116,259	\$392,955	\$589,728	\$616,954	\$600,849	\$585,113	\$2,901,858
Subtotal	\$0	\$137,397	\$464,401	\$696,951	\$729,128	\$710,095	\$691,497	\$3,429,468
Bed Tax								
City of Sandusky	\$0	\$0	\$77,804	\$151,074	\$146,673	\$142,810	\$139,036	\$657,398
Erie County	\$0	\$0	\$51,869	\$100,716	\$97,782	\$95,207	\$92,691	\$438,265
Subtotal	\$0	\$0	\$129,673	\$251,790	\$244,456	\$238,017	\$231,727	\$1,095,663
Project Total	\$152,649	\$668,848	\$1,482,896	\$2,265,561	\$2,567,157	\$2,841,851	\$2,970,343	\$12,949,305
Exc. State Sales Taxes	\$152,649	\$552,589	\$1,089,941	\$1,675,833	\$1,950,203	\$2,241,001	\$2,385,230	\$10,047,447

The following major findings flow from the data in Table 19 above:

1. Across all three project phases, the total local (City, County, schools, and other local) tax impact triggered by local project spending is estimated at \$10 million over the project lifetime (2008-2014). Another \$2.9 million in state taxes is generated as part of the project's tax impact.
2. This includes a total tax impact of \$2.1 million on the City of Sandusky over the project lifetime (2008-2014), which consists of:
 - a. Commercial Property Tax: \$214,482.
 - b. Residential Property Tax: \$723,240.
 - c. Income Tax: \$488,246.
 - d. Bed Tax: \$657,398.

3. This includes a total tax impact of \$2.2 million on Erie County Government over the project lifetime (2008-2014), which consists of:
 - a. Commercial Property Tax: \$309,488.
 - b. Residential Property Tax: \$945,350.
 - c. Sales Tax: \$527,611.
 - d. Bed Tax: \$438,265.

4. Finally, this includes a total tax impact of \$4.02 million on local schools over the project lifetime (2008-2014), which consists of:
 - a. Commercial Property Tax: \$27,319.
 - b. Residential Property Tax: \$3,993,718.

VIII. Study Conclusions and Recommendations

A. Measurable Economic Impacts of the Marina District Project

About one-third of the total local economic impact of the Marina District Project is expected to occur in the City of Sandusky and the other two-thirds in other parts of Erie County outside Sandusky.⁶ On an overall basis, the DTIA consulting team concludes that the Marina District will generate these estimated overall local economic impacts:

1. **Local Spending Impact:** Across all three project phases, the project's local spending impact will total \$204.8 million over the 2008-2014 period, with \$136.2 million of this spending impact accruing to Erie County outside Sandusky and \$68.6 million accruing to the City of Sandusky.
2. **Local Employment Impact:** The combined total local employment impact across all three project phases (2008-2014) is estimated at 1,460, with 971 of these jobs being captured by Erie County outside Sandusky and 489 jobs captured by the City of Sandusky.
3. **Local Income Impact:** Across all three project phases, the total local income impact is estimated at \$34.1 million, with \$22.7 million of that impact in Erie County outside Sandusky and \$11.4 million in the City of Sandusky.
4. **Local Tax Impact:** Across all three project phases, the total local (City, County, other local) tax impact triggered by local project spending is estimated at \$10 million over the project lifetime (2008-2014). Another \$2.9 million in state taxes are generated as part of the project's tax impact.

Actions to Enhance Long-Term Community Benefits

From a longer term community development standpoint, the following guidelines should be observed in approaching the development of the Marina District Project:

1. Ensure that adequate public access to the lakefront is protected and public space in the Marina District area is preserved.
2. Ensure that the development is built and operated in an environmentally sound manner. To the extent possible, appropriate green building techniques and materials should be used in the construction and operations.

⁶ Note: Based on population, the City of Sandusky represents 33.5% of Erie County's total population. The other 66.5% of the County's population lives outside the City of Sandusky.

3. Work during the construction and operating phases of the project to provide employment opportunities for City residents.
4. During the construction and operating phases of the project, businesses based in Sandusky and Erie County should be utilized wherever feasible by the private developer and the City of Sandusky to provide goods and services required by the project.

Each of these guidelines could help to ensure that the project has positive longer term economic and community development impacts on Sandusky.

Positive Gains for Sandusky from the Project

While some readers may only look at the economic impact numbers, it is important to bear in mind that the Marina District project could provide other qualitative positive impacts to the community, if the project is properly developed and operated. These include:

1. Enhancing the physical appearance of the City's lakefront by adding new homes and commercial facilities (hotel, shopping, and marina support services).
2. Preserving and upgrading parks and public space available for community use.
3. Enhancing the City's marinas and recreational boating industry by offering improved amenities to boaters.
4. Providing redevelopment synergy to the nearby downtown area by attracting new residents, who may utilize downtown shopping, entertainment and business services.
5. Expanding the City's currently declining population base by adding new residents, who would act as workers, taxpayers and shoppers in the community.
6. Raising real estate property values on the City's lakefront and in nearby neighborhoods, and in so doing help revive the City's weakened tax base.
7. Expanding the range of housing choices available to Sandusky/Erie County residents and non-residents looking for new housing opportunities.
8. Adding positively to the local tourism industry through a new hotel, retail shopping, restaurant, and marina support services.
9. Providing new tax revenues for the local schools, the library system and City Government through the proposed Tax Increment Financing District (TIF District), which

has been proposed by the City to finance a portion of the public investments associated with the project.

10. Providing the community with a new City Hall facility, enhancing public service delivery to residents.