Chapter - Economic Impact Analysis

1.1 Introduction

The conversion of NP Avenue and 1st Avenue North will do more than alter Downtown traffic flow and patterns; it will also result in significant economic impacts on Downtown Fargo, especially local businesses and the city government. The purpose of this analysis is to quantify the direct economic and employment impacts of the three street reconfiguration alternatives presented in this report.

Economic impacts in other cities that have converted downtown street patterns and/or added bicycle lanes have been measured and are also presented in this chapter. The results from other cities have been reviewed and incorporated into how proposed street configurations will impact Downtown Fargo's development and redevelopment. The economic impacts on the City of Fargo have been prepared to enhance local officials' decision making process as the community considers the proposed alternatives. The findings of this analysis are presented in this chapter of this report.

1.2 Street Conversion Benchmark Survey

The conversion of one-way streets to two-way traffic across the United States has often been implemented as a means to strengthen a city's downtown economic vitality and stimulate redevelopment. For purposes of projecting the economic impacts such a traffic change would have on Downtown Fargo, five cities that have converted one or more one-way streets in central business districts have been evaluated.

The five benchmark cities were chosen for a combination of reasons, including the fact that the converted streets are located in or provide direct access to each downtown. Like Downtown Fargo, three of these cities (Fort Collins, Lafayette, Indiana and Austin) also have a university or university-related facility located in or near downtown. The median 2008 population of these five cities is 163,186 persons ranging from 64,049 to 757,688, large enough in size to provide a meaningful amount of downtown development and data for this survey.

An overview of the cities by population, year of the street conversion project, street(s) converted from one-way to two-way and length of the conversion project is presented in the following Table 1. – "Benchmark Survey of Recent Downtowns with Street Conversions."

Table 1. Benchmark Survey of Recent Downtowns with Street Conversions

City (2008 Population)	Street(s) Converted from One-Way to Two-Way	Major Access to / from Downtown	Length of Street Conversion	Year of Street Conversion
Des Moines, IA (197,093)	Court and Walnut Avenues and Locust Street	No	3 to 4 blocks each	2006
Fort Collins, CO (136,569)	Mason and Howe Streets	Yes	1+ mile	2010
Lafayette, IN (64,049)	Main Street	Yes	9 blocks	1994
Austin, Texas (757,688)	Cesar Chavez Street	No	5 blocks	2008
Vancouver, WA (163,186)	Broadway Main Street "C" Street	Yes	7 to 8 blocks each	2007 2008 2009

Source: U.S. Census; Downtown Des Moines Community Alliance; City of Fort Collins Planning Department; Lafayette Downtown, Lafayette Chamber of Commerce; City of Austin Downtown Master Plan; Vancouver Chamber of Commerce; City of Vancouver.

The five downtowns evaluated varied in the degree of economic vitality – from a dynamic central business district with a mix of office, government entities, retail, lodging and residential development such as Austin, Texas, to a city seeking to reinvigorate its downtown with new public investment, such as Vancouver, Washington. These analyses are the result of a combination of assessment of local economic indicators, recently published data and reports, interviews with local officials and members of the respective business community.

Representatives from each city expressed three common objectives associated with their conversion projects. These were to:

1. Improve traffic and/or public transit, new bike lanes, wider sidewalks, etc;
2. Support and/or stimulate public and private development and redevelopment;
3. Directly increase revenues to the city and/or downtown property owners.

The timing of each two-way street conversion project varies among the five downtowns. Although all five cities have seen favorable economic outcomes from the street conversion projects, it is noteworthy that:

- Lafayette, Indiana's street conversion preceded downtown redevelopment;
- Fort Collins, Colorado's street conversion is intended to stimulate further redevelopment and the corridor; and
- Austin, Des Moines and Vancouver's street conversion projects occurred as downtown redevelopment was actively underway.

A recent independent study by researchers at Iowa State University on behalf of the City of Des Moines concerning the conversion of streets in Downtown Des Moines concluded that…

> *"The issue of evaluating (conversion of streets to two-ways) is somewhat a question of which came first, the development stimulated a change to traffic patterns or improved traffic patterns accelerated development."*

The following narrative and Table 2 (“Summary of Street Conversion Objectives and Economic Impacts”) provides a comparative assessment of the major and direct economic impacts and role the two-way street conversion played in the city’s downtown redevelopment effort. The following Table C also reflects the changes and relative importance identified as a result of the recent street conversion in each downtown. The results of this evaluation are ranked and reflected by the following informal evaluation system based on the data gathered and interviews conducted were applied:

√√ = Significant increase (2 points towards the ranking tally)
√ = Increase (counted for 1 point)
0 = No change or limited measurable change occurring (counted as 0 points).

Table 2. Summary of Street Conversion Objectives and Economic Impacts

Objective / Impact	Austin, Texas	Des Moines, Iowa	Fort Collins, Colorado	Lafayette, Indiana	Vancouver WA	Total / Overall Ranking
1. Enhance Traffic and/or Transportation Systems . . .						
Improved auto access / Traffic flow	0	√√	√√	√√	√	**7**
Improved Public Transit System Use	0	0	√√	√	√	**4**
Added Bicycle Lanes	√√	0	√	0	0	**3**
Widen Sidewalks	√√	0	√	0	0	**3**
2. Support Redevelopment / Stimulate New Development . . .						
New Offices Built	√√	√√	0	√	√	**6**
Added Residential Units	√√	0	√√	√	√	**6**
New Retailers	√	√	√	√	0	**5**
New Hotel / Lodging	0	√√	0	0	√	**3**
New Public Buildings / Parks	City Hall; Library planned	Parking garage	0	0	Parking garage	**3**
Significant amount of Redevelopment	√√	√√	√	√	√√	**8**
3. Direct Economic Indicators . . .						
Increased Property Values / Taxes	√√	√√	√√	0	0	**6**
Increased number of Residential Units	√√	0	√√	0	√√	**6**
Increased Sales Taxes	√	√	√	√	√	**5**
Increased Retail Occupancy	√	√	√	√	√	**5**
Increased Office Occupancy	√	√√	0	√	√	**5**
Increased Office Rental Rates	√	√	0	√	0	**3**
Increased number of Hotel Rooms	0	√√	0	0	√	**3**

Detailed descriptions of the five downtowns, the two-way street conversion projects and the ensuing economic related impacts from the projects are presented in the following pages.

1.2.1. Benchmark City Survey Findings

A. Des Moines, Iowa - Court Avenue, Walnut Avenue, Locust Street

Over the past five years, Downtown Des Moines has seen more than $2.75 billion invested in public and private capital projects. Downtown Des Moines Central Business District converted portions of three streets from one-way to two-way: Court Avenue, Walnut Avenue and Locust Street. These three streets do not serve as commuter routes to the city's Central Business District section of downtown. In addition to seeking to improve local traffic patterns, a prime objective of the streets' conversions was to improve access and visibility to the streets retail establishments.

Several of the new office buildings and a major hotel renovation are located on or abutting one of the three streets converted to two-way traffic. The city also constructed a new public parking garage that is more efficiently accessed as a result of one of the conversions.

The Des Moines Central Business District absorbed more office space since 2007 than any other sub-market in the greater Des Moines area, adding over 520,000 square feet of new office in the last two years and absorbing over 350,000 square feet of office. Downtown Des Moines office vacancy rate increased from 6.2 percent to 7.5 percent due to the large increase in the amount of office supply. Rental rates at the new office buildings are the highest in the city, while the range of office rental rates for space in existing, older office buildings has remained the same for the last three years.

An independent study by Iowa State University researchers for the City of Des Moines regarding the conversion project concluded that *"...the issue of evaluating (conversion of streets to two ways) is somewhat a question of which came first, the development stimulated a change to traffic patterns or improved traffic patterns accelerated development."*

Nevertheless, there is no doubt that the three street conversions enhanced development in Downtown Des Moines, complementing the new public and private investment and the success that the Central Business District is experiencing.

B. Fort Collins, Colorado - Mason and Howe Streets

The Mason Street Corridor is a major byway within the City of Fort Collins that connects Downtown to Colorado State University approximately one mile from Downtown. Mason Street and Howe Street are parallel and are currently being converted from one-way to two-way to include a new bicycle and pedestrian trail. The city also plans a bus rapid transit system in a fixed guide way for the majority of the two+ mile corridor.

Mason and Howe Streets include a variety of conditions ranging from mature downtown office and retail buildings to relatively new larger format retailers. Approximately 100 residential units have been recently completed with over 350 additional units either under construction or proposed for the corridor. Several vacant parcels along Mason Street have been targeted for new development opportunities.

The conversion of Mason and Howe Streets to two-way traffic is an element of the Mason Corridor Master Plan adopted in 2000 and in the Downtown Strategic Plan adopted in 2004. According to these plans, the conversion to two-way operation is designed to *"increase operational efficient for the bus system as well as improve overall downtown access, mobility and circulation for automobile users and bicyclists."*

Downtown Fort Collins has experienced redevelopment, primarily through higher density, infill condominium projects. Eleven for sale, residential construction projects have been completed in the last few years with additional residential units proposed for the Mason Street corridor.

An independent economic analysis of the proposed street conversion project by an economic consultant on behalf of the city in 2007 concluded that the conversion will stimulate further redevelopment that has been occurring and actively planned along the Mason Street corridor in Downtown Fort Collins, tripling the amount of new retail development. (See Table 3 – "Mason Street Corridor Property Tax and Retail Development Projected Growth.")

The study further stated that the Mason Street corridor conversion is designed to provide another amenity expanding the attractiveness of Downtown Fort Collins by providing the area with improved access to regional destinations. Based on recent and planned redevelopment projects along the Mason Street corridor, the following table estimates the economic impacts from the conversion project over the next 10 years.

Table 3. Mason Street Corridor Property Tax and Retail Development Projected Growth

Land Use	Existing / Pre-Conversion	Projected Net Increase Years 1 – 10 / Percent Change	
Residential	$120,500	$1,034,000	858%
Retail	$3,500	$30,500	871%
Office	$3,000	$60,000	2000%
Total Property Taxes	**$127,000**	**$1,124,500**	**885%**
Retail Square Feet	12,500 square feet	75,000 square feet	600%

Source: Mason Street Corridor Economic Analysis 2007.

In summary, the Mason Street corridor conversion, like Des Moines, significantly complements the redevelopment and private reinvestment that has been occurring in Downtown Fort Collins.

C. Lafayette, Indiana – Main Street

Downtown Lafayette contains many turn-of-the-century architectural landmarks, historic neighborhoods, and public areas. The area is considered the heart of the community with a wide range of retail shops, boutique shops, a bed and breakfast inn, restaurants, professional service providers, public services and community festivities. There are no chain retail stores in Downtown Lafayette. Lafayette is home to Purdue University.

Main Street is less than one mile in length and is characterized mostly by specialty shops and offices. Lafayette's Main Street Program earned the Indiana and national Main Street's highest distinction in 2007 for its rehabilitation projects. The city operates a free downtown shuttle which carried more than 340,000 passengers in 2007.

Main Street in Downtown Lafayette was converted from one-way to two-way traffic in 1994. Main Street had been a couplet with a parallel street (Columbia Street). After the conversion, the adjoining Columbia Street remained one-way and was paired with another street. Main Street's conversion was a part of a major transportation program relocating railroad tracks from the Downtown and creating grade separations which enabled redevelopment to occur.

The conversion of Main Street from 4th to 11th Streets was a "very big plus to retail" according to the Lafayette Redevelopment Director Dennis Carson. Main Street has better specialty shopping than elsewhere in the region. Lafayette Chamber of Commerce and city officials direct specialty retail prospects to downtown and actively encourage destination uses. Downtown is now the first place specialty stores look for retail space.

Downtown also is a growing residential hub. Recently completed construction of one full block of Main Street included a $25 million three building complex that included five-story retail/ residential condominium building with 18,500 square feet of retail space, 36 residences, as well as a 140,000 square foot office building.

Of 300,000 square feet of office space in downtown Lafayette, the estimated office vacancy rate is approximately 20 percent. This high vacancy rate is attributable, in part, to the fact that almost one-half of the vacant space has been built in the last three years. Downtown Lafayette is doing better in the current economic downturn than retail elsewhere in the city according to Lafayette city and chamber officials.

In summary, although the Main Street conversion project was motivated by a need to enhance safety, automobile circulation and create sites for redevelopment to occur, Downtown Lafayette has enjoyed continued redevelopment and attracted specialty retailers along the Main Street since the two-way conversion was completed.

D. Austin, Texas - Cesar Chavez Street

Cesar Chavez Street is a major artery that bisects Downtown Austin. Downtown Austin has been experiencing a significant amount of new private investment since 2004. This includes constructing a new Austin City Hall three blocks from the recent two-way street conversion project.

Construction to convert Cesar Chavez Street from one-way street through part of Downtown to two-way was completed in 2008. The urban design elements for the conversion project were developed based on input from stakeholders as well as the vision contained in the city's Great Streets Master Plan. The urban enhancements included an expanded sidewalk on one side of Cesar Chavez Street. New benches, trash receptacles and a water fountain were included. The project also incorporated infrastructure improvements prior to the roadway widening and addition of turn lanes at intersections to enable the conversion of Cesar Chavez Street to two-way vehicle traffic.

Major projects recently completed on Cedar Chavez Street include a residential project with 294 apartments and 185 condominiums plus 22,000 square feet of retail, 11,000 square feet of office and a restaurant. Also under construction is a high rise tower that includes 258 rental units and ground floor retail space. The city is also planning a new central library with 250,000 square foot library on Cesar Chavez Street just beyond where the street conversion occurred.

A closed power plant on Cesar Chavez Street is planned for redevelopment into a mixed-use attraction. Once complete, the site will feature a mix of office space, retail, condos, a boutique hotel, a special event space and an outdoor terrace that overlooking adjacent Town Lake, a major Downtown amenity and recreation attraction.

Residential, office and retail rental rates have been increasing throughout Downtown Austin, including leases along Cesar Chavez Street. Since the completion of the two-way street conversion, the average annual rental rates per square foot for Austin's office space declined slightly from 2008 to 2009. However, the largest decline in office rental rates took place in suburban markets while the Central Business District, which includes Cesar Chavez Street, actually saw a slight increase in rental rates. In conclusion, the conversion of Cesar Chavez Street gave further momentum to an already actively redeveloping section of the city's downtown.

<u>E. Vancouver, Washington - Broadway, Main and "C" Streets</u>

In the summer 2007, Broadway in Downtown Vancouver was the first of three streets to be converted from one-way to two-way traffic from 6^{th} to 15^{th} Streets. The conversion project also included modification or removal of traffic islands, modification of traffic signals and the addition of bus stops. The Main Street streetscape project carried out as a part of the street's conversion was primarily an economic development project. Improvements to the street environment were envisioned as a catalyst for retail revitalization along the three streets and corridor connecting Downtown Vancouver to the Interstate Highway.

The redevelopment and revitalization of Downtown Vancouver began in 1997. The major reconstruction effort and traffic pattern changes are viewed by city officials as important steps in support of the long-term economic vision for Downtown Vancouver.

Goals in the master plan include improving mobility and linkages that optimize accessibility within downtown Vancouver and the region. The City has made substantial public investment in the renovation of a large, downtown park and streetscape treatments. It has also partnered with two private developers to provide housing, retail commercial and office space to support the Downtown as a live/work center of financial, government and professional offices, community and entertainment facilities.

Since the master plan's adoption, downtown Vancouver has changed significantly. Vacant buildings have been replaced with upscale residences, retail establishments, new restaurants and people regularly use Esther Short Park for outdoor concerts, festivals and a farmer's market. The Plan has helped produce an estimated $236 million in projects that have either been completed or have begun construction as of late 2009 including:

- 1,010 new residential units
- 540,000 square feet of new commercial space
- 1,474 new jobs attributed to new development
- A new Hilton Hotel and Conference Center
- A new office building for the area's newspaper.

Several retail businesses along Broadway in downtown Vancouver report an increase of approximately 10 to 20 percent in sales activity since the street's conversion to two-way. Now under construction on Broadway in downtown is a 71,000 square feet of mixed use commercial space with 21 luxury condominiums and a 267 space public parking structure. There are several other commercial projects actively planned on "C" Street.

Like Downtown Austin and Downtown Des Moines, Downtown Vancouver's two-way street conversions were carried out as an element of a master plan and as redevelopment and new investment was occurring. And like those cities, the two-way street conversion is viewed as enhancing the on-going redevelopment efforts. All of the cities received little or no public opposition to the street conversions, and each downtown has been met with further private reinvestment and new development.

Conclusion

In summary***, it is has been concluded from this survey of other downtown street conversion projects that the conversion of NP Avenue and 1st Avenue North in Downtown Fargo to two way traffic will have a positive economic impact on existing development and will stimulate further redevelopment in Downtown.***

1.2.2. Economic Impact from Adding Bike Lanes to Major Streets - Alternative #3

The economic impact of Alternative #3 is somewhat harder to quantify, due to the fact that there are few studies that have quantified the economic impact of adding bicycle lanes to streets. Implementing Alternative #3 is projected to have a minimal but positive economic impact on Downtown Fargo's retail and restaurant sales. However, it will not directly impact property values, franchise fees, lodging tax revenues nor stimulate any new development or redevelopment.

This conclusion is based on the results of three recent studies on the economic impact of bicycle lanes in Toronto, North Carolina and Texas. The three recent studies that specifically examined bicycle lane economic benefits or impacts include:

a. Bike Lanes, On-Street Parking and Business. A Study of Bloor Street in Toronto's Annex Neighborhood completed in 2009 by the Clean Air Partnership;

b. Economic Impact of Investments in Bicycle Facilities. A Case Study of the North Carolina Northern Outer Banks (2004) by the Institute for Transportation Research and Education at North Carolina State University;
c. An economic impact analysis completed in April 2010 which assessed adding bicycle lanes to Nueces and Rio Grande Boulevards in Austin, Texas by an Austin-based economic development consulting firm.

A brief summary of these three assessments are as follows:

a. Toronto, Ontario, Canada - The Toronto bicycle impact analysis was based on a survey of local bicycle users along a major commercial street in an urban area of the city but outside of downtown. The survey found that:
   - Shoppers arriving by foot and bicycle visit the most often and spend the most money per month; and
   - The spending habits of cyclists and pedestrians, their relatively high travel mode share, and the proposed change (addition of bike lanes) will likely increase commercial activity.

b. Outer Banks, North Carolina - The North Carolina study focused on the economic benefits on an area's tourism economy. It found that bicycling activity provided substantial economic benefits to the area. The area invested approximately $6.7 million to construct the special bicycle facilities and found that the annual economic impact of cyclists ($60 million) was estimated to be almost nine times greater than the one-time expenditure to construct the bicycle facilities. The study also found that:
   - The bicycle facilities in the area are an important factor for many tourists in deciding to visit the region;
   - Visitors who used bicycles extended their stay, thereby increasing retail sales to local restaurants, lodging establishments and retail stores. Twelve percent of respondents reported that the duration of the visit was longer because of bicycling;
   - Nearby property values along areas that feature bike paths and trails were enhanced;
   - Reducing congestion and enhancing motorist safety resulted in increased benefits to road users; and
   - Increased bike lanes reduced parking congestion.

In summary, the annual economic impact of cyclists in the area was calculated to be nine times the initial costs of the bicycle facilities.

c. Austin, Texas - The mix of commercial uses for the two major streets in the Austin, Texas bicycle impact study reflects similar development patterns to Downtown Fargo. A study was completed in 2010 to project the potential economic impact of adding bicycle lanes to two major commercial streets near Downtown. Businesses along the two streets currently average $13.8 million in goods and services annually. The study projected that:
   - The addition of the bicycle lanes would realize a net increase of approximately $96,000 to $264,000 annually by the 10th year after installation of the new bicycle lanes; and
   - These projections reflect an average annual increase of 0.025 to 0.77 percent over 10 years.

Additional information can be found on these studies are the following web sites:

- www.cleanairpartnership.org/pdf/bike-lanes-parking.pdf
- www.americantrails.org/resources/economics/NCouterbanks
- www.ci.austin.tx.us/publicworks/downloads/bike_blvd_economic_study_042110.pdf

Conclusion

Based on the findings of these three economic studies and surveys, it can be concluded that Alternative #3 would positively impact retail and restaurant sales in Downtown Fargo on NP Avenue and 1st Avenue North. However, installation of the bicycle lanes would not have any economic impact on Downtown Fargo property values, employment levels or generate any new development.

1.3 Existing Conditions in Study Area

In order to analyze the economic impacts of the proposed Fargo street conversion project, it is necessary to establish the base line for projections and understand the recent trends within the area. There is a total of 3,692,734 square feet of improvements in the study area scattered on 157 parcels of land. (See Table 4. "Summary of Corridor Study Area Property by Use and Value.")

Residential Development

There are a total of more than 294 residential units within the NP Avenue and 1st Avenue North corridor study area. (A listing of these properties by address is included in the Appendix.) From 2000 through 2007, the number of downtown housing units grew by 288 including 8 condominium developments with 81 owner occupied units, 27 new rental units and 180 rehabilitated rental units. The most recent has been the construction of 17 apartments on Roberts, five condominiums at 300 Broadway project and the new NDSU dormitory.

Office Development

The most significant addition to the study area has been the renovated NDSU classrooms and offices. In 2009 there was a total of 1,106,000 square feet of office in the Fargo Central Business District including 161,500 square feet of vacant space. Approximately 56 percent of this total, or 619,663 square feet, is within the corridor study area. This amount of office vacancy represents an increase from 105,400 square feet reported in 2000 by Konrad Olson Commercial Real Estate. Office rental rates in the central business district have increased since 2000 by an annual average of 2.6% per year and ranging from 2.1% to 2.7% depending on the class of space.

Retail Development

There is more than 350,000 square feet of retail in the corridor study area. Retail vacancy in Downtown Fargo is reported to be 13 percent according to NAI Global Real Estate Services. The corridor has a mixed record of retail success with certain eating establishments and jewelry stores doing very well, while other small, independent businesses are performing below the retail industry average. This higher retail vacancy rate is almost twice the 7.0 retail vacancy rate reported in the rest of Fargo.

Existing sales among the retail businesses and restaurants within the study area in 2010 are estimated to be approximately $40 million. Retail sales range from approximately $50 per square foot for art-related uses to around $300 per square foot for some restaurants.

Industrial Development

There is 282,249 square feet of industrial building in downtown Fargo including 232,244 square feet located within the corridor study area.

In total, there are 157 parcels in the corridor study area with a total of 3,692,734 square feet of improvements. The following table ("Summary of Corridor Study Area Property by Use and Value 2010") summarizes these parcels by land use, square feet of improvements, land and building value.

Table 4. Summary of Corridor Study Area Property by Use and Value 2010

Land Use	Number of Parcels	Built Square Feet	Residential Units	Appraised Land Value	Appraised Value of Improvements
Residential	32	342,947	291	$1,649,000	$13,551,600
Office	48	619,663	N / A	$4,559,400	$35,982,000
Industrial	14	232,244	N / A	$1,110,300	$4,348,900
Mixed Use (a)	12	304,578	3+	$2,099,500	$19,856,800
Retail & Restaurant	41	346,935 (b)	N / A	$3,285,600	$13,497,201
Public (c)	10	1,846,367	N / A	$1,335,300 (d)	$3,285,600 (d)
Total	**157**	**3,692,734**	**294+**	**$14,039,100**	**$90,522,101**

(a) Includes retail, office, residential and restaurant uses.
(b) Includes 58,800 of restaurant space.
(c) Includes private parking lots and railroad right of way.
(d) Non tax-exempt parcels only.

Source: City of Fargo Assessment Department.

Rental and leases rates are influenced by the market value of the particular property. Property values vary widely in Downtown Fargo because of wide differences in building conditions and characteristics. In addition, market demand, specific location, configuration and use also factor into establishing property values. Industrial buildings have the lowest average assessed values while new or renovated retail and residential properties are the highest assessed properties within the corridor according to the City of Fargo Assessor's Office.

This range of values can serve as a financial incentive for owners of lower valued properties to renovate and/or redevelopment their property. The following table present the range of assessed values within the corridor. These values exclude lands in public use and railroad owned parcels.

Table 5. Corridor Study Area Assessed Value by Use 2010

Major Use	Lowest Assessed Per Square Foot	Highest Assessed Per Square Foot	Median Assessed Per Square Foot
Residential	$32	$180+	$70
Office	$22	$150+	$68
Retail	$20	$200+	$50
Industrial	$12	$105	$30

Source: City of Fargo Assessor's Office.

1.4 Projected Changes to Study Area

The basis for the projected absorption of new development in this economic impact analysis reflects a combination of factors and independent sources. These include:

a. Experience from analysis of other downtowns that have completed two-way street conversion projects and/or projected the economic impact of converting major streets as described elsewhere in this chapter;
b. A review Fargo's prevailing market conditions, including the amount and types of new development and redevelopment in Downtown Fargo;
c. Prevailing retail, office and residential occupancy rates and tax collections for Fargo as published by Fargo real estate companies, the City of Fargo, the North Dakota Office of State Tax Commissioner and Cass County;
d. The market data and analysis of Downtown Fargo published by Maxfield Research, Inc. (hereinafter referred to as the Mayfield study) prepared for the City of Fargo;
e. The proposed streetscape improvements along NP Avenue and 1st Avenue North that will be a part of the street conversions;
f. The slower vehicle travel which will increase business visibility to drivers, bicyclists and bus riders;
g. The increase in the number of on-street parking spaces which will enhance access to retail and restaurants;
h. New bike lanes which will attract additional riders, shoppers and diners to Downtown businesses;
i. The increase in new residents and workers which will strengthen the area's retail and restaurant business activity; and
j. New streetscape on NP Avenue and 1st Avenue North which will enhance the ability of restaurants to offer seasonal outdoor dining.

Based on these factors, the absorption of new development and redevelopment has been projected. Furthermore, from the findings in other cities presented in the Two Way Street Benchmark Survey, it has been concluded that the projected amounts of new development and redevelopment by converting NP Avenue and 1st Avenue North under both Alternative #1 and Alternative #2 will result in the same economic impacts. The critical factor in analyzing the economic impacts is that both streets will have two-way traffic instead one-way traffic. The specific configuration of the two-way traffic lanes is not measurable in economic terms.

1.5 Major Assumptions

The following describes the municipal revenue and new development assumptions used in this report to project the economic impacts. All revenue projections are presented in constant 2010 dollars

1.5.1 Revenue Assumptions

Major municipal revenue assumptions included in this analysis are presented in Table 6 "Summary of Major City of Fargo Revenue Rates and Assumptions."

Table 6. Summary of Major City of Fargo Revenue Rates and Assumptions

City Revenue Source	Tax Rate Assumption	Economic Impact Study Explanation
Property Tax Mill Levy	Total 380.92 (including city)	Property tax is projected at the 2009 mill levy rate throughout the projection period without any exemption applied for new businesses. The City of Fargo represents approximately 15.25% of this total. Residential property taxes are based on units valued at $160 per square foot, $200 for new office and new retail assessed at an average of $175 per square foot.
Sales Tax	2% thru June 2012; then 1.5% (assumes 1% expiring in 2028 and 0.5% expiring in 2020 will be renewed)	Projected retail sales taxes are based on a blended average of retail, restaurant and retail in mixed use ranging from $100 to $250+ sales per foot based on Urban Land Institute's average sales per square foot for businesses adjusted for local economic and demographic conditions
Parking Revenues	Average $650 per year per off-street parking space	Average annual revenue is per space based on fees ranging from $47 to $62 per month; Assumed 0.74 parking used for each 1,000 square feet of new retail and restaurant space and 0.9 parking used for each 1,000 square feet of new office space
Lodging Revenues	3%	Net increase in revenues is from increased occupancy at 168 rooms (Hotel Donaldson and Radisson Hotel); 2010 est. occupancy rate of 61% increasing to 67% for Alternatives #1 and #2 and 63% for Alternative #3
Franchise Fees	5% (Xcel Energy and Cable One for cable TV, Internet, gas and electricity)	Franchise fees are conservatively calculated at the rate of $30 per year per residential unit; $60 per year per retail business assuming one business for every 3,000 square feet and $40 per year per office business for every 2,000 square feet

These development projections also consider the prevailing national trends in downtowns that have seen increased revitalization across the United States with growing housing and dining components.

Although this economic impact analysis did not include a market study of the downtown, it is important to note recent trends and changes that have occurred, especially since completion of the Analysis of the Market Potential for Additional Retail, Office, Lodging and Housing in Downtown Fargo, North Dakota prepared for the city by Maxfield Research Inc. In the past decade, Downtown Fargo has experienced a considerable amount of public and private reinvestment. The Downtown boundaries of the Maxfield study were approximately double the size of the NP Avenue and 1st Avenue North corridor study area, although the NP Avenue and 1st Avenue North are primary business corridors in Downtown. Therefore, the market demand projections in this economic impact analysis reflect a fair share of the overall Downtown demand.

The economic impacts projected in this analysis are presented over two time frames: 10 years and 25 years. The 10 year projection period covers a realistic time frame during which the proposed street and streetscape improvements would be budgeted, financed and constructed. The 25 year time frame is used because it coincides with year 2035, the 25 year traffic projection period used in the traffic analysis portion of this report.

1.5.2. New Development Assumptions

As noted earlier in this chapter, the corridor study area represents about 50 percent of the Downtown market area assessed in the Maxfield study. Overall, this economic impact projects that the average annual growth rate will be approximately one-third of the potential demand projected in the Maxfield study under Alternatives #1 and #2. The following table ("Projected Two-Way Street Absorption vs. Downtown Market Study Demand") represents the annual average demand incorporated in this economic impact study for the two-way conversion Alternatives #1 and #2 in comparison to the Maxfield study average annual demand projections presented in the market potential of Downtown Fargo. As noted earlier in this chapter, the projected amounts of new development and redevelopment by converting NP Avenue and 1st Avenue North under both Alternative #1 and Alternative #2 will be the same.

Table 7. Projected Two-Way Street Absorption vs. Downtown Market Study Demand

Major Use	Maxfield Market Study Projected Demand		Alternatives #1 and #2 – Corridor Study Area Economic Impact Study Projections		Projected Study Area Alternatives #1 and #2 Development vs. Maxfield Study
	Downtown 10 Year Total (square feet)	Annual Average Demand	25 Year Projected Development (Square feet)	Annual Average	
Mixed Use (a)	180,000 – 240,000	18,000 – 24,000	99,990	4,000	**43%**
Office			126,560	5,060	
Retail	150,000 – 250,000	15,000 – 25,000	86,465	3,460	**31%**
Restaurant			57,500	2,300	
Total	**330,000 - 490,000**	**33,000 – 49,000**	**370,510**	**14,820**	**36%**
Residential Units	**435 units**	**43 units**	**350 units**	**14 units**	**33%**
Lodging	**35 – 57 rooms**	**4 – 6 rooms**	**none**	**none**	**0%**

(a) Mixed use includes a combination of office, retail, and restaurant businesses.

Source: Maxfield Research Inc. 2000; RICHARD CAPLAN & ASSOCIATES 2010.

The Maxfield Research Inc. market analysis also included a projected demand for lodging in Downtown Fargo. Since the Maxfield Research study was completed, the Hotel Donaldson has entered the downtown lodging market. However, since there are no lodging facilities that immediately abut either NP Avenue or 1st Avenue North, no lodging construction is projected in this impact analysis as a result of the potential two-way street conversion. Nevertheless, additional revenues from an increase in hotel occupancy in the existing Downtown lodging properties are included in the economic impact projections.

1.6 Projected Timing and Changes in Development

The level of new development and economic impacts have been uniformly applied and calculated over 25 years for Alternative #3. However, under Alternatives #1 and #2 even with phasing of street and streetscape improvements, there will be some disruption and interim loss of business activity along the corridor. Therefore, a different rate of build out has been utilized for projecting the economic impact for Alternatives #1 and #2. The following table ("Development Absorption Rate Assumptions by Years 1 – 25") present the annual pace of development for which the economic impacts are calculated. The estimated net impact of the anticipated three year construction period for Alternatives #1 and #2 is presented later in this chapter.

Table 8. Development and Redevelopment Absorption Rate Assumptions by Years 1 – 25

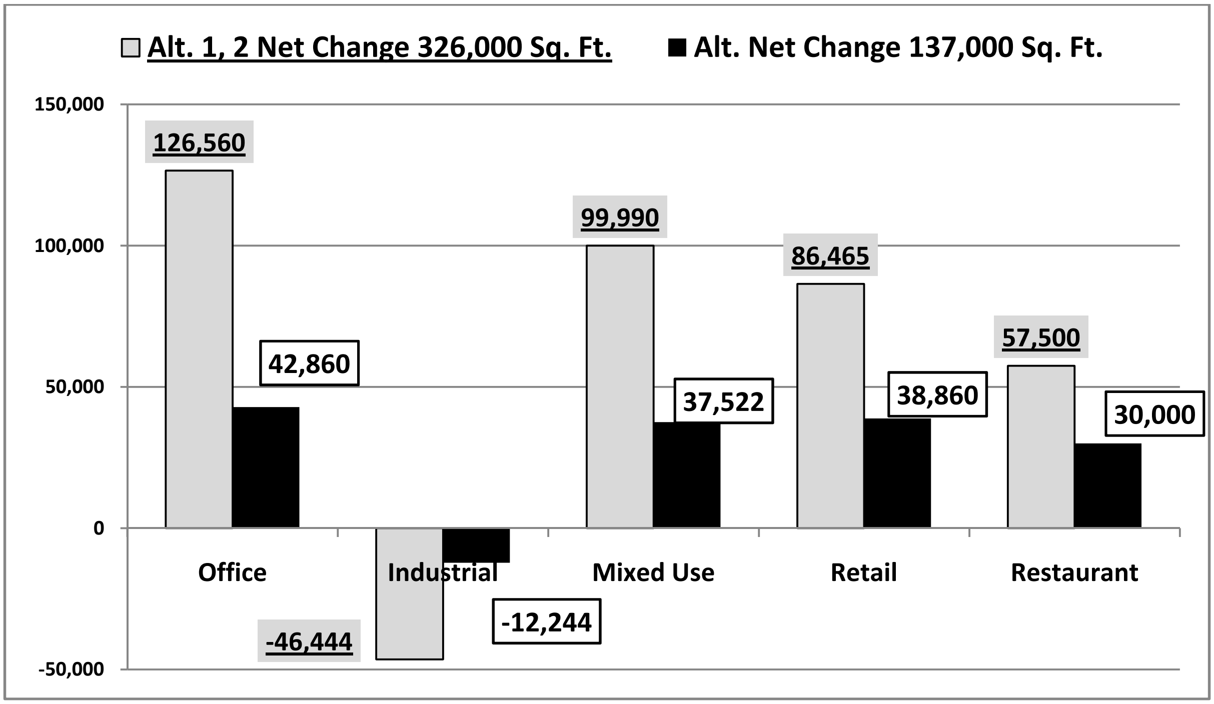
Projection Period	Alternatives #1 and #2 Rate of New Development Built	Alternative #3 Rate of New Development Built
Years 1, 2	• 4% per year	• 4% per year
Years 3 – 5	• 2% per year (reflects street reconstruction period)	
Year 6	• 8% (boom/pent up demand after completion of street reconstruction)	
Year 7,8	• 5% per year	
Years 9 - 25	• 4% per year	
Total Years 1 - 25	**100%**	**100%**

In summary, Alternatives #2 and #3 are projected to add 326,000 square feet of new development over 25 years, a net increase of 21.8 percent in the amount of square feet within the corridor study area. Since Downtown development and redevelopment are expected to continue regardless of the potential street conversion, this analysis has concluded that under Alternative #3 there will be a projected increase of 137,000 square feet, or a net increase of 9.2 percent in the amount of square feet in the study area. The following table presents these projections by land use over the next 25 years. These projections serve as the basis for determining the net economic impact for each alternative.

Table 9. Projected Corridor Study Area Development by Alternative and by Use Year 2035

Land Use	2010 Square Feet	Alternatives #1 and #2			Alternative #3		
		Projected (Year 25)	Net Change	Net % Change	Projected (Year 25)	Net Change	Net % Change
Office	619,663	748,223	125,560	20.7%	662,523	42,860	6.9%
Industrial	232,244	185,800	(46,444)	(20.0%)	220,000	(12,244)	(5.3%)
Mixed Use	298,078	398,000	99,990	33.5%	335,600	37,522	12.6%
Retail	288,135	374,600	86,465	30.0%	327,000	38,860	13.5%
Restaurant	58,800	116,300	57,500	97.8%	88,800	30,000	51.0%
Total Square Feet	**1,496,920**	**1,822,923**	**326,000**	**21.8%**	**1,633,923**	**137,000**	**9.2%**
Residential; Units	342,947; 291 units	591 units	350 units	**120%**	641 units	300 units	**103%**

Source: City of Fargo Assessor's Office; Richard Caplan & Associates.



1.7 Projected Economic Impacts

In total, based on the amount of new development projected within the corridor study area, Alternatives #2 and #3 will have a net economic impact of $10.2 million over 10 years and approximately $60.4 million over 25 years. Alternative #3 is projected to generate an additional $171,070 in revenues over the first 10 years and $1,011,120 over 25 years. (See Table 10.)

Table 10. Corridor Study Area Combined Projected Economic Impact over 10 and 25 Years

Alternative	Net Increase in Square Feet (Year 25)	10 Years Total Economic Impact	25 Years Total Economic Impact
Total Economic Impact:			
Alternatives #1 & #2	326,000	$15,721,688	**$92,922,365**
Alternative #3-Bike Lanes only	137,000	$5,673,796	**$33,534,685**
Net Economic Impact:			
Alternatives #1 & #2 Vs. No Build	189,000	**$10,218,960**	**$60,398,800**
Alternative #3 Vs. No Build	0	**$171,070**	**$1,011,120**

Note: All revenues are presented in 2010 dollars and based on current tax rates.

Of these totals, approximately 43 percent of the net economic impacts will be generated by property taxes, 34 percent from sales tax, 12 percent from franchise fees, 10.5 percent from off-street parking revenues and the balance in local lodging fees.

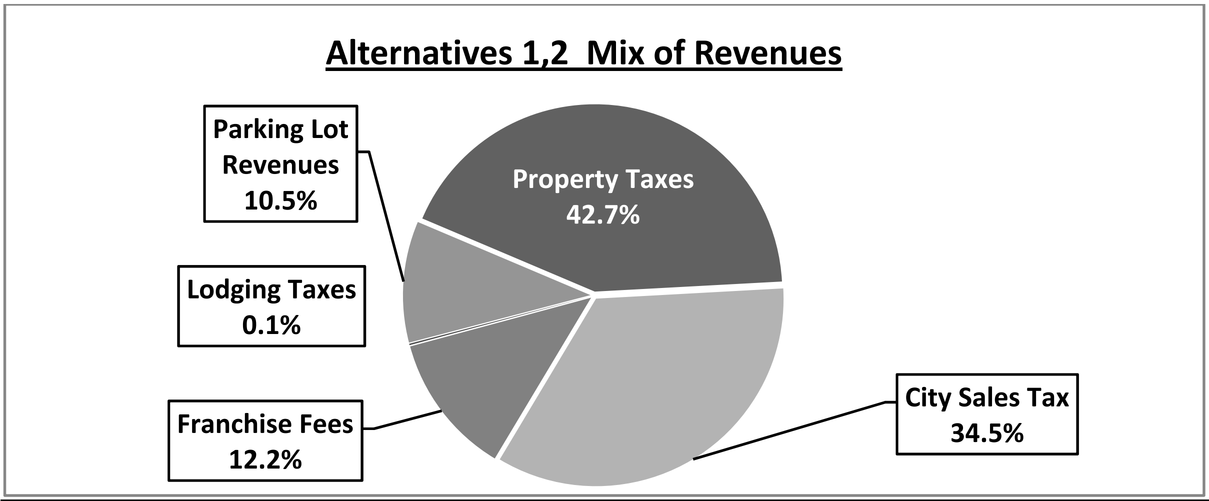
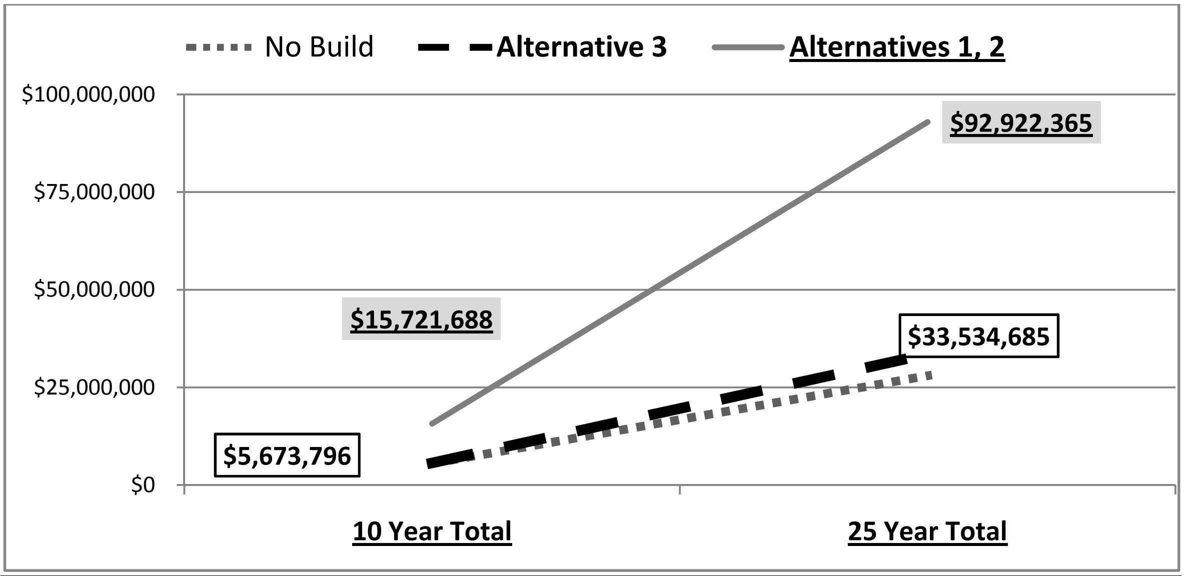


Table 11. Projected Net Revenues in Year 25

REVENUES	Alternatives #1 or #2 @ Year 25	Alternative #3 @ Year 25	Net Difference (Alternatives #1 & #2 vs. Alternative #3)
Total Property Taxes:			
Office	$ 366,510	$ 122,170	$244,340
Industrial	($20,795)	($5,511)	($15,284)
Mixed Use	$ 285,000	$ 106,875	$178,125
Retail	$ 246,454	$ 110,794	$135,660
Restaurant	$ 163,875	$ 85,500	$78,375
Residential	$ 900,200	$ 771,600	$128,600
Property Tax Sub-Total (a)	$1,941,244	$1,191,428	$749,816
Annual Sales Tax: Retail, Mixed Use & Restaurant	$1,564,852	$ 811,675	$753,177
Annual Franchise Fees	$ 555,125	$ 218,980	$336,145
City Lodging Taxes	$ 5,444	$ 2,722	$ 2,722
City Off-Street Parking Lot Revenues	$ 474,956	$ 348,683	$ 126,273
ANNUAL TOTAL at Year 25	**$ 4,541,620**	**$2,573,488**	**$1,968,132**
Total Years 1 – 10	$15,721,688	$5,673,796	$10,047,892
Total Years 1 - 25	$92,922,365	$33,534,685	$59,387,680

(a) The City of Fargo represents approximately 15.25 percent of the total property tax revenues, or $296,850 of total property tax revenues for Alternatives #1 and #2 and $182,200 for Alternative #3.



Alternatives #1 and #2 include economic costs in the form of less revenue which will likely occur during the three year period of reconstruction. The estimated net cost to the city is $323,100 in foregone sales tax ($247,870) and parking revenues ($75,230) over three years. This represents $12.4 million in lost retail and restaurant sales to local businesses. This is 33% less revenues over a three year period (see Table 5). The property tax projections do not include increases in assessed value for existing improvements.

1.7.1. Increased Employment and Population Projections

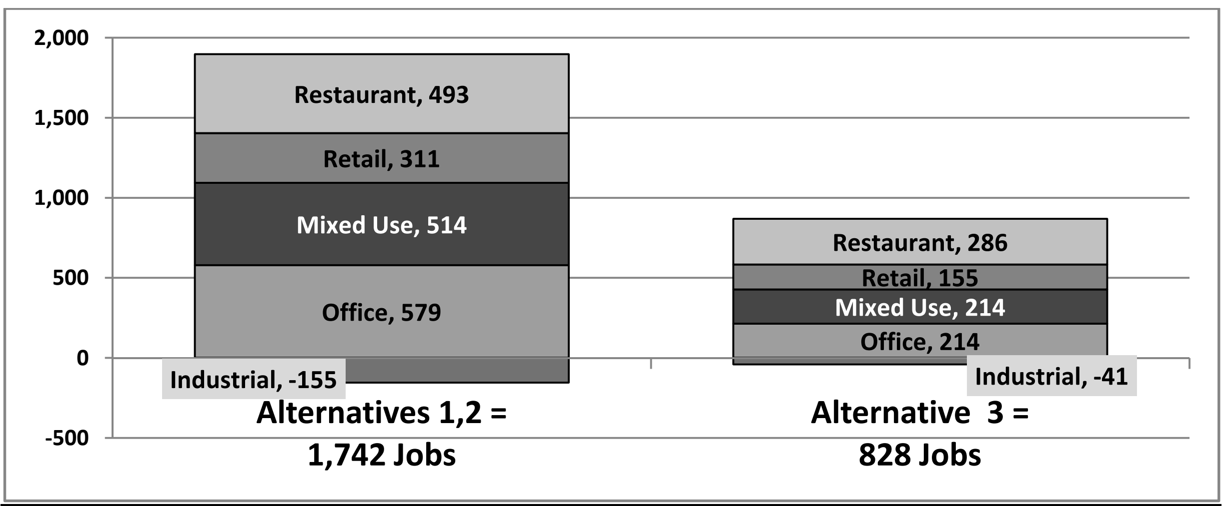
New development and redevelopment in Downtown Fargo will also have employment impacts on Downtown's economy. Increased employment will result from added retail, office, restaurant and mixed use development. No additional jobs are expected to be generated in Downtown hotels, from increased utilization of the off-street public parking lots or from the new residential units. Furthermore, there is a gradual decline projected in the number of Downtown industrial jobs as some older, existing industrial buildings are reused or redeveloped for non-industrial uses.

In summary, there are a total of 1,742 jobs projected with Alternatives #1 and #2 and a net of 914 new jobs in comparison to Alternative #3 as a result of converting NP Avenue and 1st Avenue North to two-way streets. These employment figures do not include one-time construction jobs associated with installing the street and streetscape improvements or private developments or redevelopment. There are 545 new residents projected by year 25 under Alternatives #1 and #2 and 467 new residents anticipated under Alternative #3.

Table 12. Projected New Employment and New Resident Assumptions and Totals over 25 Years

Land Use	New Employment / New Resident Ratios	Alternatives #1 and #2	Alternative #3	Net Difference
Office	1 job per 200 square feet	579	214	365
Industrial	1 job per 300 square feet	(155)	(41)	(114)
Mixed Use	1 job per 175 square feet	514	214	300
Retail	1 job per 250 square feet	311	155	156
Restaurant	1 job per 105 square feet	493	286	207
Total New Employees in Year 25	N/ A	**1,742 jobs**	**828 jobs**	**914 jobs**
New Residents in Year 25	1.64 persons per unit	545 persons	467 persons	**78 persons**

Note: Residential assumes 95% housing occupancy rate. The number of new residents excludes consideration of any future addition to Downtown's NDSU student dorms.



The employment projections do not include temporary jobs also generated during street reconstruction or related indirect construction expenditures that may occur in the study area.

1.7.2. Indirect Economic Impacts

Finally, it should be noted that there is also a multiplier effect of City of Fargo revenues not included in these benefits, which will further contribute to the Fargo economy. Multipliers are the result of dollars spent in the community on construction materials, from wages earned by the additional employees resulting from new development and redevelopment. They are not incorporated into this analysis because they do not have a directly quantifiable fiscal impact on the city government. Nevertheless, these multipliers will supplement Fargo's economy. As money entering the economy is used over and over again because of the expanded development, enhanced level of employment and shopping and living in Downtown Fargo, many people and businesses will benefit, even if they are not direct property and/or business owners.

1.7.3. Commercial Rental Rates

Commercial rental rates in Downtown are projected to increase at least by an average of 2.5 to 3% annually over the next decade. This projected increase will match, if not exceed, the average increase of 2.6% per year rate reported for the central business district since 2000. These increases in rental rates will be driven by a combination of the following factors:

a. An increase in demand as streetscape improvements and other public investment enhances Downtown Fargo to shoppers, diners and as a place to conduct business;
b. A gradual upgrading in the quality of the office and retail products as renovation of older properties and/or new in-fill occurs; and
c. An improved ability by local landlords to attract new tenants, satisfy expansions and/or relocations from outside of Downtown to coincide with highly visible public investment.

1.8 Alternative Economic Impacts Summary

In summary, the Alternatives #1 and #2 to convert NP Avenue and 1st Avenue North to two-way will have a significant economic impact on Downtown Fargo. The projected economic impact of Alternatives #1 and #2 exceeds either the "no build" or Alternative #3 options by $10 to $10.2 million over the first decade and by $59 to $60.3 million over 25 years.

Attachments: Appendix A – List of Properties in the Study Area by Use and Address