

Westwood Country Club Redevelopment Economic and Fiscal Impact

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SUMMARY

CGR was engaged by Mensch Capital Partners to estimate the economic and fiscal impact of their proposed Westwood County Club redevelopment in the Town of Amherst, NY. They propose investing over \$238 million in redeveloping the site that currently houses the Westwood Country Club. The table below summarizes their proposed development of the site:

Proposed Development of the Westwood Site	
Component	Acres
Mixed-Use Town Center	58.9
Commercial/Multi-Family Development	22.2
Office Park Development	15.2
River's Edge Townhomes	11.6
Lake Edge Townhomes	4.8
Clubhouse/Public Event Space	3.6
Hotel Development	1.5
Single Family Residential Subdivision	46.0
Patio Home Lots	27.2
Conventional Single Family Home Lots	20.7
Condominium Townhome Development	27.6
Creekside Conservation/Recreation Area	22.5
Senior Living Development	15.0

We estimate that this redevelopment will increase population by about:

- 1,600 residents in the Town of Amherst.
- 275 students in the Williamsville Central School District.

Economic and Fiscal Results

Over the ten years analyzed we estimate this will result in about:

- 2,300 jobs during the construction phase earning over \$115 million.
- Assuming that 25% of the businesses on site are new to the Buffalo market, we estimate 400 additional jobs once fully operational earning about \$17 million annually.
- \$51 to \$58 million in additional property tax revenue more than offsetting the \$25 million increase in the cost of government services, depending on whether the office park is taxed under a PILOT agreement.
- \$17 million in additional sales tax revenue for state and local government.
- \$10 million in additional income tax revenue to the State of New York.

Staff Team

Principal project support was provided by Mike Silva, Data Analyst. Mr. Silva handled draft reporting, data entry, primary analysis and provided methodological support.

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INTRODUCTION

CGR was engaged by Mensch Capital Partners to evaluate the economic and fiscal impact of their Westwood Country Club redevelopment project. The development is expected to bring residents and business to the town of Amherst, New York. CGR's task was to evaluate the impact of these changes.

Development Profile

The proposed development will be at the site of the Westwood Country Club in Amherst, NY, a town northeast of Buffalo, NY. The development will transform the golf course into the following mix of residential and commercial space:

1. **Mixed-Use Town Center Development (58.9 acres)** – This portion of the project is meant to serve as the commercial core of the site with primary access to Sheridan Drive. The following development types and density are anticipated:
2. **Mixed Use Town Center (22.2 acres- 352 residential units, 115,000 sq. ft. Neighborhood Business/Office space)** – This site is planned to feature approximately 115,000 sq. ft. of neighborhood business and office space within the first floor of mixed use buildings focused around the central plaza and hotel space. The buildings in this space will consist of 2 and 3 story structures that include upper story residential development totaling 352 units.
3. **Lake Edge Townhome Development (4.8 acres, 37 units total)** – This site is planned to have 37 townhome units developed along the central Westwood Lake and adjacent to the Town Center.
4. **Office Development (15.2 acres)** – This project component will be directly adjacent to Sheridan Drive, offering the most direct access to interstate options within close proximity to the site. This area is planned to contain 2-story medical and professional office buildings with approximately 200,000 total square feet of available space.
5. **River Edge Townhome Development (11.6 acres)** – This portion of the project will feature 56 rental townhome units in close proximity to the historic clubhouse that will provide both indoor and outdoor opportunities for public events and gatherings.

6. **Clubhouse/Public Event Space (3.6 acres)** – The existing Country Club features a historic clubhouse facility that will serve as a space for community events and banquets. Directly adjacent to the clubhouse will be a public gathering space and open green approximately 1.2 acres in size for outdoor events.
7. **Hotel Development (1.5 acre site, 130 rooms)** – The project will feature a 4-story 130 room hotel designed to be central to the Town Center development.
8. **Single Family Residential Subdivision (46 acres, 154 Lots)** – This subdivision is planned to include a mix of 108 patio home lots and 46 conventional single family lots to be serviced via new private roads that will be accessed off of the primary public right of way through the center of the development.
9. **Condominium Townhome Development (27.6 acres)** – This portion of the project is intended to be developed with adjacency to the single family subdivision and will feature 90 townhome units with a community center that can be accessed by both the single family subdivision and townhome residents.
10. **Creekside Conservation/Recreation Area (22.5 acres)** – This portion of the project will serve as the primary recreational opportunity for residents and adjacent neighbors. The park will include the Westwood Lake and Ellicott Creek corridor as significant natural features and will have a trail network extended and connected throughout the Westwood community.
11. **Senior Living Development (15 acres)** – This project component will feature a 200 room assisted living facility. In addition, the building will also contain 96 independent living apartment units, connected via building corridors to the central community services offered within the assisted living facility.

Outline of Report

The impact of this proposed development can be broken down into two parts. The first part is the construction phase. During the construction phase \$238 million will be invested in the site. This will be spent on labor and materials. It will provide temporary construction jobs and paychecks to the workers. The state will collect income tax, and there will be sales tax generated on the material spending. This impact will be temporary in nature, but will have a substantial impact on the economy.

Once the site is fully operational, the development will create jobs and deliver paychecks to the workers, about one quarter of whom are assumed

to be new to the region. There will be an increase in income tax, sales tax, occupancy tax and property tax revenues for local, state, and federal governments. There will also be an increase government services demand which will result in an increase the costs for providing government services.

This report details these economic and fiscal impacts. CGR focuses on the Buffalo metropolitan area (Erie and Niagara counties) as the level of analysis in determining the economic impact. New York State is the level of analysis for estimation of the fiscal impact.

CGR's report is presented in the following sections:

1. *Our Approach* provides explanations of terminology as well as the methodological procedures and assumptions CGR used to estimate the economic and fiscal impact.
2. *Estimated Impacts* provides the economic impact estimates for the development. The impact is estimated both in terms of employment and labor income. CGR also provides estimates of the fiscal impact in terms of sales, occupancy, income and property tax revenue generated along with estimates of the costs of community services in this section.

OUR APPROACH

Terminology

Region

Throughout the report there is reference to “the region.” The impact region is assumed to be the Buffalo-Niagara Falls Metropolitan Statistical Area (Erie and Niagara counties).

Direct Impact

Westwood County Club redevelopment project's direct economic impacts on the regional economy (measured by CGR in terms of jobs and income) are a result from both construction and operation spending. For example, investing in the construction of the hotel will generate temporary construction jobs and is a direct impact. Additionally, employing staff to run the hotel once it is built results in an ongoing direct impact to the economy.

Spillover Impact

Spillover expenditures result from the subsequent spending of the recipients of the direct expenditures. For example, a company that supplies a product or service to the hotel uses the proceeds of that sale to make expenditures of their own, typically for both materials and labor. Similarly, when employees of the hotel spend their wages, these become income for other businesses. Both of these types of expenditures are jointly referred to as spillover impacts.

Methodology & Assumptions

Population Impact

The proposed development has a residential component. We assume full occupancy of all the housing units with the exception of the senior living development, which is assumed to maintain 95% occupancy. We assume each housing unit holds one household. We further assume that all of these households represent an increase in the population of the town and the Williamsville School District.

Using the most recent census data we estimate the number of people in a household based on the housing type (rental vs owner occupied). The household size in owner occupied housing was estimated by reference to detailed demographic information by home value. We applied these ratios to the number of housing units to get estimates of the residents. Since some of the senior living development units are one room, we assumed single occupancy. The following table summarizes the number of people per type of housing units used in the model:

People per Housing Unit Ratio Assumptions	
Housing Type	People per Unit
2 Room Rental Unit	1.1
Owner Occupied Home	
\$175,000 - \$199,999	2.9
\$250,000 - \$299,999	3.2
\$300,000 - \$399,999	3.3

Source: U.S. Census Bureau 2007-11 PUMS (Buffalo MSA)

To estimate the number of school-age children we used the latest census data, which indicates there are 0.4 school age children per occupied housing unit. This very low ratio is consistent with CGR's previous experience with the Town of Amherst and is consistent with the long standing trend of decline in the share of school-age children in the town. We applied this ratio to all housing units except those within the senior living development to estimate the number of school age children.

Economic Impact

Employment & Labor Income

CGR used IMPLAN, a regional input-output modeling system, for estimating the economic impact. IMPLAN is widely acknowledged as one of the best models of economic activity available. The IMPLAN database, created by MIG, Inc., consists of two major parts: 1) a national-level technology matrix and 2) estimates of sectorial activity for final demand, final payments, industry output and employment for each county in the U.S. along with state and national totals. Data are updated annually. IMPLAN estimates the direct, indirect and induced impacts of economic change through the use of multipliers, and estimates the impact of an increase in demand in a particular sector on 440 different industries/sectors of the local economy.

Employment estimates were supplied to CGR by Mensch for the senior living development. Hotel employment was estimated using IMPLAN multipliers applied to the estimated hotel revenue. Employment for all other components were estimated applying average square footage per worker ratios developed for the types of space. The following table summarizes the square footage, the square footage by worker ratio and the estimated workers:

Workers Estimated by Square Footage by Use			
	Square Footage	Square Foot per Worker	Estimated Workers
Total	603,400	N/A	776
Food Sales	7,500	877	9
Food Service	22,500	528	43
Retail	60,000	1,246	48
Office	230,000	434	530
Service	30,000	1,105	27
Hotel*	99,100	N/A	48
Senior Care*	155,800	N/A	73

**Estimate of direct employment not determined on a staff per square foot basis*

We assumed that 25% of the jobs would be new to the region and 75% would be a relocation from somewhere else in the region.

Fiscal Impact

Income Tax

We estimated the income tax revenue using the latest available effective income tax rates published by the NYS Department of Taxation. These

figures allow CGR to estimate average tax liability by income class. We applied the tax rate for the Buffalo metro to the estimate income.

Sales Tax

We estimated sales tax revenue due to employee spending by applying the sales tax rate (8.75%) to the estimated share of income spent on sales taxable goods and services. For the sales tax revenue from project spending we applied the sales tax rate to the estimated share of construction spending subject to sales tax.

Property Tax

All property tax modeling uses tax rates that reflect changes in the cost of government services and assessed value. We assume that the total project assessed value after development to be \$230 million, although this will be determined by the assessor. From that, we estimate the property tax revenue for the Town of Amherst, Williamsville Central School District, and Erie County. These figures are presented with a PILOT agreement and without. When presenting the PILOT scenario we assume that the 200,000 square foot office park is the only component to which the PILOT is applied.

Occupancy Tax

We estimate the occupancy tax using average daily room and occupancy rates data provided by Mensch.

Cost of Community Services

Local government service costs can best be described as a “step function.” Costs increase significantly at discrete points in time as existing capacity is consumed and a costly expansion of capacity is required.

Nearly every service provided by local government has a substantial “fixed cost” component. The cost imposed by adding a single person, dwelling unit or commercial building is less than the average cost (the total cost divided by the number of persons, units or commercial square feet).

CGR analyzed the budget impact on town services for both residential and commercial separately. We assume a variable impact on each line item of the budgets (townwide, town outside village, highway) based upon CGR’s experience and best estimate of marginal impact when new people and/or houses come into the community. Each item of the budget is assumed to be impacted by residential development and commercial development.

CGR analyzed the budget impact on the county services using the same approach used with the town. We assigned reasonable assumptions of the impact this development in Amherst would have on each line item.

Based on CGR's previous experience with Williamsville Central School district we anticipate that they have the capacity to accommodate the additional school age children that were estimated. NYSED estimates a cost per child of about \$8,100 (after state aid) for the school district. We use this figure to estimate the fiscal impact.

The fiscal impact model does not attempt to forecast changes in the real cost of community services; the only question the model addresses is the tax impact from a change in the number of school children, people or businesses. The costs were held constant.

Discount Rate

When presenting the ongoing fiscal impact we modeled it over 10 years which is the length of the Town of Amherst IDA standard PILOT agreement. We assumed a 2% discount rate.

ESTIMATED IMPACTS

Population Impact

The following table summarizes the estimated change in population that will result from the addition of the residential housing:

New Residents Assumptions and Estimates

Component	Housing		People / Household	New Residents	New Children
	Units	Households			
Total	1,029	1,010	1.6	1,581	275
Mixed-Use Town Center	489	489	1.1	551	183
Mixed-Use Apartments	352	352	1.1	396	132
River's Edge Townhomes	100	100	1.1	113	37
Lake Edge Townhomes	37	37	1.1	42	14
Single Family Residential Subdivision	154	154	3.2	491	58
Patio Home Lots	108	108	3.2	341	40
Conventional Single Family Home Lots	46	46	3.3	150	17
Condominium Townhome Development	90	90	2.9	262	34
Senior Living Development	296	277	1.0	277	0

The Westwood project is planned to add over 1,000 housing units and households. We estimate the addition of about 1,600 residents based on census data. Using the children per occupied housing unit in the Town of Amherst we anticipate a total of about 275 new school age children to the Williamsville Central School District.

Economic Impact

Construction Phase Impact

During the construction phase there will be a substantial but temporary impact on the economy. The following table summarizes the economic impact during the construction phase:

Temporary Construction Impact (dollars in millions)			
	Direct	Spillover	Total
Employment	1,600	700	2,300
Labor Income	\$81.2	\$33.9	\$115.1

The project's construction spending will support about 1,600 annual FTE construction jobs. Spending by their suppliers will support an additional 700 jobs for a total impact of 2,200 jobs.

This project will result in an estimated \$115 million of income for workers. The construction workers will be paid about \$81 million dollars in total. The spillover effect will total about \$34 million for the 700 workers.

Operational Phase Impact

Once operational the Westwood project will have a sustained impact on the regional economy. A key assumption here is that about one-quarter of the businesses will be new to the regional economy. If the development serves as a catalyst for an expansion in regional economic activity and brings a larger proportion of new activity, the impacts will be greater. To the extent that the development simply displaces economic activity already taking place in the metro area, these impacts will be much smaller. The fiscal impacts for the Town of Amherst are more easily predicted, however, and are very likely to occur.

The following table summarizes what the impact will be on an annual basis:

Annual Permanent Impact (dollars in millions)			
	Direct	Spillover	Total
Employment	200	200	400
Labor Income	\$10.4	\$6.4	\$16.8

The Westwood project is assumed to add about 200 new jobs to the region. The spending by these companies and their employees will spur

on an additional 200 jobs in the local economy for a total impact of approximately 400 additional jobs.

Each year employees working at the site will earn in total around \$10 million. After adding in the spillover income of \$6 million, the region could expect an additional \$16 million in income each year.

Fiscal Impact

Revenue

Income Tax

The labor income outlined in the previous section will generate income tax revenue for New York State. The following table summarizes the present value of the income tax receipts during the two phases:

Income Tax Revenue (dollars in millions)			
	Direct	Spillover	Total
Construction Phase	\$3.0	\$1.3	\$4.3
Operational Phase*	\$3.5	\$2.0	\$5.5

* Figures over 10 years and discounted by 2%

A total of about \$4 million will result from the construction phase. 70% of it will come from the construction workers and the remaining 30% will be from the supporting firms' workers.

Once operational, New York State will receive a new stream of income tax revenue from firms located on site. We estimate that the present value of ten years of income tax revenue totals about \$6 million. \$4 million is due directly to the employees at the Westwood project.

Sales Tax

Sales tax revenue will be generated during both the construction and operational phase. The table below summarizes the sales tax revenue:

Sales Tax Revenues (dollars in millions)	
Total Sales Tax Revenue	\$16.5
Construction Phase	\$11.8
Project Spending	\$8.3
Employee Spending	\$3.5
Operational Phase*	\$4.7

* Figures over 10 years and discounted by 2%

Project spending on materials during the construction phase will result in an estimated \$8 million in sales tax revenue for the state and the local governments. As labor income is spent it will also generate sales tax

revenue. Employee spending will generate about \$4 million in sales tax revenue total during the construction phase.

Once operational, employee spending will have a fiscal impact as well. The present value of 10 years of additional sales tax revenue is estimated to be a little under \$5 million in total.

Occupancy Tax

The onsite hotel will collect occupancy tax once operational. CGR estimates ten years of occupancy tax revenue to have the present value of about \$2 million.

Property Tax

The development will also result in an increase in property tax revenue. We present the following two scenarios: one with a PILOT agreement and one without. The following table summarizes what additional revenue could be expected:

Additional Property Tax Revenues (dollars in millions)*				
Scenario	Town of Amherst	Williamsville School District	Erie County	Total
No PILOT	\$9.0	\$38.5	\$10.6	\$58.1
With PILOT**	\$7.8	\$33.6	\$9.2	\$50.6

* Figures over 10 years and discounted by 2%

**PILOT only applied to the office park component of the development

Under the no PILOT scenario, 10 years of property tax revenue would have the present value of about \$58 million.

For the PILOT, we abated the office park using the Town of Amherst's IDA 10 year property tax abatement. The present value of ten years of property tax revenue would total a little under \$51 million.

Fiscal Impact Summary

The development of the Westwood site is expected to spur a significant increase in tax revenue. Over the next ten years the present value of the revenue totals about \$86 million as summarized below:

Fiscal Impact - Revenues (dollars in millions)	
Total Revenues	\$86.3
Income Tax	\$9.8
Construction Phase	\$4.3
Operational Phase*	\$5.5
Sales Tax	\$16.5
Project Construction Spending	\$8.3
Employee Spending	\$8.2
Construction Phase	\$3.5
Operational Phase*	\$4.7
Occupancy Tax*	\$1.9
New Property Tax*	\$58.1

* Figures over 10 years and discounted by 2%

Cost of Government Services

The cost of government services to support this new development over ten years has a present value of about \$25 million. The following tables summarize the breakout of the costs and compares it against the revenue expected without and with a PILOT agreement:

Estimated Costs vs Revenue (dollars in millions)*

	Cost of Services	Revenue	Difference
Total	\$25.1	\$58.1	\$33.0
Town	\$2.9	\$9.0	\$6.1
School District	\$20.5	\$38.5	\$18.0
Erie County	\$1.7	\$10.6	\$8.9

* Figures over 10 years and discounted by 2%

Estimated Costs vs Revenue with PILOT (dollars in millions)*

	Cost of Services	Revenue	Difference
Total	\$25.1	\$50.6	\$25.5
Town	\$2.9	\$7.8	\$4.9
School District	\$20.5	\$33.6	\$13.1
Erie County	\$1.7	\$9.2	\$7.5

* Figures over 10 years and discounted by 2%

We estimate that the property tax under either a PILOT scenario or no PILOT scenario is more than adequate to cover the increased costs for providing community services for all taxing jurisdictions.

Summary

This report estimates the fiscal and economic impact of the redevelopment proposed for the Westwood Country Club in Amherst NY.

The redevelopment will have a short term impact during the construction phase of the project and an ongoing impact once operational. Over the ten years modeled, CGR estimates it will result in about:

- 1,600 new residents to the Town of Amherst.
- 275 new students in the Williamsville Central School District.
- 2,300 jobs during the construction phase earning over \$115 million.
- 400 jobs once fully operational earning about \$17 million annually.
- \$51 to \$58 million in property tax revenue (depending on the PILOT).
- \$25 million increase in the cost of government services.
- \$17 million in sales tax revenue.
- \$10 million in income tax revenue.
- \$2 million in occupancy tax revenue.