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# A Summary of *Real Estate Economics*

## ECONOMIC BENEFIT STUDY

### RIVER PARK SQUARE TEN YEARS LATER

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## OVERVIEW

Real Estate Economics was commissioned in early 1995 to study the potential economic impacts of the then-proposed River Park Square redevelopment project and formulate projections based on a “go vs. no go” revitalization decision. Study findings showed major positive or negative economic impacts, dependent upon the RPS action alternative chosen. The substantial differences between this “go/no go” redevelopment decision were forecast. They were measured in terms of what was termed the “*big four*” variables: (1) jobs, (2) wages, (3) property values and (4) public revenue. Ultimately, the “go” decision to proceed with development of River Park Square was made, despite major obstacles.

It is now approximately ten years later since River Park Square construction was in full swing. RPS has been operational for over seven years. Therefore, it is an appropriate time to assess the economic impacts of River Park Square on downtown Spokane businesses, employees, property owners, the City and the greater Spokane community.

## STUDY GOALS

- The economic benefits achieved during construction as well as from the current operations of River Park Square *only*. These benefits are measured in terms of total jobs, corresponding wages and tax revenues to various government entities.
- The actual economic benefits of River Park Square to *all* downtown Spokane retail activity compared to our 1995 ten-year “go” forecast if redevelopment proceeded. This answers the forecast *accuracy* question.
- The current economic benefits of River Park Square on all downtown Spokane retailing compared to our 1995 ten-year forecast of the negative impacts if redevelopment had *not* proceeded.

## KEY FINDINGS

- River Park Square’s accumulative **economic impact to the City of Spokane is \$16.2 million** from 1999-mid 2007 and its **annual economic impact (new tax revenue) is \$1.5 million**.
- **Retail jobs increased** in the downtown core by **72%**, from 2342 in 1995 to 4043 in 2007.
- Inflation-adjusted **retail wages increased by 73%** from \$56,298,644 in 1995 to \$97,199,538 in 2007.
- Overall downtown **retail vacancy rates dropped from 25% in 1995 to 12% in 2007**, more than a **50% decline**.
- Inflation-adjusted **downtown retail sales have increased 38%** from \$205,428,073 in 1995 to \$282,576,713 in 2007.
- More than 800 new projects, with a combined **investment total of \$3.4 billion**, have been planned or completed in the downtown core since River Park Square opened in 1999.

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## RPS PROJECT ECONOMIC BENEFITS

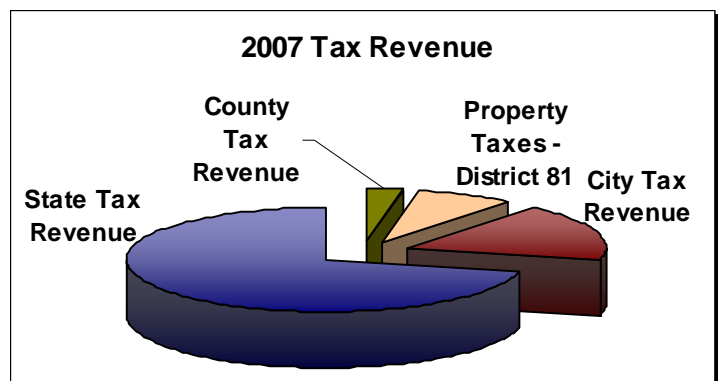
During construction of River Park Square between 1997 and 2000, an estimated 484 one-time jobs were created. Of these, 182 were direct construction jobs and an additional 303 were indirectly created during this four-year period.

- The **total wage income** generated from the construction of River Park Square during the 1997–2000 construction period is estimated to total **over \$66 million**. Of this, over \$25 million was paid directly to on-site construction workers.
- An additional **\$41 million in wage income** was paid to indirect workers who benefited from the \$115 million River Park Square construction project.
- In 2007, River Park Square created an **estimated 1,171 permanent jobs**. This total includes 866 on-site jobs and the creation of 306 indirect jobs elsewhere.
- An estimated 153 of the indirect jobs are estimated to have been created within the City of Spokane.
- In 2007, the total of 1,171 direct and indirect FTE permanent jobs resulting from redevelopment of River Park Square generated nearly \$38 million in recurring annual wage income. These direct and indirect wages are annually recurring due to the permanent retailing jobs at River Park Square.
- Of the **\$38 million wage income total**, over \$26 million was paid directly to persons working at River Park Square in 2007. In addition, an estimated \$5.7 million in resultant indirect income was generated at other jobs inside the City of Spokane in 2007.

### One-Time Tax Revenues During Construction

Major one-time public tax revenues were generated during the 1997–2000 construction period for River Park Square. All of these tax revenues were *newly created*. They would not have been collected if River Park Square had not been redeveloped. Multiple government entities were the beneficiaries of this one-time public tax revenue windfall.

- **The State of Washington received nearly \$7.7 million** in one-time tax revenues during this four year period. Over 88 percent of this total came from sales tax on materials. The other two tax revenue sources were B & O taxes and real estate excise taxes.
- Also, during this construction period, **Spokane County received over \$157,000** in sales tax revenue.
- In addition, the River Park Square tenants themselves have generated new tenant improvement fees for the City when they signed leases and built out their leasehold spaces. Based on City of Spokane data, **River Park Square tenants paid over \$53,000 in permit fees** corresponding to over **\$4.8 million in tenant improvements** between January 2000 and the present.



**Annually Recurring Tax Revenues**

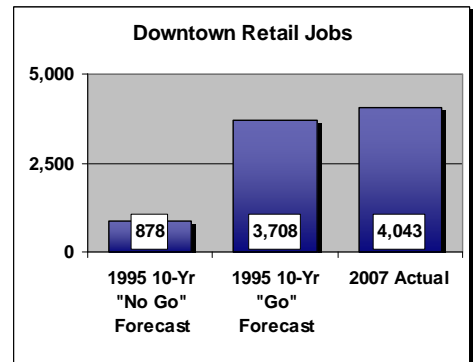
In 2007, the **State of Washington received over \$5.9 million in tax revenues solely** from retailing operations at River Park Square. In that same year **Spokane County received over \$250,000 in tax revenues, School District 81 received an estimated \$644,000 in property tax revenues** and estimates show that the **City of Spokane received over \$1.5 million in tax revenues** from River Park Square alone.

*The cumulative tax revenue benefits to the City of Spokane from River Park Square exemplify the fiscal importance of this major redevelopment project as well as its catalytic impact on revitalizing the downtown. The cumulative tax revenues (from construction and operations) accruing to the City of Spokane during the 1999 through mid-2007 period from River Park Square alone are estimated at over \$16.2 million.*

**2007 ACTUAL EXPERIENCE VERSUS THE “GO” FORECAST**

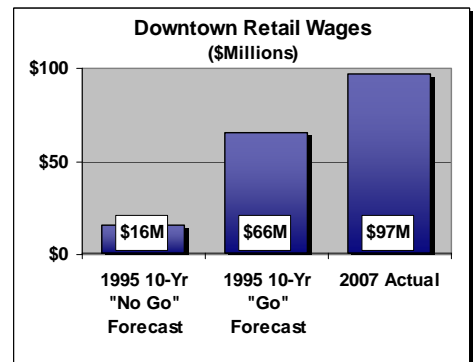
**Downtown Retail Jobs**

In 1995, we forecast that ten years later downtown Spokane retail jobs would total 3,708 if a “go” decision was made to redevelop River Park Square--an increase of 58 percent. Remarkably, for 2007 the actual total number of downtown retail jobs is estimated at 4,043. **Conclusion: The actual retail job count exceeded the forecast by 335 jobs.**



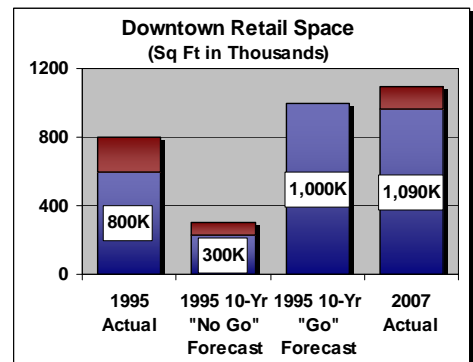
**Downtown Retail Wages**

Our 1995 ten-year forecast of total wages corresponding to these downtown retail jobs was over \$65.5 million (1995 Dollars) if a “go” decision was made to redevelop River Park Square—a 58 percent increase. Inflating this total to a 2007 dollar equivalent converts this forecast of total downtown retail wages to \$89 million. **Conclusion: The actual total of \$97 million in retail wages exceeded the forecast by \$8 million.**



**Downtown Retail Space**

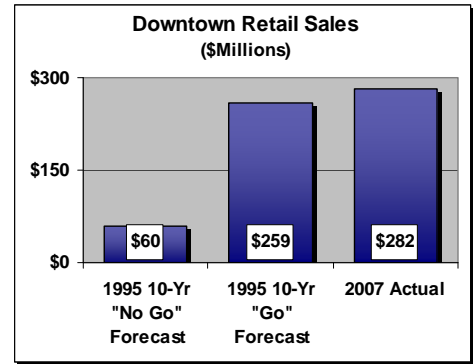
Similarly, our 1995 forecast showed that if the “go” decision was made to redevelop River Park Square, downtown Spokane retailing would grow dramatically to total 1,000,000 square feet of gross leasable area (GLA) in ten years. Moreover, much lower vacancy rates could be expected compared to the 25 percent vacancy rate in the 800,000 square feet of retail GLA that existed in 1995. In fact, the total inventory of downtown retail space (GLA) totaled 1,090,315 square feet in 2007 and the overall downtown vacancy rate dropped to 12 percent—a decline of over 50 percent from 1995. **Thus, the actual retail GLA in downtown also exceeds the forecast by nearly 100,000 square feet at a much improved occupancy rate.**



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## Downtown Retail Sales

In 1995, it was also forecast that downtown retail sales from department stores and small retailer sales would total over \$259 million in ten years. This projection assumed substantial growth in downtown retail space and in average sales per square foot at department stores and small retailers. Actual retail sales for all of downtown in 2007 were then calculated using the same sales per square foot rates set forth in the original forecast in order to ensure a valid comparison. **Conclusion: Comparing the 1995 ten-year retail sales forecast to actual 2007 sales reveals that retail sales downtown exceeded the projection by over \$23 million.**



## DOWNTOWN RENAISSANCE

The economic benefits achieved in downtown Spokane during the past ten years are now briefly summarized. A key premise is that redevelopment of River Park Square was the initial catalyst for the majority of this new growth by reversing the deterioration and anchoring the downtown retail core.

The long term opportunity cost to the Spokane community would have been a steep price to pay had the redevelopment of River Park Square not proceeded. As demonstrated, the City would have lost a very substantial tax base. Because of land availability constraints, it is highly unlikely that an alternative site existed in 1995 within the city limits to accommodate a new outlying retail complex. Therefore, retail jobs and the multiple tax revenues now accruing to the City of Spokane due to the redevelopment of River Park Square would otherwise have been redirected into Spokane County locations or to outlying city sites.

According to the Downtown Spokane Partnership, **over \$3.4 billion has been privately and publicly invested in over 800 planned or completed construction, redevelopment and infrastructure projects in downtown Spokane** over the past nine years. It is very unlikely that this recent downtown renaissance would have occurred without a redeveloped River Park Square first anchoring the retail heart of the city.

Cowles Company, developers of River Park Square, and the Downtown Spokane Partnership commissioned this report in April, 2008. To review the complete economic impacts study, please visit [www.spokanethrives.com](http://www.spokanethrives.com) and download "Economic Benefits Study."