

Applied Economic Research Institute

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Mill Creek Greenway Trail—Analysis and Results

Executive Summary

The economic impacts of the proposed \$23.98 million investment from outside (Federal and State) sources in the 13.5 mile Mill Creek Greenway Trail in Cincinnati, Elmwood Place and St. Bernard will result in:

- Creation of nearly 445 jobs.
- Total industry output of at least \$52.17 million.
- Increased local tax revenue of at least \$1.86 million.

Introduction and Purpose

The nonprofit Mill Creek Restoration Project (MCRP) commissioned this study to evaluate the economic impact of a proposed \$23.98 million investment in extending the Mill Creek Greenway Trail to 13.5 miles in Cincinnati, Elmwood Place and St. Bernard. The Mill Creek investment will include a multi-purpose trail from the Hamilton County Fairgrounds in the Cincinnati neighborhood of Carthage to the Ohio River, where it will connect to the planned Central Riverfront Park and the future Ohio River Trail. The expanded project will also include at least seven trailheads with parking lots, and reforestation and other ecological improvements within the Mill Creek corridor. The details of the investment plan were taken from a preliminary engineering cost estimate provided to MCRP by the Cincinnati branch of ME Companies, Inc., a construction firm headquartered in Central Ohio. The project line items on the cost estimate were useful in creating a detailed breakdown of the investment by sector.

The goal of this report is to provide an economic impact statement based on an economy-wide economic impact analysis model (the IMPLAN model), which accounts for re-spending of newly injected revenue related to the investments and construction described. Because this is an expenditure-based model, it does not include the increased economic activity that would be associated with the future use of the Mill Creek Greenway Trail and associated amenities by the public. If we should account for that economic activity, the impact would certainly be greater than what is reported here.

Economic Impact Statement

The analysis was carried out assuming that all initial investment, including the actual construction activities, purchase of necessary materials, and hiring of labor occur locally

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within the predefined study region, the eight principal counties¹ of the Cincinnati MSA (Metropolitan Statistical Area). We further assume that additional employment of resources and inputs would all be done locally, and that new jobs will exist while the construction is being completed. They may not all be permanent once the work is done, although unrelated economic activities may be sufficient to sustain them. In addition, the economic activity generated by use of the developed area would be positive and in excess of that reported here. In short, all initial and project-related investment, as well as all follow-up economic activities that one might expect as a result of the initial investment, will take place within the Cincinnati MSA. Should there be a reason to assume that part of the initial investment would leave the region, for instance by hiring non-regional labor, the estimated economic impacts would be accordingly smaller.

The initial investment will take place within the following industry sectors: specialized design services, architectural and engineering services, building materials and garden supplies, miscellaneous wood product manufacturing, other new construction, logging, and forestry support activities. Experience with a prior study² carried out by AERI on behalf of MCRP was that simpler specifications--in which the entirety of the investment was attributed to the construction sector--exhibited a negligible change in the results. In this follow-up study, our industry-by-industry model of the Cincinnati MSA was aggregated into twenty principal industry groupings, commonly identified by the 2-digit NAICS codes. Our results below present a sector-by-sector impact on output by these industry groupings.

It should be noted that the estimate presented to AERI included \$3.3 million for inflation and contingency monies. The table presented below assumes that all contingency money will be spent in the area of construction; if none of it is spent, results would be decreased by about 10%. All of the following analysis disregards the money set aside by MCRP as a preparation for inflation; the \$22.7 million figure used below for the investment does not include this money, which is about \$1.3 million. Instead, we report results in 2010 dollars.

Results

The direct effects of the initial investment will be to create 184.8 jobs and add \$22.72 million to industry output in the Cincinnati MSA. As those vendors draw on other local

¹ These counties were Dearborn County, in Indiana; Butler, Clermont, Hamilton, and Warren Counties in Ohio; and Boone, Campbell, and Kenton Counties in Kentucky.

² This study—completed in March of 2009 by AERI—found that a \$4.9 million subset of the current investment would have a total economic impact of \$8.28 million and lead to the creation of 83 jobs while construction was going on. Because that investment is included in the current analysis, those results are superseded by the results of this study.

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inputs in form of materials and labor, additional “indirect” inter-industry activities will take place creating an additional 72.5 jobs and adding another \$9.45 million to industry output. Finally, if one would include the households in the circle of economic activities, accounting for “induced effects,” one can expect a further impact of \$20.01 million of industry output, together with creation of an additional 187.5 jobs. Altogether, under the assumptions given above, this investment would lead to an increase in total industry output of \$52.17 million and would create 444.8 jobs in the Cincinnati MSA during the construction period.

Tax Revenue Statement

There are several increases in tax revenue from this economic activity that are of note: the increased industry output leads to additional sales, from which sales taxes are paid to the state of Ohio.

In addition, the job growth leads to additional labor income: under our most expansive model (the indirect and induced effects that give the involvement of households), total labor income would be \$19.25 million. The City of Cincinnati currently charges a payroll tax of 2.1% on income earned in the city of Cincinnati, meaning that this additional income would lead to \$404,000 in direct tax revenue to the city. Some employment income would also be paid to state and federal governments through income taxes, but the complex structure of the marginal tax rates for these payments makes calculating the precise increase uncertain.

On the business side, additional sales would result in additional sales tax revenue being collected by business on behalf of the state. Under the assumptions given above, we calculate an Indirect Business Tax of \$1.46 million.

A strong case can be made that development of the Mill Creek Greenway Trail will lead to higher property values in the areas nearby. Because this increase is not directly related to the expenditures associated with the improvements, the increase in economic benefits and taxes associated with these assessments is beyond the scope of this study. AERI is confident in adding those revenues we can calculate and reporting that a lower bound of \$1.86 million in tax revenue would be generated as a result of this project.

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| Sector | Direct Effect | Indirect Effect | Induced Effect | Total |
|------------------------------|----------------|-----------------|----------------|----------------|
| Agriculture | 0 | 11 | 20 | 32 |
| Mining | 0 | 11 | 9 | 20 |
| Utilities | 0 | 62 | 221 | 283 |
| Construction | 18,189 | 74 | 1,850 | 20,113 |
| | (155.5) | | | |
| Manufacturing | 0 | 2,773 | 2,681 | 5,454 |
| Wholesale Trade | 0 | 560 | 893 | 1,453 |
| Transportation | 0 | 439 | 473 | 912 |
| Retail Trade | 0 | 1,111 | 1,847 | 2,958 |
| Information | 0 | 285 | 412 | 698 |
| Finance | 0 | 534 | 1,216 | 1,750 |
| Real Estate | 0 | 632 | 959 | 1,590 |
| Professional Services | 4,530 | 1,672 | 1,082 | 7,283 |
| | (29.3) | | | |
| Management | 0 | 157 | 186 | 342 |
| Waste Services | 0 | 563 | 638 | 1,201 |
| Education | 0 | 7 | 209 | 217 |
| Health Services | 0 | 1 | 2,253 | 2,254 |
| Arts & Entertainment | 0 | 49 | 235 | 285 |
| Hospitality Services | 0 | 203 | 870 | 1,073 |
| Other Services | 0 | 182 | 670 | 852 |
| Government | 0 | 119 | 3,286 | 3,405 |
| Total Output Increase | 22,718 | 9,446 | 20,011 | 52,175 |
| Employment Increase | (184.8) | (72.5) | (187.5) | (444.8) |

Table 1: Changes in Industry Output caused by the Mill Creek Investment. Numbers are expressed in units of \$1,000. Employment increases for some industries are given in parentheses, with the bottom row representing a total across all industries.