

CHMURA ECONOMICS & ANALYTICS

1309 EAST CARY STREET
RICHMOND, VIRGINIA 23219
(804) 649-1107
WWW.CHMURAECON.COM

**Downtown Norfolk Developments
in the Past 10 Years:
Economic and Fiscal Impacts on Downtown
Norfolk and the City of Norfolk**

Prepared for:

Regina V. K. Williams
City Manager
City of Norfolk
810 Union Street
Norfolk, VA 23510

2007

Table of Contents

Executive Summary	3
1. Study Overview	6
2. Background of Study	9
2.1. Background	9
2.2. Definition of Downtown Study Area	10
2.3. Methodology	11
3. Economic Impact of Downtown Investment Activities	13
3.1. One-time Economic Impact of Downtown Development	13
3.2. Sustained Economic Impact of Downtown Development	14
3.2.1. Summary of Sustained Economic Development	14
3.2.2. Sustained Economic Impacts of New Businesses in Downtown Norfolk	15
3.2.3. Economic Impacts of New Residents in Downtown Norfolk	18
3.2.4. Economic Impacts of Increased Visitor Spending	19
4. Fiscal Impact of Downtown Developments	22
4.1. Tax Revenues from Investment Activities	22
4.2. Sustained Fiscal Impact	22
4.3. Additional Cost	23
5. Other Benefits of Downtown Developments	25
6. Conclusion	26
Appendix 1: List of Major Public Investments	27
Appendix 2: Glossary	28

Executive Summary

The City of Norfolk requested Chmura Economics & Analytics (Chmura) to produce a study of the public and private investment in Downtown Norfolk that would demonstrate the economic and fiscal impacts of the investment on the Downtown area as well as the impact city wide. This study revealed that the benefits of Downtown investment were not limited to the investment area. The benefits extended to all areas of the City in the form of new businesses and jobs, new residents, increased spending by visitors, and increased tax revenue.

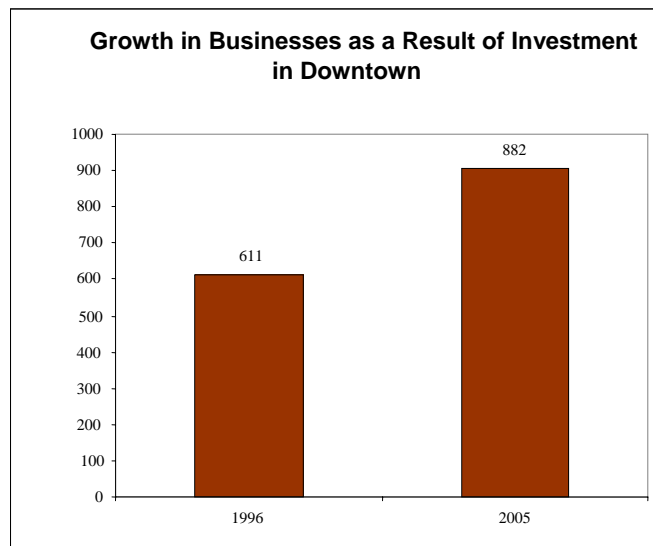
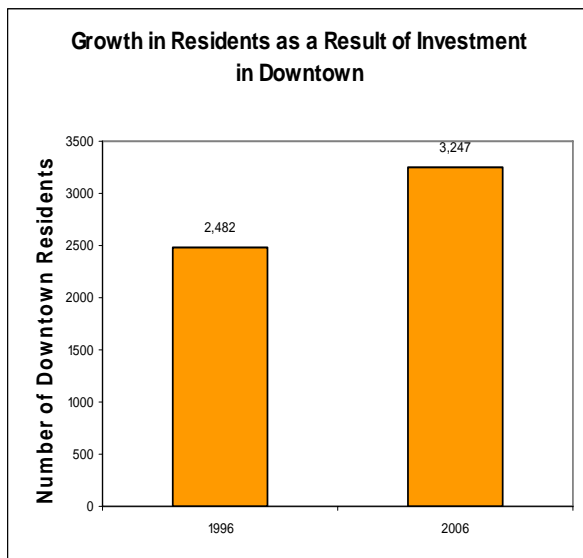
The Investment Increased On-going Economic Activity Citywide by \$1.6 Billion

From 1996 to 2006, the one-time public and private investment amounted to \$791 million. For every \$1 of public investment, more than \$2 was invested privately. The rewards from this investment included an increase in total on-going economic output of over \$1.6 billion and the creation of thousands of new jobs throughout the City of Norfolk. The total economic impact on the City of Norfolk from Downtown investment included:

- 9,780 new sustainable jobs throughout the City
- \$153 million increase in spending Downtown by visitors since 1996
- \$30.4 million spending by new households annually Citywide
- \$18.5 million in new annual net tax revenue for the City of Norfolk

The Investment Resulted in 765 New Residents and 271 New Businesses Downtown

The gains to the Downtown area from Downtown investment are displayed in the graphs below. These gains include 765¹ new residents and 271 new businesses in Downtown.



¹ The 765 new residents do not include 208 new group quarters residents. The group quarter residents include those people residing in military barracks, dormitories and jail inmates. They were not included in Chmura's analysis. Including group quarters, the total estimated population of Downtown in 2006 was 3,455



The One-time Public Investment Spurred a Significant One-time Private Investment

The one-time impact of public and private investment in Downtown reached beyond the Downtown limits to areas throughout the City of Norfolk. This investment created a need for professional services such as architecture and engineering services, suppliers to the construction sites, and food and retail services to fulfill the needs of the newly employed. The investment source and its impact are detailed in the summary table below.

Summary of Public, Private and Other Investment ²	
Investment Source	Value
Public	\$134,230,890
Private	\$537,655,101
Other Infrastructure	\$119,557,000
Total Investment	\$791,442,991

*Appendix 1 provides a detailed breakout of the projects

The Economic Impact of the Investment has Significant One-time and Sustaining Effects

The one-time impact of Downtown investment was an increase in spending of \$816 million and an increase in jobs of 9,614.

One-time Economic Impact Downtown as a Result of Downtown Investment				
		Direct Impact	Ripple Effect	Total Impact
Downtown	Spending	\$791,442,991	\$24,586,298	\$816,029,289
	Employment	9,300	314	9,614

The citywide ripple effect of the investment was another \$259 million in spending in Norfolk outside of the Downtown area, subsequently creating 2,974 new jobs. **In total, the one-time result of Downtown investment was the creation of 12,588 new jobs and \$1.1 billion in spending.**

Citywide Growth Exceeded Statewide Growth

The growth in population, new businesses, employment, and tourism during the 10 years covered by this study was two to three and a half times the growth rate for that of the Commonwealth of Virginia. In order to demonstrate the profound effect of Downtown investment, the study analyzed the initial one-time impact of public and private investment followed by the sustained impact of the investment. This analysis was dissected further by

² Of the total investment in downtown, the Other Investment, \$86.4 million is public investment supported by user fees. It funds projects such as the parking facility and utility projects which are self-sustaining and are therefore not supported by the City's General Fund. The City's parking system pay its debts from the revenues it generates. No property taxes are used to fund parking garages. Those who pay to park in the garages pay for the garages. The remaining \$33 million was public investment for jail and court improvements. This investment is a function of need and location rather than an investment in downtown development and would have occurred regardless of their location. In total, \$253.8 million is public investment, making up one third of the investment in Downtown Norfolk.



splitting the City of Norfolk into the Downtown region and the rest of the City. The results revealed the ripple effect of Downtown investment on the rest of the City. By adding this value to the value of the Downtown economic impact, the study arrived at the total economic impact for the City of Norfolk as a whole.

The Downtown Investment has Additional Positive Impacts

During the 10-year period covered by this study, investment in Downtown included the improvement of infrastructure and the construction of shopping and tourist attractions, office towers, and residential buildings. A few of the most significant public investment projects included the Cruise Terminal, Commercial Place Garage, and the MacArthur Garage. Private investment included MacArthur Center, Dominion Enterprise (also known as Trader Tower), and 388 Boush.

Although the growth in output, jobs, businesses, and an enhanced quality of life can be attributed to Downtown investments, the precise amounts cannot be determined. In addition, development in Downtown Norfolk has a socioeconomic effect that cannot be quantified, including, but not limited to, an improved image within the region and beyond and an increased sense of pride in residents of the City. Economic models enabled Chmura to estimate the employment and the gains that occurred in the City as a direct result of the Downtown investment as well as the ripple effect of the investment. The impacts were subsequently used to estimate the net fiscal impact of the investments on the City.



1. Study Overview

The City of Norfolk requested a study of the development projects that took place within its Downtown area to estimate the economic and fiscal impacts of those investments on the City. This report describes and analyzes the economic impacts of the development activities which took place in Downtown Norfolk from 1996 to 2006. In large cities, the economic health of the entire City is tied to the health of the Downtown core. Investment Downtown will invariably benefit the surrounding areas as well. With this in mind, impacts are reported for three geographic regions—Downtown Norfolk, the rest of the City, and the City of Norfolk as a whole—so that the effects of Downtown development can be assessed for different areas of interest. Development activities have generated considerable economic impacts, some of which continue long after construction is complete. This report separates one-time construction impacts from the sustained impacts such as new businesses, residents, and visitors.

Over the last 10 years \$791 million has been invested in development projects in Downtown Norfolk. The rewards include an increase in total economic output and the creation of thousands of new jobs in both Downtown Norfolk and the City of Norfolk. The Downtown Norfolk growth rate for population, employment, the number of business establishments, and tourism was two to three and a half times the Virginia growth rate over the last 10 years. New residents are well educated and poverty rates have fallen. Recent investment projects have had a profound economic impact on Downtown Norfolk and the City of Norfolk as a whole.

Although population growth and an enhanced quality of life can be attributed to the new investments, the precise amount of population growth and reduction in poverty that resulted because of the investments cannot be determined. However, economic models can be used to estimate the employment and sales (output) gains that occurred in the City during the construction phase of the development projects as well as their sustained impacts after the construction is complete. These impacts are subsequently used to estimate the net fiscal impact of the investments to the City.

The one-time construction impact of development activities from 1996 to 2006 are categorized into public and private investment, and investment in other infrastructure. During this 10-year period, a total of \$791 million was invested in Downtown. Some of the significant projects include the Cruise Terminal, MacArthur Center Parking, MacArthur Center, Dominion Enterprise, 150 West Main, and Crown Center. The total one-time economic impact of construction for all public investment was \$816 million in Downtown, creating 9,614 jobs. The one-time economic impact of Downtown investment on the rest of the City was \$259 million and 2,974 jobs, bringing the total one-time impact on the City of Norfolk to \$1.1 billion and 12,588 jobs. Details of the construction impact from development projects are displayed in Table 1.1.

Table 1.1: Total One-time Economic Impact of Downtown Investment				
		Direct Impact	Ripple Effect	Total Impact
Downtown	Spending	\$791,442,991	\$24,586,298	\$816,029,289
	Employment	9,300	314	9,614
Rest of City	Spending		\$258,851,532	\$258,851,532
	Employment		2,974	2,974
Total City of Norfolk	Spending	\$791,442,991	\$283,437,830	\$1,074,880,821
	Employment	9,300	3,288	12,588

Source: Chmura, City of Norfolk, IMPLAN Pro 2004

The impact that continues after construction is complete is the sustained impact. This impact is primarily the result of new businesses, new residents, and increased tourism. From 1996 to 2006, the number of businesses in Downtown Norfolk increased from 611 to 882 and employment increased from 16,916 to 24,933. New businesses and jobs increased the total sustainable economic output of Downtown Norfolk by \$1.5 billion.

Table 1.2: Sustained Economic Impact of Downtown Investment on Downtown Norfolk				
		Direct Impact	Ripple Effect	Total Impact
Total Sustained Impact	Spending	\$1,102,307,634	\$363,161,762	\$1,465,469,396
	Employment	3,973	4,044	8,017
New Residents	Spending	\$23,270,989	\$3,911,359	\$27,182,348
	Employment	216	39	255
Incremental Visitor Spending	Spending	\$152,964,549	\$20,515,931	\$173,480,480
	Employment	1,760	202	1,962
Sustained Economic Impact of Downtown Investment on the Rest of the City				
		Direct Impact	Ripple Effect	Total Impact
Total Sustained Impact	Spending		\$164,438,686	\$164,438,686
	Employment		1,763	1,763
New Residents	Spending		\$3,249,506	\$3,249,506
	Employment		32	32
Incremental Visitor Spending	Spending		\$12,339,793	\$12,339,793
	Employment		123	123
Sustained Economic Impact of Downtown Investment on the City of Norfolk				
		Direct Impact	Ripple Effect	Total Impact
Total Sustained Impact	Spending	\$1,102,307,634	\$527,600,448	\$1,629,908,082
	Employment	3,973	5,807	9,780
New Residents	Spending	\$23,270,989	\$7,160,865	\$30,431,854
	Employment	216	71	287
Incremental Visitor Spending	Spending	\$152,964,549	\$32,855,724	\$185,820,273
	Employment	1,760	325	2,085

Source: Chmura, City of Norfolk, IMPLAN Pro 2004

The Downtown Norfolk population grew by over a third in 10 years to an estimated 3,455³ in 2006. These new households contribute to the economy of Downtown Norfolk. Spending by the new households is estimated to have a total impact of \$27.2 million annually in Downtown Norfolk. Tourism spending in Downtown Norfolk grew by \$153.0 million from 1996 to 2006, and generated a total of \$173.5 million economic impact in Downtown. Examples of the ongoing impact are displayed in Table 1.2 on the preceding page.⁴

The net sustained fiscal benefit of Downtown development is \$18.5 million per year. The fiscal impact of the development projects is based on tax revenues collected during the construction of the development, and sustained tax revenues less additional costs borne to the City due to the need for additional services. New businesses, new residents, and increased numbers of visitors to Downtown Norfolk provide an increase in tax revenue. From 1996 to 2006, there was a net increase of nearly \$21.9 million in annual tax revenue due to Downtown investment. During this period, the percentage of total tax revenue for the City of Norfolk that came from Downtown Norfolk increased from 8% to 19%. While new businesses and residents increase the tax base, they also create additional costs to the City. As a result of new jobs and residents, the City has spent an additional \$3.4 million annually to provide services. Weighed against an annual increase of \$21.9 million in tax revenues, the net sustained fiscal benefit of Downtown development is \$18.5 million per year. In addition, tax revenue from construction activities comes from the Business, Professional, and Occupational Licenses (BPOL) tax. Chmura estimates that BPOL tax revenue from the construction phase of all development activities from 1996 to 2006 totaled over \$1.2 million.

³ For the purpose of the study, the additional 208 group quarters residents was excluded, which results in an estimated population of 3,247 for 2006.

⁴ This figure (\$1.5 billion) captures the total economic output increase of the Downtown Area, including new residents spending and tourism spending that occurred in Downtown Norfolk, as the analysis includes every industry sector. As a result, spending by new residents and incremental visitor spending cannot be added to the total sustained impact which is derived from new businesses.

2. Background of Study

This report is organized as follows: Section 2 defines the study area, the analysis framework, and the model and data sources used in the study. Section 3 analyzes the one-time economic impacts of the Downtown development activities, as well as the sustained economic impacts of the Downtown development. Section 4 details the fiscal impact that resulted from the Downtown development activities. Finally, Section 5 summarizes other economic benefits and Section 6 provides conclusions.

2.1. Background

Downtown Norfolk has been the economic and cultural center of the Hampton Roads region for decades. Originally settled for the purpose of exporting tobacco and other Virginia products to Europe, Norfolk's Downtown waterfront became a magnet for businesses and residents alike until the mid-20th century. With the advent of containerized shipping in the mid-20th century and the suburbanization of many great American cities, Downtown Norfolk experienced a period of decline. The vacant piers and cargo warehouses eventually became a blight on the Downtown area. Similarly, premier Hampton Roads shopping destinations such as Downtown's Granby Street commercial corridor saw their customers migrate to suburban shopping malls.

Beginning in the 1970s and 1980s, Norfolk's City leaders began what would be a long push to revive the fortunes of its urban core. Along the waterfront, in place of the piers and warehouses rose the Waterside Festival Marketplace (1983) and Town Point Park (early 1980s). Nauticus, the National Maritime Center, was constructed on a former pier adjacent to Town Point Park. On the inland side of Waterside Drive, the demolition of the warehouses and wharves created new parcels for high rise office towers and hotels. The Downtown revival accelerated in the past 10 years, which coincided with the commencement of MacArthur Center in 1997 and its subsequent opening in 1999. Adjacent to Nauticus, the USS Wisconsin is docked for permanent public exhibition and a new cruise terminal was completed in the spring of 2007.

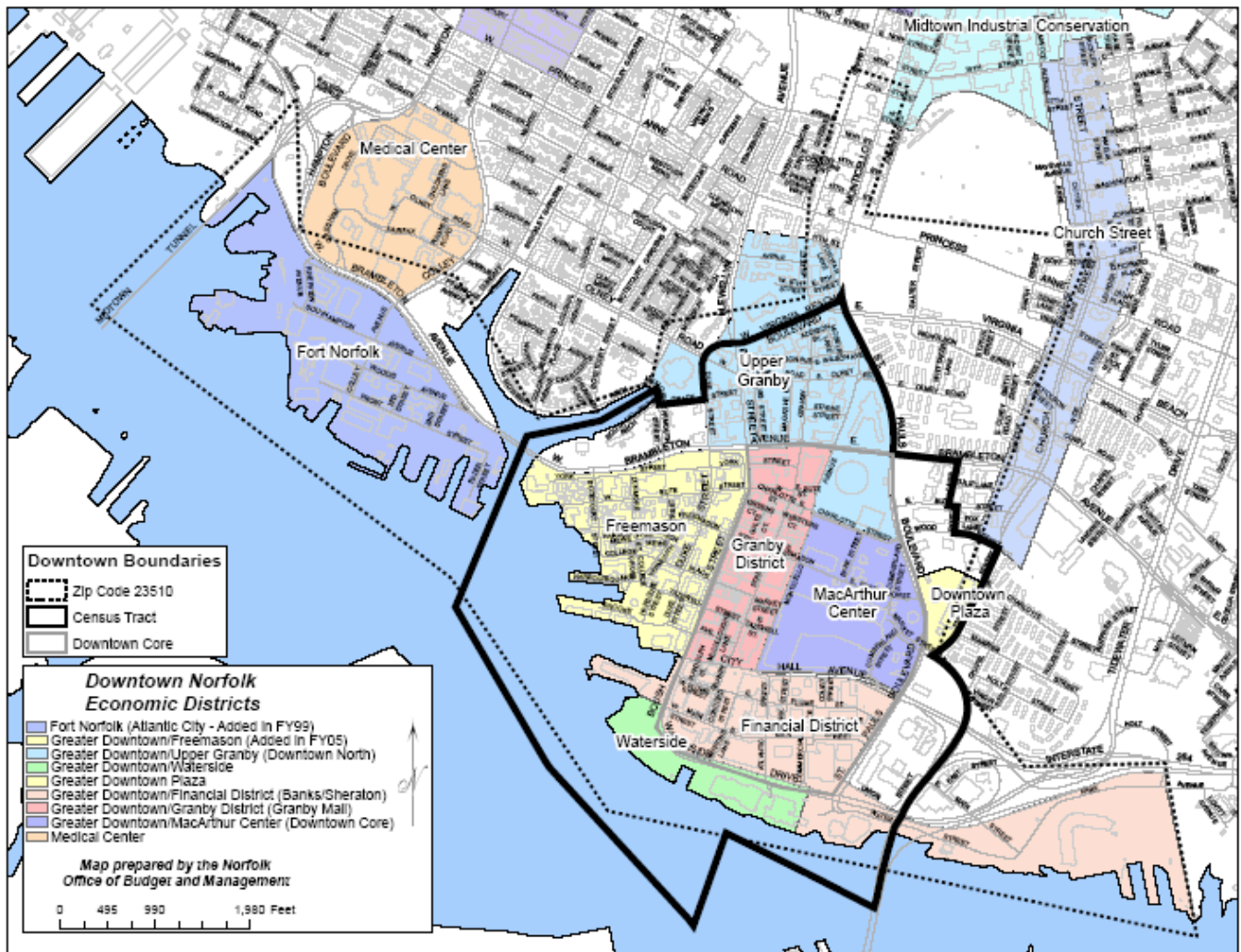
The impact of revival projects in the past 10 years has been profound. Not only did the projects bring in millions of investment dollars to the Downtown area, creating jobs in construction and other area businesses, but the projects also brought businesses, shoppers, residents and additional jobs into the City. In addition, investment in attractions and hotels has spurred strong growth in tourism.

The economic health of a large city is invariably tied to the health of its urban core. Development within Downtown Norfolk has a spillover effect on the rest of the City—increases in tourism, residents, employment, and even the image of the region, all produce benefits that extend beyond the immediate vicinity of the new development. While many of the largest recent development projects have taken place in Downtown Norfolk, the entire City of Norfolk has reaped the benefits of this investment from increased job opportunities to an enhanced quality of living.

An economic and fiscal impact assessment is requested by the City of Norfolk to understand the impacts of the development in Downtown Norfolk on Downtown Norfolk and on the City of Norfolk. Chmura Economics & Analytics (Chmura) was contracted to conduct this study. Although the developments took place over a period of ten years, they are treated as an aggregate impact. Only the overall impact of all development is evaluated, rather than each individual project. In addition, three geographic regions are modeled: 1) Downtown Norfolk, 2) The Rest of the City of Norfolk, and 3) All of the City of Norfolk.

2.2. Definition of Downtown Study Area

The study area is Downtown Norfolk, which for the purposes of this study is equivalent to the Census Tract 49 in the City of Norfolk (the area within the black boundary in the following map). Census Tract 49 includes Freemason, part of Upper Granby, Waterside, Downtown Plaza, part of Financial District, Granby, and MacArthur Center. It does not include Fort Norfolk or Medical Center. However, other definitions of Downtown Norfolk have been used by the city agencies and the public. For example, Downtown Norfolk economic districts have included Fort Norfolk, Freemason, Granby District, Financial District, Waterside, Upper Granby, Downtown Plaza, MacArthur Center, and Medical Center. Downtown Core can be more narrowly defined as MacArthur Center, Granby District, part of Financial District, and Upper Granby.



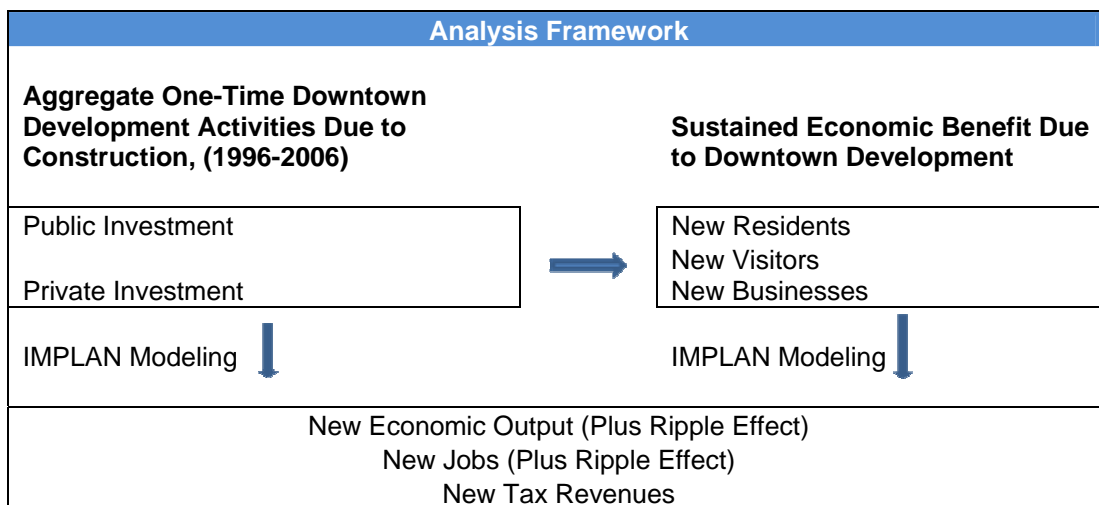
A complicating factor is that the smallest geographic areas in the economic impact study software Chmura uses (IMPLAN Model) are zip codes. The zip code 23510 includes not only Census Tract 49, but also Fort Norfolk and an area north of Brambleton Avenue called Young Terrace. In order to adjust for this data insufficiency, Chmura used IMPLAN zip code level data to estimate the economic impact of the Downtown development and

manually adjusted the impact numbers to estimate the economic impact in the study area, which is Census Tract 49.

2.3. Methodology

The analytical framework utilized in this study is illustrated in the chart below, which shows that the economic impact of the Downtown development is analyzed at two levels. The first level is the one-time economic impact of the Downtown development activities (left column in the chart below) during the construction phase. Millions of dollars have been invested in the Downtown area in the past 10 years, from both private and public funds. These investments increased total output and created jobs in Downtown Norfolk and the City of Norfolk only during the construction phase. Once construction is complete, the economic impact of this phase ends. The economic impact for these developments will be analyzed on the aggregate level across 10 years.

The second level of analysis is the sustained economic impact on Downtown, the rest of the City, and the entire City that results from the ongoing operation of the investment (right column of the chart). These developments have made Downtown Norfolk an attractive place to live, work, and visit. The sustained economic impact estimates changes in Downtown Norfolk in terms of increased residents, workers, and visitors. The economic impact for the sustained impact is analyzed on an annual basis, starting with 2006, with all developments included.



The ripple effects of both one-time and sustained benefits of Downtown development on Downtown Norfolk and the City of Norfolk are estimated using IMPLAN modeling. IMPLAN is an economic simulation software program often used by economists that measures the supply-demand relationships of industries in a regional economy. Ripple effects do not include the initial investment; rather, ripple effects are what happen as a result of the investment. For example, the direct effect of a new construction project is the money spent on the construction of building by construction companies. This spending will result in an increase in demand for architecture and engineering services and truck transportation. In addition, construction workers will spend some of their income in area businesses such as restaurants, hospitals, and retail stores. The increased demand for supporting companies and the increased spending by workers are called ripple effects. Through use of IMPLAN, Chmura can estimate the ripple effect of an economic development activity in terms of both economic output and job creation.



Numerous data sources are used in this study. The majority of data were provided by the City of Norfolk, including Downtown investment projects, tax revenues, building permits, and demographic estimates. Employment and firm data were retrieved from a database Chmura maintains that contains the Quarterly Census of Employment and Wage (QCEW) data originally obtained from the Virginia Employment Commission. Information regarding tourism was provided by the Downtown Norfolk Council and the Virginia Tourism Corporation.



3. Economic Impact of Downtown Investment Activities

In this section, Chmura first analyzes the economic impact of Downtown investment activities during the construction phase (Section 3.1). These economic impacts only last for the duration of the construction activities. They were one-time effects. Section 3.2 analyzes the sustained economic impact of Downtown investments. Those effects repeat themselves year after year.

3.1. One-time Economic Impact of Downtown Development

In this section, Chmura analyzes the one-time economic impact of Downtown investment activity during the construction phase. The economic impact detailed here only lasts for the duration of the construction activity. The impact is a one-time effect and will not repeat itself year after year. It is a result of both public and private investment.

From 1996 to 2006, the City of Norfolk invested \$134.2 million in the construction of new buildings and the assistance of private investment in Downtown. In addition, \$119.6 million of Other Infrastructure investment was allocated to the building of parking garages and the improvement of the courts and jail. Of this investment, \$86.4 million is user supported and is therefore self-sustaining and not supported by property taxes. The remaining \$33 million for the jail and courts was a function of need. Regardless of their location, this investment would have been necessary. Some major projects included the Cruise Terminal, Commercial Place Garage, and parking for MacArthur Center. During this same period, private investment in Downtown, amounting to \$537.7 million, brought about the construction of many high profile development projects in the Downtown area. These projects included MacArthur Center, the Dominion Enterprise building, 388 Boush, 150 West Main, and Crown Center. In addition to the high profile development projects, there were also many other projects during the past 10 years. While these projects are smaller in scale, they are an important part of the Downtown revitalization. For all of the investment projects considered in this study, Chmura analyzed data provided by the City of Norfolk, including building permits issued in the Downtown area in the past 10 years, to arrive at an estimate of the total investment in Downtown.

Table 3.1 displays the one-time impact of Downtown investment on Downtown, the rest of the City of Norfolk and the City of Norfolk as a whole. The investment directly created 9,300 new jobs causing a ripple effect that resulted in 3,288 jobs. In total, Downtown investment resulted in the one-time creation of 12,588 jobs. Quantifying the impact monetarily, the direct impact of the investment was \$791.4 million in one-time Downtown spending causing a one-time ripple effect equal to \$283.4 million throughout the City, of which \$258.9 million was spent outside of Downtown. The total monetary one-time impact of Downtown investment was \$1.1 billion in the City.

Table 3.1: One-time Economic Impact as a Result of Downtown investment				
		Direct Impact	Ripple Effect	Total Impact
Downtown	Spending	\$791,442,991	\$24,586,298	\$816,029,289
	Employment	9,300	314	9,614
Rest of Norfolk	Spending		\$258,851,532	\$258,851,532
	Employment		2,974	2,974
Total City of Norfolk	Spending	\$791,442,991	\$283,437,830	\$1,074,880,821
	Employment	9,300	3,288	12,588
Source: City of Norfolk, IMPLAN Pro 2004				



Public and private investment in Downtown Norfolk created thousands of jobs in Downtown and surrounding areas. The construction industry, as expected, experienced the largest one-time impact, followed by local suppliers and other businesses that sell supplies to construction companies. In addition, area restaurants and shops benefited as construction workers spent money at local establishments. As a result, local businesses experienced increases in their sales, creating a need to hire new workers.

3.2. Sustained Economic Impact of Downtown Development

The overall sustained economic impact represents the total increase in economic output and employment from 1996 to 2006 of the ongoing operation of the new businesses in Downtown. This figure is estimated through the new employment directly resulting from the investments in Downtown Norfolk—which is identified in section 3.2.2. In addition, two contributors to the total sustained economic impact, increased residents, and increased visitor spending are analyzed in more detail in Sections 3.2.3 and 3.2.4.

3.2.1. Summary of Sustained Economic Development

As a result of the new developments mentioned above, Downtown Norfolk has become an attractive place for businesses and residents alike. From 1996 to 2006, Downtown Norfolk experienced much faster economic growth than the state average. As shown in Table 3.2, from 1996 to 2006, the population and employment in Downtown Norfolk grew by 39% and 47% respectively, compared with 15% and 16% growth statewide. Similarly, new businesses have been generated in Downtown Norfolk at a much faster rate than the state average. The number of businesses in Downtown Norfolk grew by 44% from 1996 to 2006, while it grew 19% for the state. The wage growth of Downtown Norfolk from 1996 to 2006 was on the same level as that of the state. The growth rate of tourism in Downtown Norfolk nearly tripled the Virginia rate.

	Downtown Norfolk	Virginia
Population	39%	15%
Employment	47%	16%
Business Establishments	44%	19%
Average Wages	46%	51%
Tourism Spending	138%	57%
Source: Weldon Cooper Center-UVA, and Virginia Employment Commission		

In terms of population growth, the construction of condominiums and apartment buildings in the area provided multiple options from which potential residents could choose. As a result, Downtown Norfolk experienced significant population growth from 1996 to 2006. From 1990 to 1996, the population in Downtown Norfolk increased 13 residents per year, or almost 80 total.⁵ From 1996 to 2006, Downtown Norfolk added an average of 77 residents

⁵ The population estimates for 1996 and 2006 are from the City of Norfolk.



per year, or 765 total⁶ (an increase of about one-third of the total population). During this period, 520 new households were added to Downtown.

The number of people working in Downtown Norfolk increased dramatically in the past 10 years. Business establishments located in Downtown Norfolk increased from 611 in 1996 to 882 in 2005⁷. In 1996, employment in Downtown Norfolk was 16,916.⁸ In 2005, employment had increased to 24,933.⁹ The average job growth rate in Downtown Norfolk was 4.4% per year¹⁰ and the average wages of Downtown workers increased from \$30,265 in 1996 to \$44,284 in 2005.

Downtown tourism grew by leaps and bounds in the past 10 years with new developments in retail stores, restaurants, and hotels increasing capacity to accommodate visitors. New attractions added in the past 10 years, including the MacArthur Center, the USS Wisconsin at Nauticus, the Cruise Terminal, and new festivals, have increased the appeal of Downtown as a tourist destination. As a result, the tourism industry in Downtown Norfolk increased dramatically. Total visitor spending in downtown rose from an estimated \$110.6 million in 1996 to an estimated \$263.5 million in 2006, an increase of 138% compared with an increase of 57% statewide.¹¹

3.2.2. Sustained Economic Impacts of New Businesses in Downtown Norfolk

With the construction of the MacArthur Center and several office buildings from 1996 to 2006, the number of businesses and their employees increased dramatically during that period. The number of business establishments located in Downtown Norfolk rose from 611 in 1996 to 882 in 2005. In 1996, total employment in Downtown Norfolk was 16,916. By 2005, employment had increased to 24,933 (Table 3.3)¹². The annualized job growth rate in Downtown Norfolk was 4.4% per year, while the employment growth state-wide was 1.5% per year.

⁶ The increased number of 765 residents does not include 208 individuals living in group quarters. Those residents in group quarters are excluded from economic impact analysis.

⁷ The ES202 data for 2006 is not complete. As a result, Chmura uses 2005 as a benchmark in this section.

⁸ Source: QCEW, or ES202 data, Virginia Employment Commission. The 4th quarter data of 2006 has not yet been published. Chmura first calculated employment data in zip code 23510. Then, employment in Fort Norfolk (around 1,000 in 2006) was removed to arrive at total employment number for Downtown Norfolk. There are no businesses located in Young Terrace, another area that is part of zip code 23510 but outside the study area.

⁹ The *Downtown Norfolk Growth Report*, published by Downtown Norfolk Council and Downtown Norfolk Business Improvement District, has a rough estimate of 20,000 employed in the Downtown business district in 2003 and 2004 and 30,000 in 2005 and 2006. Their estimate is consistent with ES202 data.

¹⁰ 47% is the overall growth for nine years. To calculate the annualized growth, the following formula is used: $(147\%)^{(1/9)} - 1 = 4.4\%$. This should not be confused with the average yearly growth rate, which would be the total percentage change divided by the number of years.

¹¹ Source: Calculated using data from Virginia Tourism Corporation.

¹² Chmura first calculated employment data in zip code 23510. Then, employment in Fort Norfolk, such as Norfolk Public Health Building, was removed to arrive at a total employment number for Downtown Norfolk. Overall, about 1,000 jobs in Fort Norfolk were excluded. There are no businesses located in Young Terrace, another area that is part of zip code 23510 but outside the study area.



	Establishments			Employment		
	1996	2005	Average Annual % Change	1996	2005	Average Annual % Change
Construction	7	22	13.4%	167	315	7.3%
Education and Health	58	59	0.2%	998	2,128	8.8%
Finance, Insurance, Real Estate	108	141	3.0%	3,973	4,300	0.9%
Government	12	25	8.4%	2,909	3,618	2.5%
Information	26	38	4.3%	1,422	1,307	-0.9%
Leisure	66	113	6.2%	1,755	3,297	7.3%
Manufacturing	12	9	-4.0%	274	60	-15.6%
Other Service	52	48	-1.0%	666	942	3.9%
Professional and Business Service	157	234	4.6%	2,718	4,737	6.4%
Retail Trade	71	142	8.1%	686	1,994	12.6%
Transportation, Warehousing, Utility	29	35	2.1%	1,099	1,960	6.6%
Wholesale Trade	14	18	2.8%	249	276	1.2%
Downtown Norfolk Total¹³	611	882	4.2%	16,916	24,933	4.4%

Source: Chmura

From 1996 to 2005, all industries except manufacturing and information¹⁴ experienced positive job growth in Downtown Norfolk. Understandably, the largest increase occurred in the retail trade sector due to the opening of the MacArthur Center. Jobs in the retail sector grew an average 13% per year, nearly tripling the size of the sector from 1996 to 2005. Since many of the office buildings that were constructed in the Downtown area host professional and financial service firms, thousands of jobs were created in banking and professional service. The opening of the Downtown campus of Tidewater Community College was a major contributor to the increase in the education and health sector. Leisure sectors (hotels and restaurants) also experienced healthy growth.

		Direct Impact	Ripple Effect	Total Impact
Downtown	Spending	\$1,102,307,634	\$363,161,762	\$1,465,469,396
	Employment	3,973	4,044	8,017
Rest of Norfolk	Spending		\$164,438,686	\$164,438,686
	Employment		1,763	1,763
Total City of Norfolk	Spending	\$1,102,307,634	\$527,600,448	\$1,629,908,082
	Employment	3,973	5,807	9,780

Source: Chmura and IMPLAN 2004

¹³ Due to rounding, the sum of individual sectors may not add up to the total.

¹⁴ The negative number in this table indicates that this sector contracted from 1996 to 2005.

The IMPLAN model estimates that from 1996 to 2006, new businesses and jobs in Downtown Norfolk increased the total economic output of Downtown Norfolk by \$1.5 billion (Table 3.4). As a result of Downtown investment, Downtown Norfolk has added 8,017 jobs. The rest of the City has also benefited from increased economic activities in Downtown, with \$164 million economic impact and 1,763 jobs created in areas outside Downtown. The total sustained economic impact of new businesses, as a result of Downtown investment was \$1.6 billion and 9,780 jobs for the City of Norfolk.

Table 3.5 details the sustained economic impact that results from Downtown investment by sector and geographic region. The sectors with the largest increase in terms of job creation and economic output are retail trade; professional and business service; and transportation, warehousing, and utility.

Table 3.5: Sustained Economic Impact of New Downtown Businesses By Sector as a Result of Downtown Investment				
		Total Impact on Downtown	Total Impact on the Rest of City	Total Impact on the City of Norfolk
Construction	Spending Employment	\$13,323,018 148	\$2,240,420 22	\$15,563,438 170
Education and Health	Spending Employment	\$70,783,150 1,130	\$7,458,559 80	\$78,241,709 1,210
Finance, Insurance, Real Estate	Spending Employment	\$60,982,509 327	\$6,812,897 74	\$67,795,406 401
Government	Spending Employment	\$147,867,855 709	\$26,884,298 289	\$174,752,153 998
Information	Spending Employment	-\$151,912,012 -115	-\$3,644,368 -43	-\$155,556,380 -158
Leisure	Spending Employment	\$72,710,995 1,542	\$9,412,559 91	\$82,123,554 1,633
Manufacturing	Spending Employment	-\$37,164,861 -215	-\$1,978,226 -19	-\$39,143,087 -234
Other Service	Spending Employment	\$12,873,196 276	\$2,621,817 29	\$15,495,013 305
Professional and Business Service	Spending Employment	\$269,127,093 2,019	\$42,434,988 466	\$311,562,081 2,485
Retail Trade	Spending Employment	\$265,712,721 1,308	\$10,516,771 109	\$276,229,492 1,417
Transportation, Warehousing, Utility	Spending Employment	\$737,130,648 861	\$61,129,792 659	\$798,260,440 1,520
Wholesale Trade	Spending Employment	\$4,035,085 27	\$549,179 6	\$4,584,264 33
Total	Spending Employment	\$1,465,469,396 8,017	\$164,438,686 1,763	\$1,629,908,082 9,780

Source: Chmura and IMPLAN 2004

The 8,017 jobs and \$1.5 billion in economic outputs are the total economic impacts in Downtown Norfolk. These results encompass all Downtown economic developments efforts—including new malls, office towers, and culture and arts festivals. Two components of the sustained economic impacts that are of particular interest are

analyzed below—the impacts from an increase in Downtown residents and increased visitor spending in Downtown.

3.2.3. Economic Impacts of New Residents in Downtown Norfolk

As a result of the significant investments, Downtown Norfolk has become a more attractive place for businesses and residents alike. The construction of condominiums and apartment buildings in the area provided multiple options from which potential residents could choose. As a result, Downtown Norfolk experienced significant population growth from 1996 to 2006. The estimated population in 1996 was 2,482. The 2000 Census indicates that Downtown Norfolk had a population of 2,881 and the estimated population in 2006 is 3,247.¹⁵ During the 10 years from 1996 to 2006, the resident population in Downtown Norfolk increased by more than one third, a net increase of 765 residents.¹⁶ From 1990 to 1996 the average population growth in Downtown Norfolk was 13 persons per year, while from 1996 to 2006, growth was 77 per year. The increase in residents from 1996 to 2006 in Downtown Norfolk consists of 520 new households.

An increase in the number of households caused the Downtown economy to expand. When households spend money in area retail and restaurant establishments, they generate economic and fiscal benefits for the City. The average household income of new households in Downtown is estimated to be \$87,953 in 2006, with average total household spending of \$64,524.¹⁷ Most of this spending is on transportation (20.5%), shelter (19.9%), food and beverages (15.7%), and health care (6.5%).

Table 3.6: Sustained Economic Impact of New Downtown Residents as a Result of Downtown Investment

		Direct Impact	Ripple Effect	Total Impact
Downtown	Spending	\$23,270,989	\$3,911,359	\$27,182,348
	Employment	216	39	255
Rest of Norfolk	Spending		\$3,249,506	\$3,249,506
	Employment		32	32
Total City of Norfolk	Spending	\$23,270,989	\$7,160,865 ¹⁸	\$30,431,854
	Employment	216	71	287

Source: Chmura and IMPLAN 2004

The IMPLAN model is used to estimate the ripple effect of the new Downtown households. The direct spending in Downtown is estimated to be \$23.3 million annually (Table 3.6), with a total economic impact reaching \$27.2 million in Downtown Norfolk. In terms of employment, household spending can sustain an additional 255 jobs

¹⁵ The population estimates for 1996 and 2006 are from the City of Norfolk. The total estimated population in 2006, including the additional 208 residents in group quarters, was 3,455.

¹⁶ This figure does not include 208 who reside in group quarters.

¹⁷ Source: Consumer Expenditure Summary Report, Demographic Detail Summary Report for Census Tract 51710004900. Decision Data Resources.

¹⁸ For consistency, the ripple effect on the City only measures the ripple effect of the spending made in Downtown Norfolk. Similar treatment is applied to visitor spending as well.



in Downtown. The economic impact of new Downtown households is larger for the City of Norfolk. The overall City wide economic impact is estimated to be \$30.4 million¹⁹, sustaining 287 jobs.

3.2.4. Economic Impacts of Increased Visitor Spending

Chmura uses the same definition of visitors as that used by Virginia Tourism Corporation. A visitor to Downtown Norfolk is defined as someone who travels more than 50 miles to Downtown Norfolk. This definition includes visitors for business purposes (such as conventions) and for personal purposes (such as visiting friends and family, or vacationing). The Downtown development projects boosted the tourism industry in the Downtown area. For example, the MacArthur Center is now a major tourist attraction in the Norfolk and Hampton Roads region. Data from Virginia Tourism Corporation shows that 1.2% of all Virginia tourists visited the MacArthur Center in 2005.²⁰ Since 2001, Norfolk has become a port for cruise ships, and the number of cruise vacationers has been increasing steadily. With the completion of the new Cruise Terminal in Downtown Norfolk in 2007, an increase in the number of cruise passengers in the Downtown area is expected. In addition to the MacArthur Center and the Cruise Terminal, three new festivals started in Downtown Norfolk during the past 10 years—the Boat Expo (2005), Virginia Arts Festival (1997), and the Beer Festival (2001). Besides the new tourism attractions that were developed in the last 10 years, Downtown Norfolk is also home to many other attractions such as Nauticus, the Chrysler Museum, and numerous festivals including Norfolk Harborfest and the Azalea Festival.

The total economic impact of visitor spending in Downtown Norfolk is measured by total visitor spending. Since conducting a separate tourism study is beyond the scope of this study, Chmura utilizes multiple data sources and prior studies to estimate the magnitude of the increase in Downtown Norfolk tourism from 1996 to 2006.²¹ In 2005, the total tourism expenditure in the City of Norfolk was \$599 million. In 2004 and 2005 tourism expenditures in the City of Norfolk grew at an average rate of 6.0% annually. As a result, 2006 tourism expenditure in the City can be expected to reach \$635 million (this figure will serve as a basis for the estimation of the Downtown tourism impact).

Since none of the studies regarding tourism in the Norfolk area distinguished between Downtown and City of the Norfolk, Chmura examined tax receipts related to tourism to estimate the total tourism expenditures in the Downtown area as a percentage of the City wide tourism expenditure. The lodging tax is a good indicator of the size of a tourism industry in a region.²² From 2003 to 2005, the lodging taxes collected from Downtown Norfolk are consistently about 34% of the total City lodging tax. Visitor spending is also reflected in sales tax, meal tax, and admission tax.

While the visitor spending in Downtown hotels is 34% of the City-wide lodging spending, visitor spending on food and shopping in Downtown Norfolk should be higher. This is because the Downtown area is where most of the tourist attractions are concentrated. For example, of the 9 festivals listed in *Profile and Economic Impact of Visitors to Norfolk, Virginia*, all are held Downtown.²³ Similarly, of the 10 attractions listed in the same study, only

¹⁹ This number does not include household spending outside downtown.

²⁰ Source: Virginia Tourism Corporation. A tourist is defined as a person who travelled over 50 miles.

²¹ Some of those studies are: *Profile and Economic Impacts of Visitors to Norfolk, Virginia* by Center for Tourism Research and Development, University of Florida; *Virginia Visitors Study* by Virginia Tourism Corporation; and *Downtown Norfolk Growth Report 2003-2006* by Downtown Norfolk Council & Downtown Norfolk Business Improvement District.

²² Taxes such as sales, meal, and admission tax collected by the City include taxes levied on local residents, while almost all lodging receipts are the result of visitor spending.

²³ Parts of the Azalea Festival are held Downtown (the ball and parade) and parts are held elsewhere (coronation).



three (Norfolk Botanical Garden, Virginia Zoo, and Ghent) are located outside Downtown Norfolk. This suggests that while Downtown lodging accounts for only 34% of the overall lodging expenditures, the Downtown share in overall tourism spending is higher.²⁴ Chmura estimates that Downtown visitor spending in shopping accounted for 41.5% of the City total, and Downtown visitor spending on food and drink is assumed to be 48.5% of the City total. Total visitor spending in Downtown Norfolk in 2006 is estimated to be \$263.5 million (Table 3.7).

Table 3.7: Estimated Visitor Spending in Downtown Norfolk 2006		
	Visitor Spending in Downtown	% of Total Visitor Spending Spent Downtown
Transportation ²⁵	\$37,330,110	41.5%
Lodging	\$30,278,825	33.6%
Food & Drink	\$72,814,125	48.5%
Admission/Entertainment ²⁶	\$8,273,000	18.9%
Shopping	\$114,843,375	43.9%
Total	\$263,539,435	41.5%
Source: Chmura		

To evaluate how much Downtown visitor spending increased since 1996, it is necessary to estimate the baseline tourism spending in 1996. Without this figure, it is difficult to determine the effects of Downtown developments on tourism. Once again, tax receipts from sales, lodging, admission, and meal taxes of the Downtown region are used to arrive at this estimate. The general methodology is that Chmura first calculates the increase in all spending categories. Chmura then allocates spending between residents and visitors. All lodging receipts in Downtown are assumed to be from visitors. In addition, 50% of the admission and entertainment spending,²⁷ 78% of food expenditures and 36% of retail expenditures are assumed to be from visitors.²⁸

Visitor spending in 1996 is estimated to be \$110.6 million (Table 3.8). Comparing 1996 and 2006, the size of the tourism in Downtown Norfolk more than doubled to \$263.5 million. The MacArthur Center and other retail establishments accounted for a 56% increase. Food and drinking establishments account for another 27% increase in spending. Hotel development in Downtown Norfolk seems to have lagged behind other parts of the City. From 1996 to 2006, hotel revenues in Downtown Norfolk increased by 39%, while citywide hotel revenues increased by 61%. Two hotels are currently under development in Downtown Norfolk, including a 240-room Hilton Hotel.

²⁴ The first step is to distribute total visitor spending into 5 categories based on survey data. Chmura then reconciles estimated spending to tax receipts to remove any discrepancy. Chmura then distribute spending items from tax receipts (food, retail) into visitors and residents portions. The Combined Downtown resident and employee population is assumed to be 6% of the total City population

²⁵ Transportation spending includes gas, parking, and car rental.

²⁶ The Old Dominion University and Norfolk State University do not collect admission tax on their facilities. This number may be under-estimated due to this reason.

²⁷ Source: City of Norfolk.

²⁸ This expenditure distribution is assumed to be the same as 2006.

Table 3.8: Increase in Visitor Spending in Downtown (1996-2006)			
	1996 Estimated Downtown Visitor Spending	2006 Estimated Downtown Visitor Spending	Incremental Visitor Spending Downtown
Transportation	\$23,331,319	\$37,330,110	\$13,998,791
Lodging	\$21,741,867	\$30,278,825	\$8,536,958
Food & Drink	\$31,013,365	\$72,814,125	\$41,800,760
Admission/Entertainment	\$5,535,725	\$8,273,000	\$2,737,275
Shopping	\$28,952,610	\$114,843,375	\$85,890,765
Total	\$110,574,886	\$263,539,435	\$152,964,549

Source: Chmura

The increased visitor spending values are input into the IMPLAN model to estimate the ripple effects of visitor spending on Downtown, the rest of the City, and the City as a whole. At the current level of tourism, annual visitor spending in Downtown Norfolk is estimated to be \$153.0 million more than it was in 1996 (Table 3.9), with a total economic impact reaching \$173.5 million in Downtown Norfolk. Increased visitor spending due to Downtown development activities can support 1,962 jobs in Downtown every year. The ripple effect of increased visitor spending in Downtown is larger for the City of Norfolk. The overall citywide economic impacts are estimated to be \$185.8 million and can sustain 2,085 new jobs annually.²⁹ The rest of the City benefits as well from visitor spending in Downtown Norfolk. The direct spending in Downtown is estimated to generate \$12.3 million and 123 jobs outside Downtown.

Table 3.9: Sustained Economic Impact of Increased Visitor Spending in Downtown as a Result of Downtown Investment				
		Direct Impact	Ripple Effect	Total Impact
Downtown	Spending	\$152,964,549	\$20,515,931	\$173,480,480
	Employment	1,760	202	1,962
Rest of Norfolk	Spending		\$12,339,793	\$12,339,793
	Employment		123	123
Total City of Norfolk	Spending	\$152,964,549	\$32,855,724	\$185,820,273
	Employment	1,760	325	2,085

Source: Chmura and IMPLAN 2004

²⁹ The total impact of spending by Downtown visitors is limited to the impact of spending in the Downtown area only. It was beyond the scope of this study to estimate the impact of spending by Downtown visitors outside of Downtown, as data were not available. If the data on spending outside Downtown were available, it is likely that the total impact of spending by Downtown visitors would be significantly greater, specifically for the neighborhoods outside of the study area.

4. Fiscal Impact of Downtown Developments

The City of Norfolk reaps financial benefits both from the Downtown development activities and from the increased residents, businesses, and visitors that result from the development activities. The major revenue sources include property tax; sales tax; meal tax; lodging tax; and Business, Professional, and Occupational Licenses (BPOL) tax. Chmura first analyzes the one-time tax benefit from the development activities, mostly in the form of BPOL tax. Chmura then details the annual fiscal benefits from sustained economic impacts.

4.1. Tax Revenues from Investment Activities

The major tax revenues for construction activities come in the form of the BPOL tax. This tax is levied on construction outlays throughout the construction phase. For construction, the BPOL tax is calculated using the BPOL tax rate for contractors, which is \$0.16 per \$100 of gross receipts exceeding \$100,000.³⁰ Chmura estimates that all investment activities resulted in a total of \$1.2 million in BPOL tax revenues from 1996 to 2006.

4.2. Sustained Fiscal Impact

In addition to one-time tax revenues from construction activities, the City of Norfolk also reaps considerable fiscal benefits from new businesses, residents, and visitors in Downtown Norfolk. The following are major revenue sources from the Downtown development activities that the City can benefit from every year: the real estate tax due to newly developed properties in Downtown Norfolk; increased tangible property taxes due to new residents and new business establishments in Downtown Norfolk; increased sales tax due to new residents, new workers and new visitors in Downtown Norfolk; increased meal tax due to new residents, new workers, and new visitors in Downtown Norfolk; increased lodging tax due to new visitors in Downtown Norfolk; increased BPOL taxes due to new business establishments in Downtown Norfolk; and other taxes such as utility and business property tax. In addition, a Business Improvement District (BID) was set up for Downtown Norfolk in 1999 to provide additional revenue for the City in the areas of public safety, public space maintenance, marketing, communication and business development in Downtown Norfolk. The fund is collected at \$0.18 per \$100 of assessed real property values.

From Fiscal Year (FY) 1996 to FY 2006³¹ annual tax revenues more than doubled, from \$15 million to \$37 million (Table 4.1). Some of the gain can be attributed to tax rate changes, but the majority of the change is the result of increased economic activity in Downtown Norfolk.³² The two revenue streams with the largest increases are sales tax and food and beverage tax, increasing by 297% and 177% respectively. The opening of MacArthur Center is a major factor for the dramatic jump in these two revenues. The construction of office towers and residential buildings also significantly boosted Downtown's real estate tax base. From FY 1996 to FY 2006, the total assessed real estate properties in Downtown increased from \$318 million to \$684 million. The resulting real estate tax revenue increased from \$4.0 million to \$9.1 million. Overall, Downtown development activities increased annual

³⁰ Source: <http://www.norfolk.gov/revenue/bustax/buslic.htm>

³¹ Fiscal Year 2006 runs from July 1st 2005 to June 30th 2006.

³² Some of the increase in meal, lodging, and admission tax are due to the tax rate increase. For example, food and beverage tax increased from 5.5% to 6.5% in FY2002; lodging tax increased from 6% to 7% in FY 2002, and 8% in FY2003; and admission tax increased from 8% to 10% in FY1999.

tax revenues of the City by \$21.9 million. Downtown Norfolk is an increasingly important revenue source for the City. From FY 1996 to FY 2006, the Downtown share of City tax revenues increased from 8% to 19%.

Table 4.1: Fiscal Impact of Downtown Development (1996-2006)

	FY 1996	FY 2006	Net Increase	% Increase Downtown
Real Estate Tax Revenue ³³	\$4,010,415	\$9,126,693	\$5,116,278	128%
Downtown BID Revenue	\$0	\$1,388,491	\$1,388,491	N/A
Personal Property Tax Revenue ³⁴ (Household)	\$162,618	\$332,891	\$170,273	105%
Business Property Tax Revenue	\$1,607,967	\$2,904,056	\$1,296,089	81%
Utility Tax Revenue	\$2,418,367	\$3,608,282	\$1,189,915	49%
Sales Tax	\$794,123	\$3,149,967	\$2,355,844	297%
Food and Beverage Tax	\$2,185,842	\$6,065,075	\$3,879,233	177%
Lodging Tax	\$1,304,512	\$2,422,306	\$1,117,794	86%
Admission Tax Revenue	\$885,716	\$1,654,600	\$768,884	87%
Fiduciary Tax Revenue	\$0	\$2,458,832	\$2,458,832	N/A
BPOL Tax	\$1,679,342	\$3,851,213	\$2,171,871	129%
Total	\$15,048,902	\$36,962,406	\$21,913,504	146%
Overall Downtown Share	8%	19%		
Source: City of Norfolk				

4.3. Additional Cost

Chmura utilizes a per-capita county cost approach to estimate the additional cost for the City in all budget categories. Based on the FY 2007 approved City budget, only expenditures from the general fund are counted as incremental costs to the City.

During the past 10 years, both new employees and residents in Downtown Norfolk resulted in additional costs for the City. Chmura first estimates the City cost per employee and City cost per resident. To allocate City expenses among residents and employees, Chmura assumes the City incurs expenditures on police, fire and public works for both downtown residents and employees. For these three categories of expenditures, 37% are allocated for employees and 63% are allocated for residents.³⁵ For all other expenditure categories, such as education, health, and social services; parks, recreation, and culture; and community services, 100% is allocated for residents. As a result, the City cost per employee is estimated to have been \$259 per year and the City cost per resident is estimated to have been \$1,788 per year.³⁶

³³ The real estate tax rate decreased from \$1.40 to \$1.35 in FY2006.

³⁴ Personal Property Tax is an estimate based on the number of households in Downtown Norfolk and the average assessed value of property in the City of Norfolk.

³⁵ This percentage is based on the fact that in 2006, there are 141,371 workers in the City (Virginia Employment Commission) and 236,092 residents in the City (Weldon Cooper Center, University of Virginia).

³⁶ All transfer payments from state and federal government are excluded from the city cost.

From 1996 to 2006, Downtown Norfolk added 8,017 new jobs and 765 new residents. As a result, the City needed to spend an additional \$3.4³⁷ million annually to provide public services for those workers and residents. Compared with \$21.9 million in increased tax revenues the City of Norfolk collected from Downtown per year, the net sustained benefit of Downtown development is estimated to be \$18.5 million per year.

³⁷ This cost estimate does not include the additional 208 people residing in group quarters.

5. Other Benefits of Downtown Developments

The Downtown Development activities from 1996 to 2006 have contributed significantly to the ongoing urban renewal efforts in the City of Norfolk. In addition to the economic output and jobs created, there are also other benefits that may not be easily measured, such as reduction in crimes and poverty and the image of the City as a tourist destination. From 1990 to 2000, the percentage of population in poverty dropped significantly from 13.7% to 10.6% in Downtown Norfolk.³⁸ The Downtown development projects contributed to the decline in Downtown poverty.

In addition, the new residents to Downtown Norfolk are well educated, which lifts the education attainment level of Downtown residents. From 2000 to 2005, the percentage of Downtown residents with a bachelor's degree or higher increased from 35.1% to 43.4%.³⁹ Both the level and the growth rates of education attainment are higher than the state average. During the same period, the percentage of population with a bachelor's degree or higher increased from 29.5% to 33.2% in the state.⁴⁰

The City of Norfolk is just beginning to see the full impact of the investment in Downtown development. This study has revealed that the investment in Downtown by the public and private sectors has positively impacted the City of Norfolk in the form of new residents and businesses, increased visitor spending and increased economic output. However, these values are limited to the impact that is quantifiable through the end of the study time period (2006). It is not yet possible to quantify the full impact of the projects that were just recently completed, such as the Cruise Terminal. As time goes by, Norfolk should experience even greater growth in the economic output created. That growth should spread throughout the City, benefiting many residents. Following the end of the study time period, evidence of this growth had already begun to show itself in the form of new housing initiatives, including nearly 4,500 new housing units throughout the City in various stages of development, as reported in 2006. Examples of this far reaching growth include The Row at Ghent, East Beach, and Spectrum at Willoughby.

³⁸ Source: City of Norfolk. More recent poverty data for Downtown Norfolk is not available.

³⁹ Source: Decision Data Resources.

⁴⁰ Source: U.S. Census Bureau

6. Conclusion

Downtown Norfolk has been revitalized over the past ten years. Table 6.1 summarizes the key indicators of the economic impacts of Downtown development activities.

Table 6.1: Summary of Economic Impact of Downtown Investment on the City of Norfolk		
	Economic Impacts (\$ Million)	Jobs Created
One-Time Impact	\$1,075	12,588
Sustained Impact	\$1,630	9,780
Net Fiscal Benefit	\$18.5	
Source: Chmura		

From 1996 to 2006, public and private investments in Downtown Norfolk amounted to \$791 million dollars. Those investments generated a one-time impact of nearly \$1.1 billion in output, and created 12,588 jobs in the City of Norfolk.

The rewards include a sustainable increase in total economic output and the creation of thousands of new jobs in both Downtown Norfolk and the City of Norfolk. The Downtown Norfolk growth rate for population, employment, the number of business establishments, and tourism was two to three and a half times the Virginia growth rate over the last 10 years. Investments in Downtown Norfolk have benefited the entire City of Norfolk. Increases in tourism, residents, and employment have led to a significant ripple effect for areas surrounding Downtown. The annual economic output of the City of Norfolk increased by \$1.6 billion from 1996 to 2006, and 9,780 more jobs are located in the City of Norfolk.

The City of Norfolk also reaps considerable fiscal benefits. Though new residents, workers and visitors in Downtown Norfolk increased the cost to the City to provide services, the costs are outweighed by the increased tax revenues from Downtown. From FY 1996 to 2006, annual tax revenue for the City increased from \$15.0 million to \$37.0 million as economic activity in Downtown Norfolk picked up. The net fiscal benefit for the City of Norfolk is estimated to be \$18.5 million per year.



Appendix 1: List of Major Public Investments

Public Investment Summary	
Cruise Terminal, Nauticus, Wisconsin	\$44,693,000
MacArthur Center	\$48,463,490
Recreation and Cultural Facilities	\$15,210,000
Street Improvements	\$16,980,831
Public Buildings	\$41,519,000
Parking Facilities and Utility Projects	\$86,422,000
Other	\$499,569
Total⁴¹	\$253,787,890
Source: City of Norfolk	

Note: Public building investment includes expenditures for courts and jail improvements totaling approximately \$33 million out of the total public building investment of \$41.5 million.

Note: Of the \$86.4 million, \$84.6 million is for parking facilities which includes several new parking garages, such as MacArthur Center, Commercial Place Garage, and Boush Street Garage and \$1.8 million for utility projects.

Note: Public investment in parking facilities and utility projects is self-supported by user fees and charges, and is not supported by the City's general fund. For example, the City's parking system must pay its debts from the revenues it generates. No property taxes are used to fund parking garages. Those who pay to park in the garages pay for the garages.

⁴¹ The Total Public Investment includes the Public Investment of \$134.2 million and the Other Infrastructure investment of \$119.6 million.



Appendix 2: Glossary

Direct Impact—economic activity generated by a project or operation. For construction, this represents activity of the contractor; for operations, this represents activity by tenants of the property.

Group Quarters—Individuals residing in quarters such as military barracks, dormitories or jail.

IMPLAN Professional—an economic impact assessment modeling system. It allows the user to build economic models to estimate the impacts of economic changes in states, counties, or communities. It was created in the 1970s by the Forestry Service and is widely used by economists to estimate the impact of specific events on the overall economy.

Input-Out Analysis—an examination of business-business and business-consumer economic relationships capturing all monetary transactions in a given period, allowing one to calculate the effects of a change in an economic activity on the entire economy (impact analysis).

Multiplier—the cumulative impacts of a unit change in economic activity on the entire economy.

Overhead—construction inputs not provided by the contractor.

Ripple Effect—The sum of indirect and induced impact is called ripple effect.

