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Economic Impact Analysis: Elliot Hospital's River's Edge Manchester

*Applied Economic Research
April 2010*



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STUDIO

architecture interiors planning

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Summary of Estimated Impacts

Synopsis of Impacts		
	Direct Impact	Total Including Induced and Indirect
Construction Impacts		
Wages	\$ 113,029,000	\$ 187,628,000
Jobs (Annual Equivalent)	2,000	3,400
Permanent Employment And Wages		
Wages	\$ 52,019,000	\$ 82,710,210
Jobs (Annual Equivalent)	925	1,570
Regional Ongoing Operating Expense And Equipment Purchases		
	\$ 4,551,000	\$ 4,961,000
Property Taxes Paid		
	\$ 873,000	\$ 952,000

The Proposal

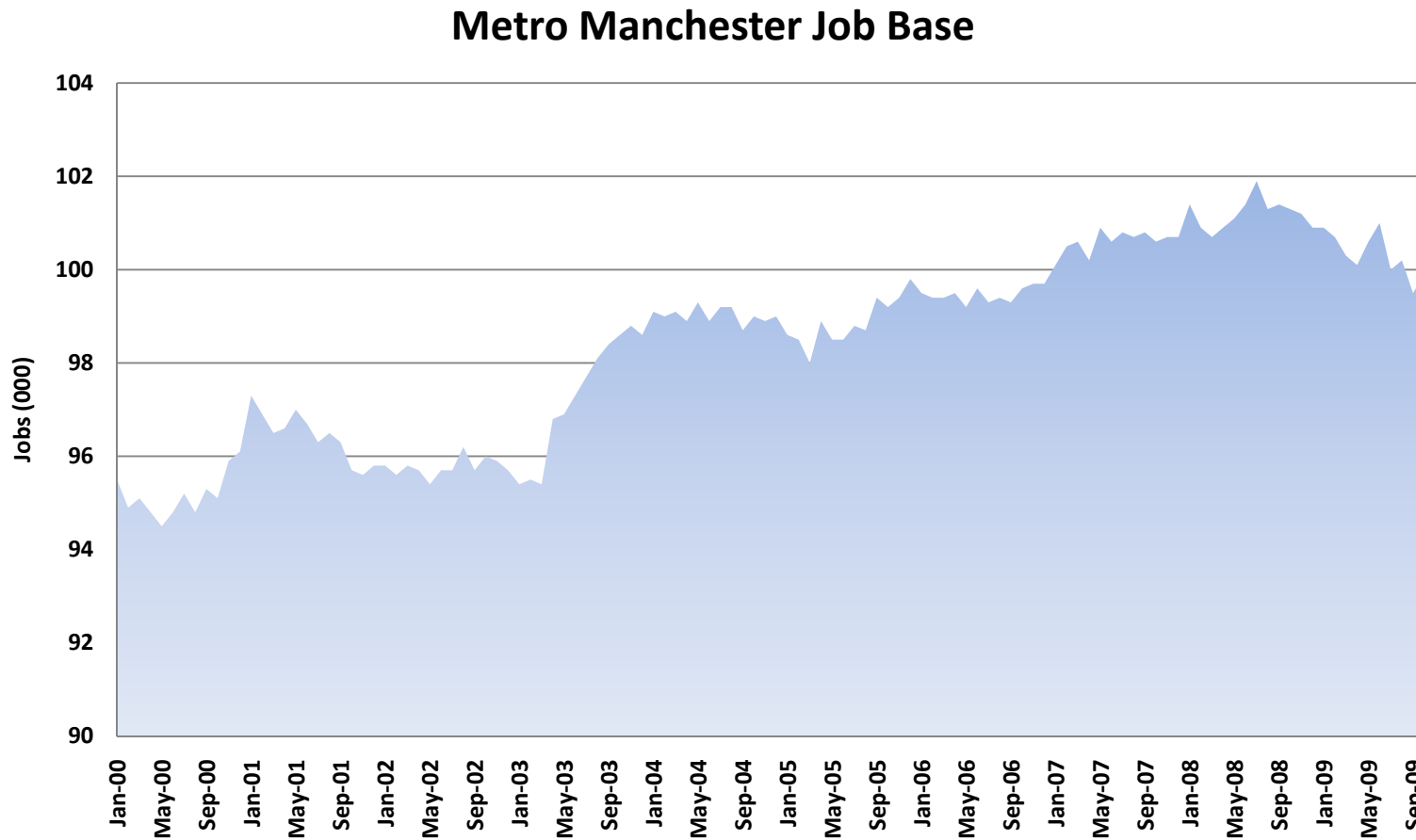
- Redevelopment of 17 acre former Jac Pac site, largest redevelopment project in Manchester's history;
- Location anchors southern Elm Street, supporting possible spin-off development;
- Phased development with total of 543,800 square feet.



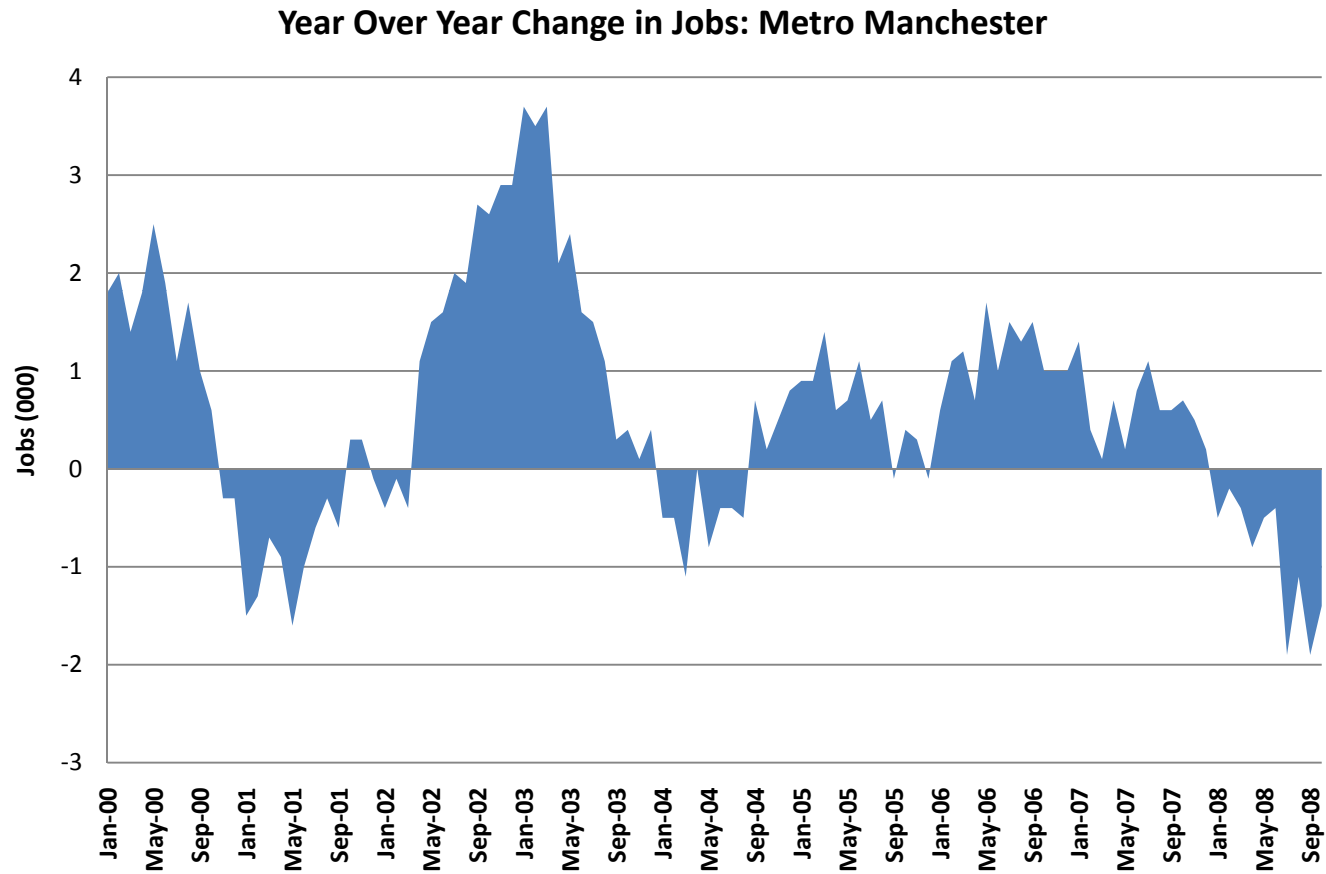
Phase	Description	Total Square Feet	Estimated Completion	Estimated Construction Cost
Phase I: Ambulatory Care Facility. Completion Summer 2011	Site demolition and construction of 258,000 SF Ambulatory Care facility including urgent care, out-patient surgery, radiology, occupational medicine and a sleep center. 966 car parking garage	258,000	Summer 2011	\$ 105,000,000
Phase I Ambulatory Care Facility, Expansion. Completion Within 5 Years	Expansion	76,900	2013	\$ 18,600,000
Phase I Ambulatory Care Facility, Expansion B. Completion Within 5 Years	Expansion	41,600	2016	\$ 10,100,000
<i>SUBTOTAL:ACC</i>		376,500		133,700,000
Phase II: Medical Office Building. Completion Summer 2011	Medical Office Building with 509 car parking capacity	126,000	Summer 2011	\$ 30,000,000
Phase III: Pharmacy. Completion 2012	Pharmacy	11,300	2011	\$ 2,000,000
Phase IV: Residential. Completion 2013	Residential-24 Units	30,000	2013	\$ 3,000,000
Total		543,800		168,700,000
<i>impact estimates revised</i>				

Health Care and The Regional Economic Setting

Metro Manchester Employment Base Grows in Long Term, But Falls In Current Recession



Recession Is Having An Effect



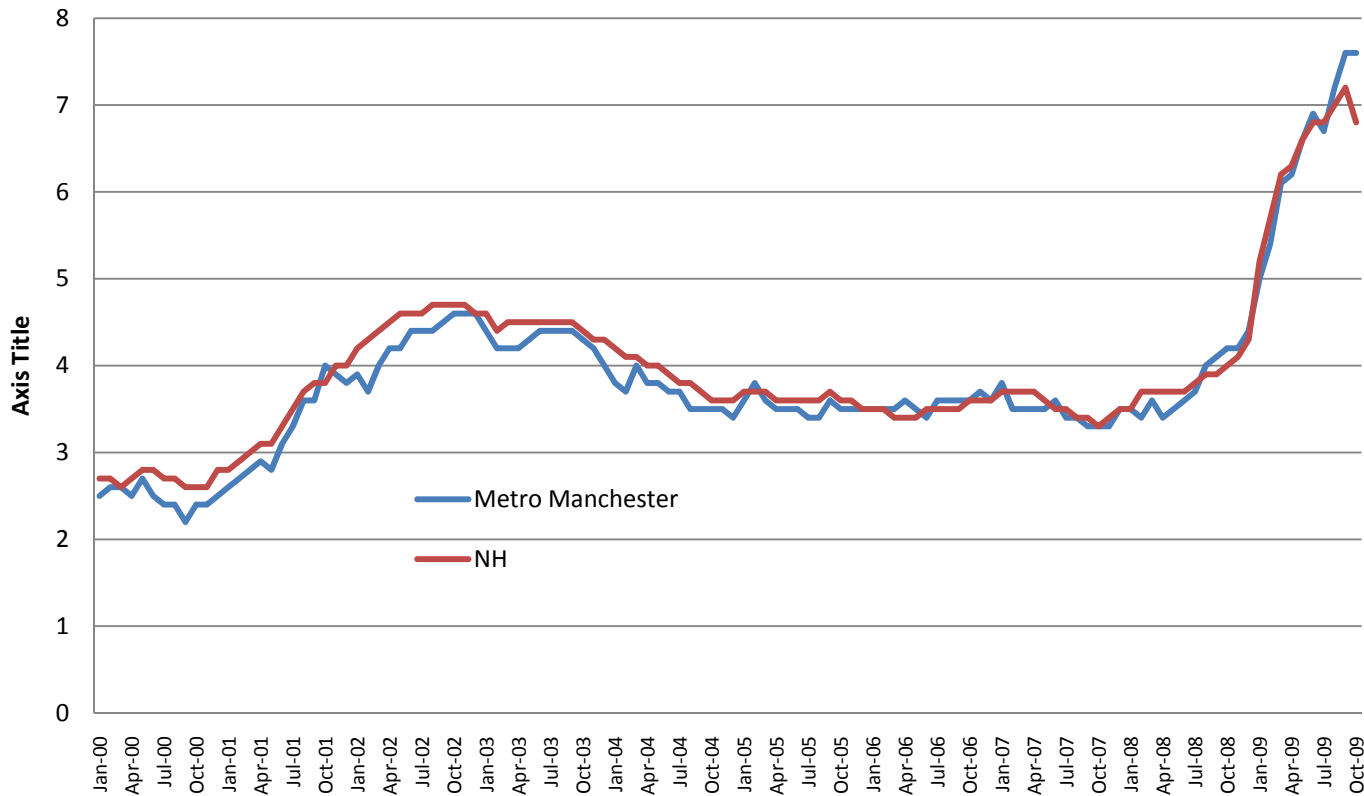
Metro Employment Is Holding Up Better Than NH's

Job Index



Unemployment Rate Matches NH, Lower Than US

Comparative Unemployment Rate

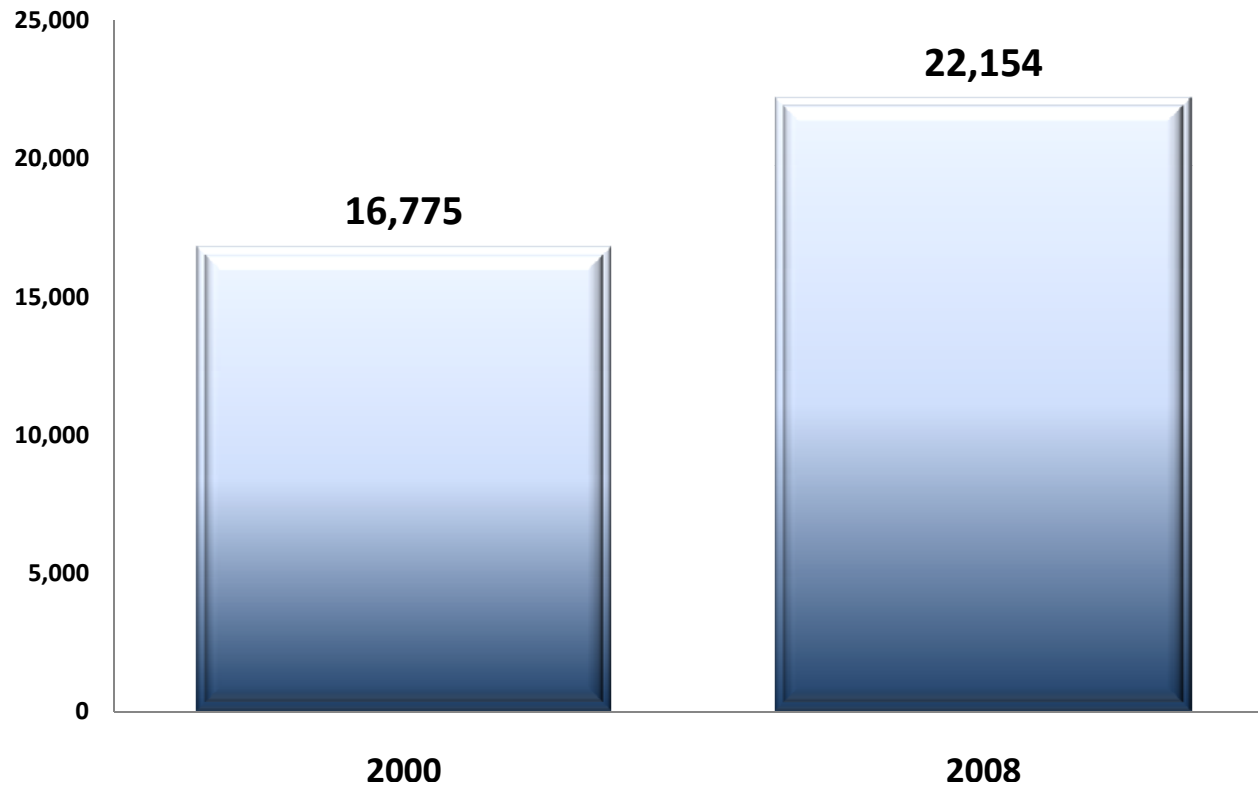


Growth in Services and Government Offsets Erosion of Manufacturing Employment Base in Hillsborough County

	2000	2008	Change
Total Employment	193,265	195,976	2,711
Goods Producing	48,765	36,628	-12,137
Service Providing	126,113	137,625	11,512
Total Government	18,387	21,723	3,336

***Health Care Employs Over 22,000 in the Region, Second Only to Manufacturing
Added Over 5,000 Jobs (32%) Since 2000—More Growth Than Any Other Sector***

Hillsborough County Health Care Jobs



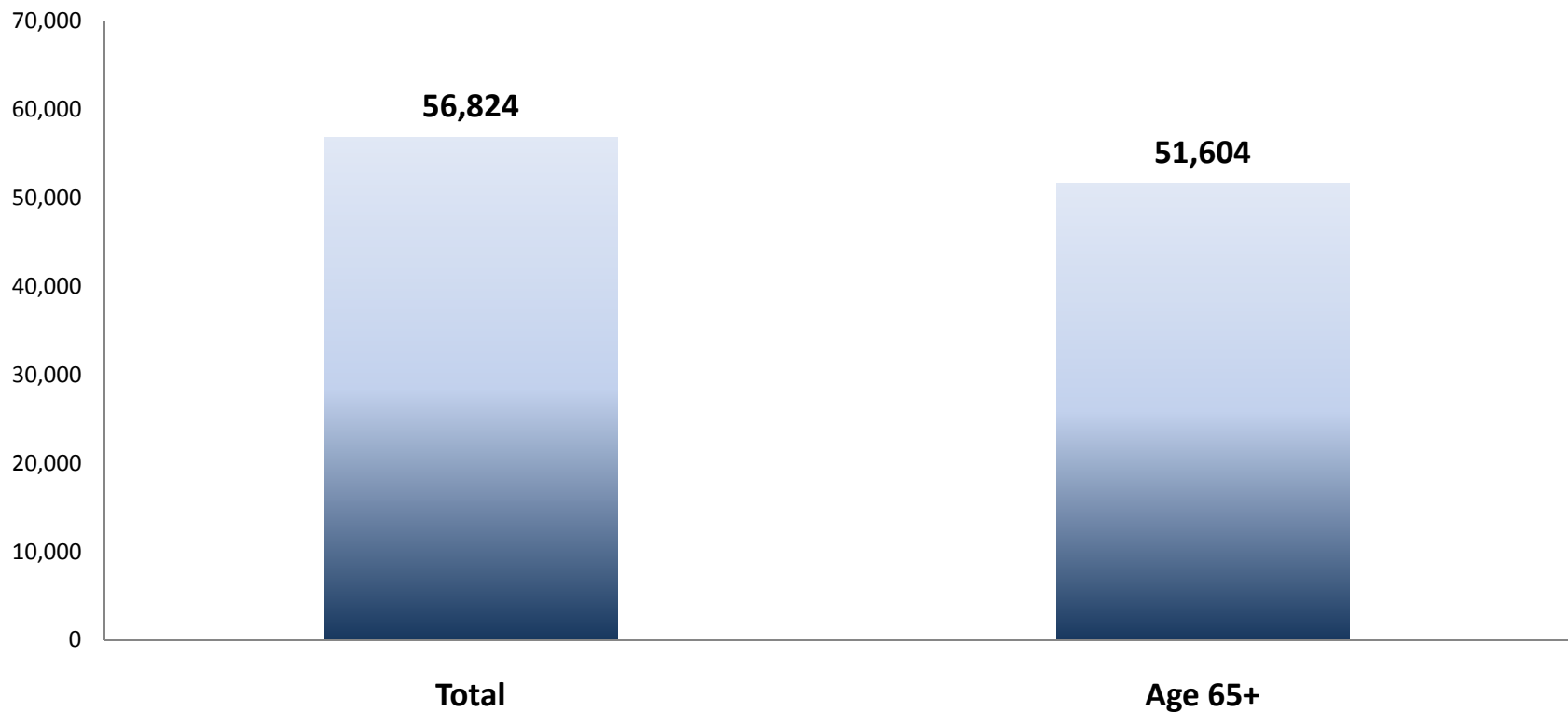
Health Care Is A Major Contributor to Region's Affluence

- Average weekly wage was nearly \$1,000 in 2008.
- Average weekly wage up 36% since 2000.
- Paid out over \$1.1 billion in wages in 2008, \$500 million more than in 2000 (Hillsborough County)—80% growth.
- These wages support yet more economic activity as the circulate through the regional economy.

Proposal Addresses County's Population Growth, Particularly Among Ageing Baby Boomers, Who Represent 90% of County's Projected Population Growth

Population Over Age 65 Will Double, Generating Substantial Increase in the Demand of Health Care Services

Hillsborough County Population Growth, 2010-30



Source: NH Office of Energy and Planning

AER River's Edge Economic Impact

National and State Perspectives

Healthcare Industry Prospects

- Healthcare is a major employer nationally, accounting for 14.3 million jobs.
- Healthcare is a growth industry, expected to add 3.2 million jobs (22%) between 2008 and 2018—more than any other industry.
- Outpatient care facilities will grow faster yet, with a projected 38% 10-year employment growth.
- 10 of the 20 fastest growing US occupations are in healthcare.
- Healthcare pays higher than average wages, especially within hospitals.

Source: US Bureau of Labor Statistics, <http://www.bls.gov/oco/cg/cgs035.htm>

Economic Impact of Hospitals

- According to the American Hospital Association:
 - US Hospitals are the second largest source of private sector jobs in the US economy;
 - US hospitals have added over 600,000 jobs, 2000-2007
 - US Hospitals generate \$299 billion in direct wages, supporting \$419 billion including indirect and induced (2007);
 - Had a total economic impact of \$1.9 trillion.
 - US Hospitals account for 16% of US GDP

NH Economic Impact

- The Health Care industry provided 69,700 jobs in NH over 10% of total jobs;
- Direct wages paid totaled \$3.4 billion—14% +/- of total private sector wages;
- The American Hospital Association estimates that NH Hospitals spent \$3.3 billion on goods and services; with a total economic impact of \$7 billion (2007)
- Average weekly wages are just under \$1,000—10% above the overall state average.

Estimated Impacts

Economic Impact Concepts

- Total Economic Impact Consists of Several Components:
 - *Direct Impacts*—Actual costs incurred and wages paid directly by the activity.
 - *Indirect Impacts*—Account for the hospital's services and supplies purchased in the Greater Manchester region.
 - *Induced Impacts*— Account for the cumulative effect of direct and indirect impacts as spending circulates through the regional economy.
 - Distinction is made between one-time construction impacts and long term impacts.
- AER relied on the RIMS II Health Care Industry Multipliers for the Metropolitan Manchester Area Developed By the US Bureau of Economic Analysis to Convert Direct Impacts to Total Impacts.

Construction Phase Impacts

Construction Phase Impacts					
	Total Square Feet	Estimated Completion	Estimated Construction Cost	Estimated Labor Cost*	Estimated Direct Annual Equivalent Jobs**
Phase I: Ambulatory Care Facility with Expansions	376,500	Summer 2011	\$ 133,700,000	\$ 89,579,000	1,600
Phase II: Medical Office Building	126,000	Summer 2011	\$ 30,000,000	\$ 20,100,000	300
Phase III: Pharmacy	11,300	2011	\$ 2,000,000	\$ 1,340,000	20
Phase IV: Residential	30,000	2013	\$ 3,000,000	\$ 2,010,000	30
Total Direct Impact	543,800		\$ 168,700,000	\$ 113,029,000	2,000
Multiplier***				1.66	1.71
Estimated Total Impact				\$ 187,628,000	3,400
* At 67% of total project cost per Suffolk/Eckman estimate					
**Estimated based on Hillsborough County Construction Wages, 2010					
*** RIMS II Multipliers for Hillsborough County Construction Industry					

Employment and Wage Impacts

Phase	Estimated Permanent Jobs*	Annual Wages**
Phase I: Ambulatory Care Facility With Expansions	440	\$ 21,428,000
Phase II: Medical Office Building	470	\$ 30,143,000
Phase III: Pharmacy	10	\$ 298,000
Phase IV: Residential	5	\$ 150,000
<i>Total Direct Impact</i>	925	\$ 52,019,000
Multiplier***	1.7	1.59
Estimated Total Impact	1,570	\$ 82,710,210
* Per Elliot/Anagnost Investments		
** Per Hillsborough County Industry-Specific Wages		
***RIMS II Multipliers for Ambulatory Care Facilities		

Operating Expense Impact

	Ambulatory Care*	Medical Office Building**	Combined
Operating Expenses (excludes salaries and benefits, bad debts, interest and depreciation)	\$ 7,500,000	\$ 2,205,000	\$ 9,705,000
Estimated Equipment Purchases	\$ 2,000,000	\$ 588,000	\$ 2,588,000
Total Spend	\$ 9,500,000	\$ 2,793,000	\$ 12,293,000
Spend % with NH Vendors	37.02%	37.02%	
Direct Spending with NH Vendors	\$ 3,517,000	\$ 1,034,000	\$ 4,551,000
Multiplier***	1.09	1.09	
Estimated Total Impact	\$ 3,834,000	\$ 1,127,000	\$ 4,961,000
*Elliot Hospital Estimate			
**AER Estimate			
*** RIMS II Value Added Multiplier for Ambulatory Health Care Facilities			

Property Tax Impact

Property Tax Impact						
	Cost*	Assessment Ratio	Estimated Assessed Value	Tax Rate	Property Taxes Paid	
Taxable: Ambulatory Care Facility (All Phases)	\$ 7,446,275	105.6%	\$ 7,863,000	\$ 17.85	\$ 140,000	
Phase II: Medical Office Building	\$ 30,000,000	105.6%	\$ 31,680,000	\$ 17.85	\$ 565,000	
Phase III: Pharmacy	\$ 2,000,000	105.6%	\$ 2,112,000	\$ 17.85	\$ 38,000	
Phase IV: Residential	\$ 3,000,000	105.6%	\$ 3,168,000	\$ 17.85	\$ 57,000	
Land: Current Assessment			\$ 4,068,000	\$ 17.85	\$ 73,000	
Total Direct	\$ 42,446,275		\$ 48,891,000	17.85	\$ 873,000	
Multiplier**			1.09		1.09	
Estimated Total Impact			\$ 53,291,000		\$ 952,000	
*Anagnost Properties Estimate. Note: Taxable Value of Ambulatory Care includes only Ambulatory Surgical Center, Gift Shop and Cafeteria						
** RIMS II Value Added Multiplier for Ambulatory Health Care Facilities						