

3773 Cherry Creek North Drive  
Suite 850  
Denver, Colorado 80209-3868  
303.321.2547 fax 303.399.0448  
www.bbcresearch.com  
bbc@bbcresearch.com

December 23, 2011

Ms. Kelli Fitzpatrick  
RED Development, LLC  
4717 Central  
Kansas City, Missouri 64112

**Re: Economic impact of Eagle River Station**

Dear Ms. Fitzpatrick:

BBC Research & Consulting has estimated the new jobs and other economic impacts of construction and operation of the proposed Eagle River Station (ERS) mixed use development. Our analysis considers the effects on employment, labor income and output (gross receipts) in Eagle County and the State of Colorado as a whole.

**Key Assumptions and Methodology**

BBC's estimates of the economic impact of ERS are based on projected "hard" construction expenditures over a four year development period beginning in 2013 and projected ongoing employment at ERS commercial establishments.<sup>1</sup> To estimate the economic impacts of construction, BBC incorporated projections of annual construction expenditures into an IMPLAN economic model for Eagle County and a similar model for the State of Colorado. To estimate the economic impacts of ongoing operations, BBC incorporated projections of annual jobs, by sector, into the same IMPLAN economic models. (The IMPLAN models are discussed later in this narrative).

**Construction.** RED Development provided BBC with its estimates of construction costs for residential and commercial components of the proposed development and a projected development schedule. Construction of the project will occur in two phases. Phase I construction is expected to begin in early 2013 and finish in spring 2014. Phase II begins spring 2015 and ends spring 2016. Total hard construction costs, including site development activity and off-site activities (primarily

---

<sup>1</sup> "Hard" construction costs include building construction costs and on and off-site development costs for road upgrades, utility improvements and other infrastructure. "Soft" construction costs, such as legal, architectural and engineering services were not included in the analysis.

road and utility improvements) will reach about \$211 million. Figure 1 on the following page depicts projected hard construction expenditures by year.<sup>2</sup>

**Figure 1.**  
**Projected Eagle River Station Construction Costs and Annual Expenditures**  
**(2010 dollars)**

Construction Cost Estimates (excluding land values)				
Category	Phase I	Phase II	Total	
Commercial Buildings	\$ 44,541,843	\$ 12,206,963	\$ 56,748,806	
Residential Units	21,375,000	23,760,000	45,135,000	
Structured Parking	4,800,000	5,760,000	10,560,000	
Tenant Improvements	9,246,444	5,105,470	14,351,913	
General Conditions	15,444,631	3,754,312	19,198,943	
Site Construction (Onsite)	31,225,969	8,140,426	39,366,395	
Site Construction (Offsite)	21,843,430	3,815,670	25,659,100	
<b>Total Hard Construction Costs</b>	<b>\$ 148,477,316</b>	<b>\$ 62,542,841</b>	<b>\$ 211,020,157</b>	

Projected Construction Expenditures by Year				
Year	Residential	Non-residential	Site Work	Total
2013	\$ 16,948,658	\$ 30,755,301	\$ 53,069,399	\$ 100,773,357
2014	16,948,658	30,755,301	-	47,703,959
2015	15,698,578	9,594,794	11,956,096	37,249,469
2016	15,698,578	9,594,794	-	25,293,372
<b>Totals</b>	<b>\$ 65,294,471</b>	<b>\$ 80,700,191</b>	<b>\$ 65,025,495</b>	<b>\$ 211,020,157</b>

Source: RED Development, Inc. and BBC Research & Consulting, 2011.

**Operations.** In June 2011, Rees Consulting, Inc. (Rees) developed projections of the workforce that would be employed at ERS for an *Employee Housing Impact Study*. Using assumptions regarding Phase I of ERS that are very similar to the developer's most recent plan updates<sup>3</sup>, Rees estimated total retail employment of 1,399 full and part-time jobs, 300 restaurant jobs and 40 jobs associated with the residential component of the project. Total full and part-time employment when Phase I of ERS is fully operational was estimated at 1,739 total jobs.

Rees' estimates were based on the number of employees per square foot of retail space for the various types of retail anticipated at ERS (i.e. specialty retail, mid-size retail, department store, etc.) and per residential unit. The employment ratios were drawn from prior studies in Eagle County and other mountain resort communities.<sup>4</sup> BBC updated the Rees study by applying the Rees employment ratios to the most recent complete development plan provided in August 2011. The updated job estimates are based on 714,750 square feet of commercial space and 550 residential units. Total full and part-time employment when Phase I and II of ERS is fully operational was estimated at 2,187 full and part time direct jobs. A table detailing the direct jobs calculation is appended to this report.

<sup>2</sup> RED Development provided an approximate construction schedule. BBC estimated approximate construction costs by year based on the schedule provided.

<sup>3</sup> Rees assumed 492,500 square feet of retail and restaurant space and 250 residential units.

<sup>4</sup> *Eagle River Station, Employee Housing Impact Study*. Rees Consulting, Inc. June 2011.



**IMPLAN modeling.** BBC used the projected construction expenditures, for each year of the anticipated four year construction schedule, and the projected ongoing operational employment at ERS to estimate the economic impacts of ERS on Eagle County and the State of Colorado. In order to convert construction spending into employment and other economic variables, and to estimate the secondary economic impacts of both construction and operations on the overall economy, BBC relied on the IMPLAN input-output model and IMPLAN data files for Eagle County and the State of Colorado.

IMPLAN is a regional economic input-output modeling system originally designed by the U.S. Forest Service and currently maintained by Minnesota IMPLAN Group, Inc. IMPLAN is one of the two or three most widely used models across the United States for regional economic impact analysis.

An input-output analysis estimates the overall economic impacts (e.g., jobs) on all industrial sectors and household consumption (output) resulting from a change in output/expenditures in one or more specific sectors (input). Three types of effects are estimated. In the context of this study, the effects can be described as follows:

- **Direct economic effects:** output, jobs and other economic measures among the construction firms building ERS and the firms operating stores and service establishments at ERS following construction.
- **Indirect economic effects:** output, jobs and other economic activity stimulated by purchases of goods and services by directly affected industries from other firms. Purchases or leases of construction equipment and purchases of supplies for restaurants and ERS retail establishments would be examples of indirect effects.
- **Induced effects:** output, jobs and other economic activity stimulated by purchases by employees of directly and indirectly affected businesses. Purchases of groceries, transportation and housing expenditures by employees would be examples of induced effects.

The IMPLAN modeling system makes use of extensive data developed by the Minnesota IMPLAN Group. IMPLAN® Data Files include annual information for industries by 4 and 5 digit NAICS industrial codes. Information includes employment, income, value-added and household and government consumption. This data is available at the national, state, and county level. IMPLAN has developed its own set of industrial codes that generally map into the NAICS classification.



For this analysis, construction expenditures were incorporated into the following IMPLAN sectors:

- Construction of commercial and institutional buildings,
- Construction of new multi-family housing structures, and
- Other construction (for site development work).

Operations employment assumptions were incorporated into the following IMPLAN sectors:

- Retail sales, and
- Restaurants.

As mentioned previously, direct, indirect and induced impacts are projected for the ERS project for construction and commercial operations.

### **Projected Economic Effects from ERS Construction and Commercial Operations**

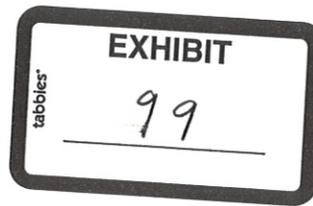
Based on the assumptions and methods just described, BBC estimated the annual economic effects of ERS building construction on Eagle County and the State of Colorado during the four year construction period. We also estimated the annual, ongoing economic effects of commercial operations (retail stores and restaurants) at ERS on the same geographic areas.

**Construction economic impacts.** As noted earlier, the cost of site work and constructing new residences and commercial facilities at ERS is projected at about \$211 million, with the largest portion of these expenditures (about \$100 million) expected to occur during 2013. Based on the results of the IMPLAN modeling, these expenditures are anticipated to support a peak construction workforce of about 760 jobs (in 2013) and an average of 560 construction jobs per year in Phase I and about 240 jobs in Phase II.

Including indirect and induced economic effects, construction is expected to support over 1,200 jobs in Eagle County and over 1,500 total jobs across the State of Colorado in the peak construction year of 2013. During Phase I, ERS construction activity is projected to support an annual average of about 920 total jobs in Eagle County and 1,140 total jobs across Colorado (including indirect and induced effects). During Phase II, ERS construction activity is projected to support an annual average of about 390 total jobs in Eagle County and 480 total jobs across Colorado.

During Phase I, average total annual employee earnings for the direct, indirect and induced workforce associated with ERS construction are projected at \$51 million per year in Eagle County and \$64 million per year across the State of Colorado as a whole. During Phase II, average total annual labor earnings are estimated at \$21 million in Eagle County and \$27 million for the state.

Figure 2 depicts the IMPLAN estimates of the output (gross receipts), number of jobs and labor earnings in Eagle County and the State of Colorado that would be supported by ERS construction activity. The projections shown in Figure 2 represent the benefits from hard construction expenditures only and do not include potential economic benefits from procurement of legal, engineering or architectural services from local firms.



**Figure 2.**  
**Projected Economic Impacts of Eagle River Station Construction**  
**(Millions of 2010 dollars)**

Year	Direct Impact			Total Impact in Eagle County*			Total Impact in Colorado*		
	Output	Jobs**	Labor Income	Output	Jobs**	Labor Income	Output	Jobs**	Labor Income
<b>Hard Construction Activity***</b>									
<b>Phase I</b>									
2013	\$104.9	759	\$45.8	\$161.3	1,251	\$69.1	\$223.0	1,545	\$87.3
2014	\$49.7	359	\$21.7	\$76.4	592	\$32.7	\$105.5	731	\$41.3
Average	\$77.3	559	\$33.8	\$118.8	922	\$50.9	\$164.2	1,138	\$64.3
<b>Phase II</b>									
2015	\$38.8	281	\$16.9	\$59.6	463	\$25.5	\$82.4	571	\$32.3
2016	\$26.3	191	\$11.5	\$40.5	314	\$17.3	\$56.0	388	\$21.9
Average	\$32.6	236	\$14.2	\$50.1	388	\$21.4	\$69.2	479	\$27.1

Notes: \*Total impact includes induced and indirect effects as well as direct impacts.  
 \*\*jobs includes full-time and part-time positions.  
 \*\*\*Includes building construction and on and off-site development activity.

Source: BBC Research & Consulting, 2011 based on IMPLAN modeling.

**Operations economic impacts.** As noted earlier in the report, ERS commercial establishments are anticipated to employ about 2,187 workers when all of the stores, restaurants and other facilities reach full scale operations. Incorporating these direct employment estimates into the county and statewide IMPLAN models indicates that ongoing ERS commercial operations will support a total of over 3,000 jobs in Eagle County and over 3,200 jobs across Colorado when indirect and induced effects are included.

Direct annual output (gross receipts) from ERS commercial operating activities is projected at about \$188 million per year. Including indirect and induced effects, ERS commercial operations are projected to produce over \$290 million in output in Eagle County and nearly \$360 million in output across Colorado as a whole. Annual total labor income from ERS commercial operations (including indirect and induced effects) is projected at about \$118 million in Eagle County and nearly \$140 million for the State of Colorado as a whole. The average annual earnings per employee directly and indirectly supported by ERS commercial operating activities throughout Colorado are projected to be about \$42,900.

Figure 3, on the following page, summarizes the projected ongoing economic impacts from ERS commercial operations on Eagle County and the State of Colorado.



**Figure 3.**  
**Projected Annual Economic Impacts of Eagle River Station**  
**Commercial Operations**  
**(Millions of 2010 dollars)**

	Output	Jobs**	Labor Income
Direct Impact	\$187.5	2,187	\$75.7
Total Impact in Eagle County	\$292.5	3,026	\$117.6
Total Impact across Colorado	\$358.7	3,231	\$138.5

Notes: \*Total impact includes induced and indirect effects as well as direct impacts.  
\*\*Jobs includes full-time and part-time positions.

Source: BBC Research & Consulting, 2011 based on IMPLAN modeling.

### Summary and Conclusions

Development and operation of Eagle River Station would be a major project involving about \$210 million in hard construction investment and potentially generating nearly \$190 million per year in retail and other commercial sales. The project would support a large direct and indirect construction workforce and an even larger number of ongoing jobs in retail and service establishments.

A logical question, given the nature of the proposed development, is the extent to which the economic activity generated by ERS are “net new” jobs and revenues. During construction, this is a relatively simple question. All of the jobs and other economic effects stimulated by ERS construction would be “net new” economic activity for the Town of Eagle, Eagle County and the State of Colorado. Given the current severe downturn in the construction industry, the project could provide a welcome stimulus for local and regional construction firms and workers and their suppliers.

In terms of ongoing operations, the question is somewhat more complicated. Based on the differences between the types of retail and service establishments expected at ERS and those that currently exist in the Town of Eagle, it is likely that virtually all of the ongoing operations-related economic activity would be “net new” from the standpoint of the Town. From a broader geographic standpoint, there would likely be some competition between ERS and existing retail and service establishments elsewhere in Eagle County, although the ERS developer anticipates that its market area will also extend to Garfield County, Lake County, Routt County and beyond. Consequently, some but not all of the ongoing economic benefits from ERS operations would be “net new” from the standpoint of Eagle County. From the broadest geographic standpoint, the State of Colorado as a whole, it is likely that very little of the economic benefits from ERS commercial operations would be “net new” activity.



We hope you find this information helpful.

Sincerely,

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke at the end.

Adam D. Orens  
Director



**Appendix Figure 1.  
Employment Generated by Eagle River Station**

Land Use	Job Generation Rate	Phase I Built SF	Phase II Built SF	Phase I Jobs	Phase II Jobs	Total Jobs
<b>Commercial</b>						
Restaurants	8.70/1,000 SF	34,400	12,000	299	104	404
Specialty Retail	3.91/1,000 SF	95,600	43,387	374	170	543
Mid-size Retail	3.76/1,000 SF	85,000	-	320	-	320
Junior Anchors/Boxes	2.03/1,000 SF	210,317	98,400	427	200	627
Discount Department Store	1.53/1,000 SF	135,650	-	208	-	208
<b>Residential</b>						
Units 550 - 999 SF	.11/unit	100	150	11	17	28
Units 1,000 - 1,100 SF	.165/unit	150	150	25	25	50
Management/Maintenance	N/A			9	-	9
<b>Total Jobs</b>				<b>1,672</b>	<b>515</b>	<b>2,187</b>

Source: Rees Consulting, Inc. and BBC Research & Consulting, 2011.