

date February 8, 2019

to Northland Investment Corp

from Landwise Advisors

project name Northland Newton Development

subject Summary of Economic Impact Analysis

## I. INTRODUCTION

This executive summary highlights the analysis performed by Landwise Advisors to measure the economic impacts of the Northland Newton Development (“Development”), a new mixed used development proposed by Northland Development Corporation (“Northland”). For the purposes of the memo, all impacts are measured at the City of Newton (“City”) level. The 22.6-acre development site, located in Newton Upper Falls, lies at the northwestern corner of Needham and Oak Streets. The plan proposes approximately 1.4 million square feet of residential and commercial uses and is anticipated to be completed by 2024. The Development will generate considerable construction expenditures and new employment, both of which contribute to the City’s economy.

Landwise estimated the short-term (construction phase) and long-term (recurring) economic benefits using IMPLAN. IMPLAN is nationally recognized model for determining economic impacts that accrue to subject site jurisdictions as a result of capital investment and related job creation. The model is able to measure benefits that accrue to specific geographies. The following report highlights the assumptions and methodology used to develop the IMPLAN model and provides an overview of the projected impacts in City of the Newton from the Development.

## II. METHODOLOGY & THE INPUTS

IMPLAN operates as an input-output model and each input indicates a change in the economy, such as a capital project or employment expansion/contraction. The outputs, or the economic benefits, represent either one-time or recurring impacts. The Northland Newton Development will generate both one-time benefits from construction and ongoing benefits from new employment and these impacts are quantified in the subsequent paragraphs.

Landwise used Northland Investment Corporation development cost estimates as inputs to derive the one-time impacts from construction. The costs were assigned to the applicable construction sectors in the IMPLAN model following the development program provided by Northland.

### DEVELOPMENT PROGRAM

- 1,358,295 Total gross square feet
  - Commercial (office & retail): 308,200 gross square feet. *This includes the rehabilitation and selective demolition of portions of the 156 Oak Street office building.*
  - Residential: 1,050,095 gross square feet
- 1,550 total parking spaces (1,410 structured)

The construction is expected to occur in two phases, each lasting approximately two years. Costs were allocated by the phasing schedule to more accurately represent the benefits accruing over the construction period.

#### PHASING

- Sequence 1
  - Includes 156 Oak St Rehabilitation
  - Begins mid-2020
  - Complete mid-2022
  - Represents 70% of total development costs
- Sequence 2
  - Begins early-2022
  - Complete late-2023
  - Represents 30% of total development costs

The total development costs included in the IMPLAN model total **\$493 million (roughly 80% of the development budget)**. Landwise differentiated between new construction and rehabilitation costs as well as soft cost and hard costs. Land acquisition, project reserves, fees and interest were not included in the model, as these expenditures do not generate direct economic benefits.

To determine the recurring benefits, Landwise estimated the amount and type of employment that would be generated by each land use (retail, office, and residential). ***It is assumed that all employment is “net new” to the City of Newton.*** Each estimated employment figure represents total employment, including full time, part time, and temporary positions. The following lists the key assumptions that were used to derive the employment figures.

#### OFFICE EMPLOYMENT: 977 total employees

- 180,000 rentable square feet
- 95% occupancy
- 175 square feet / employee
- Average Salary: \$96,736.
- Assumes jobs will occur in the Information, Finance and Insurance, Professional, Scientific and Technical Services, and Management of Companies and Enterprises NAICS Sectors.

#### RETAIL EMPLOYMENT: 345 total employees

- 115,000 gross square feet
- 90% occupancy
- 400 square feet/full-time equivalent (or 337 square feet/employee)
- The FTE figure was converted using IMPLAN's *FTE to Total Employment* conversion ratios.
- Assume jobs will occur in the Retail Trade NAICS sector.

#### RESIDENTIAL EMPLOYMENT: 24 total employees

- Figure provided by Northland

The total employment from new office, retail and residential projects totals to **1,346 total employees**.

### **III. THE IMPACTS**

IMPLAN measures the economic benefits at three levels: Direct Employment (“1<sup>st</sup> Level”), Business to Business Spending (“2<sup>nd</sup> Level”) and Personal Spending on Local Services (“3<sup>rd</sup> Level”).

Description of impact levels for the one-time impacts

- 1<sup>st</sup> Level : includes salaries and benefits of employees involved in the construction and total economic output of those employees.
- 2<sup>nd</sup> level: includes construction related business-to business-purchases in the City of Newton and related economic output and taxes paid.
- 3<sup>rd</sup> level: includes economic output form household spending on goods and services purchased in the City of Newton.

**SUMMARY OF ONE-TIME IMPACTS**

*Impacts from the Development are shown in 2019 dollars.*

	<b>Salaries / Benefits</b>	<b>Total One-Time Impact</b>
<b>1<sup>st</sup> Level</b> Direct Employment	3,296 jobs / \$250M	\$485M
<b>“Spin-Off” Impacts in the City of Newton</b>		
<b>2<sup>nd</sup> Level</b> Business to Business Spending	314 jobs / \$27M	\$60M
<b>3<sup>rd</sup> Level</b> Personal Spending on Local Services	709 jobs / \$40M	\$95M
<b>Total 2<sup>nd</sup> and 3<sup>rd</sup> Level Impacts in City of Newton</b>	<b>1,023 jobs / \$67M</b>	<b>\$155M</b>

**SUMMARY OF ONGOING (ANNUAL) IMPACTS**

*Impacts from the Development are all shown in 2019 dollars.*

	<b>Salaries / Benefits</b>	<b>Total Annual Impact</b>
<b>1<sup>st</sup> Level</b> Direct Employment	1,346 jobs / \$149M	\$333M
<b>“Spin-Off” Impacts in the City of Newton</b>		
<b>2<sup>nd</sup> Level</b> Business to Business Spending	421 jobs / \$33M	\$79M
<b>3<sup>rd</sup> Level</b> Personal Spending on Local Services	464 jobs / \$26M	\$62M
<b>Total 2<sup>nd</sup> and 3<sup>rd</sup> Level Impacts in City of Newton</b>	<b>885 jobs / \$59M</b>	<b>\$141M</b>

**IV. CONCLUSION**

The economic impact analysis shows that the Development will generate substantial positive impacts in the City of Newton including one-time construction impacts and related spin-off employment; as well as ongoing annual impacts

once the project is built out. The **one-time impacts** include **\$485 million of direct impact** and **\$155 million of spin-off impacts** in the City of Newton. The **on-going annual impacts** include **\$333 million of direct impact** and **\$141 million of spin-off benefits** in the City. These positive economic impacts could be an important driver for the Newton economy for the coming decade and beyond.

#### **V. COMPARISON TO FIGURES FROM AUGUST 2018**

The economic impact shown in this memo vary slightly from the figures shown in August 2018. The changes stem largely from ***the reduction is the gross square footage of the project including 22 fewer residential units and 70,200 fewer square feet of retail***, for a total reduction of 98,078 square feet.

The result of this change is minimal but for ***one-time impacts*** the change in program reduces the direct impact from \$486 million to \$485 million and reduces the spin-off off impacts in Newton from \$160 million to \$155 million.

Additionally, for the ***on-going impacts*** the change in program reduces the estimated onsite employment from 1,495 jobs to 1,346 jobs, reduces the direct annual impact from \$340 million to \$333 million and reduces the annual spin-off effect in Newton from \$143 million to \$141 million.