



MEMORANDUM

To: Mr. Chris Ballestra, City of St. Petersburg
From: Lambert Advisory, LLC
Date: May 16, 2017
Subject: St. Petersburg Pier District - Economic and Fiscal Impact Analysis

Lambert Advisory (Lambert) has completed its economic advisory services for the City of St. Petersburg (City) and, specifically, an economic and fiscal impact analysis associated with building the new St. Petersburg Pier. The new St. Petersburg Pier development comprises a total 26 acres, with 5 acres of development directly on the pier and the balance containing the connecting upland area. Collectively, this area is known, and referred to herein, as the *Pier District*. The Pier District, which is currently in the pre-construction phases, is anticipated to create measurable short-term economic benefits associated with its construction, as well as long-term recurring economic and fiscal benefits resulting from its operations. The original St. Petersburg Pier has long been a landmark serving the City of St. Petersburg and its redevelopment will provide further improvement to the local community and will also enhance the City's position as one of America's top mid-size visitor destination cities.

The new Pier District is anticipated to commence construction by mid 2017 and, upon completion, the Pier will include retail, restaurants, transient boat dockage, recreation, playground, event pavilion, open (park) space, and other activity/viewing features. The new Pier District is anticipated to be substantially completed by the end of 2018.

The objective of this economic impact analysis is to identify various benefits created by the Pier's redevelopment and prepare an estimate of such benefits to St. Petersburg and Pinellas County. The measurements of impact represent the incremental benefits to the local and regional economy as a result of activity driven by the Pier District. Accordingly, there are two key components to the economic benefit analysis herein and identified as:

- 1.) **Comparable Pier Economic Impacts** – In the effort to establish support for the underlying assumptions utilized as the basis for economic impact modeling, we have undertaken a literature review of the broader economic and social benefits of park systems, open space, and recreation activities have on local economies. This considers a benchmark assessment of

other major Piers in the US (i.e. Santa Monica Pier and Navy Pier) as well as outside of the US. The primary objective of this research is to provide a broader context through which the city will be able to provide grounding in how parks, recreation, and open space have a direct positive economic impact on the local economy. Additionally, the detailed analysis below provides an understanding of the reasoning (and any mitigating circumstances) for choosing these other benchmark Piers.

2.) Short-Term And On-Going Economic Impacts From Pier District Redevelopment – The economic benefit analysis produces an analysis of the relative impact on the local economy of on-going Pier District operations including commercial activities within the Pier District, Pier capital expenditures, and visitation to parks and park events both from residents and visitors from outside the area. These key benefits measure total direct and indirect economic output, jobs and wages, fiscal benefits (i.e. State and local taxes). The analysis also provides measures of economic benefit from the short-term activity related to the construction of the new Pier District.

The memorandum herein provides the detailed research, analysis, and supporting documentation utilized to identify and quantify the benefits created by the Pier District's redevelopment within St. Petersburg and Pinellas County. However, we provide a summary of headline findings as follows:

- With an estimated \$66 million project investment to build the new Pier District, there will be an estimated 365 Full-Time Equivalent (FTE) jobs created during the construction period; or nearly \$17.5 million in total construction wages. Additionally, over \$3.5 million in professional fees are expected to be paid to St. Petersburg/Tampa Bay area professional services firms (i.e. architecture, engineering, and legal).
- The new St. Petersburg Pier District is estimated to generate considerable expenditures directly within the Pier District, as well as off-Pier in the surrounding downtown area of approximately \$30 million in food and beverage expenditures, \$10 million in additional miscellaneous retail expenditures, and \$15 million in annual hotel expenditure;
- Total potential revenue (Output) generated to the St. Petersburg area directly from the Pier District is estimated to total \$80 million in direct and indirect/induced economic output;
- The total economic output associated with the Pier District is estimated to create 1,080 full-time equivalent (FTE) jobs within Pinellas County, creating \$33 million in total direct and indirect wages;
- Upon stabilized attendance, the Pier District is estimated to create demand for 102,000 new room nights annually (or 279 hotel rooms) within Pinellas County, and most of which is presumed to be within the City; and,
- In addition to the economic output and employment created by the new Pier District development, there will be approximately \$935,000 in annual bed tax revenue from the overnight visitor hotel demand, as well as \$6.3 in total state and local sales tax.

The remainder of this memorandum presents the methodology, assumptions, and results of our economic benefit assessment and, specifically, the two key benefit components as noted above.

1. COMPARABLE PIER ECONOMIC IMPACT

Estimating the economic impact of the new Pier District on the St. Petersburg economy is a bit more challenging than estimating the impact of, say, a new office tower with a major anchor tenant or airport expansion.

While there are many comparable uses for airport or office towers with a major anchor tenant, the size and scale of the St. Petersburg pier are quite distinct within the Southeast United States. While a number of peer-reviewed studies have been completed which provide the relative impact of green space and parks on adjoining property values,¹ these studies generally have shown that the greatest impact on property values are found closest to the green space or park, and the impacts tend to trail off quite rapidly as the distance from the park/green space increases. Despite the fact that the Pier District's design has the potential to become one of the premier green/open and public activity destinations in Florida, since the Pier is not immediately adjacent to the high concentration of density in St. Petersburg benchmarking the impacts of the Pier against other major urban parks based on past park associated research is not directly appropriate. Rather, other large operating piers with multi-use activities in the United States and the United Kingdom despite their physical distance from St. Petersburg, provide the greatest benchmarks in terms of potential attendance, the nature or mix of that attendance (i.e. local vs. visitor) and expenditure potential by visitors both on the pier itself and within Downtown.

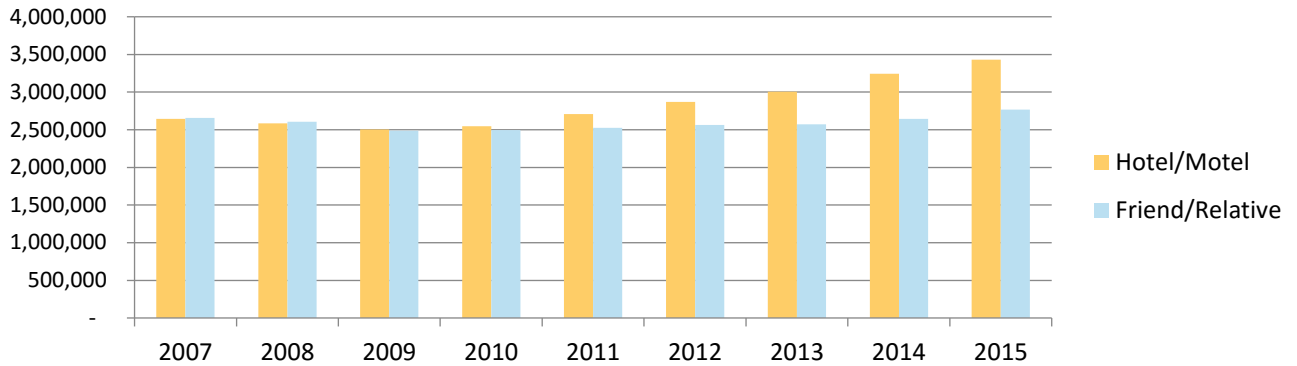
Before we discuss the benchmark assessment of St. Petersburg Pier District and other locations, we provide a summary profile of the key visitor market characteristics within the St. Petersburg region that will be helpful in the benchmark assessment within this section, as well as supporting certain assumptions in following sections.

The Tampa Bay Area, in general, is a national (and international) visitor destination and the St. Petersburg area gets its fair share of this demand. According to the St. Petersburg/Clearwater Convention and Visitors Bureau (VSPC), Pinellas County has steadily increased its visitor base from 4.9 million in 2009 (following the recession) to a record high of 6.2 million in 2015.

¹ Crompton, John L.; Impact of Parks on property values: empirical evidence from the past two decades in the United States; *Managing Leisure* 10; October 2005

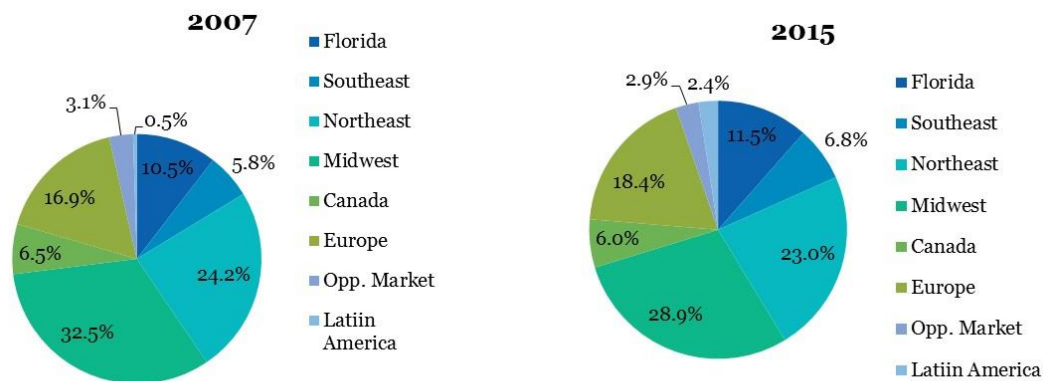
Crompton, John L.; *The Impact of Parks on Property Values*; Winter 2007; Volume 63 No. 1; California Park & Recreation Society

FIGURE 1: ST. PETERSBURG/CLEARWATER VISITOR GROWTH TRENDS
 SOURCE: ST. PETERSBURG/CLEARWATER CVB



The visitor profile has changed somewhat as well during the past several years. As shown in the figure below, the Midwest US continues to dominate the region’s visitor origin; however, it has lost some of its proportional ground from 2007 to 2015 – from 32 percent share to 29 percent share. In contrast, the European market has picked up from 16 percent to 18.5 percent share, and the Latin America market (though still very small) has increased from 0.5 percent to nearly 2.5 percent; or, a 250± percent increase in its visitor base. While fluctuations in visitor origin often occurs with periodic weather cycles for US visitors (i.e. unusually warm winters in the Midwest typically causes travel to the south to decline) and currency cycles for international visitors (i.e. monetary valuation), it is apparent that St. Petersburg/Clearwater is broadening its visitor base which can have positive implications for the hospitality industry; particularly, in areas like St. Petersburg where the arts and culture draw from around the world.

FIGURE 2: ST. PETERSBURG/CLEARWATER VISITOR ORIGINAL (2007 VS. 2015)
 SOURCE: ST. PETERSBURG/CLEARWATER CVB



In addition to the broadening visitor dynamics to the area, St. Petersburg/Clearwater has a relatively strong visitor profile, namely median household income of \$121,000, and visitors staying within the region an average of 5.6 nights.

FIGURE 3: ST. PETERSBURG/CLEARWATER – SUMMARY VISITOR PROFILE (2015)
SOURCE: ST. PETERSBURG/CLEARWATER CVB, PINELLAS CVB

Category	Metric
Expenditure Breakdown (Person / Trip) 2015	\$2,298
<i>Accommodations</i>	\$1,048
<i>Food / Entertainment</i>	\$804
<i>Retail & Misc. Purchase</i>	\$446
Average Length of Stay 2015	5.6 nights
Median Household Income 2015	\$121,000
Average Party Size 2015	2.7 Persons
Overnight Visitors 2015	6,197,500
Overnight Visitors 2016	6,349,500
Economic Impact of Visitors 2015	\$9,253,897,100
Increase from 2015 - 2016	+5.2%
Economic Impact of Visitors 2016	\$9,733,073,100

These general visitor characteristics portend well for St. Petersburg and, certainly, for the Pier District which is among the most prominent attractions in the broader region and attraction on a scale with other comparable facilities in major markets within and outside of the US.

While we attempted to collect information on visitation and associated expenditure from every major multi-use pier in the U.S. and U.K., only the Santa Monica Pier in the Los Angeles area and Navy Pier on Lake Michigan in Chicago had enough information to provide informed guidance as to the potential impacts of the Pier in St. Petersburg. There are a number of similarities of both the Navy and Santa Monica piers to St. Petersburg Pier District given both are somewhat detached from a pedestrian perspective from the core commercial, hospitality and residential areas of the cities in which they are located and each has a multitude of activities. There are likewise some differences. Santa Monica Pier is adjacent to the beach which drives some indirect visitation, and both are located in regions which are much larger and have greater visitation than the St. Petersburg regional market and therefore are not directly analogous or comparable without appropriate adjustment. Furthermore, we recognize that the Santa Monica and Navy piers have a greater concentration of food and family entertainment than is contemplated for the Pier District. However, we have not taken this into account in our estimate of attendance for the Pier District under the premise that the St. Petersburg Pier is being designed with the objective of maximizing visitation for the next century just as Santa Monica and Navy piers were designed to maximize visitation and enhance their respective surroundings at the

times in which they were built. However, we have adjusted expenditure estimates in the Pier District itself given the lower concentration of retail and commercial activity planned for St. Petersburg.

The table below provides recent data on the total visitation to Chicago’s Navy Pier and Santa Monica’s Pier and on-pier and off-pier expenditure in 2017 dollars of pier visitors in Santa Monica based on visitor surveys. Based upon adjusted population and visitation and on- and off-pier expenditure for the St. Petersburg Pier District, we have made a specific estimate of incremental expenditure growth within St. Petersburg.

FIGURE 4: COMPARATIVE AND ESTIMATED PIER ATTENDANCE AND EXPENDITURE

	Santa Monica Pier, Los Angeles County	Navy Pier, Chicago	New St. Petersburg Pier (Estimated)
Annual Pier Visitors	6,000,000	8,000,000	1,700,000
% Pier Visitors Locals	60%		58%
% Pier Visitors Non-Locals	40%		42%
Expenditure per Pier Visitor on Pier (2017 \$)	\$13.60		\$6.80
Expenditure per Pier Visitor Urban Core (2017 \$)	\$15.20		\$15.20

Overall, based on the adjusted benchmarks, and without the benefit of a full attendance analysis, for the purposes of this economic impact analysis, we estimate the St. Petersburg Pier District can expect to receive an estimated 1.7 million visitors per year, 58 percent that are residents of the Tampa Bay area and 42 percent that are out-of-town visitors. Based upon the benchmark studies of the Santa Monica pier, we broadly estimate expenditure at the Pier to be \$6.80 per visitor given the limited commercial activity on the Pier compared to Santa Monica while upland expenditure in Downtown of St. Petersburg could expect to closely align with core retail district expenditure within Santa Monica at \$15.20 per pier visitor is given the similar physical relationship of the core commercial districts to the piers in each of the communities. It should be noted that based upon the Santa Monica visitor surveys and more general information from Navy Pier in Chicago, the per capita expenditures will skew higher to the extent that the visitors are attending a specific programmed performance or event at the Pier. More modest expenditures should be expected among visitors who are not attending a specific performance or programmed event.

2. SHORT TERM AND ON-GOING IMPACT FROM ST. PETERSBURG PIER

There are two primary areas in which the St. Petersburg Pier redevelopment will provide positive economic impacts: a.) Short-term construction employment and expenditure; and, b.) Long-term economic and fiscal impacts from resident/visitor expenditure and facility operations.

a.) SHORT-TERM CONSTRUCTION EMPLOYMENT AND EXPENDITURE

The impact from short-term construction employment and expenditure is directly associated with the project’s development. Based upon data provided, the Pier’s redevelopment is estimated to cost in total \$66 million, including roughly \$54 million in hard costs, and \$12 million in soft costs. The majority of which is presumed to be expended within an 18-month timeframe and most of the development-related expenditures will be made in Pinellas County, with the City of St. Petersburg capturing a significant share of these expenditures.

Labor will account for approximately 60 percent (\$32 million) of hard costs, and materials will account for 40 percent (\$22 million). Over the estimated 18-month construction timeline, at an average annual construction wage of \$48,484² in Pinellas County, with a benefit/overhead multiplier of 1.3, there will be 365 Full-Time Equivalent (FTE) jobs created during the construction period; or nearly \$17.5 million in total construction wages. Additionally, over \$3.5 million in professional fees (or roughly 5.0 percent of total costs) are expected to be paid to St. Petersburg/Tampa Bay area professional services firms (e.g., architecture, engineering, legal).

FIGURE 5: ST. PETERSBURG PIER REDEVELOPMENT – SUMMARY OF SHORT TERM CONSTRUCTION IMPACTS

Total Estimated Project Investment Expenditure (1 year development period)	\$66,000,000
Total FTE Construction Jobs Created	365
Total Construction Wages	\$17,500,000
Estimated fees paid to local professional services firms	\$3,500,000

b.) LONG-TERM ECONOMIC AND FISCAL IMPACTS FROM RESIDENT/VISITOR EXPENDITURE AND FACILITY OPERATIONS

In support of determining the economic benefits from created building a new Pier for St. Petersburg and Pinellas County, Lambert used an input-output model developed by IMPLAN, one of the most recognized economic impact modeling systems in the US providing complete and extremely detailed Social Accounting Matrices (SAM) and Multiplier Models of local economies. The IMPLAN model organizes the economy into more than 500 separate industries and has comprehensive data on every area of the United States. The model is based on incorporating regional purchase coefficients,

² Florida Department of Economic Opportunity, QECW 3rd Quarter 2016

which measure trade flows, i.e., the proportion of local demand purchased from local producers. Simulation models, like the ones used here, have been used to examine regional economic impacts associated with a variety of economic events such as the relocation or expansion of an economic enterprise, external factors associated with migration of population, and expenditures by out-of-town visitors.

These models explicitly recognize the inter-industry (or “supply chain”) linkages among industries, as well as the consumer spending induced by changes in local labor income. As a firm or industry experiences an increase in the demand for its product or services, it, in turn, needs goods and services from suppliers, and it must increase its purchases from other firms in the economy. The effect on regional production resulting from successive rounds of inter-industry linkages is called the *indirect effect*. The resulting increases in regional production also lead to expansions in employment and labor income, and the increases in labor income lead to increases in household spending, further expanding sales and production throughout the regional economy (the *induced effect*).

The successive waves of production, spending, and more production result in economic multiplier effects. Each successive wave of impact is smaller than the previous one, but the cumulative increase in regional production, income and employment is larger than the initial (or “direct”) increase in production, income, and employment.

The size of the economic multiplier impacts depends on a number of factors including a) the amount of initial spending that is directed to firms located within a region; and b) the tendency of firms and individuals to purchase goods and services from local suppliers rather than from external suppliers. These factors have been considered in the development of the models used in this analysis.³ Specifically, the model provides estimates of the direct, indirect and induced Benefits in the designated economy based on inputs for employment and sales provided by the industry or business being analyzed.

Lambert applied the IMPLAN model for estimating the economic benefits from the new Pier and its operations from job creation and on-going food and beverage sales, retail sales and ancillary income not only generated directly on the Pier District but also from establishments in the surrounding area that will benefit directly from the Piers redevelopment. The model provides estimates of the direct, indirect and induced impacts in the local economy based on inputs for employment and expenditure provided by the industry or business being analyzed. In this case, expenditures created by the Pier are the primary model input underlying the economic and fiscal output. Accordingly, the analysis of on-going benefits is based upon Pier expenditure/performance during stabilized operations; or, likely operations two to three years following its initial opening. Nonetheless, the estimated expenditure and resultant economic output is expressed in current (2017) dollars.

In the effort to derive total potential dining, retail and ancillary expenditures created by the Pier District upon its stabilized operations, we utilized information from the benchmark assessment of other piers as detailed in Section 1 above. There are two main segments generating demand at the

³ The Minnesota IMPLAN Group, Inc. (MIG) provides the on-line software and basic data needed to construct the economic multiplier model.

new Pier District including local guests (or residents and visitors from within the Greater Tampa/St. Petersburg metro area; and, out-of-area guests (or visitors from outside of the metro area).

From the local guest perspective, there are an estimated 717,000 visitor days attending a general Pier District visit upon stabilized operations, with an additional 284,000 that will be drawn from gated events and performances. For out-of-area guests, visitor days for general attendance is 659,000, with 56,000 visitors resulting from events.

FIGURE 6: ST. PETERSBURG PIER DISTRICT – ESTIMATED ANNUAL VISITORS (BY SOURCE)
SOURCES: LAMBERT ADVISORY

	Gated Events/ Performance Guests	General Pier District Guests	Total
Guests from Tampa-St. Pete MSA	284,000	717,000	1,001,000
Out of Area Guests	<u>56,000</u>	<u>659,000</u>	<u>715,000</u>
Total Visitors	340,000	1,376,000	1,716,000

Upon establishing the estimated annual Pier District visitors by type of guest, we assessed per capita expenditure for three key retail sectors including food and beverage; gifts and souvenirs; and, other nominal ancillary retail purchases. Then, the estimated per capita expenditure by retail good is segmented into groups identified as expenditure for purchases by general visitors to the Pier (\$7.02); per capita expenditure for performances related visits to the Pier District – and not including the cost of admission (\$6.01); per capita expenditures from general visitors for off-Pier purchases (\$12.68); per capita expenditures off-Pier from Pier performance visitors (\$25.32); and, Pier Performance admission expenditures per capita (\$8.95).

Based upon the visitor estimates by type of guest, combined with per capita expenditure by retail good and guest type, we have calculated total expenditures related to the new Pier District as follows:

FIGURE 7: ST. PETERSBURG PIER DISTRICT – ESTIMATED ANNUAL EXPENDITURES
SOURCES: LAMBERT ADVISORY

	Food & Beverage	Miscellaneous Retail & Services	Total
Expenditure (On-Pier)	\$10,500,000	\$3,500,000	\$14,000,000
Expenditure (Off-Pier)	<u>19,500,000</u>	<u>\$6,500,000</u>	<u>\$26,000,000</u>
Total Guest Expenditure	\$30,000,000	\$10,000,000	\$40,000,000

As prefaced above, the newly built Pier District is estimated to draw approximately 715,000 out-of-area visitors and the vast majority of which is presumed to represent an overnight visitor. Based upon the overnight visitor demand, we have established a methodology for estimated potential net new

room night demand and potential bed tax revenue to Pinellas County as a result of the new Pier District. A summary of key assumptions follows:

Total Annual Overnight Visitors from the New Pier District: The new Pier District is estimated to draw stabilized annual out-of-area attendance of 715,000 persons. Considering this, it is estimated that at least 50 percent of the out-of-area demand will stay in a hotel/motel in Pinellas County primarily as a result of their Pier visit; or, 357,500 Pier-driven overnight visitors.

% Overnight Visitors Staying in Hotel/Motels: Based upon current visitor statistics from VSPC, 57 percent of overnight visitors to this market stay in hotels/motels (with 43 percent staying with friends or family).

The new Pier District visitor demand and associated hotel/motel stay provide the basis for determining the net new number of hotel/motel rooms that will be generated from the new Pier opening and stabilized annual operations.

FIGURE 8: ST. PETERSBURG PIER DISTRICT - ESTIMATED NET NEW HOTEL ROOM DEMAND
SOURCE: VSPC; LAMBERT ADVISORY

	Annual
Total Potential Overnight Visitor Demand from Pier	357,500
<i>(X) % Visitors Staying in Hotel/Motel</i>	<i>57%</i>
Pier Total Hotel/Motel Visitor Demand	203,755
<i>(÷) Average Persons Per Room</i>	<i>2.0</i>
Pier Annual Room Nights Demanded	102,000

As illustrated above, stabilized attendance from the new Pier District will create net new demand for an estimated 102,000 new room nights annually (or 279 hotel rooms) within Pinellas County. Based upon recent data produced by Pinellas CVB indicating an average daily room rate (ADR) of \$146.29 for the St.Petersburg/ Clearwater market area, this generates \$15 million in annual hotel expenditures as a result of the new Pier (with the corresponding impact on bed tax revenue within Pinellas County discussed in detail further below).

The total annual retail expenditures generated as a result of the new Pier District of \$30 million for food and beverage and \$10 million in additional miscellaneous retail expenditures outlined in Figure 7 above, together with \$15 million in annual hotel expenditure provides the primary inputs for the IMPLAN model.

Based upon the model's results, the table below highlights the total economic output from retail and hotel expenditures, including direct and indirect/induced output within Pinellas County as a result of the new Pier District development:

FIGURE 9: ST. PETERSBURG PIER DISTRICT – TOTAL ECONOMIC OUTPUT (DIRECT, INDIRECT/INDUCED)
SOURCE: IMPLAN; LAMBERT ADVISORY

	Dining	Retail	Hotel	Total
Direct	\$30,000,000	\$4,780,000	\$15,000,000	\$49,780,000
Indirect	\$9,677,000	\$1,917,000	\$5,014,000	\$16,608,000
Induced	<u>\$4,588,000</u>	<u>\$2,925,000</u>	<u>\$5,634,000</u>	<u>\$13,147,000</u>
Total	\$44,265,000	\$9,622,000	\$25,648,000	\$79,535,000

Total potential revenue (Output) generated directly from operations is estimated \$50 million, with nearly \$30 million in additional economic output from indirect and induced impacts; or a total \$80 in direct and indirect/induced economic output. As shown in the following figure, the total economic output will generate an estimated 1,080 full-time equivalent (FTE) jobs within Pinellas County, creating \$33 million in total direct and indirect wages:

FIGURE 10: ST. PETERSBURG PIER DISTRICT – TOTAL EMPLOYMENT AND WAGES (DIRECT, INDIRECT/INDUCED)
SOURCE: IMPLAN; LAMBERT ADVISORY

	Dining	Retail	Hotel	Total
Direct	543	123	138	804
Indirect/Induced	<u>171</u>	<u>25</u>	<u>80</u>	<u>276</u>
Total	714	148	218	1,080

	Direct	Indirect/Induced	Total
Estimated Total Annual Wages (All)	\$25,000,000	8,000,000	\$33,000,000

In addition to the economic output and employment created by the new Pier District development, there will be approximately \$935,000 in annual bed tax revenue from the overnight visitor hotel demand, as well as \$6.3 million in state and local sales tax associated with employee compensation, tax on production/imports, corporations, and households; note, the vast majority (\$5.9 million) is captured by tax on production/imports.

These impacts represent annual recurring benefits to Pinellas County and this level of both direct and indirect employment, wages and value-added output provides measurable enhancement and promotion to the City of St. Petersburg and Pinellas County.