

THE HOMER TOWN SQUARE PROJECT – PHASE I RATIONALE • LONG AND SHORT TERM ECONOMIC BENEFITS

“Civic Anchors” – A Widely Used, Successful Tool to Creating a Lively Town Center

One of the major benefits and goals of the Homer Town Square project is that it would create a strong “civic anchor” in the center of what is intended to become the heart of Homer. If you look around the U.S. at communities that already have a vibrant downtown, most often they will feature some form of civic anchor – a library, post office, performing arts center, or city hall. Such facilities attract people to the area on a regular basis, which is critical for downtown success. For communities like Homer, that are trying to create such places from scratch, constructing a new civic anchor is a widely accepted and successful strategy.



The photo at right gives one example. The City of Mountain View, California wanted to revitalize its aging, deteriorating downtown. The first step in their successful revitalization was to construct a new performing arts center (and not pictured, but located directly across the street, a new city hall). This public investment has triggered substantial private investment, and Mountain View now has a vibrant, successful small town downtown.

Town Centers – Economic and Fiscal Benefits

While small towns work to create or enhance their town centers for a number of reasons, increasing their community’s economic and fiscal health is typically the primary goal. Small towns all over the country have invested many millions of dollars in upgrades to infrastructure, improved circulation, new “civic anchors,” improved parking, improved streetscapes, better marketing, etc. They have made these investments anticipating more jobs and profits for the private sector, and higher property and sales tax revenues to pay for the improvements and other community needs.

The proposed investment in a new City Hall and Town Square in Homer is one key element in the process of strengthening Homer’s economic and fiscal health.

In one of the earlier phases of the Town Square project, economist Steve Colt of the University of Alaska’s Institute of Social and Economic Research (ISER) was hired to investigate the fiscal and economic consequences of creating a new town center for Homer. His study compared the likely economic and fiscal futures for downtown Homer under two scenarios – existing trends compared to the development of a town center¹. The study investigated likely future spending by residents and visitors, and projected future sales tax and property tax revenues under the two scenarios.

¹ The town center concept used in the ISER analysis was the version discussed in 2003, which while different in details, is largely the same as the concept approved by the City in 2006.

The study concluded that moving forward with the town center project would generate substantial economic and fiscal benefits. While any such analysis cannot give precise predictions of the future, the report does provide very solid support to the idea that investing in Homer’s town center will produce significant increases in spending, jobs, and tax revenues. An extract from the report is presented below, followed by a table that shows how sales tax revenues could be expected to increase:

Commercial taxable sales within the study area increase over 5 years to become about 50% higher in 2008 under the town square scenario, yielding about \$1.2 million in additional sales tax revenue to Homer and an additional \$680,000 of additional sales tax revenue to the Kenai Peninsula Borough.

Property taxes from the study area increase by 2008 to a level 35% higher than under existing trends, yielding an additional \$79,000 in property tax revenue to the city and an additional \$133,000 in property tax revenues to the borough, college, and hospital².

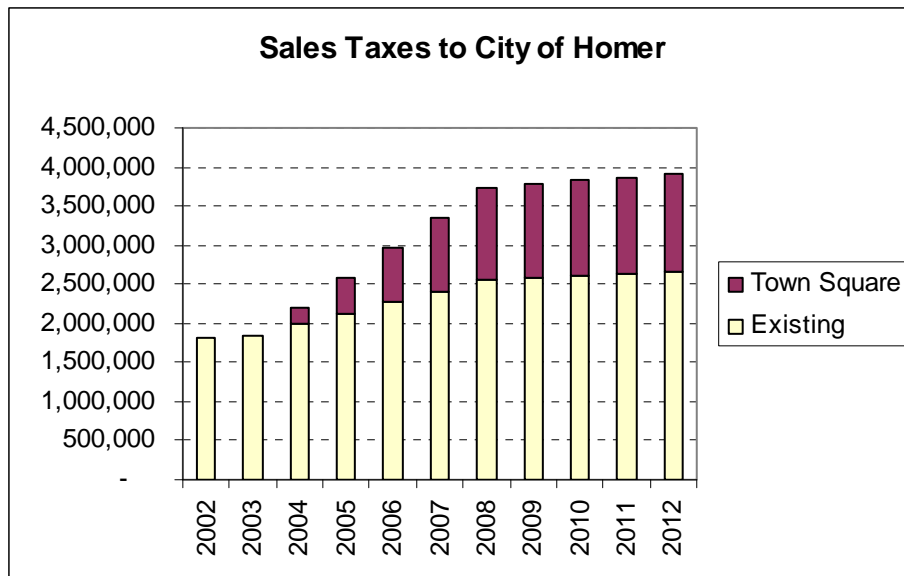


Figure 1 - Increased Sales Tax Revenues (assuming development of Homer Town Square, which in this study was assumed to have begun in 2004. Note: The term “Town Square” in the ISER study corresponds to how the term “Town Center” is used in current planning.) *Source: ISER (see footnote below)*

The ISER report also investigates the experience of other communities that have invested in improvements in their downtowns. One reference was a look at communities who have taken part in the national “Main Streets” program. This program provides technical assistance to small towns like Homer interested in developing and/or revitalizing their historic downtowns. An extract from the ISER study on this subject is presented below:

² Institute of Social and Economic Research, University of Alaska Anchorage, prepared by Steve Colt, “Fiscal and Economic Analysis of Homer Town Square - Proposed Development Alternatives,” prepared for: Kachemak Heritage Land Trust, Homer, Alaska, April 2003.

The Main Street program was started in the late 1970s. As of 1997, there had been 1,200 cumulative participating communities. On average, each community experienced \$5 million in new private investment at the rate of \$30 in private investment for every dollar spent on downtown revitalization projects. Each community has gained about 115 net new jobs after 5 years of effort, while those communities that began their efforts more than 10 years ago have gained on average more than 250 net new jobs.

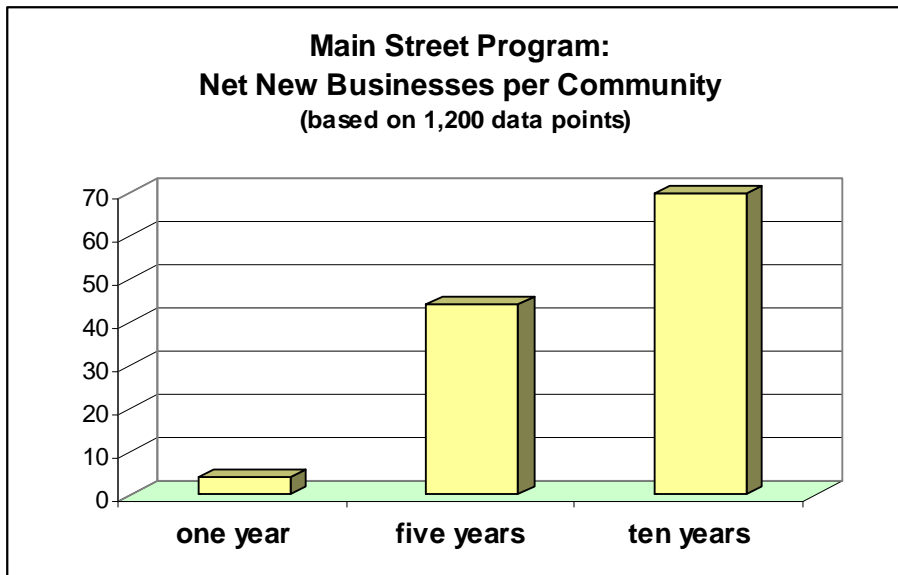


Figure 2: Increased New Businesses – Results of investments by small town downtowns, based on experiences of communities that participated in Main Street programs, and invested in improved infrastructure, marketing, streetscapes and similar main street improvements. *Source: ISER (see footnote previous page)*

Summary: Long Term Benefits

As this information indicates, investing in town center improvements, as Homer is proposing to do, is likely to bring very significant economic and fiscal returns, including those listed below:

- New spending by visitors (due both to increases in spending per day per visit, and increases in the average length of visit)
- Increased spending by residents (greater “capture” of spending currently occurring outside Homer, plus a modest increment of new spending related to the availability of new goods and services)
- Increased employment (new businesses plus existing businesses adding new employees)
- Increases in property tax revenue; increases in sales tax revenue
- As a result of the increases in revenues to the City, the ability to pay off the initial public investment and to create an overall net increase in the community’s fiscal health.

Short Term Economic Stimulus Benefits

In addition to the long term economic benefits described in the ISER study, the Homer community can expect to see shorter term benefits resulting from spending on a major construction project. A quick analysis by Bob Brant of Jay-Brant General Contractors (the firm that will build the new City Hall/Town Square) revealed that Homer's economy will be stimulated by both the purchase of construction goods and supplies in the local market and by the hiring of and circulation of wages amongst the local labor force. Specifically,

- Jay-Brant expects to spend approximately \$7.5 million to purchase supplies. Approximately 75 percent of the checks that Jay-Brant will write for the City Hall/Town Square construction project will go to Homer addresses. Jay-Brant will write checks to the local building supply stores and the dirt and electrical subcontractors. Many of those recipients will in turn write checks to their employees and suppliers. Most of their suppliers (e.g., for lumber and electrical equipment) will be from Lower 48 sources, so a large portion of that \$7.5 million will leave Homer eventually after going through a local bank account.
- The most significant local impact is from hiring local labor, typically about half of the contract amount – perhaps \$5 million in the case of the Town Square project. Jay-Brant's labor expense stays in town to be circulated amongst all Homer residents. Jay-Brant will likely employ ten carpenters. Subcontractors will add 23 more employees from both Homer and the lower peninsula. Building supply, hardware, auto parts stores, gas stations, restaurants, and hotels all have employees who will be paid in part by funds from the Town Square job.