

February 12, 2020



### Top of the Hill Project - Economic Impact Summary

This project is anticipated to have approximately 261 market-rate luxury apartments, over 11,000 sq. ft. of new first floor commercial space, close to 25,000 sq. ft. of green space, and a structured parking garage, resulting in approximately 550 parking spaces. The project is expected to create 65 permanent jobs and 455 construction jobs when being built. Recurring tax revenues are projected to be just under \$350,000 annually, with an additional one-time influx of revenue from construction payroll of \$550,800. The project represents a catalytic & transformative mixed-use gateway redevelopment bringing new residents, businesses, vibrancy, economic activity and tax revenue to our City.

*January – 2020: Projected new tax revenue performance numbers are as follows\*:*

<b><u>Recurring New Tax Revenue</u></b>	<b><u>Annual/Stabilized</u></b>	<b><u>Over 30 Years</u></b>
Increase in Real Estate Taxes	\$ 1,151	\$ 34,530
Income Tax – Permanent Jobs		
Commercial/Retail/Restaurant (1) plus		
Apartment Residents (2)	\$348,187	\$10,445,610
<b>Total Annual Tax Revenue to City</b>	<b><u>\$349,338</u></b>	<b><u>\$10,480,140</u></b>
 <b>Total Income Tax Revenue to City</b>		
<b>From Construction Jobs (3)</b>	<b><u>\$550,800</u></b> (Non-recurring / from construction activities)	
 <b>Building Permit fees to City</b>	<b><u>\$382,000</u></b> (Non-recurring / onetime fee)	
 <b>TIF Bond Closing Fee</b>	<b><u>\$107,675</u></b> (Non-recurring / one-time fee)	
 <b>TIF Bond “Annual Fee”</b>	<b><u>\$1,016,940</u></b> (Aggregated over 32 years)	
 <b><u>Revenue to CHUH School District:</u></b>		
Real Estate Taxes to CHUH:	\$ 39,414	\$1,182,420
TIF School Compensation Payments	<u>\$371,300**</u>	<u>\$11,139,000</u>
(from Developer payment of service payments)		
<b>Total School District Revenue</b>	<b><u>\$410,714</u></b>	<b><u>\$12,321,420</u></b>

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*\*Projections for annual income tax provided by Ryan Sommers/Project Management Consultants, LLC (PMC).*

*\*\*This estimate is conservative in nature, as it does not take into account additional school compensation that would result from future levies that may be passed by the school district.*

**(1) New Permanent Commercial/Retail/Restaurant positions:**

- The Developer estimates that the project will create 65 permanent jobs;
- These jobs are estimated to average \$27,067 in stabilized annual salary;
- Once the project is completed, two years until stability is a conservative assumption and appropriate to use for estimating economic impacts. In the present case, it is anticipated that construction should be completed by the end of 2021; If this occurs, the project would ramp up over 2022 and 2023, with full stabilization potentially reached in 2024.
- \$27,067 (average salary) x 65 jobs = \$1,759,355 total payroll;
- \$1,759,355 total payroll x .0225 (City Income Tax Rate of 2.25%) = \$39,585 new annual income tax.

**(2) New Apartment Residents:**

- Average Household income:\$77,280;
- 261 apartment units;
- 1.5 residents per unit is projected – 70% of these household residents would be new to Cleveland Heights – therefore, 261 units x 1.5 = 391.5 residents; 391.5 x .70 = 274 new residents to the City from this project;
- 261 units x \$77,280 annual income per Household = \$20,170,080;
- 90% of residents projected to pay estimated average 1.75% income tax (due to working outside Cleveland heights and paying taxes with the City's income tax credit); \$20,170,080 x .90 = \$18,153,072; \$18,153,072 x .0175 = \$317,678.76;
- 10% of residents projected to live and work in Cleveland Heights would pay 2.25% income tax rate; \$20,170,080 x .10 = \$2,017,008; \$2,017,008 x .0225 = \$45,382.68;
- \$317,678.76 + \$45,382.68 = \$363,061.44
- Assuming 85% of the revenues are new: \$363,061 x .85 = \$308,602 annual new income tax revenue from the residential portion of the project.

**(3) Construction Jobs:**

- Total project "Hard Costs" estimated to be \$61,200,000;
- Approximately 40% of expenses are anticipated to go to labor wages;
- Approximately 10% of expenses are anticipated to go to benefits and taxes;
- The most recent estimate of average construction worker salary from the Bureau of Labor Statistics (BLS) is \$53,800 (2018 Cleveland Metropolitan Statistical Area (MSA));
- \$61,200,000 x 40%/\$53,800 = 455 construction jobs;
- 445 jobs x \$53,800 average salary = \$24,480,000 total payroll;
- \$24,480,000 total payroll (rounded) x .0225 (City 2.25% income tax rate) = \$550,800 estimated new income tax revenue from construction jobs.
- The analysis did not assume different tiers or types of workers paid at different rates – a more detailed and exact estimate can be requested from the contractor once the Guaranteed Maximum Price (GMP) figures for the project are finalized.