The Economic and Fiscal Impacts of a

Pedestrian Brige on the Kentucky Economy

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Key Findings

The following information reports the key findings of our analysis of the economic and fiscal impacts of a pedestrian bridge over the Ohio River, extending from the central riverfront in Cincinnati, Ohio to Newport, Kentucky.

We have found that the total economic impact of a pedestrian bridge and related development on the Kentucky economy is nearly $627 million. Of this, $431 million is a one-time construction impact, and the remaining $195 million will recur for each year of operation of the bridge and related development. Nearly 10,000 jobs will be generated in the state due to this economic activity.

We estimate that total income and sales tax revenue in Kentucky will increase by $9.6 million with development of the pedestrian bridge. Of this, $8.1 million will be in the form of income tax revenue and $1.5 in sales tax revenue. Approximately 51 percent of the fiscal impact will be a one-time gain from construction, the remaining $4.7 million will recur for each year of operation of the bridge and related development.

Importance of a Pedestrian Bridge to Economic Growth

The pedestrian bridge has the potential to be a significant economic generator for the state of Kentucky because the bridge will offer an entry point into Kentucky that will appeal to a particular group of people – people who live outside of the state and are "out" visiting the Cincinnati riverfront.

We believe the population base with the greatest access to the bridge and the greatest likelihood of using the bridge are individuals and families attending events on the Cincinnati riverfront. These events include the weekly "Party in the Park" at Sawyer Point during the summer months, the 81 Cincinnati Reds games played in Cinergy Field, the ten Cincinnati Bengals games played at Cinergy Field, and the 41 Cyclones games played at the Firstar Center. Many people who attend these events dine out or include other forms of entertainment either before or after their visit to the Cincinnati riverfront. In addition, the daytime population in Cincinnati's central business district and the residential population in the CBD and Cincinnati riverfront will also be prime candidates for use of the bridge.

The pedestrian bridge will be popular because attendees at Cincinnati's riverfront events (along with downtown residents and workers) do not have easy access to entertainment districts elsewhere in downtown Cincinnati. In many cases, "going out" after work or a riverfront event would involve returning to their car and driving to and parking in another downtown location. The pedestrian bridge will give people the option to walk to an entertainment district that includes restaurants, bars, shopping, and other entertainment all in one complex (the new "Newport on the Levee" complex). It will also create greater access to Newport's Millennium Monument and the World Peace Bell.

It is important to stress that the population the bridge will appeal to will consist mostly of Ohio residents. This means new dollars will be brought into Kentucky's economy – it will not be a mere re-distribution of Kentucky dollars to another location in the Northern Kentucky region. Furthermore, visitors from outside of the region may choose to stay at the new hotel on the Kentucky-side of the bridge in order to gain easy access to both Kentucky and Ohio riverfront entertainment.

Economic Impact Results

We have quantified the economic and fiscal impacts of a pedestrian bridge on the state of Kentucky's economy by analyzing how the construction and operation of the bridge will augment other economic activity in Newport.

Economic Impact of Construction

Table 1 reports the construction activity that is currently underway or planned for Newport, and the economic impact of this construction on the Kentucky economy.[1]

In total, Newport has $301 million in construction activity that is related to the pedestrian bridge. Of this, $8 million is dedicated to the bridge itself. We estimate that of the $301 million in Newport construction activity, approximately 64 percent will remain in the Kentucky economy and be re-spent in a wide variety of industries throughout the state. The total economic impact of the construction activity (the direct and indirect effects) will exceed $431 million, $11 million of which is generated from the pedestrian bridge. A total of nearly 5,000 jobs in the state will be created and sustained from Newport construction activity.

Table 1: The Economic Impact of Newport Construction Activity

Construction Project	Construction Expenditures	Economic Impact	Employment Impact
Urban Entertainment Center	$ 150,000,000	$ 214,838,400	2,455
Millennium Monument & World Peace Bell	106,000,000	151,819,136	1,735
Hotel	37,000,000	52,993,472	605
Pedestrian Bridge	8,000,000	11,458,048	131
TOTAL	**$ 301,000,000**	**$ 431,109,056**	**4,926**

Economic Impact of Operations

Another important economic impact consideration related to the pedestrian bridge is the increase in economic activity related to the operations of the various entertainment venues that will be accessed via the bridge. Table 2 shows our estimates of the annual operating expenditures and economic impact from operating Newport on the Levee, the Millennium Monument and World Peace Bell, and the hotel. While there may be some operating expenditures associated with the bridge, such as light shows and seasonal displays, we are not including this in our analysis. Therefore, our results will slightly underestimate the actual economic impact if the pedestrian bridge is developed.

[1] The Millennium Monument and World Peace Bell projects are not secured projects – their success may be contingent on the success of other Newport projects including the pedestrian bridge.

Table 2 shows that the Kentucky economy will gain $170 million for each year of operation of the three Newport entertainment venues that will achieve higher sales with the pedestrian bridge.

Table 2: The On-Going Economic Impact of Operating Newport Entertainment Venues

Venue	Annual Operating Expenditures	Economic Impact	Employment Impact
Urban Entertainment Center	$ 93,330,252	$ 124,606,153	3,209
Millennium Monument & World Peace Bell	21,318,238	28,320,426	918
Hotel	12,433,595	17,120,687	448
TOTAL	**$ 127,082,084**	**$ 170,047,266**	**4,575**

Economic Impact of Visitor Spending

Another important source of economic impact associated with the pedestrian bridge is the spending that will occur from people who come to the Kentucky side of the riverfront via the bridge. In order to quantify this, we made the following assumptions:

- Ten percent of the people attending events on the Cincinnati riverfront will use the pedestrian bridge to enter Newport.
- Ten percent of Cincinnati CBD and riverfront residents will cross the bridge.
- One percent of the daily Cincinnati CBD population will cross the bridge.
- Of those who cross the bridge, 65 percent will dine out; 25 percent will attend an entertainment venue; and ten percent will go shopping.
- The average spending of those dining out is $15 per person; the average spending of those attending an entertainment venue is $20 per person; and the average spending of a shopper is $64.30.

Given these assumptions, Table 3 shows the annual economic impact results of the visitors to Newport via the pedestrian bridge. In total, the state of Kentucky will realize an increase in total economic activity of $25 million for each year the bridge and related development is in operation. Nearly 500 jobs will be supported by this activity.

Table 3: The On-Going Economic Impact of Visitors to Newport Via the Pedestrian Bridge

	Number Crossing Bridge	Direct Spending	Total Economic Impact	Jobs Impact
Reds Games	206,122	$ 4,365,668	$ 8,755,363	171
CBD Business Population	192,000	4,066,560	8,155,500	159
Sawyer Point / Central Riverfront	122,272	2,589,723	5,193,699	101
Bengals Games	38,232	809,762	1,623,981	32
Cyclones Games	23,962	507,522	1,017,836	20
Coors Light Jazz Festival	15,000	317,700	637,148	12
CBD / Riverfront Residents	384	8,129	16,303	0
TOTAL	**597,973**	**$ 12,665,064**	**$ 25,399,830**	**496**

Summary

By combining the above economic impact factors, we find that the total economic impact of a pedestrian bridge and related development on the Kentucky economy is nearly $627 million. Of this, $431 million is a one-time construction impact, and the remaining $195 million will recur for each year of operation. Nearly 10,000 jobs will be generated in the state due to this economic activity (see Table 4).

Table 4: Summary Economic Impact

	Economic Impact	Employment Impact
Construction (one-time)	$ 431,109,056	4,926
Operations (recurring)	170,047,266	4,575
Visitors (recurring)	25,399,830	496
TOTAL	**$ 626,556,152**	**9,997**

Fiscal Impact Results

We have analyzed the impact of a pedestrian bridge and related development on income and sales tax revenues for the state of Kentucky.

Fiscal Impact on Income Tax Revenue

We estimate an increase of $8 million in payroll tax revenue due to the construction and operation of a pedestrian bridge and related development. Of the $8 million increase, approximately 55 percent will be a one-time increase from construction. The remaining 45 percent ($3.7 million) will recur for each year of operation of the development. Table 5 outlines our estimated increase in income tax revenue for the state of Kentucky, based on the different sources of economic impact.

Table 5: The Fiscal Impact on Income Tax Revenue

	Total Earnings	Taxable Earnings[2]	Payroll Tax Revenue[3]
Construction	$ 123,347,392	$ 74,089,534	$ 4,445,372
Operations	94,884,016	49,136,836	3,558,451
Visitors	7,317,484	2,353,693	141,222
TOTAL	**$ 320,432,909**	**$ 125,580,063**	**$ 8,145,045**

Fiscal Impact on Sales Tax Revenue

The pedestrian bridge and related developments are expected to increase sales tax revenue in the state of Kentucky by $1.5 million. Of this, $442 thousand will be generated by the indirect economic activity that occurs as a result of the construction of the developments (the direct construction activity itself is not subject to sales taxes). The operations of the urban entertainment center, the hotel, the Millennium Monument and the World Peace Bell will directly and indirectly contribute $288 thousand a year, not including the sales tax on items sold to consumers. Visitors to Kentucky via the bridge will contribute nearly $749 thousand in Kentucky sales taxes per year (see Table 6).

Table 6: The Fiscal Impact on Sales Tax Revenue

	Total Business Sales	Taxable Sales	Sales Tax Revenue
Construction (indirect only)	$ 115,121,664	$ 7,362,814	$ 441,769
Operations[4]	75,163,249	4,807,202	288,432
Visitors	18,082,346	12,476,819	748,609
TOTAL	$ 208,367,259	$ 24,646,835	$ 1,478,810

[2] We assume the first $10,000 earned from each job is tax-exempt. The remaining income is taxed at six percent.
[3] The payroll tax revenue from operations includes revenue to the state and to the City of Newport. The other figures in Table 5 refer only to state level tax revenue.
[4] Note that the sales tax revenue estimates do not include the sales tax revenue generated from all sales at the entertainment venues – it is based only on in the revenues generated from operating the businesses.