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## MEMORANDUM

**TO:** Mr. John L. Tansey  
Erickson Retirement Communities  
703 Maiden Choice Lane  
Baltimore, Maryland 21228

**FROM:** Eric G. Tazelaar

**DATE:** May 20, 2020

**SUBJECT:** **Proposed Erickson Retirement Community  
City of Louisville, Boulder County, Colorado**

In accordance with your request, we have undertaken a summary evaluation of the secondary economic impacts anticipated to be associated with and considered likely to result from the construction and occupancy of a proposed new CCRC to be located in the City of Louisville in Boulder County, Colorado. You have asked us to consider particularly the revenue expected to be generated for the City through the local consumption (sales/use) tax which is an essential part of the City's operating budget. Louisville is a home-rule city, and as such is empowered to administer its own tax rules, regulations, policies and practices.

The City of Louisville has a current 2020 local budget<sup>1</sup> for governmental (non school) services of \$52,849,930, of which \$16,081,970 (30.4%) is budgeted to be funded by the collection of a local sales tax on qualified purchases. The sales tax is the most significant revenue source for Louisville, and includes a general Sales/Use tax of 3.0%; an Open Space tax of 0.375%; a Historic Preservation tax of 0.125%; and a Recreation tax of 0.15%. These sales taxes total 3.650% on purchases. While there are specific transactions involving goods and services that are exempt from the sales tax, exemptions are the exception.

Property taxes are the second greatest revenue source for Louisville and account for \$5,464,970 or 10.7 percent of the total local budget. The proposed CCRC, with an estimated

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<sup>1</sup>Total refers to the comprehensive City-wide budget as opposed to the General Fund budget.

complete value of \$396,000,000 could increase **property tax revenues by \$314,600** . Sales tax and property tax revenues account for a combined share of 41.1 percent of Louisville's revenue stream.

The construction and occupancy of the proposed CCRC on the subject property in Louisville can be expected to result in primary and secondary impacts during the construction phase as well as in the completed, or operational, phase. These economic impacts include temporary (construction) and permanent employment, expenditure impacts for goods and services, the generation of personal disposable income and the accompanying personal consumption expenditures. Data developed by the U.S. Department of Commerce, Bureau of Labor Statistics (BLS) regarding the relationships and effects resulting from non-residential and residential construction and operations has been incorporated in a methodology<sup>2</sup> for assessing economic impacts for new growth by the Urban Land Institute (ULI) and Center for Urban Policy Research (CUPR). Utilizing the ULI/CUPR input/output model, the proposed development is calculated to have the following impacts during both the construction phase and operational phase. The construction and occupancy of the proposed CCRC would be expected to generate additional ongoing local sales taxes from two primary sources: the residents of the community and the employees of the community.<sup>3</sup>

### **Construction Phase Impacts**

Estimates of the construction stimulus to local economies may be calculated as a derivative of project value. The employment-generating effects of construction may be assessed in order to estimate the effects of private construction expenditures on jobs and materials. The studies by the Bureau of Labor Statistics and the refinement of the BLS data in the input/output models of the Urban Land Institute and the Center for Urban Policy Research yield anticipated construction

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<sup>2</sup>Development Impacts, Urban Land Institute and Center for Urban Policy Research, Economic Impact Analysis, Assessment Handbook.

<sup>3</sup>These two sources represent ongoing revenue sources for the City of Louisville. The construction phase of the project would also generate significant local revenue for the City through various fees and sales taxes on material purchases and spending on convenience goods and services within the City associated with the construction workers during the construction phase.

impacts that are expressed in terms of the number of employee hours per \$1,000 value of construction, the percent of on-site employment hours by occupational group and skill level, the value of materials, equipment and supplies per \$1,000 of construction cost, and the distribution of equipment and supplies per \$1,000 of cost.

The proposed Continuing Care Retirement Community can be expected to directly and indirectly result in 1,086 on-site construction jobs during the construction phase, assuming a one year build-out. The construction will likely take a number of years, but in order to calculate the cumulative local economic impact of the construction phase, the construction schedule has been condensed to one year.

The ULI impact model anticipates the distribution of this employment between on-site and off-site construction; employment in the manufacture of construction products; trade, transportation and services; and other employment. This construction phase employment is expected to generate total payrolls of \$168.8 million, a disposable personal income of \$141.4 million, and personal expenditures of \$130.1 million. The construction of the proposed CCRC development plan can also be expected to result in the purchase of \$29.1 million of construction materials from within the region and \$87.3 million from outside the region. If the 1,086 “on-site” construction workers each spent \$15 per week on consumption expenditures in Louisville during the construction year, additional **sales tax revenue of \$30,920** would be anticipated.<sup>4</sup>

### **Operational Impacts**

The economic effects of the “steady state”, or completed and occupied development plan, are measured by a derivative of input/output analysis that interprets the effects of the new development on other service providers in the local market area. For the long run, there are direct, indirect and induced effects. In the operational phase, the direct effects consist of permanent jobs created, and spending associated with both the operation of the completed redevelopment plan and spending by its employees and residents. There are also significant induced effects which emerge because households positively impacted by growth have increased wealth to distribute throughout

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<sup>4</sup>1,086 workers x \$15 per week x 52 weeks equals \$847,080 in purchases generating \$30,920 in local sales tax.

the economy. This will lead to more sales by businesses and more revenue due to the taxes levied on sales as well as corporate profits. The secondary and tertiary “induced” effects, which are most significant to the macro state economy, are not calculated herein. When completed and occupied, the proposed development is expected to generate, direct on-site employment for 600 full-time equivalent employees (FTE) with net (post-tax) payrolls of \$25.3 million. Economic ratios per \$1,000 of disposable personal income indicate that the operational (occupied) phase of the new development will generate \$23.2 million in annual personal expenditures including expenditures of \$9.3 million for shopping and convenience goods and an additional \$13.9 million in consumption expenditures. A certain portion of those purchases made by the employees of the CCRC would likely be made in the City of Louisville. If 5.0 percent of the employees annual shopping and convenience good expenditures were to be made in Louisville, with half that amount being subject to the local sales and use tax, the **local employee based sales tax generated would amount to \$8,600.**

The level of staffing and associated payroll figures noted above would serve the proposed development of approximately 1,326 total units. The breakdown of the units types would be for approximately 1,126 independent living units and approximately 200 units consisting of a mix of assisted living care, memory care and skilled nursing care. While the staffing and payroll figures reflect the total, 1,326 unit community, the consumption figures noted below are calculated on only the 1,126 independent living units. The occupants of the 200 assisted living, memory care and skilled nursing care units will not be shopping and making expenditures in local establishments.

Economic ratios per \$1,000 of disposable personal income indicate that these 1,126 households would be expected to generate \$80.2 million in annual personal expenditures including expenditures of \$32.3 million for shopping and convenience goods and an additional \$47.9 million in consumption expenditures. The vast majority of these expenditures will be made onsite and paid as a function of the monthly charges paid by the residents of the CCRC, but a portion would be expected to be made off site on excursions provided for by Erickson, with a portion of those expenditures made in the City of Louisville. If 5.0 percent of the resident’s annual shopping and convenience good expenditures, including restaurant, entertainment and other social based activities, were to be made during off site excursions in Louisville, the **resident based sales tax generated for**

**the City of Louisville would amount to \$29,500<sup>5</sup>.** This would equate to an annual sales tax generation of \$26.18 per household, resulting from \$720 per year or \$60 per month in taxable purchases in the City of Louisville.

The economic impacts expected to result from the completion of the proposed redevelopment plan during the construction and operating phases are summarized on the following table. The economic impacts expected to result from the completion of the proposed redevelopment plan during the construction and operating phases are summarized on the following table.

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<sup>5</sup>Assuming annual shopping and convenience goods purchases of \$32,329,300 with 5.0 percent Louisville expenditures (\$1,616,500), with one-half taxable (\$808,200), the sales tax would total \$29,500.

**ECONOMIC IMPACT SUMMARY**  
**PROPOSED CONTINUING CARE RETIREMENT COMMUNITY**  
**CITY OF LOUISVILLE, BOULDER COUNTY, COLORADO**

<b>I.</b>	<b><u>PROJECT</u></b>	<b><u>Project Value</u></b>
	CCRC	<u>\$396,000,000</u>
<b>II.</b>	<b><u>ECONOMIC IMPACT</u></b>	
	<b>A. <u>Construction Phase</u> (temporary)</b>	
	Contract Construction Cost	\$277,200,000
	<u>Material Purchases</u>	<u>\$116,424,000</u>
	Within Region	\$ 29,106,000
	Outside Region	\$ 87,318,000
	<u>Employment</u>	<u>Labor Hours</u> <u>Jobs</u>
	On-Site Construction	2,179,240                      1,086
	Off-Site Construction	268,420                      134
	Manufacturing	1,910,810                      950
	Trade, Trans & Services	1,022,700                      512
	Other	<u>348,380</u> <u>174</u>
	Total	5,711,150                      2,856
	<u>Earnings</u>	
	Wages	\$168,776,000
	Disposable Personal Income	\$141,482,900
	Personal Expenditures	\$130,164,300
	Local Expenditures	\$ 847,050
	Sales/Use Tax	\$ <b>30,920</b>
	<b>B. <u>Operation Phase</u> (Permanent)</b>	
	<u>Facility Employees</u>	600
	Annual Payroll	\$ 28,765,800
	Disposable Personal Income	\$ 25,313,900
	Personal Expenditures	\$ 23,288,800
	Shopping Goods	\$ 3,982,400
	Convenience Goods	\$ 5,403,000
	Consumption Goods	\$ 13,903,400
	Sales /Use tax <sup>6</sup>	\$ <b>8,600</b>
	<u>Households</u>	1,126
	Annual Income	\$ 99,088,000
	Disposable Personal Income	\$ 87,194,400
	Personal Expenditures	\$ 80,221,700
	Shopping Goods	\$ 13,717,900
	Convenience Goods	\$ 18,611,400
	Consumption Goods	\$ 47,892,400
	Louisville Expenditures (5% S + C)	\$ 1,616,500
	Sales /Use tax <sup>7</sup>	\$ <b>29,500</b>

<sup>6</sup>Assumes 5.0 percent of the employees annual shopping and convenience good expenditures are made in Louisville with half that amount being subject to the local sales and use tax.

<sup>7</sup>Assumes 5.0 percent of the resident's annual shopping and convenience expenditures, equal to \$1,616,500 are made in Louisville with half that amount subject to the local sales and use tax. The total expenditure of \$1,616,500 equates to an average of \$120 per CCRC household per month.

### **Other Fiscal Impacts**

In addition to the calculated direct net impact on local governmental services associated with the occupancy of the proposed CCRC, there are other secondary fiscal impacts associated with the project occurring during the construction phase of the development and once the development is completed. Construction phase impacts are considered to be short-term in their duration, and include employment based impacts associated with on-site and off-site construction based employment; trade, transportation and service employment; manufacturing employment that supports the construction of the project. Non-employment construction phase impacts may be income based and exist as a function of the wages and salaries of construction related workers and expenditure impacts which include local material purchases and the expenditure of wages and salaries. The economic impacts associated with the occupancy of the proposed facility are considered to be long term and in the specific case of the proposed CCRC include annual expenditures for campus maintenance, advertising and marketing, insurance and other expenses, utilities, food, food service and food supplies; as well as the secondary economic impact associated with the anticipated payroll of nearly \$28.7 million.

In terms of the range of services provided to the community at large, and specifically, to the proposed development, Boulder County is typical of suburban areas where a broad range of services and facilities are provided primarily for the benefit of household residents. The proposed CCRC will, itself, provide an extensive range of on-site services to its residents. The services to be provided by Erickson Living include first response medical service, transportation and paratransit (transportation for those with limited mobility), security, on-site roadway maintenance and street lighting, and social services. Automated fire suppression systems will be installed in all of the buildings and facilities. The self contained nature of the development, coupled with the range of services to be provided limit the dependence upon Boulder County for services. The services to be provided by the City of Louisville and by Boulder County to the planned CCRC are considered to be comparable to those furnished to other low-intensity commercial developments and are quite different from the range of governmental and school services provided to typical residential subdivisions and individual properties. In many respects, the local services cost generation of a CCRC may be compared to a major hotel or hospital operation. Some would assume a heightened need for

emergency services with a community of persons aged 65 years and older. That assumption is mitigated by several factors. Most significantly, the community is staffed with health care professionals who will serve as the first responders to emergencies. Residents in need of immediate care will pull a chain on their wall or press a button to summon help rather than dialing 911. Further, residents who do have significant health issues may be attended to within the community's assisted living, skilled nursing and memory care units. Residents of those units are already receiving a heightened level of daily medical attention and are less likely to be in need of emergency services than the general population.

The completed CCRC, with an estimated value of \$396,000,000 would be estimated to generate annual **property tax revenues of \$314,600**. Additionally, the preliminary and very conservative estimates of sale tax revenues would amount to **\$69,020** and be comprised of the following:

Construction Employee Sales Tax Revenue	\$30,920
CCRC Employees Sales Tax Revenues	\$ 8,600
CCRC Resident Sales Tax Revenues	\$29,500