



# **MEASURING THE BENEFITS OF REDEVELOPMENT**



# REDEVELOPMENT'S ECONOMIC BENEFITS

## Hints on How to Measure Them

### Introduction

Like it or not, people expect redevelopment programs to produce tangible economic benefits. In fact, for some people these benefits are the only acceptable justification for going to the trouble and expense of redevelopment in the first place. And when these people are legislators, elected officials and other community leaders, we cannot simply tell them that we do not know what the benefits are. So, we all need to make an effort to get the answer to the mayor's simple question: "What are we getting for all that darn money we're spending?"

There are several ways to approach this. First, you could hire a consultant to do all the work. That's handy, but it costs money.

Second, you could hire one or more staff people who know all about this stuff and let them look after the whole issue. That also costs money.

So, if you are not already equipped to calculate economic benefits and you do not have a lot of money for the two suggestions above, you and your existing staff are going to have to do it.

The good news is that it is really not that difficult. The bad news is that someone has to take the time and grind it out.

We can help. In this booklet, we address the most often used measures of economic benefit. We tell you the best versions to use, where to find the information and how to make the calculations. We also give you some tips on what you cannot get and/or do not need. We keep it all as simple as possible.

If you will just take the time, you will have a good statistical picture of the progress you have had over the last five years or so. Once you have measured the last five years, updating that every year is quite easy.

Believe me, your mayor will be very pleased .... and impressed.

# HELPFUL HINTS FROM THE FRA

## Calculating Economic Benefits

For the purposes of example, in each of the following we are calculating the benefit for the five-year period covering 1990 through 1994. Of course, you could make it a shorter or longer time period. But remember, the more years you have to deal with, the more difficult and time consuming it will be. Five years is a good compromise.

### I. New Construction

The following are the suggested categories:

	Square Feet of Building (gross)	\$ Value
Office – General		
Office – Medical		
Retail		
Hotel /Motel (rooms)		
Residential (units)		
Other (taxable)		
TOTAL		

The city or county planning/zoning/building department will have information about the square feet, rooms and units from the building permits. Property tax records at the county property appraiser’s office will also show that information. Or you can call the owner or manager of the property.

Be aware that there are four different “values”: (1) estimate on the building permit; (2) construction cost; (3) development cost; and (4) what the county property appraiser puts on the tax roll. They rarely are the same amount.

The building permit value is typically the lowest, so ignore it.

Construction cost is what is paid to the general contractor. You probably cannot get that figure.

Development cost is the construction cost plus the "soft costs," such as design work, fees, legal, loan interest, etc. You probably cannot get that number, either, especially for past years.

The value the property appraiser puts on the tax roll is usually close to the construction cost. Even though it understates the total private investment, it is the only official value and if you use it, no one can accuse you of manipulating the figures.

If you want to prepare an estimate of the total private investment, (construction plus soft costs) multiply the value on the tax roll by 1.3 to factor in the average soft costs.

If a new project does not yet appear on the tax roll, the best way to estimate its tax value is to identify a similar property, determine the assessed value of the building (i.e., exclude the value of the land) and the size of the building, calculate the tax value per square foot of that building, and then multiply that times the square footage of the building of the new project.

Note: If you need the **net** value and square footage for the five years, you must subtract the value and sq.ft. of buildings that were demolished. If you do not know where buildings were demolished, check with the planning/zoning/building department. Get the property's folio number, go to the county property appraiser office, and look up the last value listed prior to demolition, as well as the sq.ft. of the building. This is usually on microfilm. Subtract these from your totals.

However, most of the time you do not need to calculate the "net", because most people do not care about it. They just want to know how much new construction took place.

## II. Renovations

You cannot use the above procedures for renovations. It takes a long time for the value of a renovation to appear as an increase in the building's value on the tax roll, if ever. And the amount listed on the building permit is always understated.

One suggestion is to take the value on the permits (there are usually separate ones for electrical, plumbing, HARV, roof, etc.), total them up, then multiply that total by 1.5. That will be good enough.

Another method is to ask one or more local contractors what they estimate the cost of the renovations to be. They are usually quite helpful, once they understand they do not have to be precise.

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### III. Occupied Space

Occupied space is one of the very best measures of economic improvement.

You want to compare the current year's occupied space with some prior year.

Unfortunately, you can use this measure only if your agency or some other agency recorded the amount of occupied or vacant space 5 years earlier or close to that year. There is virtually no way to reconstruct prior years' figures of occupied/vacant space.

If you **do** have the prior year's numbers, here is some advice on calculating the current amount:

Do the following separately for both retail and office.

Step 1: Get an inventory of the total retail space that exists within the area today.

If you do not already have it, this information should be available at the city's planning/zoning/building department, or from the tax records at the county property appraiser. In either case, you would need to add up the individual properties for your area.

This data might also appear in your CRA plan, but you would need to adjust for new construction and demolitions.

Or, of course, you could do a field survey.

Step 2: Determine how much sq.ft. of space is vacant today.

A windshield survey will identify most of the vacant retail space. For free-standing buildings that are vacant, you can get the square footage from the tax records, or by measuring the building, or by calling the owner or real estate agent. For shopping centers where only part of the space is vacant, you need to contact the owner, manager or real estate agent to get the square footage.

For office buildings, you need to call the owner, manager or real estate agent for each building, or send a letter that they can write on and fax back to you.

Step 3: You do not need a 100% response. Based on what you do get, add up the total space for those buildings, add up the occupied space (i.e., subtract the total vacant space from the total space), and then calculate the percent occupied for those buildings. Apply this percent figure to the total of all space in the area to get the total occupied square feet within the area.

Now, compare this current year total to the prior year(s).

Note: It is better to compare occupied space rather than vacant, especially if you have had new construction during the period. Here's why:

	Total Space	Vacant %	Vacant
1989	100,000	10,000	10%
1994	400,000	80,000	20%

Although the vacancy rate increased from 10% to 20%, occupied space increased by 230,000 sq.ft., an increase of 255%! That is real progress. Stick with occupied space, it's a much better measure of economic growth than vacant space.

**IV. Employment**

This measure is also a problem unless you or another agency recorded employment back during the earlier year. If not, the only way to reconstruct it is by using the occupied space data for the prior year and applying some averages for employees-per-square foot. If you do not have even the occupied space data for the prior year, you might as well just skip this section.

If you have the prior year's employment numbers, here are our suggestions for making the current estimates of employment:

The estimates need to be done separately for retail, office, hotel.

Using General Office as an example.

Step 1: If there are any large employers, call them and ask how many employees they have.

Step 2: For the rest, take the total occupied square feet you determined earlier (Part III), subtract the space of the large employers from Step 1 above, and multiply the result according to the following table:



General Office	
Under 100,000 sq.ft.	4.8 employees per 1000 sq.ft.
100,000 - 199,999	4.4 employees per 1000 sq.ft.
Over 200,000 sq.ft.	3.5 employees per 1000 sq.ft.
Medical Office	3.6 employees per 1000 sq.ft.
Hotel	Call and ask them.
Retail	1.0 employee per 500 sq.ft.

Note: Square feet means gross floor area.

Step 3: Add the result of Step 1 and Step 2 together to get your current total employment.

Step 4: Now subtract the prior year's number and you have the increase in employment during the five years.

If you do not have the prior year's employment, but you do have the prior year's occupied space, do Step 2 for that year to get the estimate, and then go on to Step 4 to finish the comparison.

If you do not have either the prior year's employment **or** the prior year's occupied space, just forget the prior year. But, take the time to calculate the current year so you will have it for next year.

## V. New Businesses

The measure of new businesses that counts for the most is the following:

How many more businesses are located in the area in 1994 compared with 1989.

If you are lucky, someone has been keeping records of this all along. However, you will probably find that no one has the data for just the redevelopment area by itself. So, you will need to do some work.

Getting the current count of businesses can be done by one of the following methods:

1. You can do a field survey to inventory the **existing** businesses. It is not difficult and can be done by a junior staff member, intern or volunteer; or



2. You can try to use the occupational license records, which are kept by the city or the County Clerk.

Step 1: Every business must have an occupational license (OL). However, OLs are also issued for entities other than what we usually think of as a "business", e.g., vending machines, coin operated washing machines, apartment buildings, etc. Also, in real estate offices, law offices, beauty parlors, etc., the office has an OL and so does each lawyer/agent/hairdresser that works there.

So, first you will need to review the OL categories and decide which you will designate as a "business."

Step 2: You want to get a printout from the clerk or data processing center that lists every business that has an OL that falls in one of the selected categories.

Step 3: Now you must go through the list and find the ones that have an address that is within your area. Count them and you now know how many businesses are in your area.

If you are lucky, you might be able to give the data processing person a list of address ranges (e.g., 2001 to 7999 Oak Street) so that the computer can do the sorting.

Coming up with an estimate for 1989 is much more difficult.

While the clerk might be able to tell you how many OLs there were in 1989, and maybe even how many by category, it is very unlikely they will be listed by address. So, your only hope is that there is an address file, either on computer or in hard copy form, that contains a running list of OLs issued to that address going all the way back to 1989. If so, you can go on to Step 4:

Step 4: Look in the address file for every address in the redevelopment area and determine if there was an OL active at that address in 1989. If so, determine if it falls into one of the selected categories. Count those that you find and you will have the total number of businesses in 1989.

Step 5: Subtract the 1989 total from the 1994 total and you will know how many more (or how many less) businesses there are in your area.

To do Step 4 for a large area would be very time consuming. But it is probably the only way that you can reconstruct an estimate for 1989.

## VI. Retail Sales

Basically, this cannot be done for redevelopment areas. Those agencies that collect retail sales data (usually for tax purposes) do not provide the data for small, special areas in response to requests.

(Perhaps FRA should sponsor a bill in the Florida Legislature so that the Department of Revenue will be required to provide annual reports of retail sales in CRA/DDA districts)

Surveying the businesses will not work well either, because few of them want to reveal what their sales figures are.

One hope: If you can persuade a few retailers to trust that you will not give the data to anyone else, you could do a sample. You would not be able to estimate total sales in the area based on that sample, but you could report the percentage change in "same store sales," much as is done in the national media.

## VII. Property Values

Property values are best measured in terms of assessed value from the tax rolls. For DDAs, this is simple because the total value is reported each year. For CRAs, it is also easy to get it from the county property appraiser who calculates the tax increment each year.

For other areas, it is still relatively easy to arrange with the county property appraiser to prepare a report for the current year. You might have to pay a fee for the service, however.

For past years, you will need to go to the appraiser's office to get the values from the microfilm and then add them up yourself. To do this you will need to know the folio number for every property in the redevelopment area and look up each one. It is really not as bad as it sounds if you are dealing with less than, say, 200 acres. Besides, it makes a good job for an intern or volunteer.

### A Final Note

You really ought to calculate and store away each of these indicators each year starting now. As you can see, it is difficult to reconstruct this data for past years. By recording each one each year as you go, you will have the numbers when you need them in the future.



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