

BAD DEAL FOR SOUTH EUCLID

“Oakwood Commons” will make the city poorer

FISCAL IMPACT OF “OAKWOOD COMMONS” BIG BOX RETAIL DEVELOPMENT

What will be the economic impact of the proposed “Oakwood Commons” shopping center on the City of South Euclid?

- Overall revenue to the City will be the sum of the property tax and income tax, minus the costs of city services.
- The developer, First Interstate (FISE), predicts that Oakwood Commons will have a market value of \$45 million. [1]
- The Oakwood land owned by FISE sits in South Euclid, but all of it is in the CH/UH School District. Only 11.55% of the property tax goes to the City of South Euclid. NONE of the property tax goes to South Euclid/ Lyndhurst schools. [2] Property tax paid per year to South Euclid will be \$199,000.
- “Oakwood Commons” can be expected to only support about 397 employees.[3]
- The average wage of a worker at a value-oriented Big Box strip mall is generously estimated at \$13 per hour (\$27k per year).[4]
- The income tax rate in South Euclid is 2%.[5] Income tax revenue to the City from “Oakwood Commons” would be \$199,000 per year.
- **Big Box retail centers impose costs on cities. Neither the City of South Euclid nor FISE have made any attempt to estimate those costs.**
- Based on similar situations throughout Ohio [6][7], **South Euclid LOSES \$87,000 per year.**

Property Tax from Oakwood Commons	\$206,000 per year
+ <u>Income Tax from Oakwood Commons</u>	<u>\$199,000 per year</u>
Total Income to South Euclid	\$405,000 per year
- <u>Less Total Cost to South Euclid (\$1.514 per sq. ft. X 325,000 sq.,ft.[6])</u>	<u>\$492,000 per year</u>
= NET LOSS PER YEAR TO SOUTH EUCLID	- \$ 87,000 per year

Reality Check #1

How can it be that building a shopping center actually costs a city money? Surely this cannot be the norm?

- Actually, it *is* the norm. In 2004 the Mid-Ohio Regional Planning Commission analyzed FIAs from eight Ohio communities and found that the net impact of retail development was *negative* in seven of the eight. [8]
- It is business as usual for retail developments to cost cities money. South Euclid will be lucky if the cost is *only* \$87,000 per year.

Reality Check #2

- But FISE claims Oakwood Commons will generate \$500k per year for the City. [9] How can the developer be that wrong? Simple: **FISE inflates the estimated the number of workers, and fails to include any costs.**
- In their Application for Rezoning, FISE estimated that “Oakwood Commons” would employ about 400 full-time workers. [1] But in their public literature they use a figure of 700 jobs. Why? For every 4 jobs at “Oakwood Commons” FISE predicts 3 new jobs will be created *elsewhere in South Euclid*. [10] No supporting evidence is given for this amazing claim. And FISE fails to acknowledge that Oakwood Commons will compete with other South Euclid businesses, likely forcing some to downsize or close, eliminating jobs.

Careful analysis of both *taxes* and *municipal costs* leads to the obvious conclusion: “Oakwood Commons” would make the City poorer. This is not unique to South Euclid: Retail development in today’s economy is a losing proposition for most cities.
South Euclid deserves better.

VOTE NO ON 96--PROTECT SOUTH EUCLID

Sources

[1] Application for rezoning submitted by FISE to the City of South Euclid (2010).

http://www.cityofsoutheuclid.com/images/SE-Oakwood_Application_to_City_for_Rezoning.pdf

[2] Property tax calculations provided by FISE (2010). http://www.cityofsoutheuclid.com/about-south-euclid/images/Estimated_Real_Estate_Tax_Revenue.pdf

[3] Estimate of number of workers based on floor space from the Energy Information Administration (1995).

http://www.eia.gov/emeu/consumptionbriefs/cbecs/pbawebiste/retailserv/retserv_howmanyempl.htm

[4] Annual retail wage estimate from the National Retail Federation. The value used is a blend of the values given for “retail” and “food service” for 2010. As a value-oriented big-box strip mall, wages for Oakwood Commons would be expected to fall below the given national averages.

http://www.nrf.com/modules.php?name=Pages&sp_id=1251#4

[5] Income tax rates from RITA (2011). <http://www.ritaohio.com/individual/pdf/2011/taxtable.pdf>

[6] Fiscal impact analysis for Dublin, Ohio by Tischler-Bise (2007). See figure 23 on page 26.

<http://www.dublin.oh.us/planning/community/futurelanduse/pdf/FiscalCostofLandUsesReport.pdf>

[7] Cost of living index for Dublin, Ohio <http://www.city-data.com/city/Dublin-Ohio.html> and South Euclid, Ohio <http://www.city-data.com/city/South-Euclid-Ohio.html>

[8] Understanding the fiscal impacts of land use in Ohio. Prepared for the Mid-Ohio Regional Planning Commission by Randall Gross (2004). See Appendix on page 26.

<http://www.morpc.org/pdf/fiscalimpacts.pdf>

[9] This claim has been made in literature FISE has recently distributed to residents of South Euclid.

[10] This is from a brochure distributed by FISE to South Euclid residents in early 2011.

<http://www.oakwoodcommons.net/>