



MEMORANDUM

TO: Michael Clayton
One Grand Strand

FROM: James F. Lima
James Lima Planning + Development (JLP+D)

DATE: December 11, 2019 (Updated: January 2, 2020)

RE: Economic Benefits of a CCU Downtown Myrtle Beach Campus

Introduction

The Myrtle Beach Downtown Master Plan emphasizes the importance of “public anchors” in defining the district and driving private investment within it. The proposed Coastal Carolina University (CCU) campus and Lab School (the Project) present an opportunity to advance this vision and add a new, potentially catalytic asset to downtown, for which we see a great need.

JLP+D offers herein the following information for consideration in the review of the Project:

1. **Economic Value of Downtown Institutional Presence:** We offer a brief, qualitative overview of the economic benefits that this proposed project could deliver, based on an analysis of Myrtle Beach’s planning documents and national research on universities’ role in downtown revitalization.

2. **Economic and Fiscal Benefits Analysis:** At your request, JLP+D has prepared an economic and fiscal benefits analysis of the Project. The findings are summarized below and the full report is attached in the Appendix.
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I. Reinforce other public investments in the Downtown Master Plan study area.

The proposed CCU campus is within a half-mile of the city's proposed Arts and Innovation District, as well as Broadway Street, the Pavilion site and a number of other focal points mentioned as public investment priorities in the Downtown Master Plan. If properly connected via pedestrian corridors, the influx of people downtown due to the CCU campus would spillover and funnel activity to these other reinvestment areas and projects, amplifying their vibrancy and economic vitality. Inversely, these other downtown economic, social and cultural hubs will make the CCU campus a more desirable place for current and potential students. In other words, these public investments would leverage one another, creating a synergistic network of urban destinations in downtown Myrtle Beach. You could say that in such a case $1+1=3$.

The development of the new Coastal Carolina campus and its potential connectivity to other downtown assets will help create a place that offers a unique array of amenities, experiences, and uses. Places of this sort have proven effective in attracting high-skilled workers, firms, residents, visitors, and capital investment, making their presence an economic imperative. Not only do places cultivate concentrations of these critical inputs, they also enhance their productivity by encouraging interactions between them.

II. Support downtown businesses year-round via both student and employee consumption as well as institutional purchasing and procurement.

College students and school employees contribute to local economies through their consumption of goods and services, generally in the immediate areas surrounding campus. Based on industry reports published by HSBC, CoStar, and Refuel Agency, JLP+D estimated the following average spending pattern of college students: \$981 for apparel; \$700 for personal care; \$3,037 for food; \$874 for books and supplies; \$1,402 for automotive; and \$4,198 for housing. Moreover, institutions of higher education have substantial purchasing power themselves. A 2016 report found that America's colleges and universities purchased nine times more in urban areas than all federal direct spending on urban job and business development. What's more, the majority of this institutional spending (through both purchasing and contracts) typically goes to local vendors due to the gains in service and delivery efficiency

generated by close physical proximity. These new sources of spending can support the vitality of downtown businesses year-round, addressing some of the seasonality issues presented by the “100 day economy”.

III. Spark innovation and entrepreneurial activity downtown.

Universities support their regional economies by providing a consistent stream of high-skilled workers, attracting entrepreneurs, and encouraging research & development activity. Studies have found that universities located in downtowns significantly outperform their suburban and rural peers in terms of commercial productivity, generating 71 percent more startup companies and over 200 percent more income from licensing agreements. While the proposed CCU campus and Lab School are not explicitly oriented towards commercial research, the project can serve as a starting point for the cultivation of a knowledge economy by creating a new concentration of human capital downtown. There is certainly space nearby for future incubator / generator facilities and step-up spaces for small businesses graduating from them. A number of leading national universities including Duke and the University of Arizona have built satellite campuses that seek to physically connect their institutions with downtown economic centers that support the formation of entrepreneurial hubs.

In October 2019, the University of Michigan announced plans for a 14-acre “Center for Innovation” in downtown Detroit that will house graduate programs in high-tech disciplines such as data science, cybersecurity, and financial technology. The complex, funded heavily by philanthropic contributions, will be located at the site of a former county jail and will serve as a new gateway to Detroit’s burgeoning downtown. Notably, the project follows a recent University of Michigan-led “cradle to career” partnership that included the development of a K-12 school and innovative teacher education program.

IV. Increase the demand for housing near campus via students and staff.

Students often want to live within walking or a short drive’s distance from campus. There is evidence that longer commute times to class are associated with lower grades and a general lack of engagement with the campus community. Also, an increase in student presence can provide a much needed boost in demand for struggling real estate markets near a college campus. The proposed CCU campus could serve as an impetus for reinvestment in nearby

housing stock that would have otherwise remained abandoned or lost. It could also encourage the redevelopment of vacant or underutilized hospitality assets into student housing.

To accommodate its growing student population in the 1990s, Howard University sought to renovate nearly 50 abandoned properties in the surrounding neighborhood of LeDroit Park. Using a stream of public, private, and philanthropic financing, Howard rehabilitated and constructed more than 300 new housing units. Investments in public infrastructure, 33,000 square feet of commercial space, and new parks soon followed, transforming the once distressed neighborhood into one of Washington DC's most desirable. The redevelopment is expected to expand to another 130 underutilized properties in the coming years due to the spike in demand.

V. Create opportunities for local hiring in both construction and operation, benefitting the residents of nearby neighborhoods and promoting a live-work culture downtown.

Institutions of higher education are some of the fastest-growing employers in the country, ranking as high as second in net job growth rankings by industry. Contrary to popular belief, most of the jobs they create are not academic in nature. On average, approximately two-thirds of them are administrative and support staff positions. Filling these roles with local employment allows for universities to develop stronger ties with the surrounding community. Seeing as Carver Street is just a short walk from the proposed CCU campus site, such a strategy could help ensure that the growth brought about by the new campus is inclusive. Hiring from nearby neighborhoods would also be an important first step in establishing downtown as a live-work destination.

The University of Southern California's community relations office adopted the goal of increasing employment from areas immediately surrounding its campus in Pasadena, California. USC's primary strategy was to proactively recruit, drawing area job-seekers to the university and then channeling the applicants to available opportunities. Once getting these community members in the door, it helped enhance their competitiveness by offering resume writing and interview workshops, English as a Second Language (ESL), and computer literacy courses.

VI. Enhance downtown real estate development efforts by supporting potential commercial, residential and mixed-use projects.

One of the objectives of Benchmark's Downtown Master Plan is to reestablish downtown as a place for residents and to broaden the range and diversity of visitors it attracts day and night and year round. This requires the development of new types of commercial, residential, and cultural assets that appeal to a different, generally younger demographic. However, downtown Myrtle Beach does not yet have the base of residents or off-season visitors to support these new uses. The introduction of students to downtown Myrtle Beach via a new CCU campus could catalyze this shift and help sustain the energy around projects as other components of the downtown revitalization plan are being implemented.

VII. Develop a talent pipeline by both attracting knowledge economy workers and educating Myrtle Beach's next generation.

In recent years, a growing number of economists have concluded that human capital stock has supplanted land as the primary source of any region's economic prosperity. Strategies to strengthen this critical input should include both talent development and talent deployment components. The former refers to traditional investments in education and workforce training systems. The latter concerns concentrating human capital in places that can attract firms, capital, and additional high-skill workers, creating opportunities for talent to remain local. The CCU project supports both objectives, investing in Myrtle Beach's next generation of talent while cultivating a dense cluster of it downtown.

VIII. Generate immediate economic impacts.

At your request, JLP+D prepared an estimate of the near-term and recurring economic and fiscal benefits associated with the school construction and operation. According to the analysis (see the Appendix for more details), the **construction would create as many as 179 jobs** during the development phase, generating a **total economic output of \$26.4 million** and accumulating **\$2.6 million of total state and local tax revenue** in the same construction period.

Following the one-time boost from construction, the new **educational facilities would directly employ 49 academic and non-academic staff** on site, and the broader economic impact of the school's ongoing operation and students' spending would create approximately **39 additional jobs**, stimulating a wide array of industries of the local economy, ranging from retail to real estate and other services. The **annual recurring economic output associated with the school operation and its impacts post-construction is estimated at \$8.4 million**; the **annual total state and local tax revenue post-construction is estimated at \$0.3 million**. The majority of

these impacts will come from the direct operation of the facilities and student spending in the local economy. Indirect impacts associated with supply-chain procurement, as well as additional household spending in local goods and services as a result of the direct and indirect impacts, are also included in the figures using the current local economic and transactional patterns as the model's assumption (see Appendix for more details). The broader potential economic benefits due to the larger revitalization and planning efforts, which are not estimated due to the lack of quantitative data, are discussed in the earlier qualitative section of this memo.

Citations

Andes, Scott. *Hidden in Plain Sight: The Oversized Impact of Downtown Universities*. Brookings Institution (2017).

Initiative for a Competitive Inner City (ICIC) and CEOs for Cities. *Leveraging Colleges and Universities for Urban Economic Revitalization* (2002)

Kobus, Martin et al. *Student Commute Time, University Presence, and Academic Achievement*. Regional Science and Urban Economics (2015).

Parilla, Joseph and Liu, Sifan. *Talent-Driven Economic Development: A New Vision and Agenda for Regional and State Economies*. Brookings Institution (2019).

University of Michigan. *New \$300 Million U-M Research and Education Center to Anchor 14-Acre Detroit Center for Innovation in the Heart of Detroit* (2019).

Appendix

Economic and Fiscal Benefits Analysis of a CCU Downtown Myrtle Beach Campus

I. Introduction

James Lima Planning + Development (JLP+D) conducted a preliminary estimation of economic and fiscal benefits for the proposed downtown Myrtle Beach campus of Coastal Carolina University (CCU) that will include a K-8 charter school or “Lab School” (the Project).

Based on the analysis, during the construction period, the project would create as many as **179** jobs and generate a Gross Regional Product (GRP)¹ of **\$12.4 million**. The ongoing operation of the educational facilities will directly employ **49** workers on site, and the institutional procurement and student spending, as well as the broader economic impact of the downtown campus, would create approximately **39** additional permanent jobs, stimulating a wide array of industries of the local economy, ranging from professional services to retail, real estate, and utility infrastructure. The annual recurring GRP associated with the downtown campus’s operations and impacts post-construction is estimated at **\$6.4 million**.

The estimates were generated using IMPLAN, an economic impact data and analytical software that is based on the input-output model. Reported in this document is a summary of estimated indicators related to employment, tax revenue, and economic output. Project assumptions are described in this document.

II. Project Overview and Assumptions

The downtown Myrtle Beach campus for Coastal Carolina University aims to establish a dynamic higher education anchor which will serve as a catalyst for revitalization and future growth and create an innovative laboratory school to serve as an incubator of new ideas and as an effective training vehicle for pre-service teachers. The university is expected to bring 128 students and 15 workers, including professors and support staff, to downtown Myrtle Beach, while the laboratory school is expected to have 360 students and 34

¹ Gross Regional Product is the market value of goods and services produced by labor and property. Numerically, it is the total output of industries minus the value of intermediate inputs.

workers, including teachers and staff. For the economic and fiscal benefit analysis, the assumptions include the following:

1. Construction

The upfront capital investment of the project consists of two parts, new construction and adaptive reuse. Per the information provided to JLP+D, construction cost of the entire project is estimated at approximately \$17.5 million, inclusive of hard cost, soft cost, and furniture, fixtures and equipment (FF&E). The cost of the new construction is estimated at \$5.5 million, and the cost of adaptive reuse is estimated at \$12.0 million. Property purchase is estimated at \$2.8 million, which is not entered into the economic model per methodological conventions of such analysis.

2. University and Laboratory Charter School Direct Employment

Per the information provided to JLP+D, the laboratory school will directly employ 24 teachers and teacher assistants and 10 admin staff; the university will directly employ 7 professors, 3 admin support staff, and 5 maintenance/janitorial staff.

3. University Non-payroll Spending

Per the information provided to JLP+D, the annual operating budget of the educational facilities is estimated at approximately \$5.5 million, 30% of which (\$1.7 million) will fund non-payroll expenditures. Based on comparables, JLP+D estimated that the \$1.7 million will be spent in the following categories: office supplies (34.5% of total non-payroll expenditure); insurance (8.1%); electricity (16%); natural gas (2.8%); water and sewage (0.6%); telecommunications (1.9%); repairs and maintenance (5.1%); printing (4.7%); other services (16.8%, categorized as other educational services); postal service (2.5%); computers (3.4%); books (3.6%).

4. University Student Local Spending

Per the information provided to JLP+D, 128 university students are expected to come to Myrtle Beach as a result of the operation of the campus. Based on industry reports published by HSBC, CoStar, and Refuel Agency, JLP+D estimated the following average spending pattern of college students on local goods and services: \$981 for apparel; \$700 for personal care; \$3,037 for food; \$874 for books and supplies; \$1,402 for automotive; and \$4,198 for housing.

5. Definition of Local Economy

JLP+D used Horry County's input-output model for the economic and fiscal benefit analysis as we regard this to be a more realistic representation of local and regional economic transactions and overall impacts on the ground. At the same time, while the benefits are projected on a county-wide basis, the wide range of economic activities and associated benefits are likely to be localized in proximity to the project's downtown location.

III. Methodology Overview

Based on the assumptions and inputs described above, JLP+D used the IMPLAN 536-sector model to estimate the project's economic and fiscal benefits. IMPLAN is a leading economic modeling application based on the economic concept of input-output analysis, which demonstrates how different sectors of the economy are interconnected and the ways in which significant changes in one spillover into adjacent industries. For example, an input-output model could quantify how the construction industry both relies on and is relied upon by the steel, transportation, and professional services industries (among others).

JLP+D modeled two separate sets of economic and fiscal benefits on the local economy. The first calculated the events associated with the construction period, where the construction costs of new construction and adaptive reuse were used as direct industry output. The IMPLAN input-output model then calculated the spillover effect from construction to other sectors of the local economy,

The second calculated the events associated with the ongoing operation of the facilities, where direct on-site employment, non-payroll expenditures, and student spending were used as model inputs to estimate the overall long-term benefits that recur annually. The input-output model then analyzed the spillover effect from institutional payroll, institutional non-payroll, and direct local spending to other industries. For retail industries, a portion of the direct output that was entered into the model was reallocated to transportation costs, wholesale margins, and producer margins.

IV. Summary of Findings

Based on the above components of analysis, JLP+D estimated the following set of economic and fiscal benefits, including employment, industry output and GRP, and tax

revenue by jurisdiction. Below are the summaries for 1) the one-time benefits during construction period and 2) the recurring benefits during the ongoing operation of the downtown campus.

Construction Period: It is estimated that over the construction phase, including the addition of new facilities and the adaptive reuse of existing structures, a total of **179** jobs will be created, generating **\$26.4 million** of total industry output (**\$12.4 million** of Gross Regional Product). The estimated taxes accrued to state and local governments would be **\$0.8 million**. These benefits will last the duration of the project's construction period (estimated by CCU officials at approximately 8 to 10 months) and end after the construction is completed.

1. Construction-Related Employment

- a. Create **179** full-time equivalent jobs in total related to the construction period.
- b. New construction and adaptive reuse of the properties will directly generate **110** construction jobs. During the construction period, other businesses and industries will supply the intermediate goods and services for the new construction and adaptive reuse - the number of these indirect jobs is estimated at **38**. As a result of the direct construction jobs and the indirect supply chain-related jobs, workers and their households will demand additional local goods and services, which will create an additional **31** jobs across a range of industries to meet the new demand.

2. Industry Output

- a. The total estimated output during the construction period is **\$26.4 million**, which is equivalent to **\$12.4 million** of GDP (value-added).
- b. New construction will generate approximately **\$5.5 million** of output. Adaptive reuse will generate approximately **\$12.1 million** of output. Other sectors expected to experience major growth in output as a result of the construction are: real estate and housing (**\$1.3 million**), wholesale trade (**\$0.8 million**), and concrete manufacturing (**\$0.3 million**).

3. Taxes

- a. **\$2.6 million** in total tax revenue related to the construction period (federal, state, and local).

- b. **\$845,000** of the above tax revenue will accrue to state and local governments (including school districts).
 - i. State: **\$443,000**
 - ii. County: **\$128,000**
 - iii. Municipality: **\$106,000**
 - iv. Special District: **\$168,000**

Long-Term and Recurring: It is estimated that as the result of the operation of the school facilities, a total of **88** jobs will be created, generating **\$8.4 million** of total industry output annually (**\$6.4 million** of Gross Regional Product). The estimated annual taxes accrued to state and local governments from these activities would be **\$0.3 million**. These benefits can reasonably be expected to accrue annually to the extent project operations are maintained.

1. Employment

- a. Create **88** long-term jobs in total after the construction period as related to the school's operation and economic impact.
- b. Utilizing data provided to JLP+D, it is assumed that the laboratory school will directly create **34** jobs and the university will create **15** jobs. The operation of the educational facilities as well as the spending of the student population will expand the local economy, generating an increase of demands for goods and services - the resulted increase of employment that is related to school and student expenditure is estimated at **21**. As a result of the direct school employment and the indirect supply chain-related jobs, workers and their households will demand additional goods and services, which will create an additional **18** jobs across a range of industries to meet the new demand.

2. Industry Output

- a. The total estimated annual output is **\$8.4 million**, which is equivalent to **\$6.4 million** of GDP (value-added).
- b. Direct employment in the laboratory school and the university is expected to generate an annual output of **\$3.8 million**. Other sectors expected to experience major growth in annual output as a result of the school operations and student spending are: real estate and housing (**\$1.2 million**), electricity (**\$0.3 million**), other educational services (**\$0.3 million**), and retail of food and beverages (**\$0.2 million**).

3. Taxes

- a. **\$1.4 million** in total annual tax revenue after the construction period as related to the school's operation and economic impact (federal, state, and local).
- b. Specifically, **\$326,000** of the above annual tax revenue will accrue to state and local governments (including school districts)
 - i. State: **\$186,000**
 - ii. County: **\$45,000**
 - iii. Municipality: **\$37,000**
 - iv. Special District: **\$59,000**