

Impact Analysis for Economic Developers

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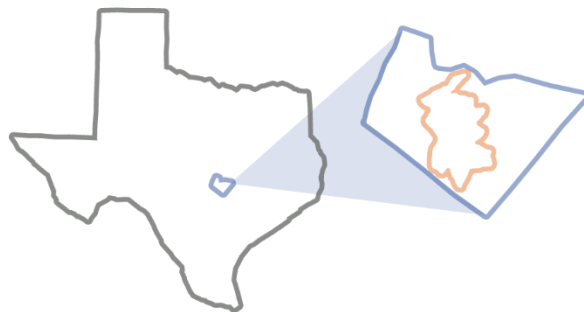
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I. Impact Analysis for Economic Developers

Impact analysis reports are ubiquitous in economic development but the quality and relevance of these reports vary significantly. The lack of an industry standard concerning terminology and presentation contribute to broad confusion and misinterpretation. In many cases a high-quality impact report will help all sides better understand the good and the bad of what may come with a planned project and bring to light issues requiring further study. However, in too many instances these potentially useful reports are intimidating, opaque, and ultimately abandoned in favor of “gut feel”. This article is intended to help economic developers, their boards, and other stakeholders cut through the jargon and identify the hallmarks of a high-quality impact report so that they can utilize the report to its fullest potential.

Before we get too far in to weeds, let’s first address the name of these analyses. People use a variety of names for more or less the same type of study. Names such as cost-benefit analysis, economic impact analysis, fiscal impact analysis, ROI report, or simply impact report are used almost interchangeably to describe a study that seeks to determine the value of the economic development project to a state or community. As the old adage goes, don’t judge a book by its cover. Likewise, don’t be influenced by the name of the report, dig deeper to make sure it addresses all or a good number of the items below.



1. Focus on YOUR Region

A municipality that receives an impact report prepared for the state will be able to gather a general understanding of the proposed project and comprehend the project’s impact on the state, but ultimately this report isn’t useful to the municipality.

The impact report should be explicit in defining the geographic region under analysis and that region should correspond to your organization’s purview. We generally see impact reports coming in two different flavors: state impact and local impact. State-level reports detail information relevant to the state economy and state taxes. Local reports focus on county, city, and school impacts. Depending on the purpose of the report, you may see an all-encompassing report that can satisfy the inquiries by state and local stakeholders.



2. Economic Impact Is Not One Number

Economic impact is a common element included in impact reports and understanding the jargon can help you digest the project under analysis. Economic impacts occur anytime money changes hands; whether it is from me purchasing tacos at a food truck, Ford purchasing aluminum to make trucks, or Google hiring a new developer. A common misconception is that there is a single value that represents economic impact. Economic impact is typically measured using four metrics; (1) employment, (2) household earnings, (3) economic output, and (4) value added.

- (1) **Employment** (or jobs) is probably the easiest one to understand. Typically, employment impact is reported as a headcount of jobs—not in terms of full-time equivalents. So, employment consists of a count of jobs that include both full-time and part-time workers. In this way, 10 full-time workers and 10 part-time workers would be reported as 20 jobs. Studies may vary in how this is reported, but most models take this headcount approach.
- (2) **Household earnings** (or workers' earnings or labor income) is the total amount of income paid to all workers and owners, including wages and salaries, employer provided benefits, and business owner profits. Some studies might report salaries which, depending on how things were calculated, could be correct too.
- (3) **Economic output** (or gross output or output) is the total dollar amount of all sales made or the value of goods and services created in the activity under analysis. Economic output represents the money spent to purchase all of the inputs to a product as well as the money received when the product is sold. This measure is a duplicative total because the value of inputs are counted multiple times when those products are used in the production of other goods and services. If this sounds problematic, and you'd rather focus just on the value added at each step, you're in luck...
- (4) **Value added** is the total dollar amount of only new sales made. Therefore, it is output minus the value of anything that was already sold in the market.

For a longer discussion [see our recent post on this topic](#).

Many impact reports used by economic developers focus on a new business. Although a new business will generate an economic impact, the scale of that impact typically doesn't warrant the use of economic output or value added. This is to say; these measures won't provide any meaningful insight to the project. The easier-to-comprehend impacts of employment and household earnings are the most instructive measures to be included.



3. Understand Multipliers

If you have spent some time in economic development, then you're probably familiar with the term and concept of an economic impact multiplier. [I wrote in detail on this topic](#) not too long ago but I'll summarize the concept here. Multipliers are the "magic" behind calculating the economic impact. There are several types of multipliers but in their simplest form, direct-effect multipliers are values (something like 1.5 or 2.73) which are multiplied by the direct impact in order to determine the total impact inclusive of spin-off activity. So, if a company created 10 jobs and we knew the employment multiplier was 1.5, you would multiply $10 \times 1.5 = 15$ meaning 15 total jobs were created inclusive of 10 direct jobs and 5 spin-off jobs. Multipliers are specific to a region and an industry. Generally speaking, the larger the region analyzed, the larger the multiplier. Manufacturers generally have a higher multiplier value than retailers or restaurants.

To clarify some jargon that just got thrown around, spin-off impacts represent the ripple effect of the new direct business. Indirect impacts are simply the supplier impacts that result from business-to-business spending. Induced impacts are the employee spending impacts that occur when employees of the direct or indirect businesses spend money at retailers, restaurants or anywhere else in the region.



4. Public Revenues vs. Public Costs

In addition to the economic benefits, a typical impact report will address the fiscal impact or the revenues and costs to governments. Government revenues typically include new taxes, fees, or charges for services. The report should include the most significant sources of revenue for governments. You probably already know these revenue sources without digging in to detailed financial reports. In the majority of communities around the country, property taxes represent the most significant source of local revenue. In Texas, local sales tax revenue provides another significant source of funding to municipalities. Ultimately, the impact report should consider how revenue sources may be affected and include all sources that may be relevant.

Potential government costs can be difficult to estimate, but disregarding these costs completely is disingenuous. When new business activity occurs in your community or new workers move in, you can be sure there will be an increase in public costs – even if those costs are limited to marginal public safety and education expenses. In addition to the increased cost of general government, a project may impose significant one-time costs to be incurred by local governments.



5. Detailed by Jurisdiction and Over Time

The economic benefits and fiscal net benefits will accrue over a period time and these benefits will be distributed with varying intensity across many levels of government. A comprehensive impact report should project out over a reasonable time horizon based on the phasing of the project and detail the impact by jurisdiction.

Time Horizon: A snapshot in time just won't do. Economic development is a filmstrip not a photograph. The impact report should cover a number of years so that it is long enough to be comprehensive but not so long that it's ridiculous. Ten years is a common length, although depending on the nature of the project and possible incentives, a longer analysis may be appropriate.

Anytime you analyze a stream of revenues and costs over a period of time it is important to consider the time value of money and use a discount rate to pull future streams of money back to the current time period. For more on this topic and help choosing a discount rate, [see a post that I wrote a few years ago](#) – still solid advice today.

By Jurisdiction: State and local taxes are the result of specific tax rates. Although a business might receive a single property tax bill at the end of the year, those taxes get split up by jurisdiction so the county, school, municipality, or possibly other taxing entities receive a share of that tax. Costs should be itemized by jurisdiction as well. One lump sum number for tax or fiscal impact won't help state or local officials understand these benefits. The impact must be delineated by taxing jurisdiction based on specific tax rates, revenues, or attributable costs.



6. Inputs and Key Assumptions Available

A comprehensive impact report should be explicit about the inputs and key assumptions made in the analysis so the audience can understand what was analyzed and how it was analyzed. Impact reports combine three distinct sets of data: (1) project attributes, like jobs created and capital investment, (2) tax structure, like tax rates and jurisdictions, and (3) key assumptions, like property appreciation or depreciation, which enable the analyst to pull all of this together. You should be able to review all of the data going in to the impact report to ensure a reasonable approach was taken.



7. Incentives Analyzed

The impetus for many impact reports is the consideration of public support being proposed or requested. Impact reports should model the proposed economic development incentive by illustrating the value of the incentive and adjusting revenues that may be affected. For example, if the county considers a property tax exemption, the report should reduce the property tax revenue to be received by the county as expected by the length and percentage of the exemption proposed. In this way, the county will understand the value of this incentive and understand the net effect of this incentive on its revenues. Other incentives may be evaluated using an investment framework where a rate of return (ROI) and payback period are calculated to identify the point at which the government will break even on its investment. I've addressed the topic of incentive analysis quite a bit. For more info check out [our blog](#) or [this video](#).

II. Impact Analysis Infographic Example

Reporting on the impact of an economic development project can get technical but in developing [Impact DashBoard](#), our economic development impact model, we have included a comprehensive infographic to help communicate everything stakeholders need to know about a prospective ED project.



What may look like a lot of information is not as overwhelming once you take a breath and remember this report is hitting the three connected elements of an economic development project.

ECONOMIC IMPACTS

FISCAL IMPACTS

INCENTIVE ANALYSIS



ECONOMIC IMPACTS

FISCAL IMPACTS

INCENTIVE ANALYSIS

Economic Impacts

Jobs, salaries, capital investment, and residential development are the primary economic impacts summarized in this report. Job creation includes breakouts for direct jobs, indirect and induced jobs or “spin-off” jobs, and total jobs. Average salaries for direct, spin-off, and the aggregate total of all new jobs are also shown. The direct impacts are entered by the user based on information about the prospective project and the indirect and induced impacts are estimated using economic impact multipliers. Typically, our multipliers use RIMS II multipliers from the Bureau of Economic Analysis but the user has the ability to use other multiplier values if desired. Capital investment represents the total amount invested in buildings and furniture, fixtures, and equipment (“FF&E”) over the term of the analysis. Residential development highlights the number of worker households anticipated to relocate to the community (“Relocations”) and the number of new residential properties to be constructed (“Homes”).

Fiscal Impacts

The economic impacts that emanate from the new economic development project generate new tax revenues and will likely result in new costs. Impact DashBoard is configured to model your community’s tax structure and parse out which government receives various local or state tax revenue. Furthermore, Impact DataSource researches the cost of government services to be estimated based on an increase of business activity or residential population. Impact DashBoard estimates these fiscal costs and benefits over a multiple-year horizon to capture the dynamic effects of the project’s phase-in or changes expected over time. The summary report shows the revenues and costs for a single entity, in this example, the city.

Incentive Analysis

If incentives are under consideration, a comprehensive analysis must incorporate how potential incentives affect the fiscal net benefit to be generated by a project. Impact DashBoard allows users to model sales tax and property tax abatements, rebates, or exemptions as well as other non-tax incentives such as paid-for infrastructure improvements, discounted land, or other cash or near-cash grants. Impact DashBoard estimates property tax incentives to determine how these incentives reduce the overall net benefit generated by the project. Impact DashBoard also calculates the ROI for economic development incentives. A non-tax incentive is compared to the stream of net benefits to be generated over time. In this way, the non-tax incentive is treated as an investment and the net benefits are the return on investment. Impact DashBoard calculates the rate of return and payback period on these incentives.

III. Conclusion

Impact reports play a critical role in helping economic development stakeholders understand how individual projects can move a community toward stated goals. If your community's economic development stakeholders are interested in learning more, reach out to Impact DataSource directly.

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Summary Report Example

IMPACT REPORT

PROJECT ARMADILLO

Exemption & \$1,500 per Job

City of Arlington

JOBS



89.7

50.0 Direct
39.7 Spin-off

SALARIES



\$34,185 Avg

\$35,000 Direct
\$33,158 Spin-off

CAPITAL INVEST.



\$2,400,000

Buildings + FF&E

RESIDENTIAL DEV.



1.0 Homes
7.0 Relocations

BENEFITS

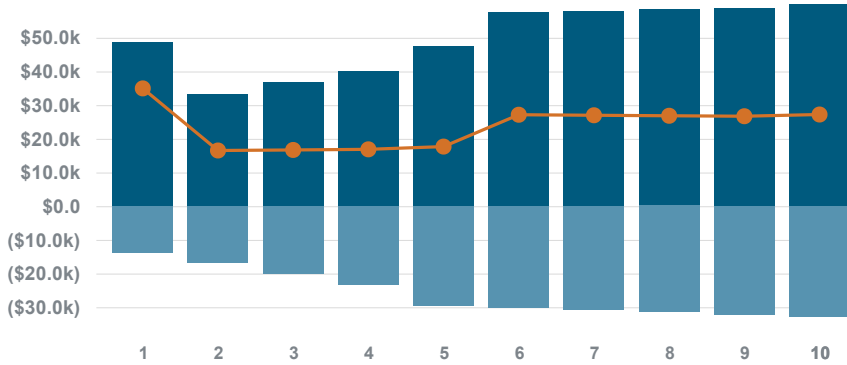
\$497,726

COSTS

(\$260,781)

NET BENEFITS

\$236,945



NET BENEFITS

\$236,945

Present Value

\$181,440

BENEFITS

Sales Taxes	\$65,652
Real Property Taxes*	\$51,063
FF&E Property Taxes	\$35,549
Inventory Property Taxes	\$62,558
New Residential Property Taxes	\$8,742
Building Permits and Fees	\$7,500
Utility Revenue	\$165,902
Utility Franchise Fees	\$46,359
Miscellaneous Taxes and User Fees	\$54,400

Benefits Subtotal

\$497,726

COSTS

Cost of Utility Services	(\$164,618)
Cost of Government Services	(\$96,163)

Costs Subtotal

(\$260,781)

*Above values exclude
Property Tax Rebate

\$46,249

INCENTIVE ANALYSIS

\$75,000

Total Incentive

\$1,500

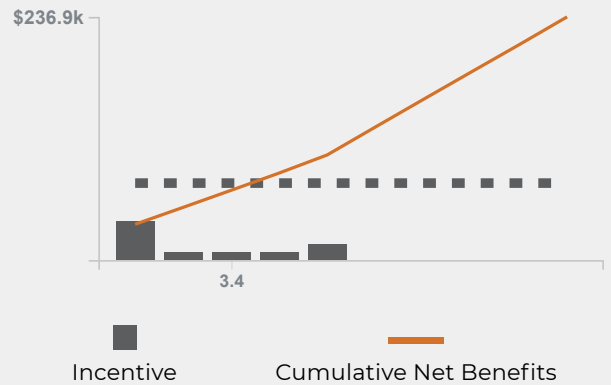
Per Job

31.6%

Rate of Return

3.4 Yrs

Payback Period



NET BENEFITS OVER 10 YEARS

CITY

\$236,945

COUNTY \$74,190

SCHOOL DISTRICT \$112,681

OTHER

\$126,901

Detailed Report Example

Project Armadillo - Impact Report

Exemption & \$1,500 per Job

Prepared By: Economic Development Corporation



Purpose & Limitations

This report presents the results of an economic and fiscal analysis undertaken by Economic Development Corporation using Impact DashBoard, a customized web application developed by Impact DataSource, LLC.

Impact DashBoard utilizes estimates, assumptions, and other information developed by Impact DataSource from its independent research effort detailed in a custom user guide prepared for Economic Development Corporation.

This report, generated by the Impact DashBoard application, has been prepared by Economic Development Corporation to assist economic development stakeholders in making an evaluation of the economic and fiscal impact of business activity in the community. This report does not purport to contain all of the information that may be needed to conclude such an evaluation. This report is based on a variety of assumptions and contains forward-looking statements concerning the results of operations of the subject firm. Economic Development Corporation made reasonable efforts to ensure that the project-specific data entered into Impact DashBoard reflects realistic estimates of future activity. Estimates of future activity involve known and unknown risks and uncertainties that could cause actual results, performance, or events to differ materially from those expressed or implied in this report.

Economic Development Corporation and Impact DataSource make no representation or warranty as to the accuracy or completeness of the information contained herein, and expressly disclaim any and all liability based on or relating to any information contained in, or errors or omissions from, this information or based on or relating to the use of this information.

Introduction

This report presents the results of an economic impact analysis performed using Impact DashBoard, a model developed by Impact DataSource. The report estimates the impact that a potential project will have on the local economy and estimates the costs and benefits for local taxing districts over a 10-year period.

Description of the Project

A plywood manufacturer is considering relocating to the city. The company would build a \$1.4 million building and invest \$1.0 million in new equipment. Taxable inventories are expected to be \$900k per year. The company is expected to hire 50 new workers, phased in over the first 5 years. The workers will earn approximately \$35,000 per year.

Economic Impact Overview

The table below summarizes the economic impact of the project over the first 10 years in terms of job creation, salaries paid to workers, and taxable sales.

SUMMARY OF ECONOMIC IMPACT OVER 10 YEARS IN CITY OF ARLINGTON			
IMPACT	DIRECT	SPIN-OFF	TOTAL
Permanent jobs created	50.0	39.7	89.7
Salaries or wages paid to workers	\$16,655,379	\$12,522,488	\$29,177,867
Taxable sales and purchases expected in City of Arlington	\$2,812,380	\$939,187	\$3,751,566

Totals may not sum due to rounding

The Project may result in new residents moving to the community and potentially new residential properties being constructed as summarized below.

SUMMARY OF POPULATION IMPACT OVER 10 YEARS IN CITY OF ARLINGTON			
IMPACT	DIRECT	SPIN-OFF	TOTAL
Workers who will move to City of Arlington	3.9	3.1	7.0
New residents in City of Arlington	10.1	8.0	18.2
New residential properties constructed in City of Arlington	0.6	0.5	1.0
New students to attend local school district	2.0	1.5	3.5

Totals may not sum due to rounding

The new taxable property to be supported by the Project over the next 10 years is summarized in the following table.

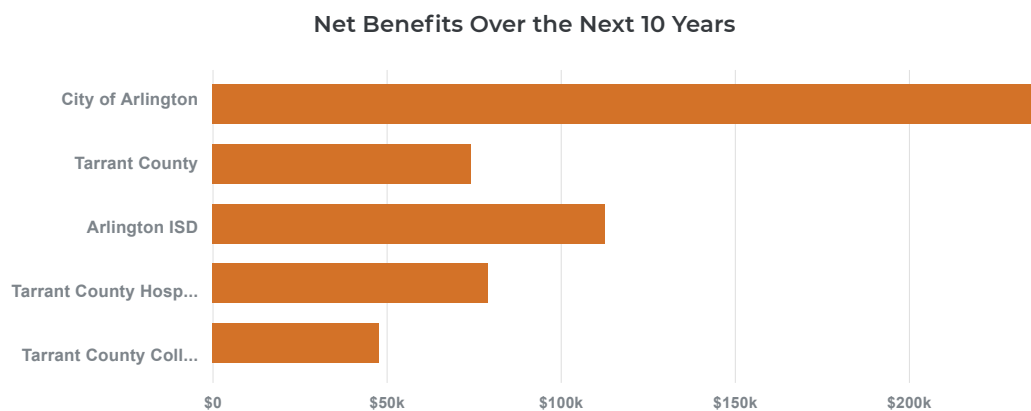
SUMMARY OF TAXABLE PROPERTY OVER THE FIRST 10 YEARS IN CITY OF ARLINGTON							
YR.	NEW RESIDENTIAL PROPERTY	LAND	BUILDINGS...	FF&E	INVENTORIES	NON- RESIDENTIAL PROPERTY	TOTAL PROPERTY
1	\$72,347	\$0	\$1,400,000	\$1,000,000	\$900,000	\$3,300,000	\$3,372,347
2	\$88,553	\$0	\$1,428,000	\$900,000	\$918,000	\$3,246,000	\$3,334,553
3	\$105,378	\$0	\$1,456,560	\$800,000	\$936,360	\$3,192,920	\$3,298,298
4	\$122,840	\$0	\$1,485,691	\$700,000	\$955,087	\$3,140,778	\$3,263,619
5	\$156,621	\$0	\$1,515,405	\$600,000	\$974,189	\$3,089,594	\$3,246,215
6	\$159,754	\$0	\$1,545,713	\$500,000	\$993,673	\$3,039,386	\$3,199,140
7	\$162,949	\$0	\$1,576,627	\$400,000	\$1,013,546	\$2,990,174	\$3,153,122
8	\$166,208	\$0	\$1,608,160	\$300,000	\$1,033,817	\$2,941,977	\$3,108,185
9	\$169,532	\$0	\$1,640,323	\$200,000	\$1,054,493	\$2,894,817	\$3,064,349
10	\$172,923	\$0	\$1,673,130	\$200,000	\$1,075,583	\$2,948,713	\$3,121,636

Fiscal Impact Overview

The Project will generate additional benefits and costs, a summary of which is provided below. The source of specific benefits and costs are provided in greater detail for each taxing district on subsequent pages.

FISCAL NET BENEFITS OVER THE NEXT 10 YEARS				
	BENEFITS	COSTS	NET BENEFITS	PRESENT VALUE*
City of Arlington	\$497,726	(\$260,781)	\$236,945	\$181,440
Tarrant County	\$109,934	(\$35,744)	\$74,190	\$57,558
Arlington ISD	\$608,125	(\$495,444)	\$112,681	\$87,163
Tarrant County Hospital	\$79,002	\$0	\$79,002	\$61,055
Tarrant County College	\$47,899	\$0	\$47,899	\$37,017
Total	\$1,342,686	(\$791,969)	\$550,717	\$424,234

*The Present Value of Net Benefits expresses the future stream of net benefits received over several years as a single value in today's dollars. Today's dollar and a dollar to be received at differing times in the future are not comparable because of the time value of money. The time value of money is the interest rate or each taxing entity's discount rate. This analysis uses a discount rate of 5.0% to make the dollars comparable.



Public Support Overview

A summary of the total Public Support under consideration for the Project is shown below.

VALUE OF PUBLIC SUPPORT UNDER CONSIDERATION			
	PROPERTY TAX INCENTIVE	NON-TAX INCENTIVE	TOTAL
City of Arlington	\$46,249	\$75,000	\$121,249
Tarrant County	\$0	\$0	\$0
Arlington ISD	\$0	\$0	\$0
Tarrant County Hospital	\$0	\$0	\$0
Tarrant County College	\$0	\$0	\$0
Total	\$46,249	\$75,000	\$121,249

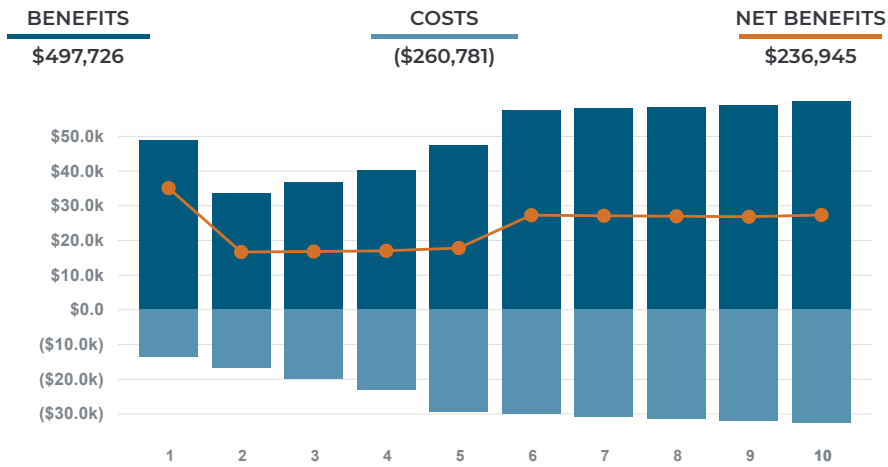
City of Arlington Fiscal Impact

The table below displays the estimated additional benefits, costs, and net benefits to be received by City of Arlington over the next 10 years of the Project.

NET BENEFITS OVER 10 YEARS: CITY OF ARLINGTON			
BENEFITS	PROJECT	WORKERS	TOTAL
Sales Taxes	\$27,356	\$38,296	\$65,652
Real Property Taxes*	\$51,063	\$0	\$51,063
FF&E Property Taxes	\$35,549	\$0	\$35,549
Inventory Property Taxes	\$62,558	\$0	\$62,558
New Residential Property Taxes	\$0	\$8,742	\$8,742
Building Permits and Fees	\$7,500	\$0	\$7,500
Utility Revenue	\$118,967	\$46,935	\$165,902
Utility Franchise Fees	\$33,311	\$13,049	\$46,359
Miscellaneous Taxes and User Fees	\$39,021	\$15,379	\$54,400
Benefits Subtotal	\$375,325	\$122,401	\$497,726
COSTS	PROJECT	WORKERS	TOTAL
Cost of Utility Services	(\$118,015)	(\$46,603)	(\$164,618)
Cost of Government Services	(\$69,001)	(\$27,163)	(\$96,163)
Costs Subtotal	(\$187,016)	(\$73,765)	(\$260,781)
Net Benefits	\$188,309	\$48,636	\$236,945

*Excludes Property Tax Rebate valued at \$46,249

Annual Fiscal Net Benefits for City of Arlington

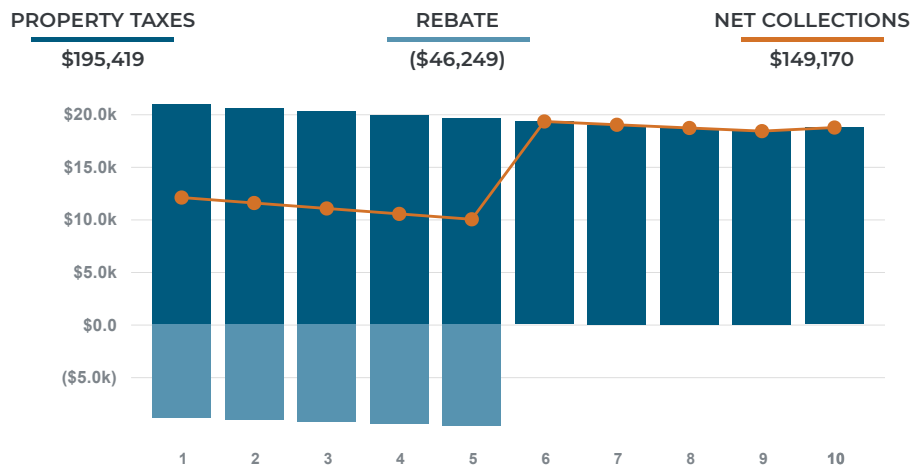


City of Arlington Public Support

Tax Incentives

City of Arlington is considering the following tax incentives for the Project.

Property Tax Analysis for City of Arlington

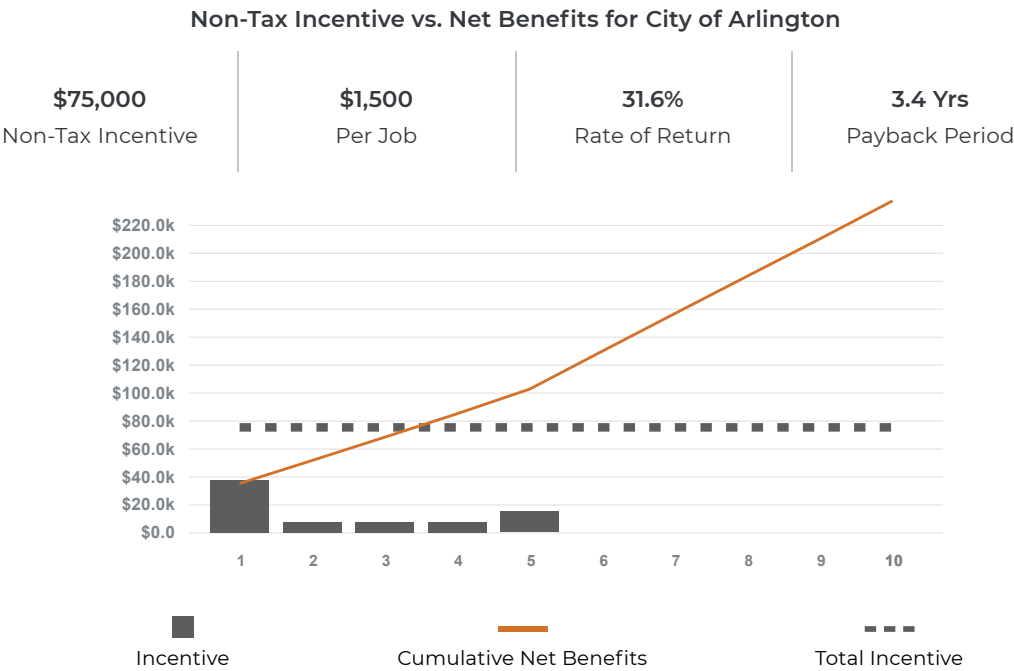


Non-Tax Incentives

City of Arlington is considering the following non-tax incentives for the Project.

NON-TAX INCENTIVES UNDER CONSIDERATION	
YEAR	NON-TAX INCENTIVE
1	\$37,500
2	\$7,500
3	\$7,500
4	\$7,500
5	\$15,000
Total	\$75,000

The graph below depicts the non-tax incentives currently under consideration versus the cumulative net benefits to City of Arlington. The intersection indicates the length of time until the incentives are paid back.



Tarrant County Fiscal Impact

The table below displays the estimated additional benefits, costs, and net benefits to be received by Tarrant County over the next 10 years of the Project.

NET BENEFITS OVER 10 YEARS: TARRANT COUNTY			
BENEFITS	PROJECT	WORKERS	TOTAL
Real Property Taxes	\$35,871	\$0	\$35,871
FF&E Property Taxes	\$13,104	\$0	\$13,104
Inventory Property Taxes	\$23,060	\$0	\$23,060
New Residential Property Taxes	\$0	\$10,336	\$10,336
Miscellaneous Taxes and User Fees	\$12,848	\$14,714	\$27,562
Benefits Subtotal	\$84,884	\$25,050	\$109,934
COSTS	PROJECT	WORKERS	TOTAL
Cost of Government Services	(\$16,655)	(\$19,088)	(\$35,744)
Costs Subtotal	(\$16,655)	(\$19,088)	(\$35,744)
Net Benefits	\$68,228	\$5,962	\$74,190

Annual Fiscal Net Benefits for Tarrant County

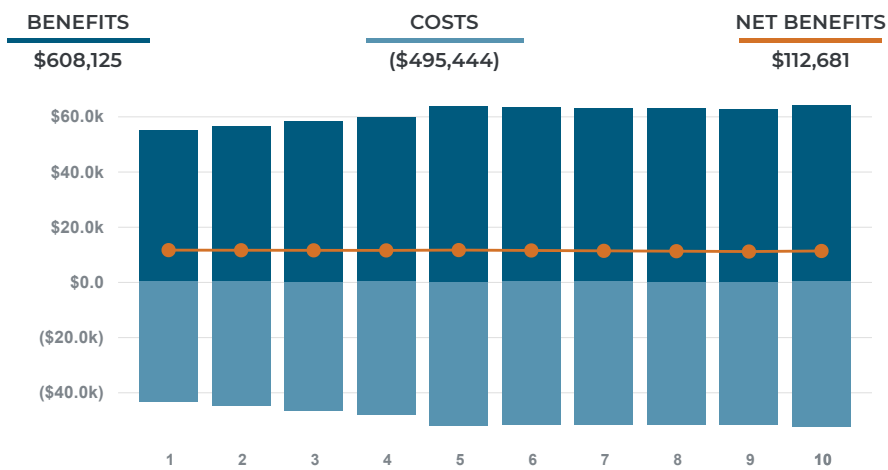


Arlington ISD Fiscal Impact

The table below displays the estimated additional benefits, costs, and net benefits to be received by Arlington ISD over the next 10 years of the Project.

NET BENEFITS OVER 10 YEARS: ARLINGTON ISD			
BENEFITS	PROJECT	WORKERS	TOTAL
Real Property Taxes	\$209,812	\$0	\$209,812
FF&E Property Taxes	\$76,646	\$0	\$76,646
Inventory Property Taxes	\$134,879	\$0	\$134,879
New Residential Property Taxes	\$0	\$23,053	\$23,053
Addtl. State & Federal School Funding	\$0	\$163,736	\$163,736
Benefits Subtotal	\$421,336	\$186,789	\$608,125
COSTS	PROJECT	WORKERS	TOTAL
Cost to Educate New Students	\$0	(\$157,708)	(\$157,708)
Reduction in State School Funding	(\$320,216)	(\$17,521)	(\$337,736)
Costs Subtotal	(\$320,216)	(\$175,229)	(\$495,444)
Net Benefits	\$101,121	\$11,561	\$112,681

Annual Fiscal Net Benefits for Arlington ISD



Tarrant County Hospital Fiscal Impact

The table below displays the estimated additional benefits, costs, and net benefits to be received by Tarrant County Hospital over the next 10 years of the Project.

NET BENEFITS OVER 10 YEARS: TARRANT COUNTY HOSPITAL			
BENEFITS	PROJECT	WORKERS	TOTAL
Real Property Taxes	\$34,404	\$0	\$34,404
FF&E Property Taxes	\$12,568	\$0	\$12,568
Inventory Property Taxes	\$22,117	\$0	\$22,117
New Residential Property Taxes	\$0	\$9,913	\$9,913
Benefits Subtotal	\$69,089	\$9,913	\$79,002
COSTS	PROJECT	WORKERS	TOTAL
None Estimated	\$0	\$0	\$0
Costs Subtotal	\$0	\$0	\$0
Net Benefits	\$69,089	\$9,913	\$79,002

Annual Fiscal Net Benefits for Tarrant County Hospital



Tarrant County College Fiscal Impact

The table below displays the estimated additional benefits, costs, and net benefits to be received by Tarrant County College over the next 10 years of the Project.

NET BENEFITS OVER 10 YEARS: TARRANT COUNTY COLLEGE			
BENEFITS	PROJECT	WORKERS	TOTAL
Real Property Taxes	\$20,859	\$0	\$20,859
FF&E Property Taxes	\$7,620	\$0	\$7,620
Inventory Property Taxes	\$13,409	\$0	\$13,409
New Residential Property Taxes	\$0	\$6,010	\$6,010
Benefits Subtotal	\$41,888	\$6,010	\$47,899
COSTS	PROJECT	WORKERS	TOTAL
None Estimated	\$0	\$0	\$0
Costs Subtotal	\$0	\$0	\$0
Net Benefits	\$41,888	\$6,010	\$47,899

Annual Fiscal Net Benefits for Tarrant County College



Overview of Methodology

The Impact DashBoard model combines project-specific attributes with community data, tax rates, and assumptions to estimate the economic impact of the Project and the fiscal impact for local taxing districts over a 10-year period.

The economic impact as calculated in this report can be categorized into two main types of impacts. First, the direct economic impacts are the jobs and payroll directly created by the Project. Second, this economic impact analysis calculates the spin-off or indirect and induced impacts that result from the Project. Indirect jobs and salaries are created in new or existing area firms, such as maintenance companies and service firms, that may supply goods and services for the Project. In addition, induced jobs and salaries are created in new or existing local businesses, such as retail stores, gas stations, banks, restaurants, and service companies that may supply goods and services to new workers and their families.

The economic impact estimates in this report are based on the Regional Input-Output Modeling System (RIMS II), a widely used regional input-output model developed by the U. S. Department of Commerce, Bureau of Economic Analysis. The RIMS II model is a standard tool used to estimate regional economic impacts. The economic impacts estimated using the RIMS II model are generally recognized as reasonable and plausible assuming the data input into the model is accurate or based on reasonable assumptions. Impact DataSource utilizes adjusted county-level multipliers to estimate the impact occurring at the sub-county level.

Two types of regional economic multipliers were used in this analysis: an employment multiplier and an earnings multiplier. An employment multiplier was used to estimate the number of indirect and induced jobs created or supported in the area. An earnings multiplier was used to estimate the amount of salaries to be paid to workers in these new indirect and induced jobs. The employment multiplier shows the estimated number of total jobs created for each direct job. The earnings multiplier shows the estimated amount of total salaries paid to these workers for every dollar paid to a direct worker. The multipliers used in this analysis are listed below:

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Employment Multiplier	(Type II Direct Effect)	1.7361
Earnings Multiplier	(Type II Direct Effect)	1.7251

Most of the revenues estimated in this study result from calculations relying on (1) attributes of the Project, (2) assumptions to derive the value of associated taxable property or sales, and (3) local tax rates. In some cases, revenues are estimated on a per new household, per new worker, or per new school student basis.

The company or Project developer was not asked, nor could reasonably provide data for calculating some other revenues. For example, while the city will likely receive revenues from fines paid on speeding tickets given to new workers, the company does not know the propensity of its workers to speed. Therefore, some revenues are calculated using an average revenue approach.

This approach uses relies on two assumptions:

1. The taxing entity has two general revenue sources: revenues from residents and revenues from businesses.
2. The taxing entity will collect (a) about the same amount of miscellaneous taxes and user fees from each new household that results from the Project as it currently collects from existing households on average, and (b) the same amount of miscellaneous taxes and user fees from the new business (on a per worker basis) will be collected as it collects from existing businesses.

In the case of the school district, some additional state and federal revenues are estimated on a per new school student basis consistent with historical funding levels.

Additionally, this analysis sought to estimate the additional expenditures faced by local jurisdictions to provide services to new households and new businesses. A marginal cost approach was used to calculate these additional costs.

This approach relies on two assumptions:

1. The taxing entity spends money on services for two general groups: revenues from residents and revenues from businesses.
2. The taxing entity will spend slightly less than its current average cost to provide local government services (police, fire, EMS, etc.) to (a) new residents and (b) businesses on a per worker basis.

In the case of the school district, the marginal cost to educate new students was estimated based on a portion of the school's current expenditures per student and applied to the headcount of new school students resulting from the Project.

Additionally, this analysis seeks to calculate the impact on the school district's finances from the Project by generally, and at a summary level, mimicking the district's school funding formula.

According to the Texas Education Agency, any property added to local tax rolls, and the local taxes that this generates, reduces the amount of state funding equivalent to local taxes collected for maintenance and operations. The school district retains local taxes received for debt services and the corresponding state funding is not reduced.

However, according to the Texas Education Agency, the school district will receive state aid for each new child that moves to the District. The additional revenues for the school district are calculated in this analysis.

About Impact DataSource

Established in 1993, Impact DataSource is an Austin, Texas-based economic consulting firm. Impact DataSource provides high-quality economic research, specializing in economic and fiscal impact analyses. The company is highly focused on supporting economic development professionals and organizations through its consulting services and software. Impact DataSource has conducted thousands of economic impact analyses of new businesses, retention and expansion projects, developments, and activities in all industry groups throughout the U.S.

For more information on Impact DataSource, LLC and our product Impact DashBoard, please visit our website www.impactdatasource.com

Appendix

CITY OF ARLINGTON PROPERTY TAX REBATE					
YR.	LAND	BUILDINGS...	FF&E	INVENTORIES	TOTAL
1	\$0	\$8,887	\$0	\$0	\$8,887
2	\$0	\$9,065	\$0	\$0	\$9,065
3	\$0	\$9,246	\$0	\$0	\$9,246
4	\$0	\$9,431	\$0	\$0	\$9,431
5	\$0	\$9,620	\$0	\$0	\$9,620
6	\$0	\$0	\$0	\$0	\$0
7	\$0	\$0	\$0	\$0	\$0
8	\$0	\$0	\$0	\$0	\$0
9	\$0	\$0	\$0	\$0	\$0
10	\$0	\$0	\$0	\$0	\$0
Total	\$0	\$46,249	\$0	\$0	\$46,249

CITY OF ARLINGTON PROPERTY TAX REBATE SCHEDULE				
YR.	LAND	BUILDINGS...	FF&E	INVENTORIES
1	0.0%	100.0%	0.0%	0.0%
2	0.0%	100.0%	0.0%	0.0%
3	0.0%	100.0%	0.0%	0.0%
4	0.0%	100.0%	0.0%	0.0%
5	0.0%	100.0%	0.0%	0.0%
6	0.0%	0.0%	0.0%	0.0%
7	0.0%	0.0%	0.0%	0.0%
8	0.0%	0.0%	0.0%	0.0%
9	0.0%	0.0%	0.0%	0.0%
10	0.0%	0.0%	0.0%	0.0%



Exemption & \$1,500 per Job