

About a year ago, Lisa Grobar and I completed a study of the Economic Impact of the Home Depot Design Center and related businesses proposed for the Studebaker site. Today, I'll highlight two aspects of that study: job creation and the generation of tax revenues to the City's general fund.

Jobs are created in the construction phase of the project as well as the ongoing operation of the center. With an estimated construction cost of \$21.5 million, we expect 400 new jobs to be created. While this is a sizeable number of jobs, as you are aware, these jobs are not long-lasting. Once the construction is completed these jobs no longer exist. For that reason, we focus more closely on the new jobs associated with the operation of the Home Depot Design Center, the restaurant, and the other retail establishments at the Studebaker site.

The total number of new jobs in the city of Long Beach associated with the operation of the proposed development is 218, the bulk of these jobs are at the Home Depot Design Center. The Design Center will generate 163 jobs. This estimate is the mid point of Home Depot's estimate of 150-175 employees at the site. We believe the estimate is conservative. We studied 187 Home Depot's located in California and our independent estimate would place the employment closer to 200 new jobs. Nonetheless, we used the 163 new jobs for our analysis. These new jobs generate an annual average payroll of \$30,000, which reflects the fact that some of the jobs are part-time jobs. All of these workers, including part-time workers will receive health benefits, as part of Home Depot's corporate policy. Employees working 30 or more hours per week also receive dental and vision insurance, a 401k plan, profit-sharing and are eligible for an educational reimbursement program. Looking at both the wage compensation and fringe benefits package, it is clear that these are high quality jobs especially for the retail sector of our economy.

The restaurant and other retail establishments generate another 55 jobs, bringing the total new jobs to Long Beach to 218. These 200+ new jobs, in turn, would create additional economic activity and generate 171 new jobs in Long Beach and the region. The total number of annual new jobs created is 389, including the direct and the indirect economic impacts.

From the perspective of economic development, a big box retailer like the Home Depot is an attractive acquisition to the city not only because it generates quality jobs but it also improves the city's general fund. In its first year of operation, we estimate that the City of Long Beach's general fund will capture \$500,000 in taxable sales revenues from the Design Center alone. The other business establishments add another \$50,000 in taxable sales revenue annually. In terms of property taxes, another \$100,000 is captured by the city's general fund. So, in the aggregate we are forecasting over \$600,000 in new general fund receipts to Long Beach. Typically, business establishments, unlike households, are low users of public services and, as a consequence, generate a net benefit to the city's budget. Stated differently, businesses like Home Depot are not significant users of the services provided by local governments such as police, fire and educational services.

In looking at this proposal one might ask the question, what are the alternative uses that the market will readily support for the Studebaker property? Without a change in the zoning, the 20 acre site would readily serve as a container yard. Land at the terminals is at a premium and undeveloped land, especially with good freeway access, is an ideal candidate for a container yard. Such a use generates little in the way of economic value to the city, either in terms of jobs or revenues.

The other prospect is that Home Depot has options. The Boeing site in Seal Beach is an attractive alternative to Studebaker. It positions the store in close proximity to the residents in Seal Beach

and SE Long Beach. If this were to happen, Long Beach would be left with little benefit, either in job creation or tax revenues. More importantly, the failure to develop the Studebaker would remove over \$2.5 million in traffic mitigation measures. Many of these mitigation measures address existing problems, leaving Long Beach with continued traffic and congestion problems along Studebaker, Loynes, Second Street and PCH.

As one who studies the Long Beach economy, I believe that this proposal adds to the vibrancy and strength of our local economy.

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