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# **Long Island's Future: Economic Implications of Today's Choices**

Prepared for the Long Island Index  
by HR&A Advisors, Inc.

February 10, 2015

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This study examines the impacts of Long Island-wide initiatives that could address some of the region's most intractable issues.

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HR&A employed the REMI Policy Insight Model to prepare a baseline scenario that “plays out” current demographic and economic trends. Using this baseline as a jumping off point, HR&A used the REMI Model to analyze how economic development strategies could re-orient Long Island towards sustainable prosperity.

The ultimate goal of this project is to understand how targeted actions could improve job creation, retain young workers, and solidify Long Island's tax base for future generations.

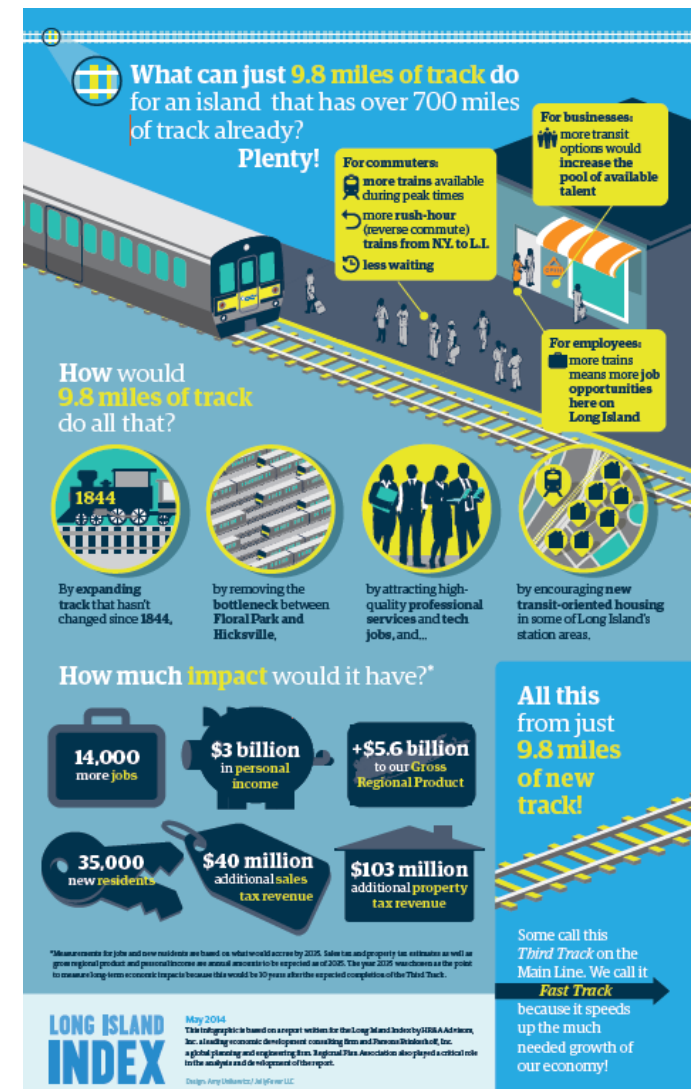


# HR&A's 2014 study of the LIRR Main Line Third Track advanced a regional conversation about Long Island's economic future.

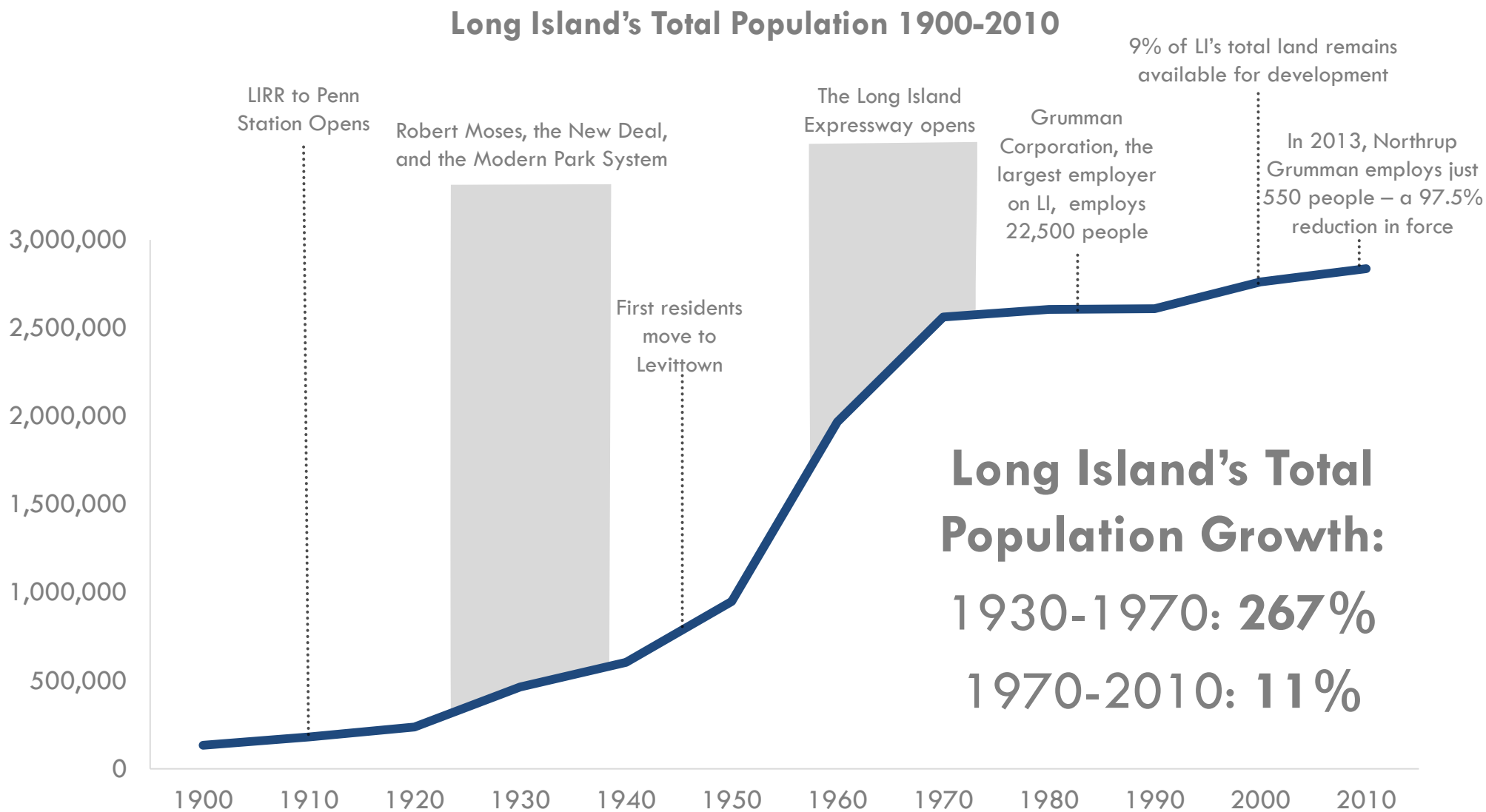
In May, 2014, HR&A and Parsons Brinkerhoff released *The Economic and Fiscal Impacts of the Long Island Rail Road Main Line Third Track*.

The study fueled a regional conversation around the merits of the project and its ability to catalyze economic growth.

HR&A estimated that the initial capital investment of \$1.1 billion in the Third Track would generate a significant return in terms of growth in employment, population, and economic activity.



Since 1970, Long Island's growth has leveled off considerably.



Source: U.S. Census Bureau; Bureau of Economic Analysis; Regional Plan Association; New York Times; Wall Street Journal

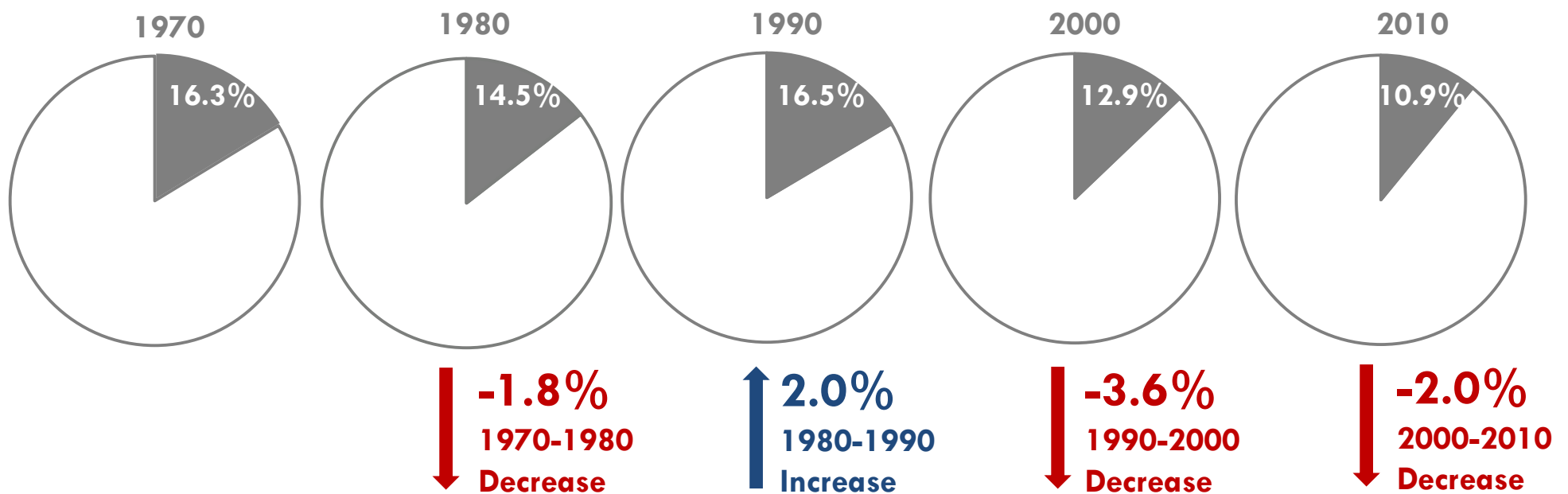
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Since 1990, the proportion of young workers on Long Island has declined significantly.

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From 1980-1990, 25-34 year olds grew as a share of Long Island's total population. Yet since the 1990s, the proportion of young workers has fallen significantly. By 2010, the 25-34 year old age cohort dropped to 10.9% of the total population.

**Ages 25-34 Cohort as Percent of Total Population 1970-2010**



Source: U.S. Census Bureau

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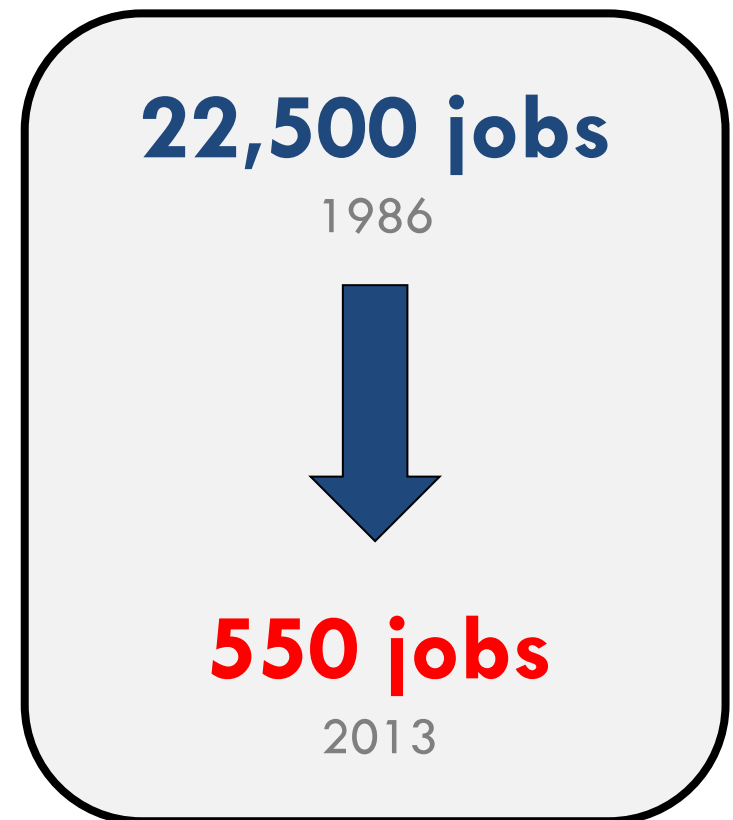
## The loss of the manufacturing and defense industries leaves an economic void.

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Service sector jobs are filling the gap left behind by the shrinkage of the aerospace and defense industry. These jobs tend to pay lower salaries and offer fewer opportunities for career advancement to Long Island residents.

According to the 2014 poll of Long Island residents conducted by Stony Brook University on behalf of the Long Island Index, **50% of Long Islanders believe that the quality of local jobs has decreased compared to five years ago.**

### Northrop Grumman Employment on Long Island



*Source: Long Island Index 2014 Poll; "A New Vision for Long Island's Economy," Long Island Regional Economic Development Council, 2011; Wall Street Journal*

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Long Island job growth was historically fueled by the suburbanization of employment and by women entering the workforce in greater numbers.

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Long Island has lost the competitive edge in the employment growth it once enjoyed.

## **Average Annual Employment Growth Rate:**

**1970-1980: 2.4%**

**1980-1990: 1.7%**

**1990-2000: 0.9%**

**2000-2010: 0.8%**

*Source: U.S. Bureau of Labor Statistics; U.S. Census Bureau*

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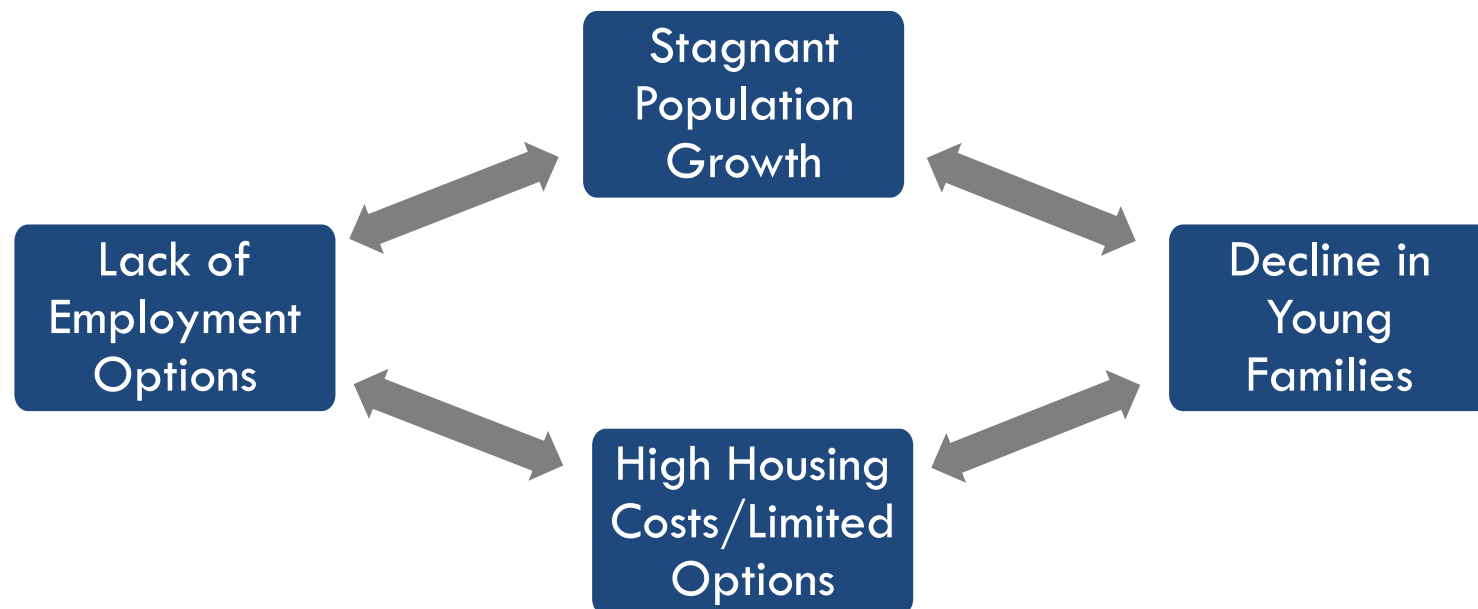
Long Island's stagnant growth is a product of persistent socioeconomic challenges and structural changes in the economy.

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Intractable challenges – from a decline in high paying jobs to the accelerating loss of young workers and families – conspire to dampen Long Island's future.

**Without targeted interventions, these challenges threaten to erode Long Island's economic vibrancy and fiscal sustainability, and quality of life.**

### Interconnected Factors Influencing Long Island's Future Prosperity





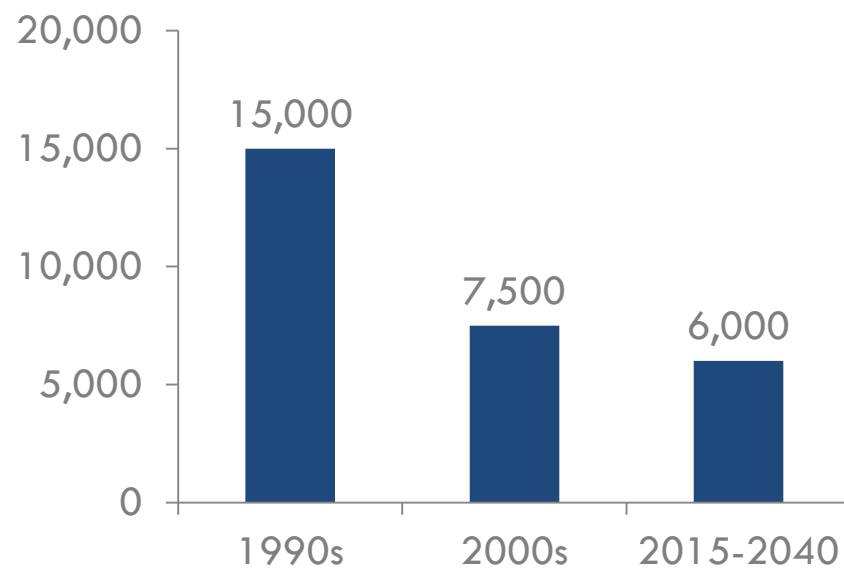
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The rate of Long Island's population growth is projected to further decline in the coming decades, in part due to difficulty retaining young workers.

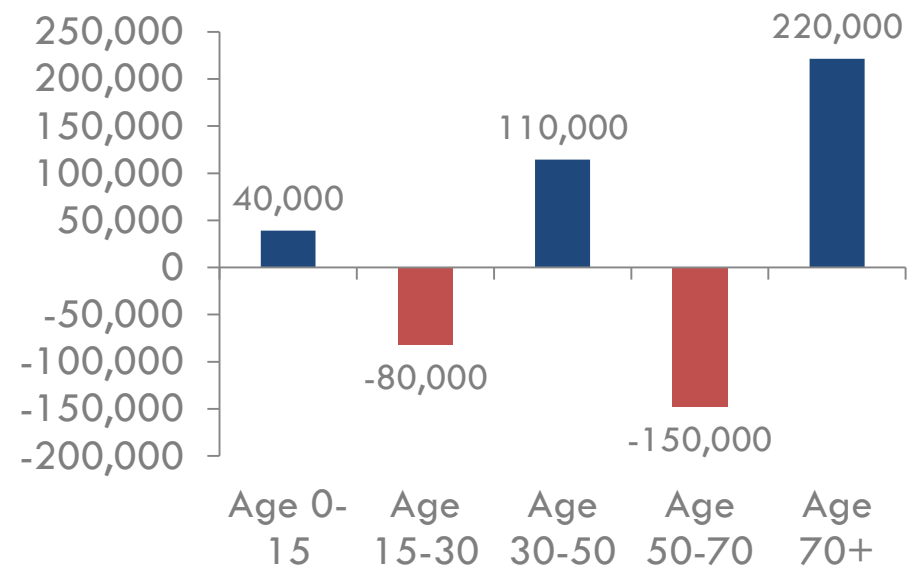
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Long Island's rate of population growth has eroded considerably since the 1990s. Going forward, the region is projected to grow at an annual rate of 0.2%, equivalent to only 6,000 new residents per year. Its population will also grow older, as the population aged 15-29 experiences an absolute decline.

**Average Annual Population Growth: Historical and Projected**



**Projected Change in Population by Cohort, 2015-2040**



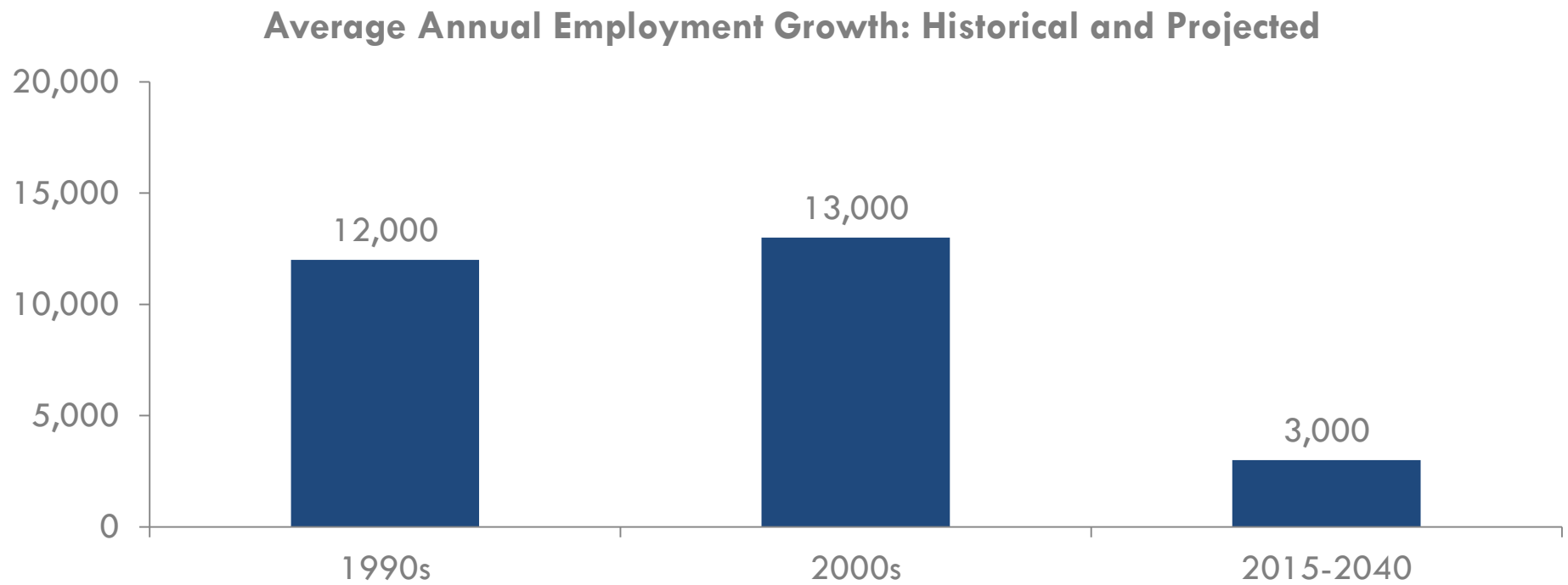
Source: REMI; HR&A Analysis

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## Employment growth on Long Island is also projected to slow over time.

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Long Island's economy is projected to stagnate over the next twenty-five years. Overall jobs will grow at a lower rate than in the 1990s and 2000s due to the lack of relative strength of Long Island's economy and amenities compared to other regions in the United States.



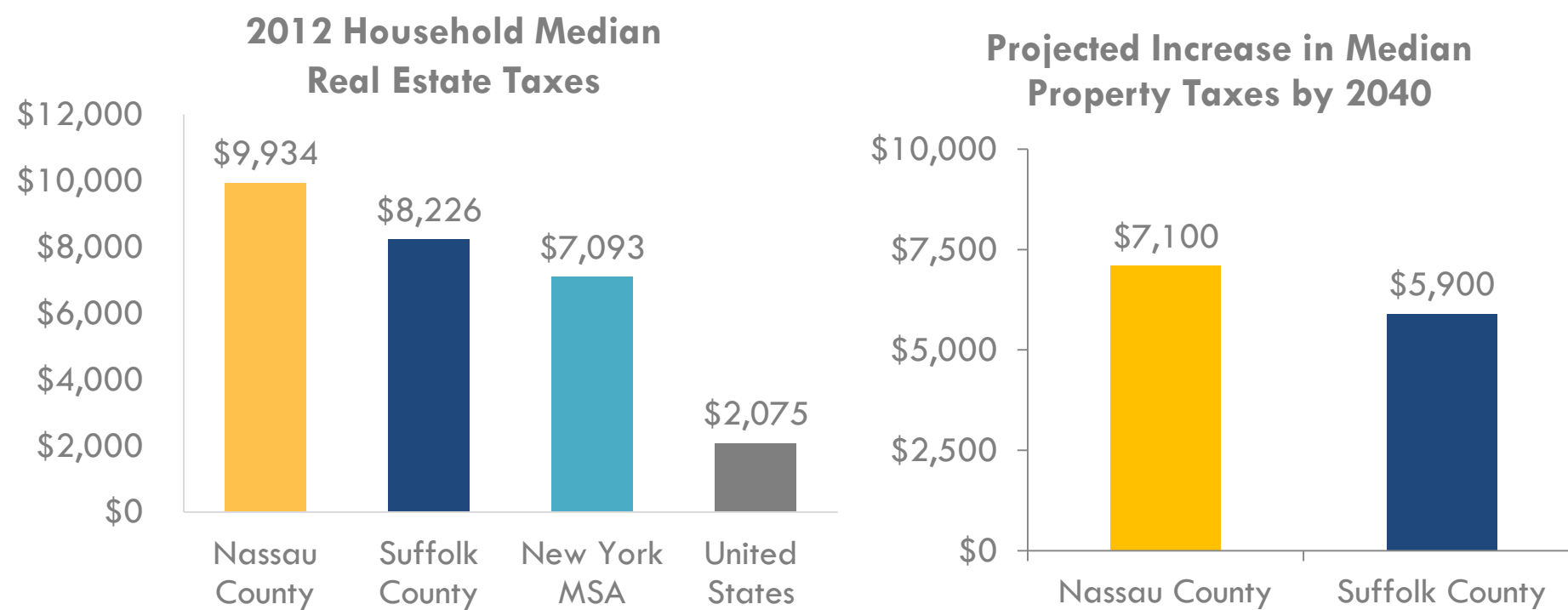
Source: Bureau of Economic Analysis; REMI; HR&A Analysis

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## Long Island's high number of administrative jurisdictions contributes to its heavy tax burden, which is likely to continue to climb in the coming years.

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Long Island municipal services, including public schools, libraries, police, fire, and sanitation services, are funded by hefty property taxes. Establishing more extensive shared services agreements, and consolidating some public service districts could help decrease overall municipal expenditures.



Source: U.S. Census Bureau; Long Island Index; HR&A Analysis

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While many of these trends are discouraging, Long Island can leverage its existing assets to change its economic course.

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Investing in game-changing policy interventions could help re-orient Long Island on the course towards sustainable prosperity.



*Image Source: Timo Forchheim, Creative Commons, [http://commons.wikimedia.org/wiki/File:Map\\_of\\_Long\\_Island\\_NY.png](http://commons.wikimedia.org/wiki/File:Map_of_Long_Island_NY.png)*

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Public and private sector leadership on Long Island has already come together to advance a set of strategic economic development priorities.

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The Long Island Regional Economic Development Council is spearheading a multi-pronged strategy to enhance regional prosperity. *The Strategic Economic Development Plan for Long Island* offers tactics to leverage existing strengths to create a robust innovation economy.

This study builds upon these recommendations by positing synergistic strategies to **grow Long Island's biomedical cluster** and **ramp-up multifamily housing production**.

Create Quality Jobs Through  
Biomedical Cluster

Expand Housing Opportunities

*Image Source: 2014 Strategic Economic Development Plan for Long Island*

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Long Island's biomedical industry is a logical target for cluster-based economic development strategies.

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Long Island is positioned to create jobs in industries in which the region maintains a competitive advantage. Long Island's biomedical industry is relatively small, but growing and highly concentrated compared to the United States.

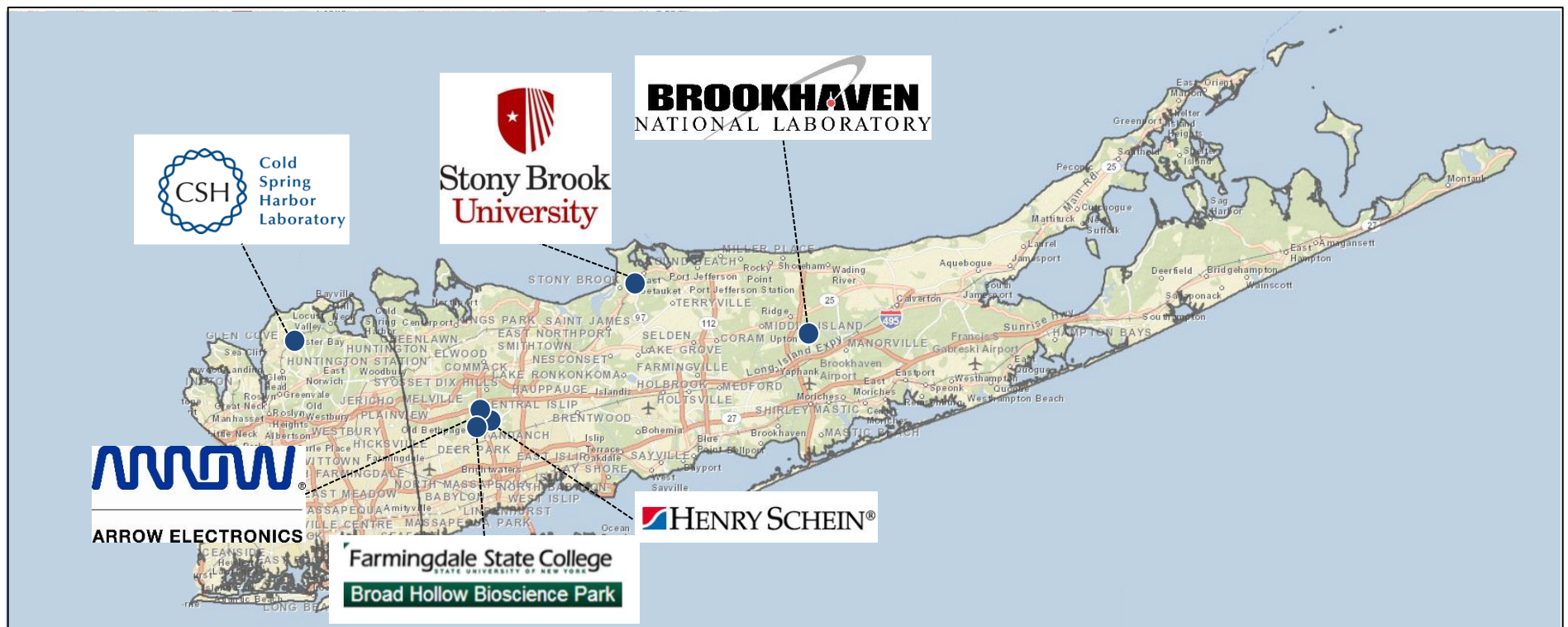


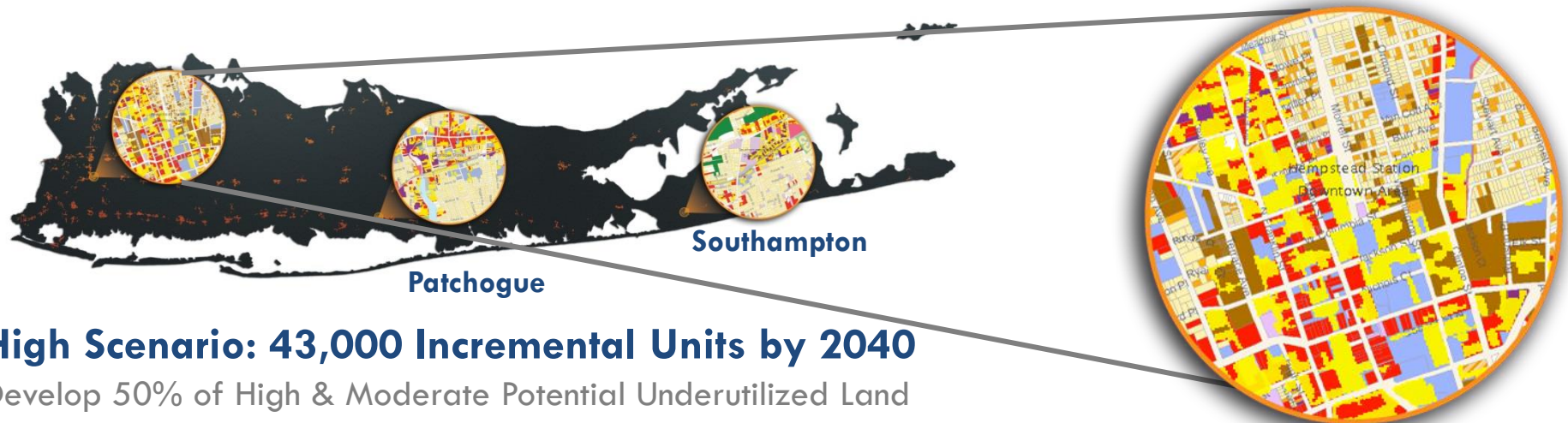
Image Source: ESRI Business Analyst Online

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Opportunities for multifamily housing production have been identified on more than 8,300 acres near LIRR station areas and downtowns.

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Developing multifamily housing in central areas could maintain the suburban character of Long Island by preserving existing neighborhoods, farmland, and open space. At the same time, increased development in town centers could provide a significant jolt of housing supply, with more affordable and diverse housing options. 2014 Poll results indicate that a majority of Long Islanders support local high density living opportunities in downtown areas.



### **High Scenario: 43,000 Incremental Units by 2040**

Develop 50% of High & Moderate Potential Underutilized Land

### **Low Scenario: 25,000 Incremental Units by 2040**

Develop 50% of High Potential Underutilized Land

### **Hempstead**

Yellow areas represent  
vacant land with high potential

Source: Long Island Index; Long Island Index 2014 Poll; Regional Plan Association, "Places to Grow"; Image Source: Long Island Index



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HR&A modeled the economic impacts of low and high scenarios of achieving both strategies.

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Create Quality Jobs  
Through Biomedical Cluster



Expand Housing  
Opportunities

**50% Growth**

**LOW  
SCENARIO**

Long Island Gains Additional  
**8,250** biomedical jobs by 2040

**25,000 Incremental Units**

Develop 50% of **High Potential**  
Underutilized Land

**75% Growth**

**HIGH  
SCENARIO**

Long Island Gains Additional  
**12,250** biomedical jobs by 2040

**43,000 Incremental Units**

Develop 50% of **High & Moderate  
Potential** Underutilized Land



Implementing strategies to create multifamily housing and grow the biomedical cluster could pay enormous dividends.

*Low Scenario Growth  
over Baseline Expectations*

**82,000**

New Residents  
by 2040

**12,000**

New Residents  
aged 25-34 by 2040

**44,500**

New Jobs  
by 2040

**\$9.5B**

New GRP  
in 2040

**\$7.7B**

New Income  
in 2040

**\$360M**

New Tax Revenue  
in 2040

*High Scenario Growth  
over Baseline Expectations*

**138,000**

New Residents  
by 2040

**23,000**

New Residents  
aged 25-34 by 2040

**73,000**

New Jobs  
by 2040

**\$15.1B**

New GRP  
in 2040

**\$12.6B**

New Income  
in 2040

**\$600M**

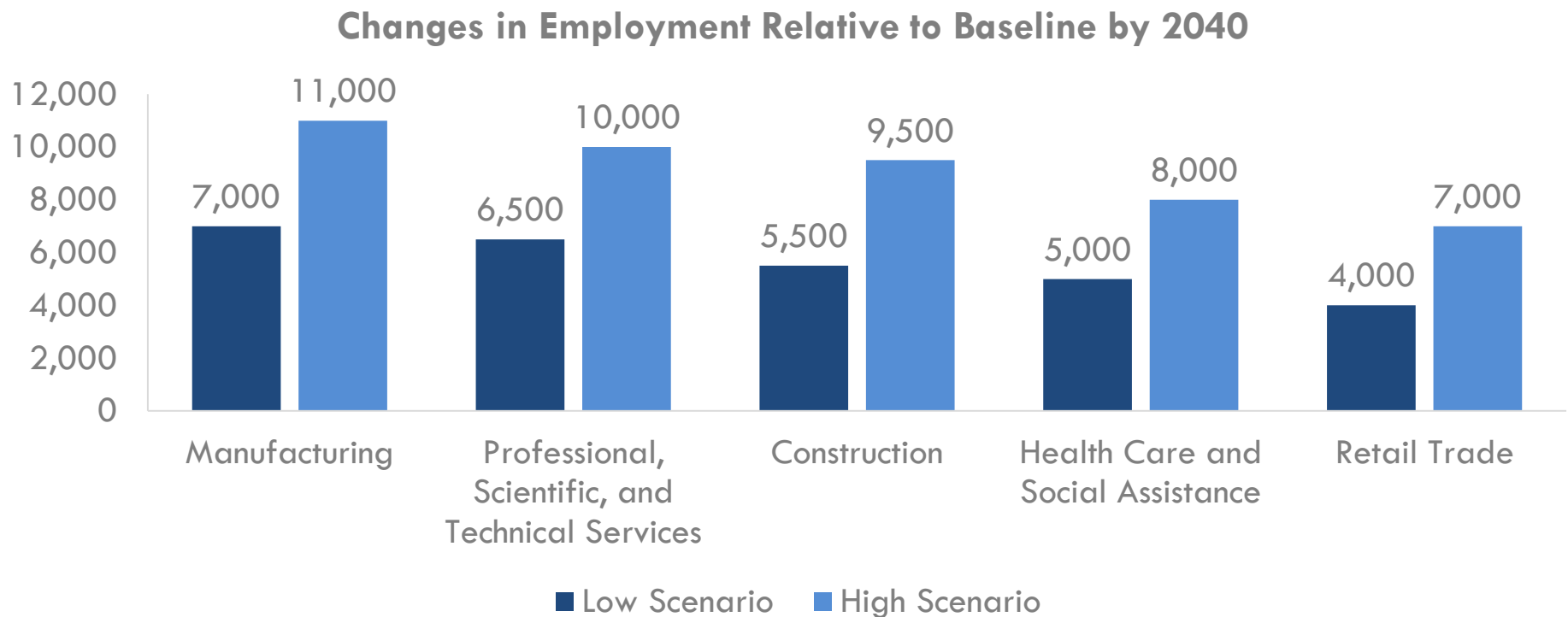
New Tax Revenue  
in 2040

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## These interventions would result in significant gains in key Long Island's employment sectors for workers at all income levels.

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By 2040, Long Island could gain between 28,000 and 45,500 jobs in these sectors, including Professional Services, Construction, and Healthcare and Retail. These sectors support jobs with diverse income levels, ranging from retail workers (\$25,800) to construction workers (\$64,200) to executives (\$143,400).



Source: REMI; HR&A Analysis

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HR&A prepared two case studies to demonstrate how these strategies positively impact specific local communities.

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The aggregate impact described in the preceding analysis is ultimately the summation of local impacts felt throughout communities on Long Island. The following case studies demonstrate how the strategies could play out at a local level in Suffolk County along the Route 110 Corridor and in the Village of Westbury in Nassau County.

### Route 110 Corridor

Employment and tax revenue impacts of  
biomedical cluster growth

### Village of Westbury

Fiscal impacts of creating downtown, transit-  
oriented multifamily housing

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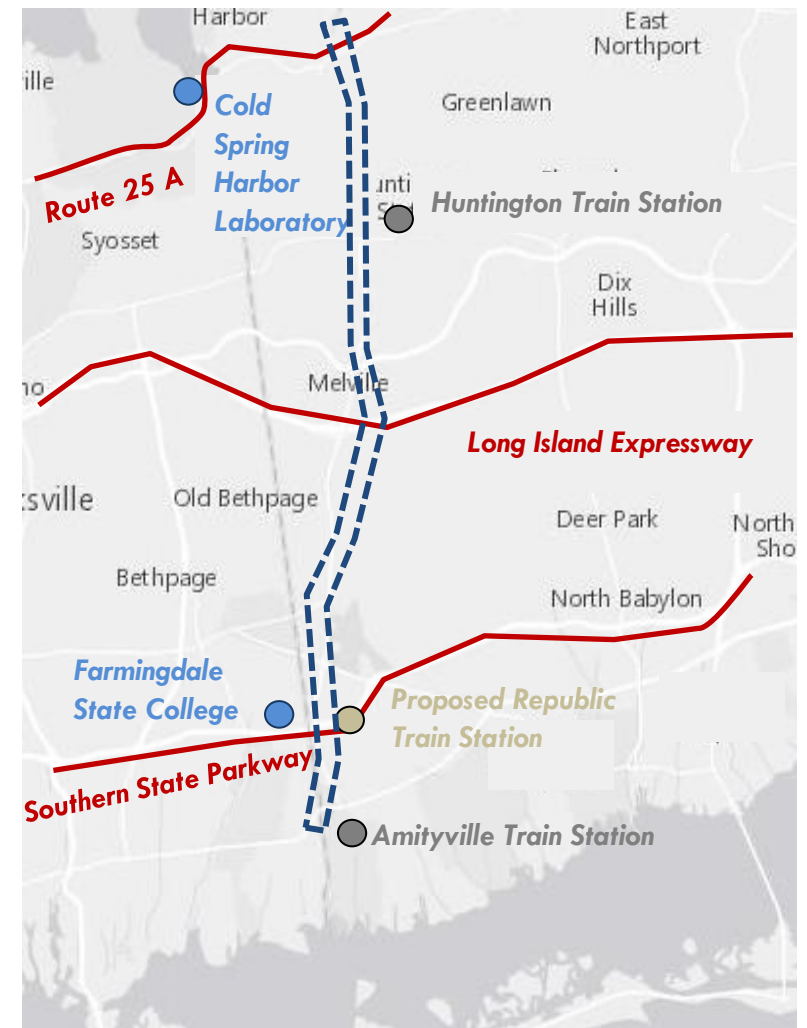
The Route 110 Corridor plays a vital role in Long Island's economy, with over 60,000 jobs located within a half-mile of the corridor.

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Significant efforts have been made to bolster the corridor, including proposals for a bus rapid transit (BRT) system, and multiple requests for proposals (RFPs) to concentrate new development in the corridor. The corridor holds significant potential for TOD, with large investments being made around the Huntington and new Republic LIRR Stations.

The corridor currently has over 1 million SF of vacant office space and 500,000 SF of vacant industrial space. With this space availability and its proximity to major facilities, the corridor is a logical physical locus for Long Island's biomedical cluster.

### Route 110 Corridor

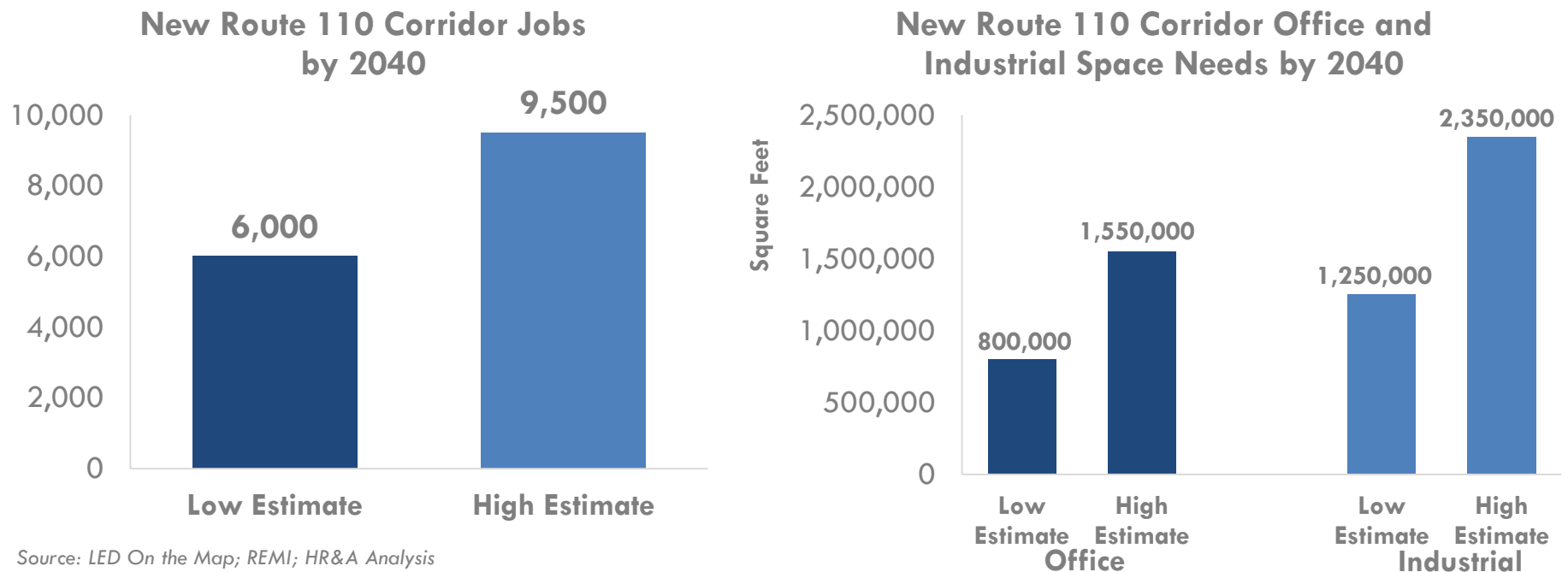


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Strategic policies to promote the biomedical sector could attract significant new jobs and drive demand for space in the area.

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By 2040, approximately 6,000 to 9,500 additional workers could be located along the Route 110 corridor. Given the corridor's current proportion of square feet per worker, these new workers will require up to 1.55 million SF of office space and up to 2.35 million SF of industrial space.



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Transforming the 110 Corridor into a vibrant mixed-use district would enhance Long Island's ability to compete for businesses and workers.

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**Strategic investments to strengthen Long Island's biomedical cluster could provide:**

**6,000 - 9,500**

New Route 110  
Corridor Jobs

**\$32M - \$51M**

New retail  
Spending

**\$2.4M - \$3.8M**

New Sales Tax  
Revenue

**By 2040, a reinvigorated 110 Corridor could offer:**

- A modern transit system that facilitates travel within the corridor and to the greater region.
- New multifamily housing in proximity to jobs and amenities
- New office spaces designed to maximize interaction and innovation
- Lively, human-scale downtown environments featuring retail and restaurants



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## The Village of Westbury could accommodate significant fiscal-positive development on two parcels adjacent to the LIRR station.

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In January 2014, The Long Island Index released innovative designs for downtown parking structures in Long Island communities through its ParkingPLUS Design Challenge. LTL Architect's proposal, "Train Terraces" is designed to strengthen the connection between the LIRR station and downtown Westbury. HR&A conducted a high-level fiscal impact of the residential component of the proposal, which contemplated approximately 80 new housing units.



*Image Source: LTL Architects, Build a Better Burb*

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Building denser housing in downtown Westbury would create more than \$280,000 in annual net fiscal benefit and add vibrancy to the area.

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While this project is based on expectations of the type of development that would occur on this centrally-located parcel, all Long Island communities must make a concerted effort to introduce rental housing that is affordable.

**Annual Net Fiscal Benefit to Long Island Governments**

Revenue	\$810,000
Cost	-\$530,000
<b>Net Benefit</b>	<b>\$280,000</b>

**Transit-Oriented Infill Development in Downtown Westbury could offer:**

- Increased vibrancy on Post Avenue retail corridor
- Increased LIRR ridership
- New multifamily housing in proximity to jobs and amenities
- Additional retail spending and sales tax revenue
- Attract more young workers and their families



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A variety of levers are available to strengthen Long Island's biomedical cluster.

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### **Third Track and Regional Connectivity**

- 1** Improve transportation options and overall transit connectivity by building the LIRR Third Track and creating a multi-modal north-south transit system for the Route 110 Corridor.

### **Invest in Downtowns**

- 2** Amenitize downtown locations with retail and restaurants, streetscaping, and event programming to provide a walkable environment attractive to young workers.

### **Start-up Capital Funding**

- 3** Leverage state funding opportunities and local initiatives such as Accelerate Long Island to provide increased capital funding to early-stage start-ups.

### **Commercialize Research**

- 4** Strengthen the business mentor network and connections to local research institutions to foster new start-up creation and ensure survival of new firms.

### **Flexible Zoning**

- 5** Regionally coordinate local zoning and permitting efforts to build flexible office and industrial space in appropriate locations as need develops.

### **Business-Friendly Taxes**

- 6** Lower the business tax burden through strategic consolidations that enable the realization of economies of scale in service provision.

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Similarly, implementation actions, many of them at the local level, will be necessary to achieve a significant increase in housing production.

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### **Flexible Regulatory Environment**

- 1** Allow higher densities and mixed land uses in downtown centers and LIRR station areas either by-right or through density bonuses for urban infill projects.

### **Live-Work-Play Downtowns**

- 2** Encourage the strategic development of amenities that downtown residents will require in live-work-play centers, such as grocery stores and entertainment options.

### **Regional Smart Growth Plan**

- 3** Advocate for regional smart growth and the creation of a Long Island-wide general land use policy plan to coordinate denser development.

### **Construction Permitting**

- 4** Expedite permitting for multi-family housing projects to speed up the development timeframe and encourage private-sector investment.

### **Public Infrastructure Investments**

- 5** Continue to invest in public facilities and infrastructure, and consider funding below-market rate loans for denser projects.

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# Appendix

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Arising out of existing regional assists, formidable biotech clusters in San Diego and Greater Boston are driving regional economic growth.

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- Biotechnology innovation in San Diego is a product of **academic, institutional, government, and entrepreneurial collaboration**.
  - Scripps, UCSD, and the Salk Institute are the cluster's foundation. UCSD faculty founded Hybritech, which commercialized the first antibody-based screen for prostate cancer and was acquired by Eli Lilly.
  - Established to accelerate commercialization of research, CONNECT has assisted 3,000 companies in attracting \$2 billion in life science funding.
- Greater Boston's biotech cluster is **fueled by the area's robust network of venture capital and renown universities**, led by MIT and Harvard.
  - Kendall Square has been **reshaped through mixed-use development** driven by biotech companies.
  - Biotech has also **helped to revitalize the suburban Route 128 corridor**.

Source: Voice of San Diego, How San Diego Biotech Started and Where It's Going; The United States Study Centre at the University of Sydney; San Diego EDC; Sang-Tae Kim, An Emergence of a Biotechnology Cluster, UC Irvine; Connect; Breznitz and Anderson, "Boston Metropolitan Area Biotechnology Cluster"; Cambridge Historical Society "Innovation in Cambridge"; Mass Bio 2014 Industry Snapshot; The New York Times, "Biotech Players Lead a Boom in Cambridge"; Route 128 Business Council

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## Northern New Jersey and Virginia's Arlington County have leveraged transit to produce a range of housing options.

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- Northern New Jersey has **enhanced its competitiveness with transit-oriented development** along NJ Transit and the Hudson-Bergen Light Rail (HBLR).
  - Hudson and Bergen Counties have added 10,000 new residential units since the HBLR opened in 2000. These new units support an emerging sense of place as a part of a revitalized urban environment.
  - City officials have become more comfortable allowing higher densities and lowering parking requirements.
- Arlington's Rosslyn-Ballston Corridor, with 30,000 housing units and 26 million commercial SF, is **among the nation's most successful TOD districts**.
  - The corridor's vibrancy has helped attract and retain young workers.
  - A progressive general land use plan and sector-specific zoning ordinances drive station area development.

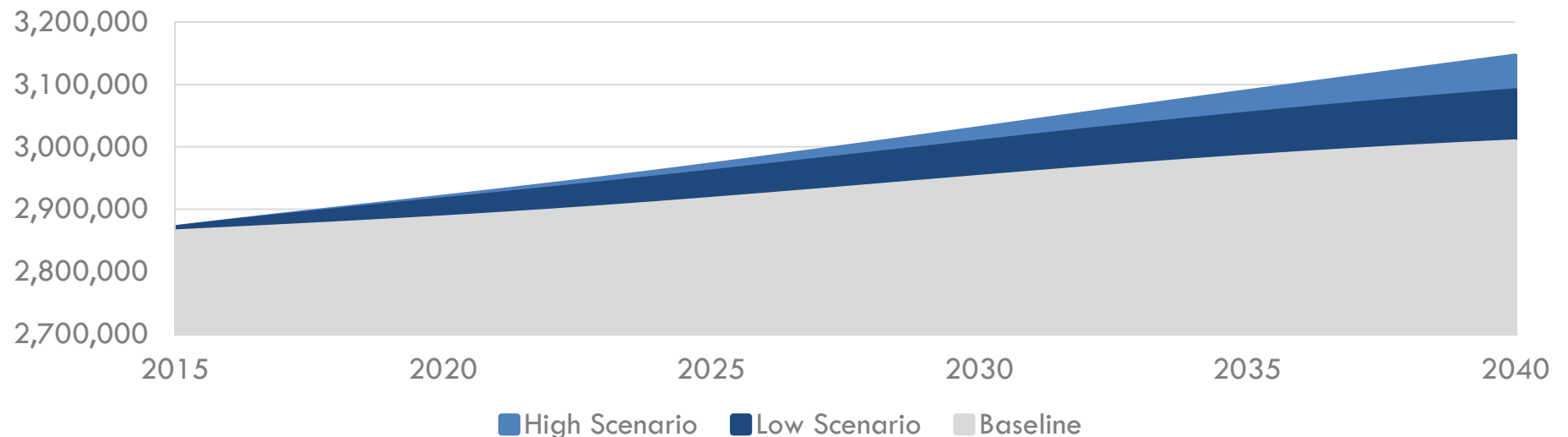
Source: U.S. Census Bureau; New York YIMBY, "North Jersey Builds a Lot of Housing, and Here's How They Do It"; Opportunity Newark, "Job and Community Development for the 21st Century"; New Jersey Future, "Smart Growth in New Jersey"; Voorhees Transportation Center at Rutgers University; Arlington County Virginia Department of Community Planning; Transit Cooperative Research Program, Report 102; Walksteps.org Arlington: Transit Oriented Development; Arlington County Virginia General Land Use Plan

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## Long Island stands to gain a significant increase in population if both strategies are implemented.

By 2040, Long Island could gain between 82,000 and 138,000 new residents over and above the expected baseline population increase.

**New Long Island Residents**



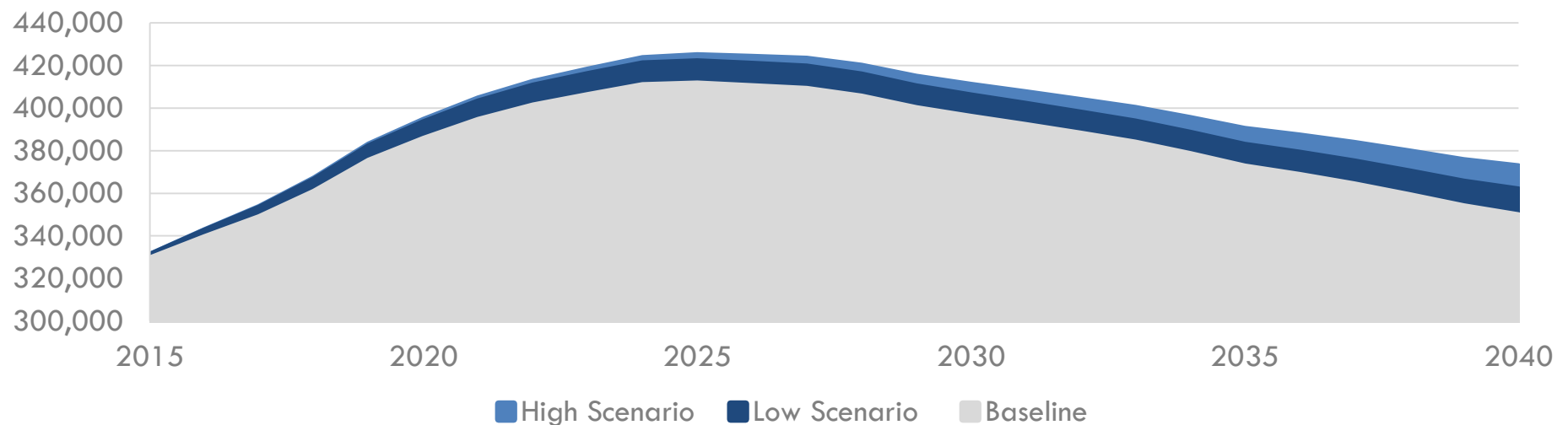
High Scenario	+7,000	+33,000	+55,000	+78,000	+105,000	+138,000
Low Scenario	+7,000	+29,000	+44,000	+57,000	+69,000	+82,000
Baseline	2,862,000	2,884,000	2,914,000	2,949,000	2,982,000	3,007,000

Source: REMI; HR&A Analysis

Long Island would also experience a strong increase in the young worker cohort.

By 2040, Long Island could retain or attract between 12,000 and 23,000 residents in the 25-34 cohort over and above the projected baseline.

**New Long Island Residents Age 25-34**



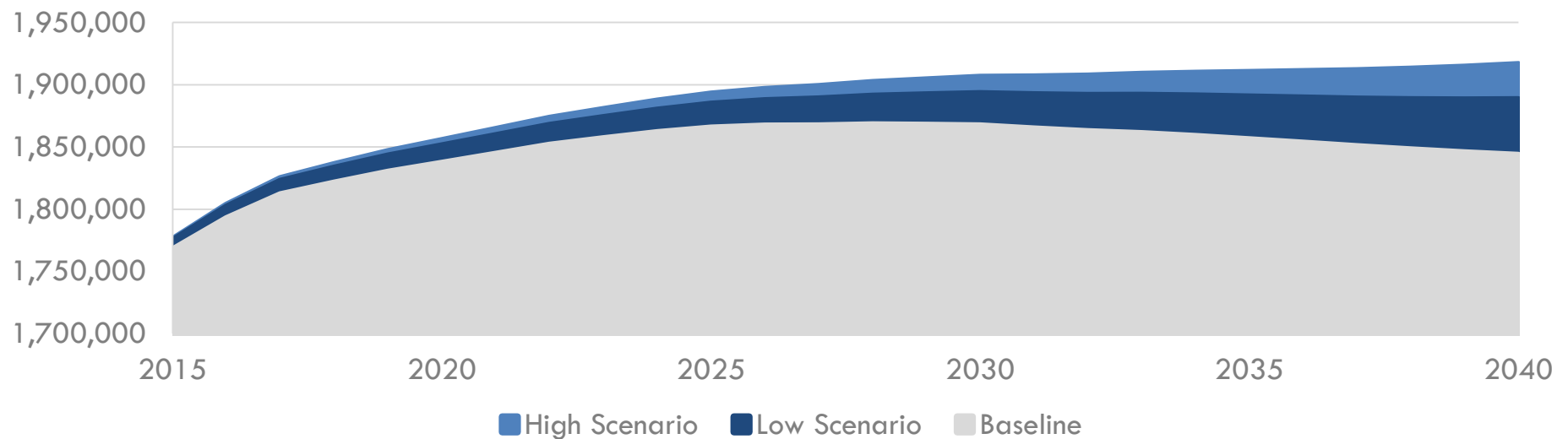
High Scenario	+2,000	+9,000	+13,500	+15,000	+17,500	+23,000
Low Scenario	+1,500	+8,000	+10,500	+10,000	+10,000	+12,000
Baseline	329,000	385,000	411,000	396,000	372,000	350,000

Source: REMI; HR&A Analysis

These strategic interventions would transform Long Island's economy, adding tens of thousands of jobs.

By 2040, Long Island could gain between 44,500 and 73,000 new jobs over and above the expected baseline.

**New Long Island Jobs**



High Scenario	+8,500	+18,000	+27,500	+39,000	+54,000	+73,000
Low Scenario	+7,500	+14,000	+19,000	+26,000	+34,500	+44,500
Baseline	1,767,000	1,837,000	1,865,000	1,867,000	1,856,000	1,843,000

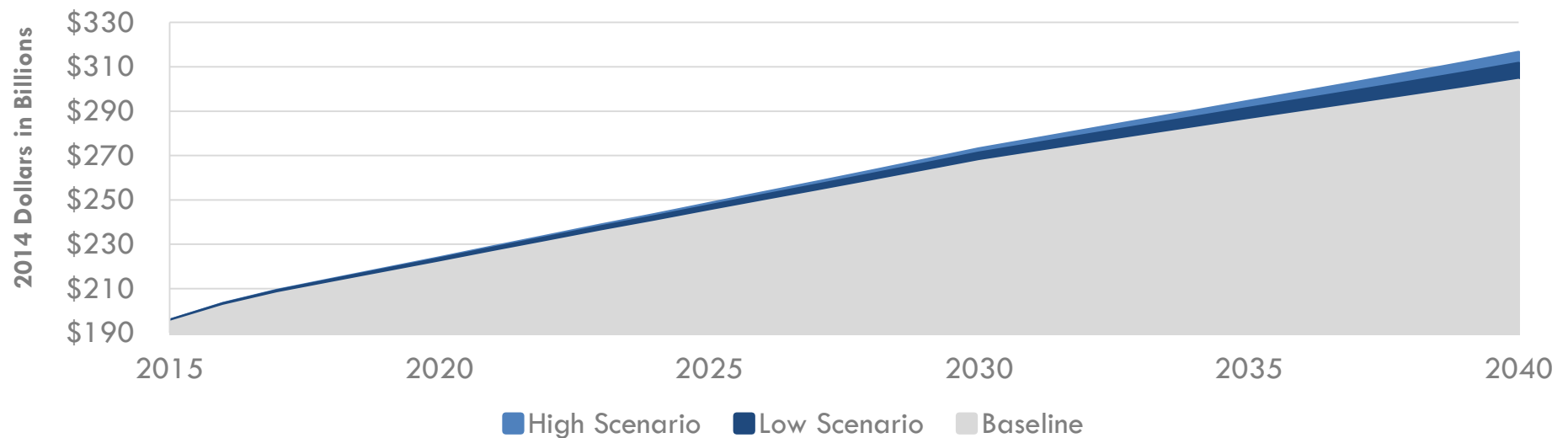
Source: REMI; HR&A Analysis



## Personal income on Long Island would also increase, driven by population and employment growth.

By 2040, Long Island's personal income could increase between \$7.7 billion and \$12.6 billion annually over and above the baseline projection.

**Long Island Aggregate Personal Income**



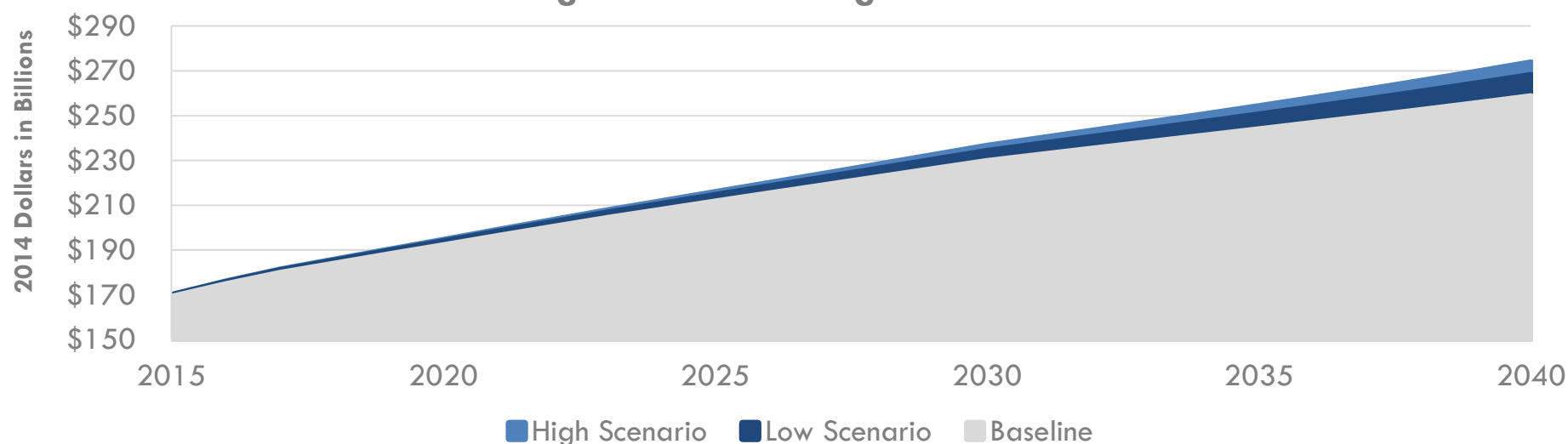
High Scenario	+\$1.05B	+\$2.35B	+\$3.78B	+\$5.81B	+\$8.63B	+\$12.63B
Low Scenario	+\$0.97B	+\$1.89B	+\$2.74B	+\$3.91B	+\$5.48B	+\$7.66B
Baseline	\$193.84B	\$220.68B	\$243.75B	\$266.39B	\$284.98B	\$303.07B

Source: REMI; HR&A Analysis

## By 2040, Gross Regional Product on Long Island would increase over baseline expectations.

By 2040, Long Island could gain between \$9.5 billion and \$15.1 billion in additional economic activity due to employment and productivity gains.

**Long Island Gross Regional Product**



High Scenario	+\$0.86B	+\$2.41B	+\$4.23B	+\$6.82B	+\$10.33B	+\$15.12B
Low Scenario	+\$0.73B	+\$1.80B	+\$2.93B	+\$4.52B	+\$6.64B	+\$9.49B
Baseline	\$168.90B	\$191.94B	\$211.48B	\$229.57B	\$243.76B	\$258.50B

Source: REMI; HR&A Analysis

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