

KEY FINDINGS

Proposed Light Rail Transit Mall for 42nd Street Anticipated Economic Impacts on Retail, Hotels and Theaters

\$880.3 million - annual economic and fiscal benefits

Retail shops and restaurants on 42nd Street would see sales increases of 35 percent

61% of food service establishments would consider expanding to sidewalk cafés

- **Study analysts and methodology:** Urbanomics studied the likely economic impacts on retail, hotels and theaters of introducing light rail in an auto-free 42nd Street in New York City. Urbanomics is a well-regarded firm led by Regina Armstrong, who served previously as Chief Economist for the Regional Plan Association. The firm has undertaken numerous assignments for the business and public sectors. Basic tools used in this study were structured interviews, which elicited a nearly 43 percent response from retailers, a compilation of comparable experiences of other cities, and a pedestrian demand model developed by the Regional Plan Association. Key findings of the study are as follows:
- **Annual financial benefits of \$880.3 M:** Phase I studies considered gains in property values and tax revenues due to travel time savings, and projected economic and fiscal benefits of \$527.4 M (in 2003 dollars). These compared very favorably with construction costs. Phase II studies took a more detailed look at the economic impact on affected businesses, including delivery truck loading and construction phasing issues. The estimated economic and fiscal benefits of the vision42 proposal projected an additional \$483.0 M annually (in 2005 dollars).
- **Strong interest among 42nd Street businesses:** A survey regarding the favorability of the vision42 concept among senior business managers of establishments on 42nd Street found that, on a scale of 1 to 5 (5 being the highest), hotels expressed an approval rating 4.6, retailers 4.0, restaurants 3.9, and theaters 3.4.
- **Increased pedestrian traffic would lead to greater retail sales on 42nd Street:** With a more appealing walking environment and with better surface transit service, retail and restaurant customers would increase from the current 39,000 per day to over 57,000. This is projected to **increase annual retail and restaurant sales by 35 percent, from \$1.09 billion to \$1.49 billion.**
- **Currently vacant stores:** If vacant storefronts were to be rented upon opening the light rail and pedestrian street, and sales and employment preserved at the current averages, **an additional \$27.8 million in annual retail sales and a total of 338 new jobs are projected.**
- **Greater hotel occupancy and room sales:** Even with 42nd Street hotels already much in demand and near full occupancy, the number of guests is expected to increase from 1.87 million to 1.91 million, and the annual room sales from \$323.7 million to \$329.4 million. Substantially increased pedestrian traffic and vision42's expected tourism draw are natural attractions for building additional hotel rooms on 42nd Street. New landscaping and street amenities were viewed as major benefits.

- **Increased theater attendance and ticket sales in the corridor from 37th to 47th Streets:** Given anticipated increases in ticket sales with full pedestrianization and light rail service, the two cinema megaplexes and the 15 legitimate theaters directly on 42nd Street foresee a three percent rise in business, from \$200 million to \$204 million annually. Theaters see an opportunity for kiosks promoting shows as a key benefit of a pedestrian street.
- **Increases in New York City and New York State tax revenues:** The **vision42** project is expected to generate \$23.1 million in additional tax revenue from gains in retail, restaurant, hotel and theater business in the first year of operation (taking into account the constraints due to construction activities) and \$28.4 million annually in subsequent years — \$17 million to NYC and \$11.4 million to NYS.
- **Cost-benefit relationship:** In the first year of operation (even after allowing for an impact due to the construction phase) the annual value of direct net benefits accruing to retail shops, hotels, theaters and state and local government is estimated to be \$358 million. In subsequent years, upon full operation of the light rail transit system, the positive net benefits rise to \$483 million annually. These benefits are in addition to the substantial economic gains estimated in the earlier study, which included the positive returns to travelers, residents and office workers in the 42nd Street corridor and consequent fiscal benefits derived from dramatic property value increases.

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