MOUNTAIN HOME
ECONOMIC IMPACT ASSESSMENT OF THE DOWNTOWN REVITALIZATION PROJECT
2018

BOISE STATE UNIVERSITY
IDAHO POLICY INSTITUTE

ECONOMIC IMPACT ASSESSMENT OF THE DOWNTOWN MOUNTAIN HOME, ID REVITALIZATION PROJECT

EXECUTIVE SUMMARY

Mountain Home, ID, contracted with economists at Boise State University to estimate the economic impact of a revitalization project of the city's downtown core.

The study was charged with estimating the changes in employment, income and output caused by the proposed Downtown Master Plan for the city. The project involves improving walkability, creating bike lanes, reducing the number of lanes and traffic speed and sidewalk landscaping. As in other cities of similar size but in other states, existing businesses will experience increased sales, additional businesses will open, and employment, income and output in Mountain Home will increase.

BEFORE

AFTER

EXPECTED ECONOMIC EFFECTS

It is assumed that:

1. The construction of the new sidewalks and roadways and the landscaping will start in 2019.

2. Increased business activity and employment will begin at the end of the construction period and reach a new sustainable level over the five-year period following the end of the construction period.

3. The project cost is estimated to be between $2.5 and $3.5 million.

From the fifth year following the construction period on, the economic impact of this downtown redevelopment project is summarized as:

- Annual employment in the restaurants, bars and retail stores of downtown Mountain Home will have increased by 24 workers, compared to 2018.
- The secondary effects of these 24 new jobs will increase annual employment in Mountain Home by 2.8 workers.
- The total effect of the downtown revitalization project will be a permanent increase in annual employment in Mountain Home of 26.8 workers.
- Annual labor income will increase by $569,000 in 2023 dollars.
- Each year, all forms of income, labor income, interest, rent and profit in Mountain Home, will increase by $807,000 in 2023 dollars.
- Annual production in Mountain Home will increase by $1,709,000 in 2023 dollars per year after.

THE ECONOMIC IMPACT OF MOUNTAIN HOME'S DOWNTOWN MASTER PLAN

The study estimates the change in employment, incomes and output in the local economy, of the Mountain Home's Downtown Master Plan. The revitalization project is planned along Main St. and N. 2nd E St., between E. 5th N. St. and E. Jackson St. The project involves improving walkability, creating bike lanes, reducing the number of lanes and traffic speed and sidewalk landscaping.

This study estimates the project's impact on employment, incomes and output. The estimates utilized an Input-Output model which is a mathematical/economic tool commonly used in economic analysis. The analysis does not include the non-economic benefits of the changes in the pedestrian and consumer experience, the health benefits of increased physical activity or the improved air quality and public safety benefits of reduced traffic speed. However, it is estimated these intangible benefits will increase the positive effects beyond what is estimated in this study.

The use of the Input-Output model requires an estimate of the increased employment in the impact area that is directly caused by the project. That is, it is necessary to estimate the increased employment in the restaurants, bars and retail shops in downtown Mountain Home directly associated with the project. This is accomplished by:

1. Determine the current level of employment in the downtown area.

2. Estimate the level of employment in downtown through the fifth year after the completion if there is no project.

3. Estimate the level of employment in downtown through the fifth year after the completion if the project is completed.

4. The difference between the two numbers in 3 and 2 is the estimate of the increased employment caused by the project.

Current employment was estimated from interviews with current owners/operators. For non-respondents two methods were used. One method was based on square feet per employee and the number of square feet of the business. The second method was to equate employment of a non-responding business as being equal to the employment of a responding business of similar size and performing the same function. For a more detailed explanation, see Appendix A.

1. Square feet of each business was estimated and was divided by the average number square feet per employee.

2. For businesses similar in function and size of businesses who did report employment, we used employment in the reporting business as the estimate of employment in the non-reporting business.

The estimate for total employment in 2018 in the six-block area is 214. This is a count of both full-time and part-time employees.

The estimate of downtown employment without the project assumes that downtown employment grows at the same rate as Elmore County. Over the past five years, employment in the county has grown at the average annual rate of 2%. That growth rate is applied to the 2018 employment in downtown, i.e. 214, and that yields an estimated employment of 236 in 2023.

To estimate downtown employment if the project is completed, Mountain Home was compared to similar cities in other states. Their experience is that revitalization increases employment of about 8 jobs per million spent (Main Street America, n.d.). The impact of revitalization is the growth caused by existing firms hiring more workers and new firms occupying space that is currently vacant. Currently there are 55 businesses and 10 vacant storefronts, or 15% of the total. National rates are around 10% for 2017 (Charlottesville Office of Economic Development, 2017), but successful downtowns, such as Charlottesville, VA have vacancy rates close to 0 (Charlottesville Office of Economic Development, 2017). Moreover, more than half the business interviewed, reported having only one or two employees. In short, downtown has room to grow in terms of employment and output. By the end of the five-year period following the completion of the project, downtown employment would be 260, 24 of the new jobs due to the revitalization project. See Table 1.

TABLE 1: EMPLOYMENT GROWTH

	Employment Growth	Project Completion Year	Year 1	Year 2	Year 3	Year 4	Year 5
Without Master Plan Revitalization Project	2%	214	218	223	227	232	236
With Master Plan Revitalization Project	4%	214	223	231	241	250	260
Jobs added due to Master Plan *			4	9	14	19	24

* The seeming errors are due to rounding

The economic impact of adding these 24 jobs to Elmore County was measured by using the Input-Output model constructed by IMPLAN, a leading provider of Input-Output models. Using the Input-Output terminology, the estimate of the 24 jobs directly caused by the project is called the “Direct Effect” - i.e. the jobs that are the direct result of the project. These are the additional jobs in restaurants, bars and retail shops that are caused by the increase in customers drawn to downtown due to the improvements made. Employment will also be increased in those industries that supply the restaurants, bars and retail shops. This increase in employment is called the “Indirect Effect.” Additionally jobs will be increased when the employees of the restaurants, bars, retail shops and their suppliers spend their income for groceries, medical care, etc. This increase in employment is called the “Induced Effect.” The results of the Input-Output model are summarized in Table 2.

TABLE 2: INPUT-OUTPUT RESULTS OF THE REVITALIZATION PROJECT IN DOWNTOWN MOUNTAIN HOME

Impact Type	Employment (headcount)	Labor Income	Labor Income, Interest, Rent, Profit	Output
Direct Effect	24	$483,000	$650,000	$1,353,000
Indirect Effect	1.3	$37,000	$67,000	$166,000
Induced Effect	1.5	$48,000	$90,000	$189,000
Total Effect	26.8	$569,000	$807,000	$1,709,000
Employment Multipliers	1.12	$24,700	$35,100	$74,300

In regard to Direct Effects, the restaurants, bars and retail shops in downtown will experience:

- An initial increase in annual employment of 24

This, in turn, will cause:

- An increase in annual labor income of $483,000
- An increase in annual labor income, interest, rent, and profit of $650,000
- An increase in annual production of $1,353,000

In regard to Indirect Effects, those businesses in Elmore County that supply the restaurants, bars and retail shops will experience:

- An increase in annual employment of 1.3

... and this will cause:

- An increase in annual labor income of $37,000
- An increase in annual labor income, interest, rent, and profit of $67,000
- An increase in annual production of $166,000

In regard to Induced Effects, those local businesses in Elmore County that sell groceries, gasoline, insurance, medical and dental care, etc. to the employees of the restaurants, bars, retail shops and their suppliers, will experience:

- An increase in annual employment of 1.5

... and this will cause:

- An increase in annual labor income of $48,000
- An increase in annual labor income, interest, rent, and profit of $90,000
- An increase in annual production of $189,000

The Total Effect of the project will be:

- An increase in annual employment of 26.8
- An increase in annual labor income of $569,000
- An increase in annual labor income, interest, rent, and profit of $807,000
- An increase in annual production of $1,709,000

Employment Multiplier identifies the number of jobs and the amount of income and output that results in Elmore County from a one unit increase in direct employment.

- A one unit increase in downtown employment will add an additional 0.12 jobs for a multiplier of 1.12.
- A one unit increase in downtown employment will increase the County's labor income by $24,700
- A one unit increase in downtown employment will increase all forms of income in the County by $35,100
- A one unit increase in downtown employment will increase the County's production by $74,300

These changes in employment, income, and production apply to the entire county but because the project in located only in the downtown area, the greatest part of the changes will occur in that six-block region of Mountain Home.

Previous projects in small cities and big towns across the country have shown that downtown revitalization projects have positive effects on employment and business creations. This study estimates that the proposed downtown revitalization project in Mountain Home would increase employment in Elmore County by 26.8 jobs; increase

annual labor income by $560,000; increase all forms of income (including labor income) by $807,000 per year; and increase annual output of the county by $1,709,000. The critical assumption is that the revitalization program, by itself, will create a more enjoyable dining and retail experience which will cause existing firms to increase their employment and for new firms to enter the market. This stronger downtown market will be the basis of adding 24 new jobs; $483,000 in labor income; $650,000 in all forms of income; and $1,353,000 in output to the county's economy. The results are summarized in Table 3.

The difference between the Total Effect and the Initial or Direct Effect is called the Multiplier Effect. It is the additional employment, income and output that will occur as local business firms interact with each other and as their employees spend some fraction of their income in the local economy.

TABLE 3: SUMMARY OF THE INPUT-OUTPUT RESULTS OF THE REVITALIZATION PROJECT IN DOWNTOWN MOUNTAIN HOME

Impact Type	Employment (headcount)	Labor Income	Labor Income, Interest, Rent, Profit	Output
Initial or Direct Effect	24	$483,000	$650,000	$1,353,000
Total Effect	26.8	$569,000	$807,000	$1,709,000
Multiplier Effect	2.8	$86,000	$157,000	$356,000

APPENDIX A: METHODOLOGY

ESTIMATION OF EMPLOYMENT IN DOWNTOWN MOUNTAIN HOME, BEFORE AND AFTER MASTER PLAN

Current employment was estimated from interviews with current owners/operators. For non-respondents two methods were used.

1. Square feet of each business was estimated and was divided by the average number square feet per employee. If the business has 1,000 square feet and the square feet required per employee is 100, then employment for that business is estimated as 10. Examples of estimates of square feet per employee can be found in some government sources.

2. For non-responding businesses similar in function and size to businesses who did report employment, we used employment in the reporting business as the estimate of employment in the non-reporting business.

The estimate of total employment in 2018 in the six block area is 214. This is a headcount of both fulltime and part-time employees.

The estimate of employment in the downtown area after improvements are made is based on the following steps.

1. The estimate of total employment in 2018 in the affected area was 214.

2. If the project is not approved and completed, it was assumed that employment in downtown will grow no faster than employment in all of Elmore County. Over the past five years this has averaged 2% per year. This becomes the base growth rate.

3. With the completion of the project, the growth rate in downtown employment will increase by 2%, from 2% to 4%, that will account for the increase of 24 new jobs due to the Master Plan project, over the course of a five-year period.

ESTIMATION OF GROWTH RATE IN EMPLOYMENT WITH COMPLETED MASTER PLAN REVITALIZATION

To estimate the number of new jobs and income that a downtown revitalization a project would create in Mountain Home, data for towns of similar size in other parts of the country was accessed. Main Street America is one of the most successful programs that promotes downtown revitalization. Their information was used to estimate the job creation rate. Some states, e.g. Michigan and North Carolina, have successful Main Street Programs. For the purpose of this study, data on the economic effects of revitalization projects from Main

Street America is used.

Over a 10-year period, 2008 – 2017, Main Street America reports that U.S. cities spent $74.73 billion on downtown revitalization projects that resulted in 614,716 jobs. Each $1 million spent was associated with net gain in jobs of 8.2. With a projected spending of $3 million, Elmore County should realize a total increase in employment of 24.

It was assumed that the 24 jobs will not be introduced all at once but will be spread out over a period of five years. This implies a growth rate of employment in downtown Mountain Home of 4% compared to the average employment growth rate in Elmore County over the last 5 years of 2%.

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This study uses the I/O software IMPLAN © to calculate the local direct and indirect effects of expected employment growth. IMPLAN is a product of IMPLAN Group LLC, IMPLAN System (data and software), 16905 Northcross Dr., Suite 120, Huntersville, NC 28078