Economic Impact of the Bridgeport Office Complex Project

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Bridgeport Office Complex

The city and business community of Bridgeport is proposing to develop an office complex at a core downtown site. This development would house firms that wish to move away from the congestion and cost of the Stamford area. The State of Connecticut provides a back-loaded tax credit for projects such as this that are built in impacted cities. The economic activity generated from such qualified investments must generate tax revenues annually to offset the credit, which is applicable in years four through ten after the investment is made. The Bridgeport Regional Business Council requested the Connecticut Center for Economic Analysis conduct an economic impact study of the proposed Bridgeport project. The Center performed the study using the REMI model of the Connecticut economy, developed by Regional Economic Models Inc. of Amherst, Massachusetts.

Inputs

The proposed office complex will cost approximately $46 million dollars to construct. When completed, plans call for the complex to house 1,320 employees. For the purpose of this analysis, we assume that the office will be constructed over a two-year period and will be ready for occupancy by January 1, 2004. In a similar manner, the analysis assumes that employment will ramp up to maximum capacity over 3 years with 50% beginning in year one, another 25% in year two and the remaining 25% in year three. Because the exact tenants are not known, the analysis assumes that 50% will be professionals (class A office space) and 50% will represent other business services (class B office space).

The presumption is that tenants of the office complex will be principally firms presently housed in office space in the Stamford, Connecticut area. The firms that will move to Bridgeport are those that find the rental rates in the Stamford area burdensome, those wishing to locate back office operations in Bridgeport to support their Stamford area offices, and those that have a large cadre of workers that commute from Bridgeport and east to work in the Stamford area. The analysis also presumes that new firms that desire to locate in the Stamford area will take up space vacated in the Stamford area. This permits the analysis to treat the project in Bridgeport as generating activities that are effectively new to the state.

In addition to the direct construction cost for the new office building, $0.5 million will be expended to move the existing tenants at the site. Demolition, environmental corrections, site development, utility upgrade and landscaping will cost $2.4 million. Legal and engineering services amount to $2.95 million. Finance fees, construction period interest and taxes total $1.575 million. There is also a contingency fee of $2 million

Moving workers from the Stamford area to Bridgeport will help reduce the rush hour congestion on Interstate 95 because those that will live west of Bridgeport will be traveling opposite the rush hour traffic and those living east of Bridgeport will be getting off the highway prior to the major bottlenecks on I-95 at rush hour. Moreover, many of the Bridgeport

residents who now commute to the Stamford area will be able to opt to ride to work using public transit within the city. Plans have projected that this project will remove over 1,000 cars from the Stamford I-95 bottleneck during rush hour. This means that when the office complex is fully occupied that it will generate approximately $3.8 million dollars in time savings for the general public and approximately $0.5 million for the trucking industry. Coupled with the time savings will be fuel cost savings, both for the public and the trucking industry. Combined, these savings will be approximately $300,000 per year. Finally, removing these vehicles from the highway and/or reducing their time on the highway will result in lower air pollution in Fairfield County. The value of the reduced air pollution comes to approximately $2,000,000 per year. Such a reduction in pollution will add to the quality of life for Fairfield County residents.

The tax credit program to be used with this project provides corporate income tax credits of 10% of the investment in years four through seven following completion of the project, and credits of 20% of the investment in years eight, nine and ten.

In addition to the tax incentive, the plans include a commitment from the State of Connecticut to invest $18 million dollars in parking garage that will house over 1,000 cars. Revenue bonds will fund construction of the garage. The State of Connecticut is also committed to cover any loss in the operation of the garage.

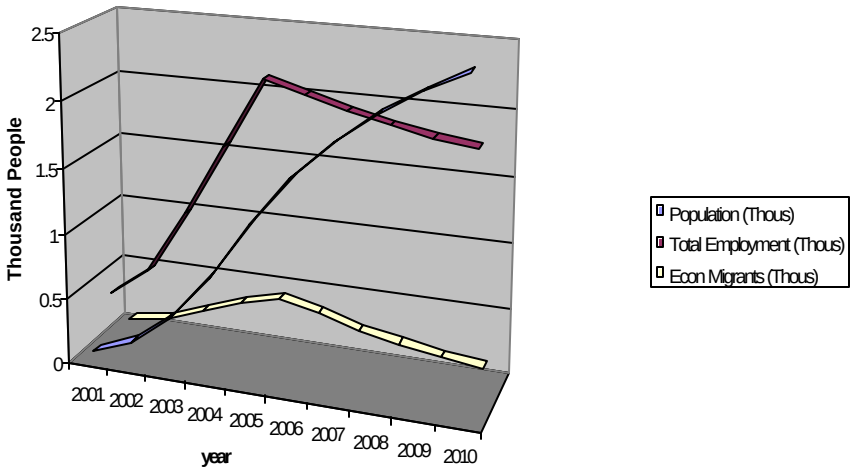
For this analysis, CCEA considered two scenarios. The first scenario only considers the impact of the project while ignoring the balanced budget provision of the State Constitution. This assumes that the project would be built without the incentives and that taxes collected as a result new economic activity generated by the project would be spent by the State. Scenario two takes the balanced budget provision of the State Constitution into account and reduces state spending by the amount of the incentives; this slightly reduces the economic impact.

Results

For both scenarios, the Bridgeport Office Complex has a positive impact on employment, population and economic migration in the State of Connecticut. Under scenario one, total new employment in Connecticut reaches a peak of 2,195 jobs in 2005. After that year, efficiency gains permit increased output to be produced using less labor.
By 2010, Connecticut's population has grown by 2,458 people as a result of the project. The peak year for economic migration is 2005 when 412 new people enter the state, seeking to take advantage of the economic opportunities afforded by this project. Figure 1 displays the pattern of new employment, new population, and economic migration over the period 2001 to 2010.

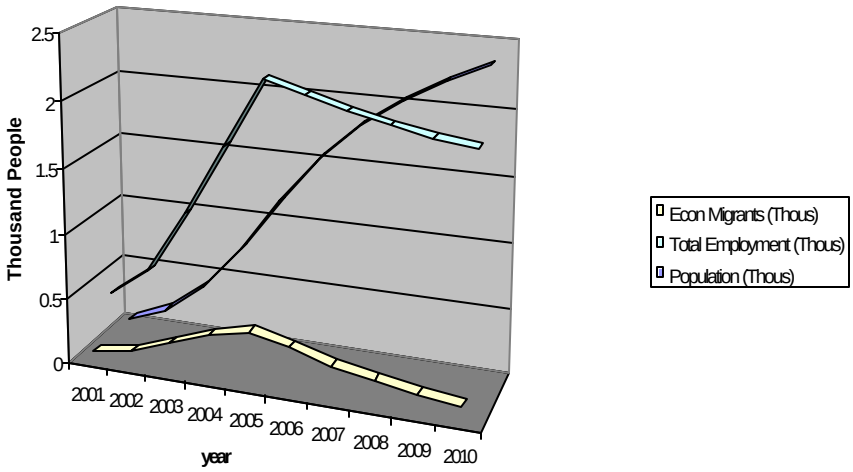
When the modeling accounts for the State constitutional provisions for a balanced budget new employment reaches a maximum of 2,118 in 2005 and population within the state is 2,358 greater by 2010. Economic migration peaks at 396 in 2005. Figure 2 shows the impact

Figure 1: Economic Impact
Bridgeport Office Building
(Scenario One)
2001-2010



of the Bridgeport Office Complex on total employment, population and economic migration over the period 2001 to 2010 for Scenario Two.

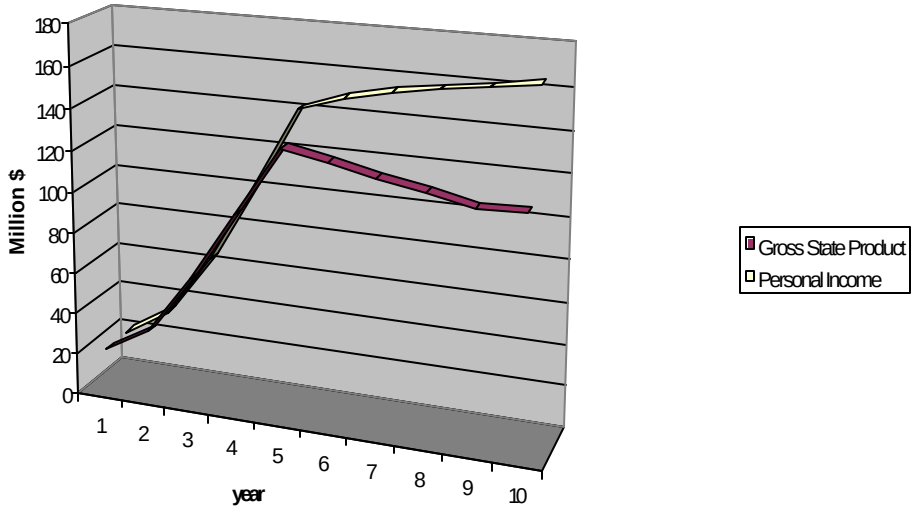
Figure 2: Economic Impact
Bridgeport Office Building
(Scenario Two)
2001-2010



The Bridgeport Office Complex impacts employment and population, and other key economic variables. Under Scenario One, Gross State Product is on average $93.1 million more per year than it would have been without the Bridgeport Office Complex. In present value terms for the period 2001 to 2010, Gross State Product increases by $772 million. Nearer to home, personal income is on average $114.7 million greater per year than for the

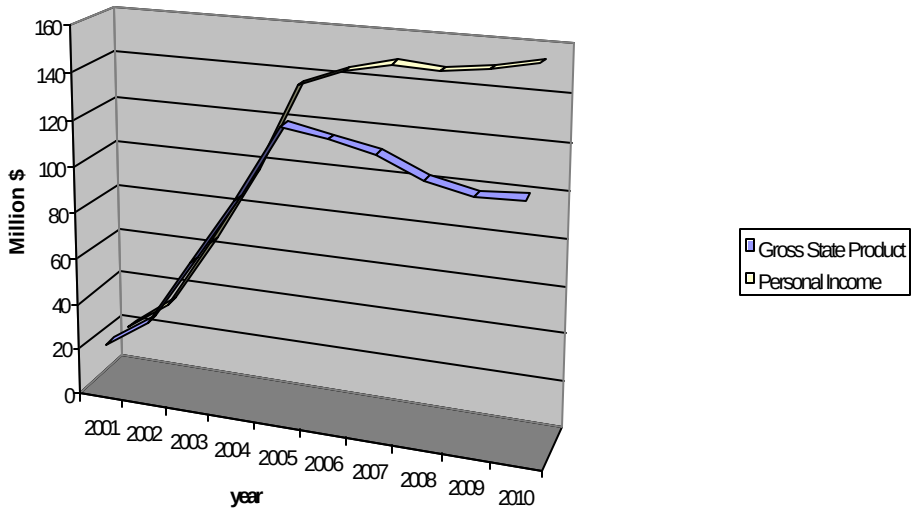
baseline forecast. In present value terms for the period 2001 to 2010, this comes to $942 million added dollars for the Connecticut economy as a result of this project. Figure 3 illustrates the impact of the Bridgeport Office Complex Project on Gross State Product and Personal Income.

Figure 3: Economic Impact
Bridgeport Office Building
(Scenario One)
2001-2010



As with employment and population, the impact of the Bridgeport Office Complex Project on Gross State Product and Personal Income is smaller when the modeling takes account of provisions of the State Constitution requiring a balanced budget. Gross State Product will on average by $89.2 million more per year than the baseline for the period 2001 to 2010. In present value terms, this amounts to an added $740.5 million of Gross State Product for Connecticut over the period 2001 to 2010 as result of the Bridgeport Office Complex project. The corresponding figures for personal income are $109.8 million and $903.6 million respectively. Figure 4 shows the impact of the Bridgeport Office Complex Project on Gross State Product and Personal Income over the period 2001 to 2010 for scenario two.

Figure 4: Economic Impact
Bridgeport Office Building
(Scenario Two)
2001-2010



Fiscal Impact

The key concern of the State of Connecticut with respect to this project is its fiscal impact. Will the project generate sufficient new state revenues to cover the cost of the incentives offered under the tax credit program? The answer to this question for both scenarios is "yes." The amount of the developer's cost that will qualify for the tax credit program comes to $53.4655 million. Under Scenario One, the State of Connecticut will gain more in new state revenues each year from 2001 to 2010 as a result of this project than the tax credits given under the Venture Capital Tax Credit Program. Over the period 2001 to 2010, the State of Connecticut will have a net gain of $62.48 million (see Figure 5). The same story is true for Scenario Two; however, the net gain will be slightly less at $57.618 million for the period 2001 to 2010 (see Figure 6). Table 1 shows the year-by-year projected new revenues for the State of Connecticut and the incentive cost of this project for both Scenarios One and Two.

Figure 5: Bridgeport Office Building Project
State Revenue and Tax Credits
(Scenario One)
2001-2010

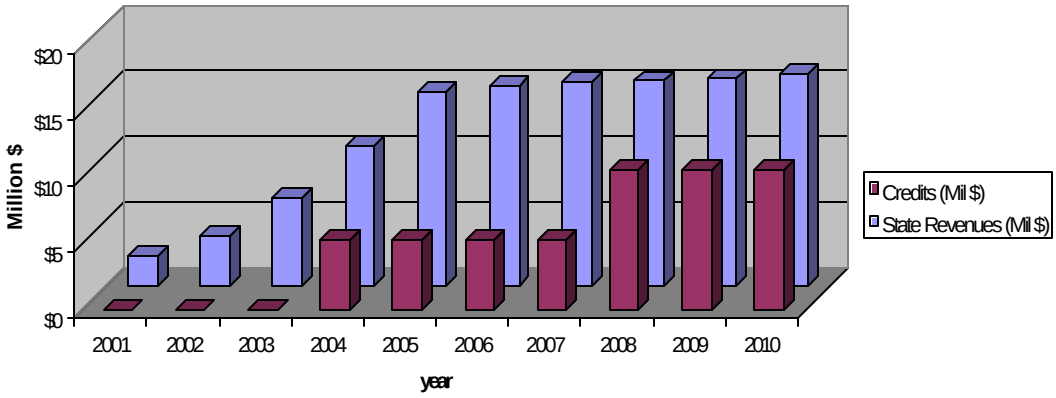


Figure 6: Bridgeport Office Building Project
State Revenue and Tax Credits
(Scenario Two)
2001-2010

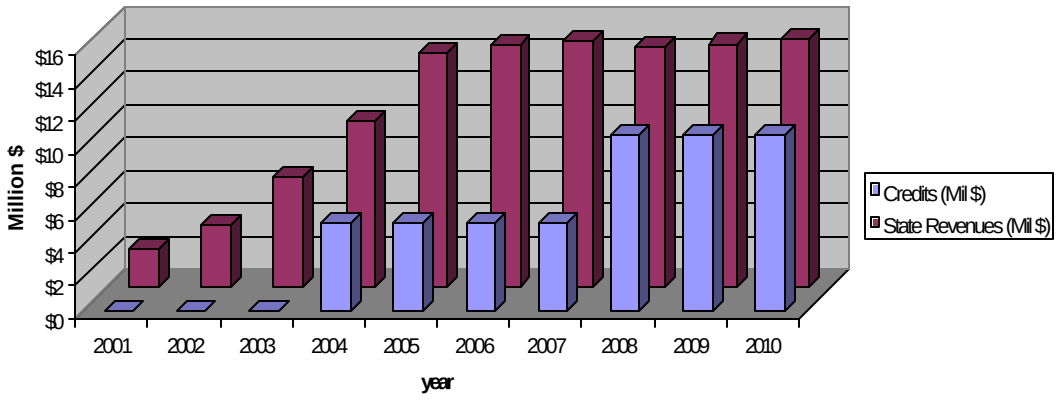


Table 1: Bridgeport Office Building Project						
	Scenario One			**Scenario Two**		
Year	State Revenues (Mil $)	Credits (Mil $)	Difference (Mil $)	State Revenues (Mil $)	Credits (Mil $)	Difference (Mil $)
2001	2.305	0	2.305	2.305	0	2.305
2002	3.765	0	3.765	3.765	0	3.765
2003	6.622	0	6.622	6.622	0	6.622
2004	10.612	5.347	5.265	10.108	5.347	4.761
2005	14.752	5.347	9.405	14.229	5.347	8.882
2006	15.211	5.347	9.864	14.699	5.347	9.353
2007	15.414	5.347	10.068	14.939	5.347	9.592
2008	15.557	10.693	4.864	14.596	10.693	3.903
2009	15.686	10.693	4.993	14.741	10.693	4.048
2010	16.021	10.693	5.328	15.079	10.693	4.386
Totals	115.945	53.466	62.480	111.084	53.466	57.618

Summary

The Bridgeport Office Complex Project is a net winner for the State of Connecticut. Under both scenarios considered, employment, population, gross state product and personal income grow. In the key fourth to tenth year of the project, new state revenues exceed the tax credit incentives being offered

Appendix
REMI OUTPUT

Scenario One
Primary:Super Summary Table
Differences as Compared to REMI Standard Reg Control

Variable	2001	2002	2003	2004	2005	2006	2007
Total Emp (Thous)	0.415	0.6318	1.115	1.667	2.195	2.108	2.023
Total Emp As % of US	0.0002466	0.0003712	0.0006485	0.0009606	0.001252	0.001191	0.001132
Priv Non-Farm Emp (Thous)	0.4111	0.6211	1.091	1.623	2.125	2.017	1.915
Priv Non-Farm Emp As % of US	0.0002878	0.0004292	0.0007463	0.001099	0.001424	0.001338	0.001258
GRP (Bil Fixed 92$)	0.01849	0.02908	0.0535	0.08119	0.108	0.1033	0.0981
Pers Inc (Bil Nom $)	0.0204	0.03421	0.06413	0.1016	0.1417	0.1492	0.1538
Pers Inc As % of US	0.0002388	0.0003821	0.0006839	0.001034	0.001378	0.001386	0.001366
Disp Pers Inc (Bil Nom $)	0.01579	0.02658	0.04993	0.07921	0.1107	0.117	0.1211
PCE-Price Index (Fixed 92$)	0.003723	0.007431	0.01228	0.01846	0.02541	0.02762	0.02831
Real Disp Pers Inc (Bil Fixed 92$)	0.009453	0.01468	0.02779	0.04345	0.05918	0.06029	0.06073
Real Disp Pers Inc Per Cap (Thous Fixed 92$)	0.002312	0.002901	0.00489	0.006578	0.007568	0.004595	0.00209
Population (Thous)	0.06836	0.1892	0.4246	0.781	1.213	1.591	1.879
Pop As % of US	0.00002468	0.00006759	0.0001501	0.0002738	0.0004219	0.0005485	0.0006427

Variable	2008	2009	2010	2011	2012	2013
Total Emp (Thous)	1.951	1.887	1.851	1.819	1.799	1.787
Total Emp As % of US	0.001081	0.001038	0.001012	0.0009873	0.0009685	0.0009543
Priv Non-Farm Emp (Thous)	1.828	1.754	1.708	1.669	1.643	1.626
Priv Non-Farm Emp As % of US	0.001189	0.001132	0.001096	0.001063	0.001037	0.001017
GRP (Bil Fixed 92$)	0.09322	0.08823	0.08711	0.08498	0.08351	0.08278
Pers Inc (Bil Nom $)	0.1574	0.1602	0.1639	0.1674	0.1712	0.1755
Pers Inc As % of US	0.001335	0.001301	0.001275	0.001248	0.001224	0.001204
Disp Pers Inc (Bil Nom $)	0.1243	0.1268	0.13	0.1331	0.1363	0.1399
PCE-Price Index (Fixed 92$)	0.02806	0.02719	0.02629	0.02524	0.02415	0.02322
Real Disp Pers Inc (Bil Fixed 92$)	0.06109	0.06145	0.06218	0.06292	0.06368	0.06452
Real Disp Pers Inc Per Cap (Thous Fixed 92$)	-0.00004768	-0.001827	-0.003225	-0.004406	-0.0054	-0.006191
Population (Thous)	2.113	2.303	2.458	2.587	2.693	2.78
Pop As % of US	0.0007167	0.0007749	0.0008205	0.0008568	0.0008849	0.0009063

Scenario One
Primary:Super Summary Table
Differences as Compared to REMI Standard Reg Control

Variable	2014	2015	2016	2017	2018	2019	2020
Total Emp (Thous)	1.785	1.789	1.799	1.814	1.831	1.849	1.871
Total Emp As % of US	0.0009457	0.0009407	0.0009392	0.0009418	0.0009454	0.0009513	0.0009598
Priv Non-Farm Emp (Thous)	1.621	1.622	1.629	1.642	1.658	1.675	1.697
Priv Non-Farm Emp As % of US	0.001005	0.0009977	0.0009943	0.0009962	0.001	0.001006	0.001016
GRP (Bil Fixed 92$)	0.08275	0.08319	0.08406	0.08542	0.0871	0.08887	0.09094
Pers Inc (Bil Nom $)	0.1806	0.1865	0.193	0.2006	0.2085	0.2171	0.2265
Pers Inc As % of US	0.001189	0.001178	0.00117	0.001167	0.001165	0.001164	0.001166
Disp Pers Inc (Bil Nom $)	0.1442	0.1489	0.1543	0.1604	0.1669	0.1737	0.1812
PCE-Price Index (Fixed 92$)	0.02245	0.02177	0.02129	0.02087	0.02046	0.02023	0.01997
Real Disp Pers Inc (Bil Fixed 92$)	0.06561	0.06681	0.06811	0.06969	0.07126	0.07284	0.07462
Real Disp Pers Inc Per Cap (Thous Fixed 92$)	-0.006792	-0.007259	-0.00761	-0.00782	-0.007935	-0.007984	-0.007923
Population (Thous)	2.854	2.915	2.966	3.009	3.041	3.066	3.086
Pop As % of US	0.0009232	0.0009358	0.000945	0.0009513	0.0009542	0.0009549	0.0009539

Scenario One
Fiscal (Bil 99$)
Differences as Compared to REMI Standard Reg Control

Variable	2001	2002	2003	2004	2005	2006
State Revenues at State Average Rates	0.002186	0.003483	0.005977	0.009349	0.01269	0.01278
Local Revenues at Adjusted State Average Rates	0.0003553	0.0006953	0.0014	0.002375	0.003508	0.004215
State Expenditures at State Average Rates	-0.0009348	-0.0007579	-0.0006173	0.0002701	0.001912	0.005479
Local Expenditures at Adjusted State Average Rates	0.00009758	0.0004475	0.001126	0.002237	0.003667	0.005153

Variable	2007	2008	2009	2010	2011	2012	2013
State Revenues at State Average Rates	0.01265	0.01247	0.01228	0.01225	0.01219	0.01217	0.01218
Local Revenues at Adjusted State Average Rates	0.004778	0.005242	0.005604	0.005917	0.00618	0.006402	0.006588
State Expenditures at State Average Rates	0.008341	0.01074	0.0126	0.0141	0.01533	0.01632	0.0171
Local Expenditures at Adjusted State Average Rates	0.006342	0.007345	0.008103	0.008743	0.009277	0.009717	0.01007

Variable	2014	2015	2016	2017	2018	2019	2020
State Revenues at State Average Rates	0.01227	0.01241	0.01258	0.01283	0.01311	0.01341	0.01377
Local Revenues at Adjusted State Average Rates	0.006756	0.00691	0.007051	0.007188	0.007315	0.007437	0.007561
State Expenditures at State Average Rates	0.01771	0.01821	0.01858	0.01886	0.01903	0.01912	0.01916
Local Expenditures at Adjusted State Average Rates	0.01036	0.01061	0.01081	0.01098	0.01109	0.01118	0.01124

Scenario Two
Primary:Super Summary Table
Differences as Compared to REMI Standard Reg Control

Variable	2001	2002	2003	2004	2005	2006	2007
Total Emp (Thous)	0.415	0.6318	1.115	1.586	2.118	2.038	1.96
Total Emp As % of US	0.0002466	0.0003712	0.0006485	0.0009135	0.001208	0.001151	0.001096
Priv Non-Farm Emp (Thous)	0.4111	0.6211	1.091	1.594	2.1	1.997	1.901
Priv Non-Farm Emp As % of US	0.0002878	0.0004292	0.0007463	0.001079	0.001408	0.001325	0.001249
GRP (Bil Fixed 92$)	0.01849	0.02908	0.0535	0.07722	0.1043	0.09991	0.09514
Pers Inc (Bil Nom $)	0.0204	0.03421	0.06413	0.09689	0.1367	0.1442	0.1489
Pers Inc As % of US	0.0002388	0.0003821	0.0006839	0.0009868	0.00133	0.00134	0.001322
Disp Pers Inc (Bil Nom $)	0.01579	0.02658	0.04993	0.07558	0.1068	0.1131	0.1172
PCE-Price Index (Fixed 92$)	0.003723	0.007431	0.01228	0.01772	0.02451	0.02667	0.02731
Real Disp Pers Inc (Bil Fixed 92$)	0.009453	0.01468	0.02779	0.04139	0.05713	0.0583	0.05886
Real Disp Pers Inc Per Cap (Thous Fixed 92$)	0.002312	0.002901	0.00489	0.006092	0.007223	0.004364	0.001972
Population (Thous)	0.06836	0.1892	0.4246	0.7659	1.181	1.548	1.828
Pop As % of US	0.00002468	0.00006759	0.0001501	0.0002685	0.0004108	0.0005337	0.0006251

Variable	2008	2009	2010	2011	2012	2013	2014
Total Emp (Thous)	1.822	1.766	1.739	1.847	1.823	1.806	1.799
Total Emp As % of US	0.001009	0.0009718	0.0009509	0.001003	0.0009815	0.0009645	0.000953
Priv Non-Farm Emp (Thous)	1.793	1.726	1.688	1.702	1.67	1.648	1.637
Priv Non-Farm Emp As % of US	0.001166	0.001114	0.001083	0.001084	0.001054	0.001031	0.001015
GRP (Bil Fixed 92$)	0.08685	0.08234	0.0818	0.08714	0.08545	0.08435	0.08386
Pers Inc (Bil Nom $)	0.1479	0.1506	0.1543	0.1677	0.172	0.1764	0.1815
Pers Inc As % of US	0.001255	0.001223	0.0012	0.00125	0.00123	0.00121	0.001195
Disp Pers Inc (Bil Nom $)	0.1168	0.1192	0.1224	0.1331	0.1368	0.1405	0.1448
PCE-Price Index (Fixed 92$)	0.02644	0.02544	0.02457	0.02477	0.02412	0.02341	0.02271
Real Disp Pers Inc (Bil Fixed 92$)	0.0574	0.05787	0.05869	0.06323	0.064	0.06477	0.06578
Real Disp Pers Inc Per Cap (Thous Fixed 92$)	-0.0005379	-0.002113	-0.003366	-0.003584	-0.004757	-0.005682	-0.00638
Population (Thous)	2.044	2.215	2.358	2.502	2.63	2.73	2.812
Pop As % of US	0.0006933	0.0007452	0.000787	0.0008287	0.000864	0.0008901	0.0009098

Scenario Two
Primary:Super Summary Table
Differences as Compared to REMI Standard Reg Control

Variable	2015	2016	2017	2018	2019	2020
Total Emp (Thous)	1.799	1.804	1.816	1.83	1.847	1.868
Total Emp As % of US	0.0009457	0.0009421	0.0009427	0.0009452	0.0009502	0.0009578
Priv Non-Farm Emp (Thous)	1.633	1.636	1.646	1.658	1.674	1.694
Priv Non-Farm Emp As % of US	0.001004	0.0009985	0.0009983	0.001001	0.001006	0.001014
GRP (Bil Fixed 92$)	0.08394	0.08458	0.08566	0.0871	0.08871	0.09067
Pers Inc (Bil Nom $)	0.1872	0.1935	0.2008	0.2086	0.217	0.2262
Pers Inc As % of US	0.001182	0.001173	0.001168	0.001165	0.001164	0.001165
Disp Pers Inc (Bil Nom $)	0.1494	0.1546	0.1606	0.1669	0.1736	0.181
PCE-Price Index (Fixed 92$)	0.02206	0.02156	0.02116	0.02069	0.02043	0.02013
Real Disp Pers Inc (Bil Fixed 92$)	0.06689	0.06811	0.06958	0.07113	0.07266	0.07442
Real Disp Pers Inc Per Cap (Thous Fixed 92$)	-0.006947	-0.007362	-0.007629	-0.00779	-0.007885	-0.007847
Population (Thous)	2.882	2.939	2.985	3.021	3.05	3.072
Pop As % of US	0.0009253	0.0009362	0.0009437	0.0009478	0.0009497	0.0009494

Scenario Two
Fiscal (Bil 99$)
Differences as Compared to REMI Standard Reg Control

Variable	2001	2002	2003	2004	2005	2006
State Revenues at State Average Rates	0.002186	0.003483	0.005977	0.008905	0.01224	0.01235
Local Revenues at Adjusted State Average Rates	0.0003553	0.0006953	0.0014	0.00143	0.002554	0.00326
State Expenditures at State Average Rates	-0.0009348	-0.0007579	-0.0006173	-0.004127	-0.002526	0.00104
Local Expenditures at Adjusted State Average Rates	0.00009758	0.0004475	0.001126	-0.001249	0.0001998	0.001721

Variable	2007	2008	2009	2010	2011	2012	2013
State Revenues at State Average Rates	0.01226	0.0117	0.01154	0.01153	0.01232	0.01231	0.0123
Local Revenues at Adjusted State Average Rates	0.003827	0.003441	0.003806	0.004132	0.006022	0.006281	0.006493
State Expenditures at State Average Rates	0.003923	0.00243	0.004311	0.005866	0.01448	0.01568	0.01659
Local Expenditures at Adjusted State Average Rates	0.002952	0.0008427	0.001673	0.002406	0.008941	0.009463	0.00987

Variable	2014	2015	2016	2017	2018	2019	2020
State Revenues at State Average Rates	0.01237	0.01248	0.01262	0.01284	0.0131	0.01338	0.01374
Local Revenues at Adjusted State Average Rates	0.00668	0.006847	0.006997	0.00714	0.007274	0.0074	0.007526
State Expenditures at State Average Rates	0.0173	0.01789	0.01832	0.01864	0.01886	0.01899	0.01905
Local Expenditures at Adjusted State Average Rates	0.0102	0.01048	0.0107	0.01088	0.01102	0.01111	0.01118