

Samish Way Development Update

Economic Impact Report

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Glossary of Terms

Direct Impact – Initial impact of the project. This is the baseline amount IMPLAN uses to generate indirect and induced impacts.

Indirect Impact – Money or jobs spent or created as a result of business-to-business transactions for the project.

Induced Impact – Money or jobs spent or created as a result of employee spending from income generated by working on this project.

Labor Income – Wages and salaries minus proprietor income.

Value Added – Total benefits less all project costs (net output).

Output – Total benefits including the cost of project outlay (gross output).

Introduction

The Samish Way Redevelopment project aims to create a total of 278 new rental units at the site of the former Aloha Motel on Samish Way. Consisting of three residential buildings and a parking podium, this project creates housing and employment opportunities, both in the development and construction of the site but also in the commercial space in the ground floor of the senior housing building (Phase II-a), anticipated to be a café employing 10-15 individuals.

This report serves as an update to the economic impact model and report conducted by the Center of Economic and Business Research (CEBR) in early 2019. Since the 2019 report, substantial changes have been made to the original plan, rendering pieces of the previous impact analysis inaccurate. This report will outline the deviations from the original 2019 plan and provide a new impact analysis for the revised design. Both analyses use IMPLAN, an input-output modeling software that calculates the economic impacts to a specified region. IMPLAN uses data related to goods and services produced on a county and state level to determine local-purchase rates and leakage of funds to other regions.

Each impact analysis is unique in how it affects the local economy, and this project is no exception. Housing that rents below the market rate creates opportunities for low-income individuals and their families to safely reside in the area with positive non-monetary impacts on their health, education, and personal well-being. For more information on the benefits of low-income housing, please see the 2019 report: Economic Impact Study on the Samish Way Redevelopment conducted by CEBR.

All background information and supplemental research, as well as the impact analysis for Phase I included in the 2019 report, is still accurate, relevant, and is not negated by this update.

Executive Summary

Impact analyses measure the economic impact on a specified region – usually a county or state – as a result of a change to that region. This redevelopment project impacts Whatcom County in different ways, such as through job creation in the construction phase or money spent operating the café. This impact analysis aims to capture all monetary and employment impacts on Whatcom County as a result of the Samish Way Redevelopment project.

This project has three activity levels, each which creates economic and employment impacts. The first activity level - construction of the two residential buildings, the commercial shell for the café, and the parking podium - creates temporary jobs and helps sustain permanent local jobs, as well as promotes economic stimulus through the purchase of local goods and services. The next activity level, operations, applies to both residential buildings and the café and generates both direct and indirect employment opportunities and monetary stimulus of the local economy.

The final activity level captures the impact of new families residing in Whatcom County as a result of this new housing opportunity. There is no way to know how many of the future residents will be new to Whatcom County and how many are residing here primarily as a result of this residential building. As such, new resident spending was modeled as if all residents were new to the area, to provide a maximum boundary for the impact of this activity. To avoid overstating the impact of the Samish Way Redevelopment project, new household spending is not included in any of the total impacts provided in this report.

The total economic impact of the revised portion of the Samish Way redevelopment project is \$84,750,000. Of this total, 63 percent is composed of direct spending, largely as a result of the construction of the buildings, which accounts for just over half of this direct impact. **The employment impacts total 572 jobs for this project,** of which 336 (58 percent) of the jobs are created directly by the first two activity levels. Again, most are generated in the construction portion of this development plan and constitute not new jobs created, but rather construction jobs supported. The total number of construction jobs supported equals 547, leaving 25 new Whatcom County jobs created through operations.

The Samish Way Redevelopment Model

Revisions to the Samish Way development model occur in Phase II, which has now been broken out into two components: senior housing and family housing. The three phases in the Revised Samish Way development plan are as follows:

Phase I: Family Housing (69 units total)

- For more information on Phase 1, please see the 2019 Economic Impact on the Samish Way Redevelopment report conducted by CEBR.

Phase II-a: Senior Housing (54 units total)

- 27 units reserved for families with an annual income of \$43,145 or less (50% of AMI)
- 27 units reserved for families with an annual income of \$25,887 or less (30% of AMI)

Phase II-b: Family Housing (55 units total)

- 22 units reserved for families with an annual income of \$43,145 (50% of AMI)
- 28 units reserved for families with an annual income of \$51,774 (60% of AMI)

Phase III: Parking Podium

- Reserved parking for all residents

Included in the Senior housing building (Phase II-a) is commercial space currently planned to be a café or coffee shop-style location that will employ approximately 10-15 employees.

This update will provide new impact data for Phases II and III, as the 2019 report still accurately reports the impacts generated by Phase I. This update will also provide impact data for the commercial operations of the coffee shop and the impacts of new resident spending on Whatcom County.

Model Components

For this project, there are three activity levels: construction, operations, and resident spending. An outline of the costs included in the three components is provided below.

Construction: All development costs associated with building construction, landscaping, land purchasing, and other construction-related purchases. This model also considers profits and taxes on production.

Operations: All purchases and employment related to the continued maintenance and operation of each building, such as fire safety, pest control, and security. This activity level also applies to the commercial portion of the senior housing building, as the café's operations also produce economic activity.

Resident Spending: Economic activity generated by residents that are new to Whatcom County and arrived due to this housing opportunity.

Each of these activity levels is identified and the impact is calculated for the two subsections of Phase II (Family and Senior Housing) as well as for Phase III (parking podium). This allows for the specification and comparison of impacts across both buildings and activity levels within those buildings.

Model Assumptions

For impacts where more specific data is not available, IMPLAN's industry or household-specific spending patterns were utilized. These patterns assume a breakout of specific spending given an overall budget or dollar amount.

The first instance where these patterns are used is in the construction expenditures since each construction project purchases a large and varied amount of goods and services. While these spending patterns are reliable and accurate, they are not tailored to this exact project and may alter the results. The overall impact will only be slightly different, however, since the total budget for the project is known in addition to how the funds are spent between the construction of residential buildings and the construction of the parking podium and commercial shell, further specifying the spending patterns.

The second instance in which IMPLAN's data-based spending patterns were used was in the new resident spending impact, as there is no way to estimate the spending habits of future residents. To estimate the impacts of this spending, IMPLAN's household spending pattern for a specific income level was utilized, given the number of units available for rent and the required income levels for residents as given assumptions.

The final use of IMPLAN's internal spending and impact data is with the commercial space in the senior housing building. This is currently anticipated to be a café, and the shell will be constructed to reflect this, but a commercial resident has not yet been identified for this space, and as such, income and other impact variables are not yet known. However, IMPLAN can estimate the impact of a business knowing only the number of employees and the industry of this proposed business – based on historical data for Whatcom County – allowing for a potential impact to be generated for this phase of the project.

Caveats

Funding

This impact analysis captures the entire measurable scope of the economic impact of this redevelopment project, which excludes all non-tangible and non-monetary impacts. A crucial aspect of this project are the funding sources, as monetary allocation has a direct impact on the effect on Whatcom County. Specifically, any funding that is derived from local tax revenue in lieu of this project would have most likely been used for another local government project. In other terms, there is an opportunity cost associated with utilizing these funds, particularly in using housing development funds, as these would have been spent elsewhere in the region.

However, since we do not know if these funds are used more effectively or efficiently in this project versus the alternative use of these funds, there is no way to calculate the marginal benefit or detriment of using them on the Samish Way Redevelopment Project. As such, they have not been removed from the total impacts attributed to this project but should be considered when evaluating the results of this analysis. 12 percent of the senior housing building is funded by local taxes, while 10 percent of the family housing building is funded by local taxes.

New Resident Spending

The Samish Way Redevelopment project creates housing opportunities for low-income families in Whatcom County. Because of the high demand for this type of housing, this project may become a reason for individuals and families who are not current Whatcom residents to move to the area. New

Whatcom residents create impacts of their own as they work, live, and purchase local goods and services in the county. Existing Whatcom residents also create these impacts, but this model is looking for new impacts solely related to this project. In this scenario, since this housing opportunity contributed to or constitutes the reason for moving to the area, these impacts are attributable to this project.

It is unlikely that every future resident of this complex is new to the county, though there is no way to record this data without directly asking each applicant. Further complicating the situation is the multifaceted decision-making process that supports a moving decision, meaning that each resident may have moved to the area partly because of this housing opportunity, but also for any number of other reasons.

Therefore, a new resident spending impact has been calculated as if all units are filled with new Whatcom residents. While this is highly unlikely, the impact number provided offers an upper limit for the possible impacts generated by this project. Since each unit is income-restricted at a specific level, these incomes were utilized in addition to IMPLAN's Household Spending Patterns to calculate the impacts generated by the spending of these individuals.

It should be noted that having access to affordable rent may allow for spending patterns to change among existing Whatcom residents that move into this facility. We cannot know or determine the amount (in dollars) of change that may occur in spending, nor how money will be redirected from housing to other industries. However, this further bolsters this paper's claim that true impacts probably lie just above the total impacts of construction and operations, while below the cap implied by all new residential spending.

Outputs

This section outlines the impacts generated by each activity level and phase. The two sub-sections of Phase II are broken out by building and show the impacts by construction and year-one operations, as well as a total impact table that sums the two. There are four impact types: employment, labor income, total value added, and output. The two types most relevant to this project are employment and output, which represent the number of jobs created and the total economic impact of the Samish Way Development Project.

Phase II: Senior

This section details the impacts generated by the senior building at the construction level, operational level, and totaled.

Construction of the senior housing building results in a total economic impact of \$31,104,396. Of this total, 62 percent is derived from direct effects. The indirect and induced effects are nearly equal, at 18 and 19 percent, respectively.

The employment impacts generated by the construction of the senior housing building total 203 jobs. Over half (56 percent) of these are direct jobs, meaning jobs created or sustained specifically for the construction of this building.

Figure 1: The Economic Impacts of Phase 2a – Construction

Impact Type	Employment	Labor Income	Total Value Added	Output
<i>Direct Effect</i>	113.8	6,932,731.4	9,589,237.3	19,425,513.5
<i>Indirect Effect</i>	43.4	1,982,980.3	3,200,414.7	5,767,455.0
<i>Induced Effect</i>	46.2	1,834,685.9	3,449,531.4	5,911,968.0
<i>Total Effect</i>	203.3	10,750,397.6	16,239,183.4	31,104,936.4

The operations of the senior housing building contribute a total of \$483,691 to the local economy. 63 percent of this impact is direct, while 22 percent is indirect.

The continued operation of the senior housing building generates 3 jobs, a majority (62 percent) of which are direct.

Figure 2: The Economic Impacts of Phase 2a – Operations

Impact Type	Employment	Labor Income	Total Value Added	Output
<i>Direct Effect</i>	2.1	69,048.1	160,383.2	305,908.0
<i>Indirect Effect</i>	0.8	35,373.1	57,824.3	108,508.9
<i>Induced Effect</i>	0.5	21,492.9	40,426.0	69,274.6
<i>Total Effect</i>	3.4	125,914.2	258,633.6	483,691.5

The total impacts of the senior housing building are \$31,588,627. The construction of this building is a much larger endeavor than one year of operational spending, composing 98 percent of the total impact.

The total employment opportunities created by Phase II-a are 207 jobs. Similar to the total output, a majority of these are generated in the construction of this building, at 55 percent. The indirect and induced employment opportunities are nearly equal, at 21 and 23 percent, respectively.

Figure 3: The Economic Impacts of Phase 2a – Total

Impact Type	Employment	Labor Income	Total Value Added	Output
<i>Direct Effect</i>	115.9	7,001,779.5	9,749,620.5	19,731,421.5
<i>Indirect Effect</i>	44.2	2,018,353.4	3,258,239.0	5,875,963.9
<i>Induced Effect</i>	46.7	1,856,178.8	3,489,957.5	5,981,242.6
<i>Total Effect</i>	206.8	10,876,311.8	16,497,817.0	31,588,627.9

Phase II: Family

As with the first sub-section of Phase II, this section contains the construction impacts, operation impacts, and total impacts of the Phase 2a: Family Housing building.

The construction of the family housing building (Phase II-a) generates an economic impact of \$36,956,572. The indirect and induced effects compose 19 percent of the total, respectively, meaning that the direct construction impacts compose 66 percent of the total.

The employment supported by the construction of this building total 134.7 jobs. Another 52 and 55 are indirect and induced effects, respectively.

Figure 4: The Economic Impacts of Phase 2b – Construction

Impact Type	Employment	Labor Income	Total Value Added	Output
<i>Direct Effect</i>	134.7	8,206,970.4	11,347,857.6	23,054,026.4
<i>Indirect Effect</i>	51.9	2,370,813.4	3,824,165.1	6,888,447.2
<i>Induced Effect</i>	54.8	2,176,711.8	4,092,608.9	7,014,098.9
<i>Total Effect</i>	241.4	12,754,495.6	19,264,631.6	36,956,572.5

The impacts generated by operational spending total \$65,080, of which \$288,144 is produced directly (63 percent). The remaining impacts are composed of indirect effects, at 23 percent, and induced effects, at 14 percent.

Operating the family building creates just over 3 jobs, most (62 percent) of them direct.

Figure 5: The Economic Impacts of Phase 2b – Operations				
Impact Type	Employment	Labor Income	Total Value Added	Output
<i>Direct Effect</i>	2.0	64,784.3	151,082.0	288,144.0
<i>Indirect Effect</i>	0.8	33,313.9	54,501.5	102,296.9
<i>Induced Effect</i>	0.5	20,191.5	37,978.3	65,080.0
<i>Total Effect</i>	3.2	118,289.8	243,561.7	455,520.9

The economic impacts generated by the family building total \$37,412,093. Direct impacts compose 63 percent of this total, while indirect and induced effects are nearly equal. The construction portion of this impact constitutes 98 percent of the total impact.

The family housing building generates 245 jobs, of which 136 are direct. 98 percent of these jobs are created or supported in the construction portion of this building, which may mean that these are temporary jobs.

Figure 6: The Economic Impacts of Phase 2b – Total				
Impact Type	Employment	Labor Income	Total Value Added	Output
<i>Direct Effect</i>	136.7	8,271,754.7	11,498,939.6	23,342,170.4
<i>Indirect Effect</i>	52.7	2,404,127.3	3,878,666.6	6,990,744.1
<i>Induced Effect</i>	55.3	2,196,903.3	4,130,587.2	7,079,178.9
<i>Total Effect</i>	244.6	12,872,785.4	19,508,193.4	37,412,093.4

Parking Podium and Commercial Shell Construction

This section concerns construction costs for the private parking podium and the commercial shell costs.

The construction of the parking podium and the commercial shell for the café total \$14,763,533 in economic impacts. A majority of these are directly generated, though 33 percent are indirect and induced effects, at \$1,698,030 and \$3,130,710, respectively.

The employment generated by this phase is largely direct, with 69 jobs (67 percent) created directly. **Total jobs created sum to 103 for this phase,** though many of these jobs are just temporarily supported rather than creates, as is the nature of construction work.

Figure 7: The Economic Impacts of Phase III and Commercial Shell

Impact Type	Employment	Labor Income	Total Value Added	Output
<i>Direct Effect</i>	69.2	4,208,342.0	5,775,506.0	9,934,792.3
<i>Indirect Effect</i>	9.4	515,364.9	871,470.0	1,698,030.1
<i>Induced Effect</i>	24.5	971,815.5	1,826,458.9	3,130,710.5
<i>Total Effect</i>	103.1	5,695,522.4	8,473,435.0	14,763,533.0

Commercial Operations

The total economic impact of the first year of commercial operations of the café is \$984,340, of which just over 60 percent is a direct impact. Most of the impact is composed of value-added impacts, at 54 percent, though the labor income impacts are not insubstantial at \$452,418.

Figure 9: The Economic Impacts of Phase 2b – Total

Impact Type	Employment	Labor Income	Total Value Added	Output
<i>Direct Effect</i>	15.0	342,123.5	321,732.6	596,027.9
<i>Indirect Effect</i>	0.8	33,167.8	65,999.1	139,710.5
<i>Induced Effect</i>	1.9	77,189.8	145,013.1	248,601.5
<i>Total Effect</i>	17.8	452,481.2	532,744.8	984,339.9

The commercial operations of the coffee shop were estimated based on the number of projected employees, generating nearly \$1 million in total economic impact. While 15 of the jobs are created directly by this business, another 3 are created indirectly and induced through the employee spending and business-to-business support of the café, summing for a total of 18 Whatcom County jobs.

New Family Spending

As economic impacts measure the difference in economic activity in an area due to a change in the area, it is important to measure what changes generate *new* impacts in the area. The Samish Way development project creates housing for low-income individuals and families, but there is no way to measure how many of these families are in the area, and consequently impacting the region, due to this housing opportunity.

Therefore, the total impacts for the region do not include these impact numbers, as they are the impact on the region if all residents are new to Whatcom County as a result of this project.

Figure 8: The Economic Impacts of New Family Spending

Impact Type	Employment	Labor Income	Total Value Added	Output
<i>Direct Effect</i>	22.5	896,159.2	1,671,953.5	2,813,617.0
<i>Indirect Effect</i>	5.9	234,115.7	417,930.1	784,954.9
<i>Induced Effect</i>	5.9	232,581.9	437,271.0	749,429.8
<i>Total Effect</i>	34.2	1,362,856.8	2,527,154.6	4,348,001.7

Due to new family spending, over \$4.3 million dollars are brought to Whatcom County, adding a total of 34.2 new jobs in direct, indirect, and induced effects.

As these impacts rely on data that is not currently available, i.e. the number of residents who will be living here who came to Whatcom County due to this housing opportunity, this impact is not included in the total impact outlined at the end of this report. However, knowing the impact of the new resident spending creates an upper limit for the total economic impact of this entire project. **As such, the total possible impact for the Samish Way redevelopment project is \$89,096,596 in economic impacts, and 607 created or supported jobs.**

Conclusion

The total economic impact for the revised portion of the Samish Way Economic Redevelopment project is \$84,748,594. The family housing building contributes the largest proportion to this total, at 44 percent, followed by the senior housing building at 37 percent. The parking podium and the commercial operations of the café contribute 17 and 1 percent, respectively.

Figure 10: Total Economic Impacts – By Activity

Phase	Phase 2a: Senior Housing	Phase 2b: Family Housing	Parking Podium and Commercial Shell	Commercial Operations	Total
<i>Direct Effect</i>	19,731,421.5	23,342,170.4	9,934,792.3	596,027.9	53,604,412.1
<i>Indirect Effect</i>	5,875,963.9	6,990,744.1	1,698,030.1	139,710.5	14,704,448.5
<i>Induced Effect</i>	5,981,242.6	7,079,178.9	3,130,710.5	248,601.5	16,439,733.6
<i>Total Effect</i>	31,588,627.9	37,412,093.4	14,763,533.0	984,339.9	84,748,594.2

The number of employment opportunities created or supported by the Samish Way Redevelopment project totals 572 jobs. The family housing building generates 43 percent of these, followed by the senior building which generates 36 percent of the total employment opportunities.

Figure 11: Total Employment Impacts – By Activity

Phase	Phase 2a: Senior Housing	Phase 2b: Family Housing	Parking Podium and Commercial Shell	Commercial Operations	Total
<i>Direct Effect</i>	113.8	134.7	69.2	15.0	332.6
<i>Indirect Effect</i>	46.3	54.6	9.4	0.8	111.2
<i>Induced Effect</i>	46.7	55.3	24.5	1.9	128.4
<i>Total Effect</i>	206.8	244.6	103.1	17.8	572.3

Below is an overview of the total impacts generated by the Samish Way Redevelopment Project. **This project creates 572 new jobs and \$84,748,592 dollars in economic stimulus.** Of the total jobs created, 96 percent of these are construction-related jobs, which are likely temporarily supported by this project rather than created. The remaining 25 jobs are likely permanently supported by the first-year operations.

Figure 12: The Total Economic Impacts - Overview

Impact Type	Employment	Labor Income	Total Value Added	Output
<i>Direct Effect</i>	336.7	19,823,999.8	27,345,798.7	53,604,412.1
<i>Indirect Effect</i>	107.1	4,971,013.5	8,074,374.7	14,704,448.5
<i>Induced Effect</i>	128.4	5,102,087.5	9,592,016.7	16,439,733.6
<i>Total Effect</i>	572.3	29,897,100.7	45,012,190.2	84,748,594.2