MEMORANDUM TO: Nassau County Planning Department

FROM: Paola Duran, Graduate City and Regional Planning Student
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61 Saint James Place
Brooklyn, NY 11205

DATE: November 20th, 2013

SUBJECT: Economic impacts of the new Nassau Coliseum complex in the area of Hempstead Township, Nassau County.

Taking into account the proposed construction of the new Nassau Coliseum sports arena accompanied by a hotel/conference complex called the "Nassau Lighthouse" next to the existing Nassau Veterans Coliseum in Hempstead, you will find attached for your review a comprehensive study of the economic effects of that complex on Hempstead Township.

As requested, the economic analysis will be provided using RIMS II methodology to estimate the economic impact of the New Coliseum in the study area.

Please contact us with any concerns or questions you may have.

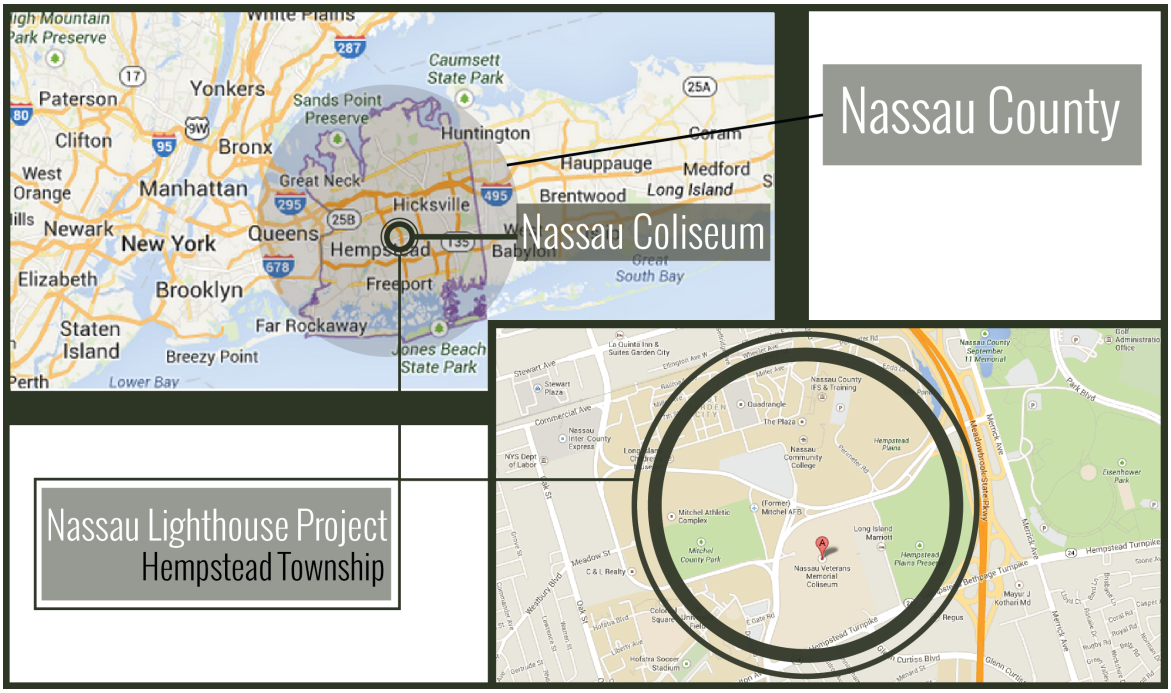
Sincerely,

Paola Duran

Executive Summary

The purpose of this memo is to provide a comprehensive overview of the economic impact that the proposed development of the new Nassau Coliseum complex will have on the Hempstead Township (study area). Hempstead Township is located in Long Island (Please reference figure I) and the new arena on its 650,000 square foot will provide 20,000 seats and the ability to support a variety of sports and cultural events. It would be also bringing to the study area a 300-unit hotel and 200,000 square foot conference/exhibition space. By applying the RIMS II method, the estimate economic impact of developing the new Nassau Coliseum will be presented, showing the changes in jobs because of that particular event. Finally the construction of the new complex should be completed by 2015.

Figure I: Context Map Nassau County, Lighthouse Proposed Project Area



Source: Google Maps 2013 Nassau County.

Main and Detailed Findings

The construction will occur in a 12-month period and will cost in total $700M of which $550M will be used for the arena and $150M will be spent on the hotel/conference center.

The demolition phase will cost $30M to have the new complex operating in 2015. The assumptions are that $55 million will be produced each year for the arena, supporting 300 full-time-equivalent jobs with total earnings of $7,900,000, and $10M in sales each year for the hotel/conference, supporting 30 full time jobs with total earnings of $840,000.

Table I summarizes the total final demand of the estimate economic impact in the construction of the new Nassau Coliseum, including the arena and the hotel/conference complex.

Phase 1.1 (new construction) seems to generate more earnings and a greater number of jobs. This is explained because the amount of total jobs created during this phase would be mainly temporary. For the new construction year (2013) each worker can earn roughly $40.000. On the other hand during phase 1.2 (demolition) the amount of jobs will be diminished by about 95% producing only 247 temporary jobs.

Phase 2 (operations) will produced 932 jobs, placing 90 in the hotel/conference complex with approximately $22,500 earnings per year per worker. The remaining 842 jobs will be placed on the arena; these jobs can be semi-permanent because people's earnings will depend on venues and sport's seasons. The multiplier effect could be seen in the spending of money among different industries that have evolved in the construction process.

Table I: Economic Impact

	Input ($)	Output ($)	Earnings ($)	Employment (jobs)	Value-added ($)
Phase 1: Construction					
1.1. New Construction	$700,000,000	$1,149,260,000	$240,380,000	5,752	$610,470,000
1.2. Demolition	$30,000,000	$49,254,000	$10,302,000	247	$26,163,000
Phase 1 Total	**$730,000,000**	**$1,198,514,000**	**$250,682,000**	**5,998**	**$636,633,000**
Phase 2: Operations					
Hotel/Conference center	$10,000,000	$95,067,500	$2,845,000	90	$9,948,000
Arena	$55,000,000	$16,472,000	$18,903,500	842	$58,740,000
Phase 2 Total	**$65,000,000**	**$111,539,500**	**$21,748,500**	**932**	**$68,688,000**
Project Total	**$795,000,000**	**$1,310,053,500**	**$272,430,500**	**6,931**	**$705,321,000**

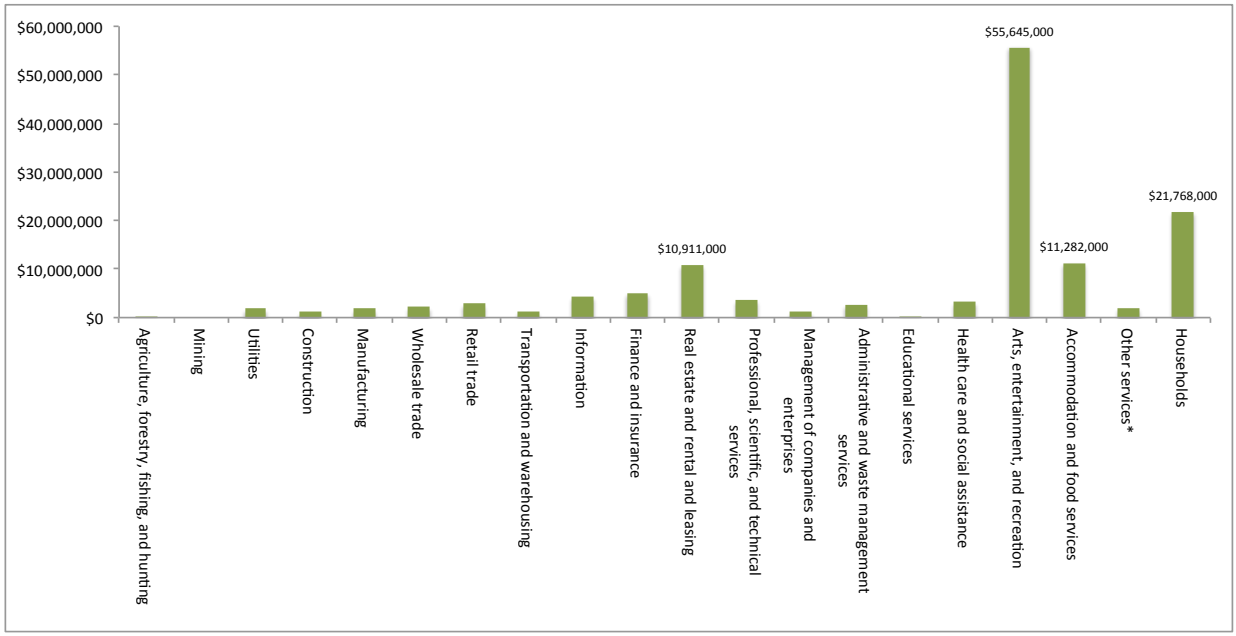
Source: 2006 Nassau County RIMS II Multipliers, Tables 2.1, 2.2, 2.3, 2.4 and 2.5. Bureau of Economic Analysis

If we break down the previous table, we can appreciate in the following graphics the explanation of each category in phase 2 separately, in order to provide a better understanding of the presented estimates.

Output by Industry

The project's output is higher in phase 1 (more hired workers) and lower in phase 2. The additional economic activity and spending in the region will be in total $1,310,053,500. The more dynamic economic industries will be arts, entertainment and recreation (50% of the total output in phase 2) followed by households (20%), accommodation and food services (10%) and real state (10%).

Graphic I: Output by Industry in Phase 2



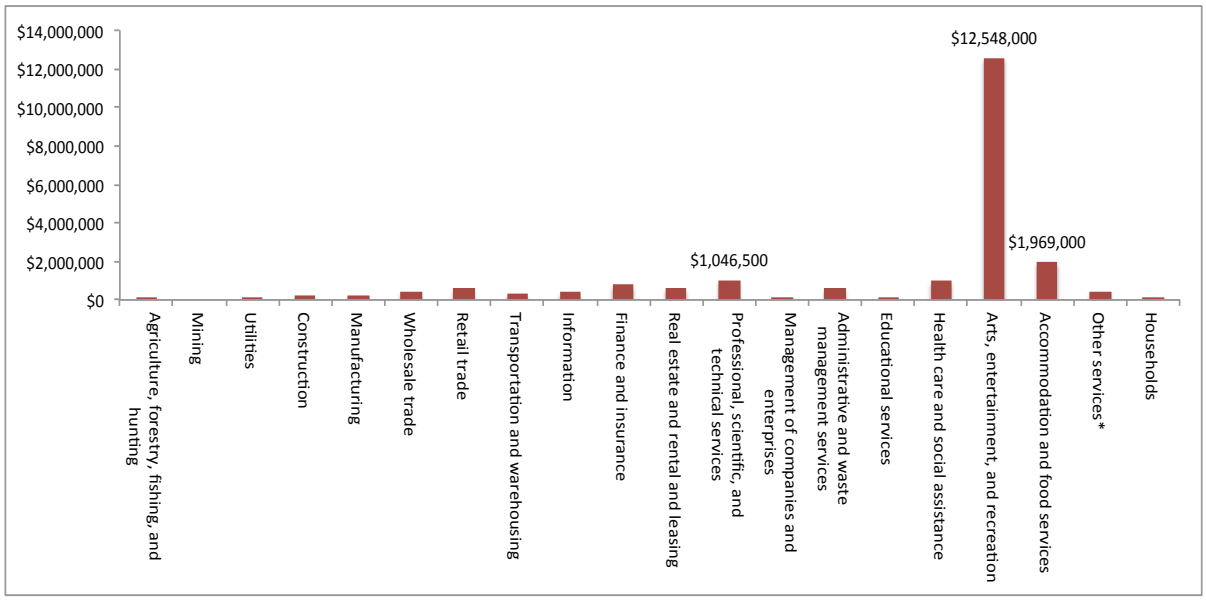
Source: 2006 Nassau County RIMS II Multipliers, Tables 2.1, 2.2, 2.3 and 2.4 Bureau of Economic Analysis

Earnings by Industry

The arts, entertainment and recreation industry will generate the 58% of the earnings in the region. The earnings include people's income and wages generated by the Coliseum in the operation phase. Far from that industry, accommodation and food services will be placing 9% of the total earnings and professional scientific, and technical services 5%, this could mean that local professionals would be able to work on the project but maybe people from New York City will be earning money from these categories as well. The other industries will be contributing between 1 and 4%.

Finally if we calculate the total earnings in phase 2, dividing them by the total number of jobs we will have an average income of $23,331. This can be considered a moderate income, and maybe the direct contribution of the Coliseum construction to the region is not that representative as other type of developments in the area. It would be interesting to analyze how many people are eager to work on the proposed development or how many of them would prefer to work outside the study area to earn better salaries.

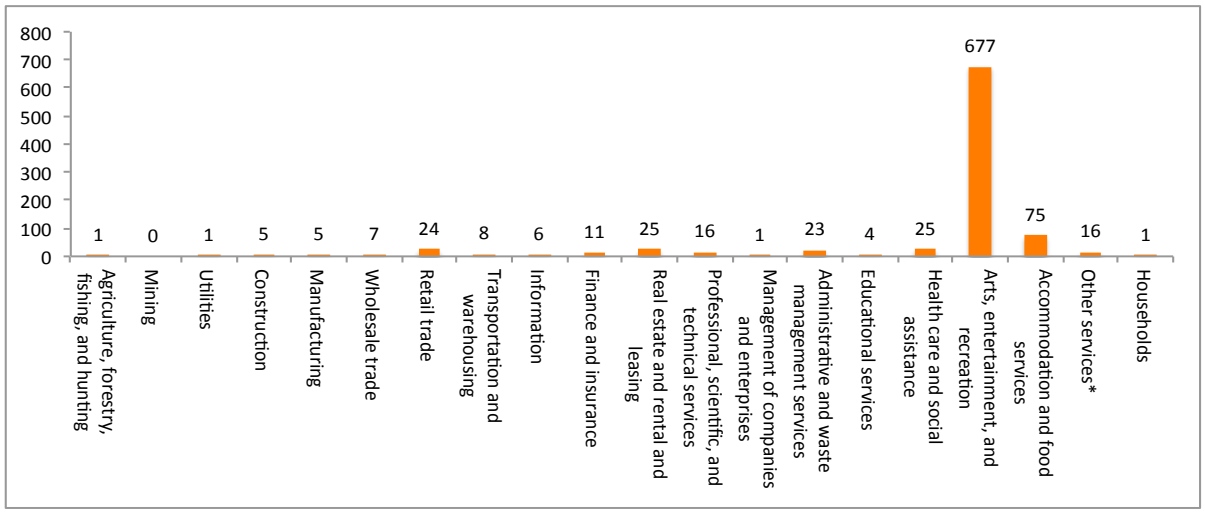
Graphic II: Earnings by Industry in Phase 2



Employment by Industry

677 jobs will be provided by the arts, entertainment and recreation industry in the region, this is 73% of the total jobs from the new Coliseum complex in the study area. Accommodation and food services will create 75 jobs (8%) and health care and social assistance 25 jobs with 3%. In phase 2, these jobs can be permanent for some people and temporary to others, based basically on sports seasons. The 25 jobs generated by health care and social assistance can be totally related to sports medicine or first aid services in the area.

Graphic III: Employment by Industry in Phase 2

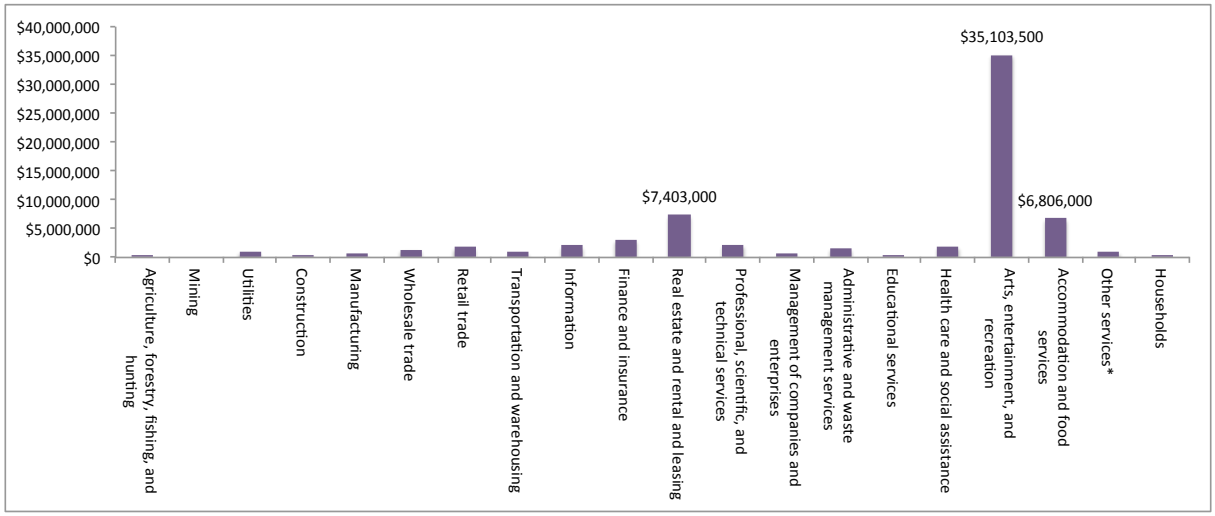


Value Added by Industry

The largest amount of value added would be under the arts, entertainment and recreation industry providing 51%. On second place, retail state and rental and leasing will be offering 11% of value added to the region, followed by accommodation and food services with 10%.

Arts, entertainment and recreation, accommodation and food services and real state overall, would generate the largest direct economic impacts to the region due the Coliseum complex construction.

Graphic IV: Value Added by Industry in Phase 2



Methodology and Data

The calculations for this analysis were settled by using RIMS II, which is the Regional Industrial Multiplier System. It is an economic input-output model developed by the Bureau of Economic Analysis used to estimate the economic impact of a new development in certain area generated by a specific economic event[1]. The **input** is the money to be spent in the project; **output** is the additional economic activity and spending in a region; the **earnings** include the income of people in the region generated by an economic event, including wages earned by individuals; **employment** refers to the number of jobs in a region due to a $1M change in the final demand; **final demand** is the total number of monetary goods and jobs in a region's economy.

The purpose of the RIMS II is to calculate the economic multiplier effect generated by the construction of the new Nassau Coliseum complex. A multiplier effect creates a demand or workers, materials, planners, architects among others. By each dollar spent in the Nassau Coliseum complex construction phases will create a spending in jobs and in another related industries. The multipliers quantify this domino economic effect.

The best way to apply RIMS II multipliers is by following the next steps[2]:

1. Define the region of analysis

[1] Corporation for Supportive Housing (2004) *Using RIMS II to Estimate the Economic Impact of Supportive Housing*. Page 2
[2] Corporation for Supportive Housing (2004) *Using RIMS II to Estimate the Economic Impact of Supportive Housing*. Page 4

2. Order the RIMS II multipliers for the region of analysis from the Bureau of Economic Analysis (this process has an associated cost)
3. Having the data available, proceed to:
   3.1. Calculate the final demand by using the RIMS II table 2.5 with the output final demand data (multipliers data). To calculate the final demand outputs we multiplied the multipliers by the final demand/capital expenditures for both construction and demolition phases
   3.2. Calculate the output by using data from table 2.1, earnings from table 2.2, employment from table 2.3 and added value from table 2.4 for the operations phase.
4. Analyze the results taking into account that RIMS II is an estimate of the economic impact.

Sources:

- Corporation for Supportive Housing (2004) *Using RIMS II to Estimate the Economic Impact of Supportive Housing*.
- 2006 Nassau County RIMS II Multipliers, Tables 2.1, 2.2, 2.3, 2.4 and 2.5. Bureau of Economic Analysis