The Impact of Anthem
at Oakley Station
Cincinnati, Ohio

Prepared for

Al. Neyer, LLC

Prepared by

The Economics Center

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INTRODUCTION

The decision by Anthem to locate its new office building at Oakley Station in Cincinnati, Ohio, will generate economic benefits throughout the region, particularly in the City of Cincinnati. The Economics Center has produced this brief analysis to assess and describe the magnitude of these benefits.

PROJECT DESCRIPTION

According to information provided for this analysis, Al. Neyer, LLC plans to invest approximately $14.8 million to construct a 90,000 square foot, 3-story, class A office building at Oakley Station. Of the total proposed capital outlay, approximately $12.9 million will be invested in real property improvements to the project site and the remaining $1.9 will be spent on land acquisition. This proposed office building will house Anthem and approximately 460 full time employees. Salaries for workers will be at levels comparable to similar local professional business services firms. Information from the Master Developer indicates that all of the 460 jobs will be relocated from another location within the City of Cincinnati.
IMPACT OF CONSTRUCTION

The economic impact of spending $12.9 million to make real property improvements to construct Anthem’s new offices will be concentrated in the City of Cincinnati, which will benefit from approximately $19.0 million in total economic activity. Additional spending that is to occur in other portions of Hamilton County relative to this project will bring the County’s total impact to approximately $22.4 million. The land cost of $1,858,000 is not included in the construction impact analysis because it does not generate any economic impact.

As shown in the table below, there will be an estimated 51 new jobs directly associated with this construction project. In terms of indirect employment – positions within businesses that provide goods and services related to the project-- 31 indirect jobs will be supported in the City of Cincinnati and another 14 elsewhere in the County. The total employment impact for the City of Cincinnati will be 82 jobs, averaging 12 months in duration, with total earnings of approximately $3.8 million, producing nearly $80,000 in earnings tax revenue for the City.

<table>
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<tr>
<th>Construction Impacts</th>
<th>City of Cincinnati</th>
<th>Remainder of Hamilton County</th>
<th>Hamilton County Total</th>
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<tr>
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<td>Jobs</td>
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IMPACT OF OPERATIONS

Because all of the jobs that are to be housed in Anthem’s office building are being transferred from another location within the City of Cincinnati, there will be no net new economic or fiscal impacts from Anthem’s operations. It is important to note that while there are no net new fiscal impacts associated with Anthem’s proposed relocation to the yet-to-be constructed office building at Oakley Station, the current 460 Anthem employees generate approximately $537,600 annually in earnings tax revenue to the City of Cincinnati; the tax revenues are based on an estimated total payroll of $25.6 million. This would represent a loss to the City in the event Anthem relocated outside the City’s boundaries.

While investing approximately $12.9 million to construct the new office building may not generate property tax revenues per se, the project is likely to provide revenues for the tax increment financing (TIF) district in which the proposed project site is located. The TIF revenues associated with the incremental increase in property values on the project parcel could be used to pay down debt that may have been issued in order to make improvements the district.

OTHER ECONOMIC IMPACTS

One significant aspect of this corporate relocation is that it involves a move from an area with limited nearby retail establishments to one with ample retail options. According to a 2012 report by the International Council of Shopping Centers (ICSC), workers in urban office locations with ample nearby retail shopping opportunities in the immediate vicinity spend more than twice as much at those businesses, compared to office workers with limited retail options near by. Therefore, while this report focuses on the economic impacts of construction of Anthem’s new facility on the City of Cincinnati, retail and restaurant establishments in the immediate vicinity of Oakly Station are likely to benefit from increased workforce spending.

Based on the survey data in the ICSC report, combined with data about Anthem worker wages, once at Oakley Station, Anthem’s employees are expected to spend $4.0 million annually at nearby eating and retail establishments. The Economics Center estimates that the average Anthem employee working at Oakley Station will spend approximately $167 per week in the immediate vicinity on the way to or from the office or during the typical office work day. This spending represents an aggregated average of $77,000 for all 460 Anthem employees in restaurant and retail expenditure per work week. This spending will account for 14 jobs in these retail businesses and corresponds to $350,000 in wages. The City of Cincinnati will receive an estimated $7,350 annually in earnings tax revenue from the wages paid to the 14 employees supported by spending attributed to Anthem employees.
The major retail segments likely to benefit most from Anthem’s proposed relocation to Oakley Station are:

1) Restaurants  
2) Grocery Stores  
3) Discount Stores  
4) Warehouse Clubs  
5) Drug and Personal Care Stores

CONCLUSION

The proposed office building for Anthem’s corporate relocation will have two types of economic impact on the City of Cincinnati. Specifically, the development of this new business site will directly support 51 new jobs and an additional 31 full time equivalent positions in the City of Cincinnati generated from activities indirectly related to the project during its construction period. Collectively, these 82 direct and indirect construction jobs will generate approximately $3.8 million in wages, producing nearly $80,000 in earnings tax revenue to the City of Cincinnati. In addition to the impacts associated with constructing the office building, Anthem’s employees will spend an estimated $4.0 million annually at restaurant and retail establishments in the immediate vicinity of Oakley Station. The estimated $4.0 million in combined daytime spending by Anthem employees will support 14 full time positions, totaling $350,000 in wages and another $7,350 in earnings tax to the City of Cincinnati.

METHODOLOGICAL NOTE

To measure the impact of Anthem at Oakley Station, the Economics Center relied extensively on information regarding capital expenditures and anticipated jobs supplied through the Master Developer. This information provided the basis for calculating the economic impact of operations and capital investment. 

Expenditures for wages and salaries, goods and services represent Anthem’s direct impact on the local economy, however, these expenditures also have indirect impacts. Local businesses that supply products for construction and operations also purchase local goods and services to produce their products. These local expenditures – by suppliers and by employees who spend their wages – are termed indirect impacts. They are measured through an economic model (RIMS II) developed by the U.S. Department of Commerce. The use of this model is based on the expectation that business enterprises in the same industry and in the same region have similar purchasing patterns.
Project Staff
Jeff Rexhausen, Senior Research Associate
Michael Jones, PhD, Director of Research
Julie Heath, PhD, Executive Director

About the Economics Center
The Research and Consulting division of the Economics Center provides the knowledge building blocks that help clients make better policy and economic development decisions. Our dynamic approach and critical data analysis empower leaders to respond to changing economic conditions, strengthen local economies and improve the quality of life for their communities.