

THE ECONOMIC IMPACT OF FEARRINGTON PLACE

PREPARED FOR

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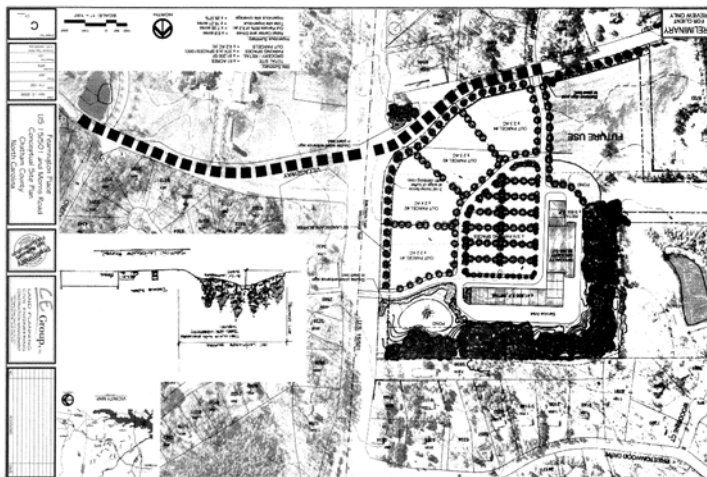
INTRODUCTION

This report evaluates the economic impacts of Jesse Fearington's proposed commercial development on Chatham County and the surrounding area. This analysis is intended to provide the County with an estimate of the level of economic activity and jobs that will be generated in Chatham County during the construction period of Fearington Place as well as the ongoing economic impacts of Fearington Place once the project is completed.

PROJECT DESCRIPTION

Fearington Place has several components planned for the forty-acre site. The components include an 81,000 square foot grocery store that will be the anchor tenant complimented by four additional components that may possibly include: a bank, a drug store, a high-end restaurant and a fast-food/convenience store. There are no residential units planned for Fearington Place.

Fearington Place



THE STUDY AREA

The economic impacts of Fearington Place will primarily be felt in Chatham County but will also extend throughout the surrounding area. Since the focus of this analysis is to estimate the impacts on Chatham County, the impacts analyzed in this study are first evaluated on Chatham County. In addition, the impacts are also estimated for the surrounding region defined in this study as Alamance, Chatham, Durham, Harnett, Lee, Moore, Orange, Randolph and Wake counties.

The builders constructing the facilities in Fearington Place will purchase many of the inputs and resources necessary to build and live in the area from within the Chatham County area. The greatest long-term impacts would be from the jobs that would be created and filled by residents living and working in the area. In addition to labor inputs, the builders and employees would purchase raw materials such as electricity, food and beverage supplies, various services such as legal and accounting services, maintenance, miscellaneous supplies and transportation services.

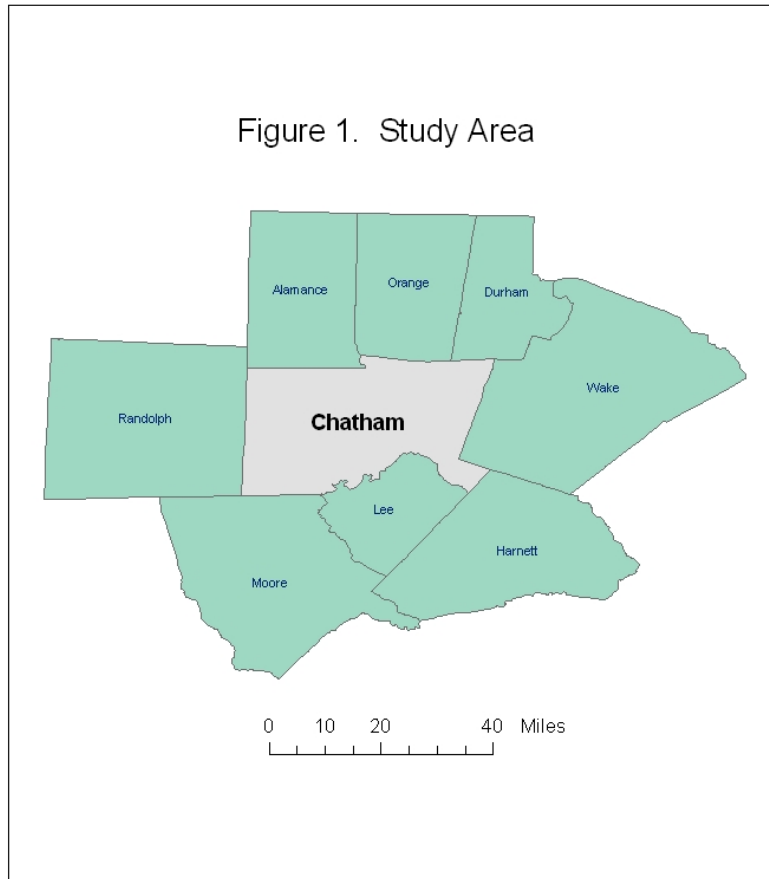
Chatham County has experienced substantial growth during the last several decades. While much of the County is rural in nature, the area has become very attractive to people who work in the Research Triangle Area.

The area is relatively large in terms of square miles, comprising about 683 square miles. The total population in the area in 2005 was a little over 58,000 people. Total employment in the county was over 30,000 workers in February 2006.

The average income in Chatham County is well above the average for the state. In 2003 the per capita income in the County was 15% above that of the state average -- \$32,236 in Chatham County compared to \$28,071 for the state.

Figure 1 provides a map of the Fearington Place study areas – Chatham County and the surrounding region.

Figure 1. Study Area



ECONOMIC IMPACTS OF FEARRINGTON PLACE

The development of Fearrington Place will have impacts on the Chatham County economy and the surrounding counties in two phases. The initial impacts will occur during the construction of the commercial properties. Once construction is completed, the employees working in the development and the commercial activities within the development will have additional impacts on an ongoing basis on the local economy. It is important to note that the economic impacts on the nine-county region are larger than those that occur within just the boundaries of Chatham County. This is due to the fact that the smaller the area, the more leakages (purchases and sales) will occur outside the area and the smaller and fewer ripples will occur inside the area – thus the multipliers are smaller, the smaller the geographic area.

This analysis utilizes impact models generated by the IMPLAN modeling system.¹ IMPLAN is a nationally recognized system of local economic models that are specifically designed to represent a local economy such as the Chatham County and surrounding area. The IMPLAN models are modifications of the national input-output models developed by the Bureau of Economic Analysis, US Department of Commerce. The IMPLAN models incorporate the most recent data available. These are generally 2002 unless otherwise noted².

The methodology and assumptions underlying these estimates and those in the following section are provided in the published report. The estimates are based on constant dollars and assume no inflation during the project's buildout. This assumption applies to all estimates in this analysis, including: property values, incomes, sales, construction materials, etc. The assumption of constant dollars provides a more accurate analysis of the impacts since both revenues and costs would increase at relatively even rates throughout the buildout period.

¹ IMPLAN is regional modeling system developed by MIG, Inc., Stillwater, MN.

² The latest data available for the IMPLAN modeling system are for 2003. However, the final dollar impacts estimated in this analysis reflect 2006 prices.

Impacts from the Construction Phase

The economic impacts from the construction of Fearington Place are outlined in this section of the report. The construction of the commercial components of Fearington Place will have impacts on the Chatham County and surrounding economy. These impacts will be relatively short-term since the construction of the project is assumed to take approximately five years.

Based on estimates by the developers, the construction phase of the development will result in a direct investment of approximately \$24.2 million at the time of the project's completion.

This investment is outlined below:

Table 1

Planned Fearington Place Construction*

Grocery Store (And ancillary retail)	81,000 sf	\$16.2 million
Bank	10,000 sf	\$ 2.0 million
Drug Store	10,000 sf	\$ 2.0 million
Restaurant	10,000 sf	\$ 2.0 million
Conv/Fast Food	<u>10,000 sf</u>	<u>\$ 2.0 million</u>
Totals	121,000 sf	\$24.2 million

* The exact size, type and cost of the facilities may vary slightly due to market conditions.

The planned investment is not expected to occur all at once. It is assumed in this analysis that the project will take five years from the initial groundbreaking to the completion of all components of the development.

THE ECONOMIC IMPACTS OF FEARRINGTON PLACE

As the construction dollars are spent and re-spent in Chatham County and the nine-county area, they create additional income for those companies and individuals that supply goods and services to the construction of the commercial/office space. The recipients of this income will spend it on other goods and services. Each time, some of the purchases will be for goods and services inside the Chatham County and the nine-county region and some are on goods and services from outside the area (often referred to as “leakages”). This is the well known “multiplier effect”.

The multipliers used in this analysis estimate three components of total change within the local area:

- * *Direct effects* represent the initial change in the industry in question.
- * *Indirect effects* are changes in inter-industry transactions as supplying industries respond to increased demands from the directly affected industries.
- * *Induced effects* reflect changes in local spending that result from income changes in the directly and indirectly affected industry sectors.

This cycle of spending continues until leakages from the region (spending on goods and services outside the area) stop the cycle. Due to the ripple effects of the multiplier, the initial, direct investment results in an indirect impact of many more dollars.

As seen in the Table 2, the compounding effects of the multiplier cause the initial direct investment of \$24.2 million to result in an indirect impact of \$4.2 million and an induced impact of \$5.0 million within Chatham County. This results in a total increase in the output of \$33.4 million in total output in Chatham County from the construction of Fearington Place.

As seen in Table 3, the impact on the larger, nine-county area is slightly larger due to fewer “leakages” from the larger area. For the nine-county area, the compounding effects of the multiplier cause the initial direct investment of \$24.2 million to result in an indirect impact of \$8.4 million and an induced impact of \$10.0 million. This results in a total increase in the output of \$42.6 million in total output in the nine-county area from the construction of Fearington Place.

THE ECONOMIC IMPACTS OF FEARRINGTON PLACE

Most of the new jobs will be created in Chatham County. It is estimated that there would be 299 new jobs created directly in Chatham County from the construction activity at Fearington Place. In addition to these direct jobs, another 64 jobs would be created as an indirect effect of the construction activity and another 71 new jobs from the induced impacts -- for a total of 434 new jobs in Chatham County during the construction phase of Fearington Place. The job creation would decline as the projects get closer to completion.

For the nine-county area, it is estimated that there would be 302 new jobs created directly from the construction activity at Fearington Place (Table 3). In addition to these direct jobs, another 97 jobs would be created as an indirect effect of the construction activity and another 113 new jobs from the induced impacts -- for a total of 512 new jobs in the nine-county area during the construction phase of Fearington Place. The job creation would decline as the project gets closer to completion.

Table 2

Summary of Construction Impacts on Chatham County

	<u>Direct</u>	<u>Indirect</u>	<u>Induced</u>	<u>Total</u>
Output	\$24.2 M	\$ 4.2 M	\$ 5.0 M	\$33.4 M
Labor Income	\$11.5 M	\$ 1.5 M	\$ 1.4 M	\$14.5 M
New Jobs	299	64	71	434

* M = Million

THE ECONOMIC IMPACTS OF FEARRINGTON PLACE

There will also be an increase in Chatham County labor income from the construction of Fearrington Place. As seen in Table 2, the compounding effects of the multiplier cause the initial direct investment of \$24.2 million to result in a direct impact on labor income in the area of \$11.5 million dollars. This would be multiplied throughout the region and result in an indirect impact of an additional \$1.5 million in labor income and an induced labor income of \$1.4 million -- for a total increase of in labor income in Chatham County of \$14.5 million.

As seen in Table 3, the increase in labor income would be slightly higher in the nine-county area. The compounding effects of the multiplier cause the initial direct investment of \$24.2 million to result in a direct impact on labor income in the area of \$11.5 million dollars. This would be multiplied throughout the nine-county region and result in an indirect impact of an additional \$3.5 million in labor income and an induced labor income of \$3.3 million -- for a total increase of in labor income in the nine-county region of \$18.3 million.

Table 3

Summary of Construction Impacts on Nine-County Region

	<u>Direct</u>	<u>Indirect</u>	<u>Induced</u>	<u>Total</u>
Output	\$24.2 M	\$ 8.4 M	\$10.0 M	\$42.6 M
Labor Income	\$11.5 M	\$ 3.5 M	\$ 3.3 M	\$18.3 M
New Jobs	302	97	113	512

* M = Million

Ongoing Impacts from Fearington Place

In addition to the impacts from the commercial construction activity, once the project is fully developed, Chatham County and the nine-county area would experience impacts from economic activity generated by the employees in the facilities in Fearington Place. The economic impacts of the employment estimated in this study are based on the projected total income of the 182 employees anticipated to work at Fearington Place establishments.

The total personal income of the employees is estimated based on the projected square footage, type of businesses and occupational earnings data for the types of businesses expected at this time to locate in Fearington Place.³

Table 4 shows the estimates of employment and payrolls anticipated in Fearington Place.

Table 4

Fearington Place Direct Employment and Payrolls

	<u>Estimated Employment</u>	<u>Estimated Annual Payroll</u>
Grocery Store	121	\$2,700,000
Bank	15	\$ 682,000
Drug Store	15	\$ 327,000
Restaurant	15	\$ 214,000
Conv/Fast Food	<u>16</u>	<u>\$ 227,000</u>
Totals	182	\$4,100,000

³ The exact employment, occupation and salaries may vary due to market conditions.

THE ECONOMIC IMPACTS OF FEARRINGTON PLACE

The ongoing commerce generated in Fearington Place is estimated to be \$65 million a year. As seen in the Table 5, the compounding effects of the multiplier cause the initial direct activity of \$65.6 million to result in an indirect impact of \$11.7 million and an induced impact of \$12.1 million within Chatham County. This results in a total increase in the output of \$89.5 million in total output in Chatham County from the ongoing commercial activities in Fearington Place.

As seen in Table 6, the impact on the larger, nine-county region is slightly larger due to fewer “leakages” from the larger area. For the nine-county area, the compounding effects of the multiplier cause the initial direct activity of \$65.6 million to result in an indirect impact of \$19.0 million and an induced impact of \$23.5 million. This results in a total increase in the output of \$108.1 million in total output in the nine-county area from the ongoing commercial activities in Fearington Place.

Table 5

**Summary of
Permanent Impacts on Chatham County**

	<u>Direct</u>	<u>Indirect</u>	<u>Induced</u>	<u>Total</u>
Output	\$65.6 M	\$11.7 M	\$12.1 M	\$ 89.5 M
Labor Income	\$ 5.0 M	\$ 0.3 M	\$0.2 M	\$ 4.6 M
New Jobs	182	20	10	212

* M = Million

It is estimated that the 182 employees would earn approximately \$4.1 million in total personal income at the time of the development’s buildout. Using the IMPLAN Modeling system, it is estimated that the activity generated by the spending by these employees would result in an increase in direct annual output in Chatham County of over \$4.1 million. As seen in Table 5, this direct impact would then have an indirect impact of \$250,000 and an induced impact of an additional \$200,000 for a total of over \$4.6 million in Chatham County.

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Based on the anticipated mix and size of commercial activities in Fearington Place, it is estimated that there would be an additional 30 jobs created in Chatham County from the direct spending of the employees working and the commercial activity in Fearington Place (Table 5). Therefore, Fearington Place would result in a total of 212 (182 + 30 = 212) new jobs created in Chatham County.

These impacts would begin to occur within a year or so of the construction of the commercial operations in Fearington Place and continue to grow in magnitude until the projects are completed.

For the nine-county region, the impacts are somewhat larger. It is estimated that the 182 employees would earn approximately \$4.1 million in total personal income at the time of the development's buildout. It is estimated that the activity generated by the spending by these employees would result in an increase in direct annual output in the nine-county of over \$4.1 million. As seen in Table 6, this direct impact would then have an indirect impact of \$730,000 and an induced impact of an additional \$770,000 for a total of over \$5.6 million on the nine-county area.

Table 6

Summary of Permanent Impacts on the Nine-County Region

	<u>Direct</u>	<u>Indirect</u>	<u>Induced</u>	<u>Total</u>
Output	\$65.6 M	\$19.0 M	\$23.5 M	\$108.1 M
Labor Income	\$ 5.0 M	\$ 0.7 M	\$0.8 M	\$ 5.6 M
New Jobs	182	30	16	228

* M = Million

Based on this increase in output, it is estimated that there would be an additional 46 jobs created in the region from the direct spending of the employees working and the commercial activity in Fearington Place. Therefore, Fearington Place would result in a total of 228 ($182 + 46 = 228$) new permanent jobs created in the nine-county area.

Local Taxes Generated by Fearington Place

Fearington Place will also generate substantial local property taxes for Chatham County government. Fearington Place will increase the total commercial tax base in Chatham County by a little over \$24 million by the time the projects are completed. Based on current property tax rates, it is estimated that at buildout, the projects will generate approximately \$141,000 per year in Chatham County property taxes. These tax revenue estimates are based on the total buildout as outlined in Table 1 and assume the property tax rates that exist in 2006 are constant over the buildout period.⁴

Fearington Place will also generate additional sales tax collections will also accrue to Chatham County. While it is beyond the scope of this analysis to estimate all of the fiscal impacts of Fearington Place, a conservative estimate of 1% of total commercial sales activity of \$65 million would generate approximately \$650,000 in sales taxes for Chatham County on an annual basis.

Together, the additional property sales tax collections should result in a net fiscal benefit to Chatham County. The cost of providing additional County services to Fearington Place would be relatively modest. The primary reason for the relatively low impact on County services is that there will be no students generated in the Chatham County School District directly from the project. In addition, since the project is located in a fairly well-established area in the County, most of the infrastructure -- such as water and sewer capacity, connecting traffic arteries and school capacity -- already exists to serve the area.

⁴ It is beyond the scope of this analysis to estimate the costs to the County from the project, but it is reasonable to assume they would be relatively modest since there are no residential dwelling units planned for the project.

SUMMARY

As outlined in the analysis above, it is clear that the development of Fearington Place will have a positive impact on Chatham County and the surrounding regional economy. These benefits will be generated from both the construction phase and the permanent on-going commercial activities in Fearington Place.

Table 7 presents a brief summary of the economic impacts during the construction phase as well as the ongoing operations of the development at Fearington Place on Chatham County. As seen below, there will be almost \$90 million of economic activity generated on an ongoing basis and over 200 jobs created in Chatham County from the development of Fearington Place.

Table 7
Summary of
Fearington Place Impacts on Chatham County

	<u>Construction Phase Impacts</u>	<u>Permanent Impacts</u>
Output	\$42.6 M	\$ 89.5 M
Labor Income	\$18.3 M	\$ 4.6 M
Employment	512	212
Tax Base	NA	\$ 24.2 M
Annual Property Taxes	NA	\$140,000

* M = Million

THE ECONOMIC IMPACTS OF FEARRINGTON PLACE

Another direct benefit to Chatham County from the proposed Fearington Place is that at buildout, the properties will generate over \$141,000 a year in new property taxes and considerable sales taxes for the County. An additional benefit is that there is no residential component in the project. There will be no additional students generated in the Chatham County School District directly from the project. In addition, many of the associated costs to the County that result from new residential or commercial development would most likely be relatively modest. Since the project is located in a fairly well-established area in the County, most of the infrastructure -- such as water and sewer capacity and connecting traffic arteries -- already exists to serve the area.

METHODOLOGY

This study estimates the economic impacts of the proposed Fearington Place project on the Chatham County area economy. The methodology used in this study is the IMPLAN regional input-output modeling system developed by MIG, Inc. of Stillwater, Minnesota.

IMPLAN was developed by MIG, Inc. as a cost-effective means to develop regional input-output models. The IMPLAN accounts closely follow the accounting conventions used in the “Input-Output Study of the US Economy” by the Bureau of Economic Analysis (1980) and the rectangular format recommended by the United Nations.

The IMPLAN Input-Output Model mathematically describes commodity flows from producers to intermediate and final consumers. Purchases for final use (final demand) drive the model. Industries producing goods and services for final demand purchase goods and services from other producers. These other producers, in turn, purchase goods and services. This buying of goods and services (indirect purchases) continues until leakages from the region stop the cycle.

The IMPLAN input-output model mathematically derives these indirect and induced effects. The resulting multipliers describe the change in output for each and every regional industry caused by a one-dollar change in final demand for any given industry. The notion of a multiplier rests upon the difference between the initial effect of a change in final demand and the total effects of that change. Total effects are the direct effects plus indirect effects, plus induced effects. Direct effects are the production changes associated with the immediate final demand changes. Indirect effects are production changes in backward-linked industries caused by the changing input needs of directly effected industries. Induced effects are those resulting from the household expenditures from new labor income.

In essence, the multipliers estimated by this methodology represent the chain-reaction, ripple effect in an economy that a new dollar of economic activity would produce. To produce a dollar of new product, employees must be hired and paid. The wages paid to these workers would then be spent by them on goods and services, such as food, gasoline, clothes, housing, etc. within the region and outside the region. When they spend these dollars, those dollars become income to the recipient and the spending continues over and over again.

THE ECONOMIC IMPACTS OF FEARRINGTON PLACE

The economic activity of the project also requires intermediate inputs to be purchased such as electricity, raw materials, transportation services, etc. These expenditures would also become income to the recipient. These dollars are paid out by the receiving company in the form of purchases for raw materials, wages for labor, etc. They in turn are then spent over and over again in the economy. When purchases are made from outside the region they are considered “leakages” from the economy. The chain-reaction buying of goods and services continues until these leakages from the region stop the cycle.

MAJOR ASSUMPTIONS:

AD VALOREM TAX RATES – Tax rates adopted for the Chatham County FY06 budget cycle were assumed as follows:

Chatham County	0.5970%
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Source: Chatham County FY 2005-06 Budget Ordinance

CHATHAM COUNTY POPULATION

The most recent US Census estimate of the resident population of Chatham County is 58,002 for 2005.

PERSONS PER HOUSEHOLD

Based on 2000 Census data, the average Household size is assumed to be 2.47 persons per household.

EMPLOYEES PER SQUARE FOOT

Estimates of employment per square foot are based on those published by Arthur C. Nelson, Planner's Estimating Guide: *Projecting Land-Use and Facility Needs*. American Planning Association, 2004.

Table 8

Fearrington Place Employment

	<u>Employment Per Square Foot</u>
Grocery Store	671
Bank	671
Drug Store	671
Restaurant	671
Conv/Fast Food	632

EARNINGS PER WORKER

Annual payrolls for each type of facility identified in Table 1 were estimated based on occupational wage data published by the North Carolina Employment Security Commission. Annual earnings per worker were estimated based on average wages by industry for the following industries multiplied by 2,000 hours per year.

Table 9

Fearrington Place Estimated Payrolls

	<u>Average Hourly Wages(1)</u>	<u>Estimated Employees(2)</u>	<u>Annual Payroll</u>
Grocery Store	\$10.98	121	\$2,700,000
Bank	\$22.88	15	\$ 682,000
Drug Store	\$10.98	15	\$ 327,000
Restaurant	\$ 7.16	15	\$ 227,000
Conv/Fast Food	\$ 7.16	15	\$ 213,000

Source: (1) North Carolina Employment Security Commission
(2) A.C. Nelson, Planner's Estimating Guide

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