Submission Made in Response to a Request for Qualifications for Persons Qualified to Prepare Comprehensive Economic Impact Studies

Submitted by:
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The Maine State Planning Office
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A. Contact Information

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B. Educational Background

The Kennedy School, Harvard University, Program for Senior Executives in State and Local Government, graduate certificate.
The Fletcher School, Tufts, University, M.A., Ph.D., Economics, (Ford Foundation Fellow).
The University of Toledo (Toledo, Ohio), B.A., International Studies (Woodrow Wilson Fellow).

C. Experience & Training

For the past six years, I have worked as Chief Economist for Planning Decisions, Inc., a public policy consulting firm with offices in South Portland and Hallowell, Maine. During that time, I have worked on numerous economic, fiscal and community impact studies for both large and small communities in Maine, New Hampshire and Rhode Island. In that work I have collaborated with the community planners in my firm, with the staff of municipal, regional and state government agencies, with local, county and state elected officials, with representatives of non-profit agencies and with a wide range of private developers, architects and transportation engineers. Many of these projects involved assessing the impacts of large-scale retail developments.

In collaboration with Richard Kelso, CecD, President of Economic Management Services of Augusta, Maine, I developed and taught a year-long course for the New Hampshire Economic Development Association (NHEDA) to certify professional economic development officials. That course contained considerable material on retail development, impact analysis and community assessment.

For eight years, I served as Director of the Economic Development Division of the Maine State Planning Office. In that capacity, I provided policy analysis to governor, supervised staff of sixteen and became familiar with all federal, state and regional agencies involved in the community and economic development process.

I am currently a member of the Consensus Economic Forecasting Committee (CEFC) that advises the Legislature and Governor with respect to economic and revenue forecasting, a charter member of the Federal Reserve Bank of Boston's New England Public Policy Center Advisory Board, a member of the Governor's Quality of Place Council and I write a weekly column on issues concerning economic development in Maine for the Maine Sunday Telegram.

D. Examples of Three Previous Projects

Wal-Mart Super Center proposed for Damariscotta, Maine, March 2006.

I was engaged by the Town of Damariscotta, Maine to investigate and report on the fiscal impact of a Wal-Mart store proposed for the outskirts of the downtown area on Route 1. The work consisted of specifying the precise nature of the investment proposed, gathering information on the labor and shopping markets of Lincoln County, on the revenue and expense histories of local governments, interviewing business owners and government officials, writing a report and presenting findings of the report to meetings of the Board of Selectmen and to a general public information meeting sponsored by the local newspaper.

Plum Creek Timber Company Proposal for Resort and Residential Development, Greenville, Maine, March 2007 to the present.

I was engaged by Plum Creek Timber Company to prepare a report on the fiscal impact of the company's proposed development of its land in the Moosehead Lake region. The work consisted of specifying the precise nature of the investment proposed, by function, by location, by financial value and by time. I combined this information with data on past patterns of revenue and expense flows for the Unorganized Territory and for the municipalities of Greenville and Jackman. I reviewed studies of community impacts, interviewed business owners and government officials and wrote a report presenting estimates of the likely revenue and expenses that the project would generate for local, state and county governments. This report was submitted to the Land Use Regulation Commission (LURC).

The Shops at Biddeford Crossing, Biddeford, Maine, April 2004.

I was engaged by the City of Biddeford, Maine to investigate and report on the fiscal impact of a 450,000 square foot retail development proposed for area near the intersection of the Maine Turnpike and Route 11. The work consisted of specifying the precise nature of the investment proposed, gathering information on the labor and shopping markets of the Biddeford-Saco and York County areas, on the revenue and expense histories of the City, including reviewing assessor records to estimate square foot values and tax revenues likely to arise from the proposed investment, interviewing business owners and government officials, writing a report and presenting findings of the report to a meeting of the City Council.

E. Some Costs and Benefits of Large-scale Retail Development

Some of the *possible* benefits of a large-scale retail development are:

- An increase in the value of taxable property in the community where the project is located;
- An increase in the number and variety of jobs available in the community where the project is located;
- An increase in the variety of goods (and, depending on the nature of the specific stores to be created, potentially in the quality, price ranges, store hours and travel distance) available for consumers in the shopping area the proposed project would serve;

- An increase in indirect and induced sales, employment, income and taxable property value for businesses linked to increased commercial activity created by the proposed new project.

Some of the *possible* costs of a large-scale retail development are:

- Loss of desirable open space (depending on site selected for development);
- Increased traffic in the area near the development and on connecting arterials;
- Storm water runoff from newly created roofs and parking areas;
- Loss of visual character of local built environment (depending on nature and enforcement of local design standards);
- Increased demand on water and sewer systems;
- Increased demand on solid waste disposal systems;
- Increased demand on public safety services;
- Increased demand on public social services;
- Increased demand on public education system;
- A decrease in sales, employment, income and taxable property value for businesses competitively damaged by the increased commercial activity created by the proposed new project.

The central task of impact analysis is twofold:

- to gather evidence concerning the likelihood that any or all of these *possible* benefits and costs would in fact *actually occur* in the specific project under consideration; and
- to present this evidence in a clear fashion so that citizens and public decision makers have a clear basis for their choices.

F. Methodology Used to Perform Analysis

The analysis of a large-scale retail development involves two separate impacts:

- the economic impact of the project and
- the community/fiscal impact of the project.

Economic Impact Analysis

Economic impact analysis involves estimating the direct, indirect and induced sales, employment and income effects of a proposed investment on a particular area. This work involves several tasks.

Task 1 Estimate the Direct Effects of the Proposed Project

This will involve both the capital spending required to complete the project and the consumer sales likely to be generated by the completed project. This will require working with the developer's staff to estimate likely amounts of capital spending to be made in Maine. It will also require using secondary sources to estimate the business sales for a retail development of the proposed size and a careful review of the proposed number and types of stores to be created and their likely competitive impact on stores currently serving the existing shopping area.

Task 2 Estimate the Total Effects of the Proposed Project
This will involve entering values for the project investment and consumer sales impacts into an inter-industry economic model such as IMPLAN[1] and interpreting the results. This work will result in an estimate of the net impact on employment, income, sales and taxes for both the local area.

Task 3 Estimate the Demographic and Labor Market Impacts
This will involve assessing the current state of the relevant labor market—number of jobs, distribution by industrial sector and occupation and average wages by sector and occupation. Using this baseline and the proposed number of jobs and proposed wage levels associated with the new project, it then involves estimating the effect of the proposed project on the area labor market and on the likely patterns of commuting to work and shopping.

Fiscal Impact Analysis

Fiscal impact analysis involves estimating both the revenue the project is likely to generate for the state and the community as well as the increased demand for public services the project is likely to generate.

Task 1: Assemble Basic Project Information
The first task will be to gather additional information about the project beyond that required for the economic analysis. This information will include:

- location of the site to be developed, its acreage and square feet to be developed (including parking, roof area and storm water runoff;
- number and type of stores involved; anticipated trade area, trade area population and desired customer mix;
- area of operating space, seating capacity, rooms, beds, or number of pumps, hours of operation, lighting to be used;
- description of type, volume, and method of solid waste removal;
- description of proposed traffic (automobile, truck and pedestrian) flow;
- assessed value of finished project and completion timetable; and,
- projected annual retail sales in completed project.

Task 2: Project Potential Revenues from the Project from All Sources
This task will involve estimating the potential new revenues resulting from the project including property taxes and fees. The calculation of potential property tax revenue will involve:

- calculating the assessed value of property created and its effect on the assessed value of property that may be negatively affected; and,

[1] IMPLAN (IMpact analysis for PLANing) is a computer input-output modeling program originally developed by the US Department of Agriculture Forest Service for resource management planning. It contains mathematical replications of the technological relationships and purchasing patterns that occur among sectors of the Maine economy. A sector is a grouping of industries in an economy and is based on the North American Industry Classification System (NAICS). IMPLAN uses 509 sectors benchmarked to actual Maine employment in 2004.

- calculating the indirect effects of these changes in assessed value, i.e., the effects on state education subsidy payments, on state revenue sharing payments, and county tax payments.

Task 3: Identify and Quantify Likely Changes in the Demand for Municipal Services
This task will involve three sub-tasks:

- reviewing recent municipal budgets;
- interviewing department heads regarding known and anticipated increases in demand for service resulting from the development; and
- working with department heads to determine the impact of increased demand from this project on their budgets and facilities.

This task will involve both gathering data on measures of demand for municipal services such as calls for police or rescue and calculating the ranges of new services each department can provide within its current capital structure (facilities and equipment) and operating budget (staff and budgetary expenditures).

Task 4: Project the Likely Service Costs of the Project
This task will involve combining the potential demand for services generated by the project with the expenses, both operational and capital, that will be required to meet them. It will require an evaluation of whether a marginal cost or average cost basis is the most appropriate for each department and determination of the way to allocate costs.

G. Key Data Sources

The primary data sources I will draw upon to complete an impact analysis will be the developer and the municipality. The developer should provide all relevant data regarding the proposed investment. The municipality should provide historic revenue, expenditure and assessing data. In addition, the municipality should make department heads available for interviews regarding their judgments about the likely impacts of the project. Another source of key information I will gather will be an inventory of product selection, pricing levels and hours of operation for the newly proposed stores and the stores in the existing shopping area. I will supplement all of this information with analysis of studies that have been made regarding the economic and fiscal/community impact of large-scale retail development. They will serve as the point of departure for beginning such an impact analysis.

Secondary sources I consider necessary for completion of impact studies include retail sales data compiled by the Maine State Planning Office, State Aid for Education data compiled by the Maine Department of Education, State Revenue Sharing data maintained by the Maine State Treasurer, a variety of Labor Market data maintained by the Maine and U.S. Departments of Labor and county income data maintained by the U.S. Department of Commerce, Bureau of Economic Analysis. Also, depending on the nature of the area involved, I will review data from the U.S. Bureau of the Census, both block data from the 2000 census and more recent data from the American Community Survey.

Finally, I will use the IMPLAN computer input-output modeling program to estimate project multipliers. This model contains sales, employment and income data on 509 sectors at both the state and county level.

H. Area to be Studied

The comprehensive economic impact area is composed of two parts—the municipality in which the proposed retail development is to be located and a group of surrounding municipalities from which the proposed project will draw its customers and workers. The first part is determined by the developer's initial site location decision. The second part is determined by analysis of existing commuting and shopping patterns within the context of current road networks. I will delineate this larger impact area by examining census commuting patterns, Maine Department of Transportation traffic counts and the geographic distribution of retail sales, employment, housing prices and housing vacancy rates.

The method for determining an impact area is essentially twofold—first, assess the current housing, commuting and shopping patterns so as to establish a baseline, and, second, determine the changes from that baseline likely to occur following execution of the proposed project. The definition of the impact area is that area within which the proposed project will draw the vast majority of its workers and shoppers. This area can best be determined by examining the commuting and shopping patterns of similar stores in similar areas and by reference to prior studies conducted on this subject over the years for other proposed investments.

I. Consideration of the Community's Land Use Plan(s)

My first step in assessing the consistency of the proposed project with area comprehensive land use plans will be to review the plans for all the municipalities as well as any involved regional planning agency included in the comprehensive economic impact area defined above. My second step will be to formulate a simple, tabular, format for listing the topics included in the plans (job growth, open space preservation, designated growth areas, design standards, traffic flow, downtown redevelopment, for instance) against which the proposed project can be compared. My third step will be to use this "checklist" to note the proposed project's consistency, inconsistency or irrelevancy to each of the specified topics. Simultaneously, I would use the same "checklist" to note any inconsistency among the various plans reviewed. Finally, I would prepare a summary statement noting where the proposed project appeared to be consistent with area plans, where it appeared to be inconsistent and where plans were silent with respect to certain qualities of the proposed project.

J. References

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date