

Economic Impacts of the World Golf Village Development for Northeast Florida and St. Johns County

by

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Executive Summary

The World Golf Village is a 6,300 acre mixed-use development located in St. Johns County in northeast Florida. The site is located approximately 25 miles south of Jacksonville and 15 miles north of St Augustine. It features the World Golf Hall of Fame, the Renaissance Resort at World Golf Village and adjoining St. Johns County Convention Center; the Grande Villas at World Golf Village; the Laterra Resort and Spa; two championship golf courses; the PGA Tour Golf Academy; a retail center that includes multiple restaurants; an IMAX theater; and a variety of commercial and residential real estate. Construction in the development began in 1995 and is expected to continue through 2010. The primary objective of this analysis was to estimate the economic impacts generated by construction and ongoing business operations associated with the development on the economies of St. Johns County, and the five county region consisting of St. Johns and surrounding counties (Clay, Duval, Flagler and Putnam) in Florida, from 1995 through 2005.

From 1995 through 2005, the World Golf Village development has generated an estimated total output impact of over \$3.25 billion (B) dollars on the five-county region of Clay, Duval, Flagler, Putnam and St. Johns counties in Florida.¹ Other impacts attributable to the development during this 11 year period include over \$1.77B dollars in value-added, nearly \$1.25B in labor income, and \$117.2 million (M) in indirect business taxes. The total number of part-time, full-

¹ All values are reported in 2005 equivalent dollars, except as otherwise noted.

time, and seasonal job-years attributable to the project approaches 34,000. All indications are that business activity, and the economic impacts associated with the development have accelerated since 2002. In 2005 alone, the output impact of the development for the five county area was estimated to total over \$778.3M. This includes \$422.3M in value-added impacts, \$288.9M in labor income impacts, \$28.7M in indirect business taxes and 7,715 jobs. These last two statistics represent about 1.14 percent of the total personal income for the five county area in 2004, and about 1.01 percent of its total employment in 2004.

For St. Johns County alone, the total output impacts of the development from 1995 to 2005 were calculated to be approximately \$2.46B. Other county-level impacts from the development during this period include an estimated \$1.27B in value-added, \$890.3M in labor income, \$85.0M in indirect business taxes, and over 26,000 job-years. For 2005, the World Golf Village development is estimated to have generated output impacts of \$583.2M for St. Johns County. Other estimated impacts for the County in 2005 include 297.6M in value-added, \$199.2M in labor income, \$21.0M indirect business taxes, and 5,931 jobs. Compared to Bureau of Economic Analysis statistics for the County in 2004, these impacts represent about 6.4 percent of the County's total personal income, and 9.5 percent of its total employment. If the expenditures and revenues are calculated to only represent new dollars brought into St. Johns County as a result of the attraction aspects of the World Golf Village, separate from local residential development, then the total economic impacts for the 1995–2005 study period are reduced by slightly over 30 percent; to \$1.70B in output, \$882.3M in value-added, \$621.0M in labor income, \$59.2M in indirect business taxes, and 18,251 jobs-years.

The estimation of these economic impacts was based on reported and estimated expenditures and/or employment for infrastructure, building construction and ongoing business operations at the development during the study period. Yearly expenditures on infrastructure were obtained from the primary developer. Annual expenditures on building construction at the development were derived from data obtained from local and State government agencies. Data provided by the World Golf Village clients and their business affiliates at the development, in addition to statistics published by the Urban Land Institute, were used to estimate operational revenues or expenditures at the development for ongoing business activities. Economic (input-output) models of St. Johns County and the five county region of Clay, Duval, Flagler, Putnam, and St Johns were constructed using the IMPLAN Pro® economic impact assessment software

and databases. Estimated expenditures and revenues associated with the development were allocated to their appropriate industry sectors and applied to these models in order to estimate the total economic impacts of the development.

Total reported expenditures on infrastructure at the development were slightly over \$128.0M for the study period, with \$9.6M reported spent in 2005. Residential and commercial building construction expenditures for the development, including landscaping and furnishings, were estimated to total \$688.6M for the study period and equal to \$243.2M for 2005. Ongoing business revenues and expenditures from 1995 through 2005 were estimated to total \$674.4M, and were estimated at \$100.1M for 2005 alone. A review of these expenditures or revenues over the study period indicates that residential construction expenditures have increased substantially since 2002.

The types of economic impacts estimated with the input-output models include output, value-added, labor income, indirect business taxes and employment. These impacts can occur through direct, indirect, or induced effects. Total economic impacts of an event or activity equal the sum of these direct, indirect and induced impacts. Output impacts represent the total value of revenues or expenditures associated with an activity. Value-added measures the labor income, property income, and indirect business taxes generated from these revenues. Labor income represents earnings by employees and proprietors of impacted businesses. Indirect business taxes include excise, property, and sales taxes, as well as licenses and fees paid by businesses, but not taxes on profits or income. The number of annual full-time, part-time and seasonal jobs resulting from the development are represented by estimated employment. Each of these measures represents a different way of assessing the size or contribution of an economic activity on a region.

For the World Golf Village, direct impacts result from expenditures, revenues or jobs generated as an immediate result of the construction, tourism, retail spending and grant distribution activities associated with the development. Impacts from indirect effects capture the additional economic activity that is generated when construction firms, retail business and tourist attractions at the development purchase inputs from their business suppliers within the study area. Further indirect impacts occur as these input suppliers purchase their own inputs from other businesses. Impacts from induced effects occur as the households of business owners and employees spend their earnings from these enterprises to purchase consumer goods and services from businesses within the region. Direct impacts result from all forms of business activity within

a region. Impacts from indirect and induced effects are only generated when “new” or non-local dollars are introduced into the local economy. This may occur through sales to entities outside the local economy, through spending by outside visitors to the local economy, or from financing that originates from outside the local economy.

By estimating how businesses use revenues to pay employees and purchase inputs, and then estimating how employee and proprietor households spend their earnings at other businesses, economic impact analysis looks beyond the immediate effects of an economic event or activity within a regional economy. Output, value added, income and jobs are basic units for measuring economic activity. Estimating the size of these economic indicators makes it possible to evaluate and compare the impact of the World Golf Village development to other activities or sectors in the regional economy, or to that economy as a whole.

The following caveats should be kept in mind in considering these findings. This analysis only considers the positive economic value, in terms of dollars or jobs, resulting from business activities that occur at the development. It does not account for any costs, direct or indirect, to the government or surrounding community that may result from it. Possible effects on regional prices for goods, services, or real estate were also not evaluated. Estimates of indirect and induced impacts calculated by these economic models are largely based on national averages, and their accuracy rests on the assumption that the economic relationships between businesses and institutions in the study area are similar to those of the nation as a whole. A substantial portion of retail sales revenues for the development were also estimated from national averages. As with any empirical analysis, the accuracy of the output is directly dependent on the accuracy of the input. While substantial efforts were made to obtain the most current and accurate data available to conduct this analysis, it was not the responsibility of the investigators to verify the authenticity and accuracy of that data. The estimated impacts for both the five county region and St. Johns County may be conservative to the extent that they do not completely account for all household expenditures of non-local retirees or part-time residents at the development, and because it was not possible to verify that all construction activities at the development were counted. The estimated impacts for St Johns County may be over-stated to some extent because both regional and county models included the assumption that all employment and expenditures associated with the development took place within the study area. In general, the smaller the study area, the less likely it is that such an assumption is appropriate.