

The Oldham Era

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Economic Impacts of Business Park

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Oldham County is developing a large parcel of land along Interstate 71 near the La Grange interchange. In this report I provide estimates of the potential economic and fiscal impacts associated with the development, now called Oldham Reserve.

A master plan for development has been approved, and I consider that build-out scenario in this report. However, while land has been acquired and some infrastructure put in place, changing market conditions mean it is still not clear what the ultimate development mix will be. Certainly, the campus will contain offices, retail and housing. But further infrastructure investments, marketing efforts, pricing and incentives, as well as local regulations will determine the outcome over the coming decades. Because of the uncertainty about ultimate land use, I analyze several other development scenarios and make estimates of their various economic and fiscal impacts. Also, to provide context, I organize a body of public data on economic conditions, demographics, and the local tax base.

The likely impacts fall roughly into five categories.

1. Developing the site as an office campus will generate more net tax revenues and less public costs per acre than development as residential property. I estimate that the development will generate between \$8 and \$14 million in additional local tax revenues annually, depending on the build-out scenario. An intensive residential build-out would generate substantial property taxes, but these would mainly be a displacement from other current and possible residential developments in the county. The office campus build-out appears to be a better land use, given the highly desirable location next to Interstate 71 and La Grange. Moreover, the office jobs would give the county a new tax base should a long-discussed local occupational tax be levied.

2. If developed as planned, the site will host thousands of high-paying private sector jobs, many of which will be held by county residents. This would help offset the recent trend towards low-paying jobs in retail and personal services. Rawlings, the first tenant, is already the largest private employer in the county and an increasing number of its employees are residents of Oldham.

3. The site will reduce the commuting time for many current residents of Oldham County. I estimate that a typical County resident who switches from a professional job in Jefferson County to one at Oldham Reserve would save around \$3,000 per year in auto mileage expenses, gain leisure time valued at more than \$1,000 per year, and save hundreds of dollars in reduced taxes (and parking fees).

4. The office-based development will generate business for company vendors, as well as restaurants and other retail outlets in the county, as workers go out for lunch and do shopping close to their workplace. Assuming 2,000 office workers at Oldham Reserve, I estimate that another 822 jobs would be created elsewhere in the county due to the office activity. Moreover, these office workers would tend to purchase many more retail items in Oldham County than if they continued to commute into Jefferson County. I estimate that restaurants, health care providers, grocery stores, and other retail and personal service firms in the County would see more than \$5 million in additional sales due to the nearby presence of the office complex.

5. The development will diversify the county's tax base, which today is heavily reliant on property tax revenues from homes. Assuming the master plan is followed and supported by market conditions, Oldham Reserve will support between 4,000 and 11,000 jobs, with a yet to be determined mixture among office, hotel, and retail uses. This would represent a new payroll base of between \$150 and \$470 million in the County, meaning a one percent occupational tax would yield \$1.5 to \$4.7 million annually. However, the tax structure is not now aligned to take advantage of employment centers. The city of La Grange and the county would have to levy such a tax to take advantage of the diversity in the tax base.

Paul Coomes is a professor of economics and National City Research Fellow at the University of Louisville College of Business and Public Administration. For a complete copy of the report, "The Potential Economic Impacts of the Oldham Reserve Office Campus Development," visit www.ocado.com.

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