

Project D-M - Impact Report - Current & Expansion



Proposal

Project Type: Business Retention & Expansion

Industry: Advanced Manufacturing

Prepared By: ED Corporation

Purpose & Limitations

This report presents the results of an economic and fiscal analysis undertaken by ED 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 ED Corporation.

This report, generated by the Impact DashBoard application, has been prepared by ED 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. ED 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.

ED 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

Project D-M represents an existing business seeking to co-locate its manufacturing facility with its existing sales/distribution office. The company currently employs 65 workers in the city at an annual salary of \$60,000. The company would invest \$45.0M in the new facility which will be leased and hire 250 new workers making \$45,000 per year on average.

Existing & Expanded Operations

The Project under analysis represents the expansion of an existing business. The table below illustrates the economic impact over the next 10 years including both the current and expanded operations.

ECONOMIC IMPACT OF CURRENT & EXPANDED OPERATIONS OVER 10 YEARS IN CITY OF ARLINGTON			
	CURRENT OPERATIONS	EXPANSION	CURRENT & EXPANDED OPERATIONS
JOBS			
Direct	65.0	250.0	315.0
Spin-off	20.0	229.8	249.7
Jobs Total	85.0	479.8	564.7
SALARIES			
Direct	\$42,703,912	\$114.14M	\$156.84M
Spin-off	\$16,174,587	\$78,845,473	\$95,020,060
Salaries Total	\$58,878,499	\$192.98M	\$251.86M

The table below summarizes the fiscal impact, the net benefits for local taxing districts, over the next 10 years including both the current and expanded operations.

FISCAL IMPACT OF CURRENT & EXPANDED OPERATIONS OVER 10 YEARS			
NET BENEFITS			
	CURRENT OPERATIONS	EXPANSION	CURRENT & EXPANDED OPERATIONS
City of Arlington	\$1,077,162	\$1,288,246	\$2,365,407
Tarrant County	\$168,383	\$1,173,571	\$1,341,954
Arlington ISD	\$193,826	\$1,374,008	\$1,567,834
Tarrant County Hospital	\$168,322	\$1,182,274	\$1,350,596
Tarrant County College	\$97,628	\$685,725	\$783,353
	\$1,705,320	\$5,703,823	\$7,409,143

The remainder of this report will focus on the total combined economic and fiscal impact associated with the current and expanded operations.

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
Jobs	315.0	249.7	564.7
Annual Salaries/Wages at Full Ops (Yr 3)	\$15,762,060	\$9,622,110	\$25,384,170
Salaries/Wages over 10 Years	\$156.84M	\$95,020,060	\$251.86M
Taxable Sales/Purchases in City of Arlington	\$51,990,684	\$5,938,754	\$57,929,437

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	18.3	16.8	35.0
New residents in City of Arlington	47.5	43.6	91.1
New residential properties constructed in City of Arlington	2.7	2.5	5.3
New students to attend local school district	9.1	8.4	17.5

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	\$308,906	\$0	\$31,500,000	\$17,000,000	\$12,000,000	\$60,500,000	\$60,808,906
2	\$630,167	\$0	\$32,100,000	\$15,500,000	\$12,160,000	\$59,760,000	\$60,390,167
3	\$803,463	\$0	\$32,712,000	\$14,000,000	\$12,323,200	\$59,035,200	\$59,838,663
4	\$819,533	\$0	\$33,336,240	\$12,500,000	\$12,489,664	\$58,325,904	\$59,145,437
5	\$835,923	\$0	\$33,972,965	\$11,000,000	\$12,659,457	\$57,632,422	\$58,468,345
6	\$852,642	\$0	\$34,622,424	\$9,500,000	\$12,832,646	\$56,955,071	\$57,807,712
7	\$869,694	\$0	\$35,284,873	\$8,000,000	\$13,009,299	\$56,294,172	\$57,163,866
8	\$887,088	\$0	\$35,960,570	\$6,500,000	\$13,189,485	\$55,650,055	\$56,537,144
9	\$904,830	\$0	\$36,649,781	\$5,000,000	\$13,373,275	\$55,023,056	\$55,927,887
10	\$922,927	\$0	\$37,352,777	\$5,000,000	\$13,560,741	\$55,913,518	\$56,836,444

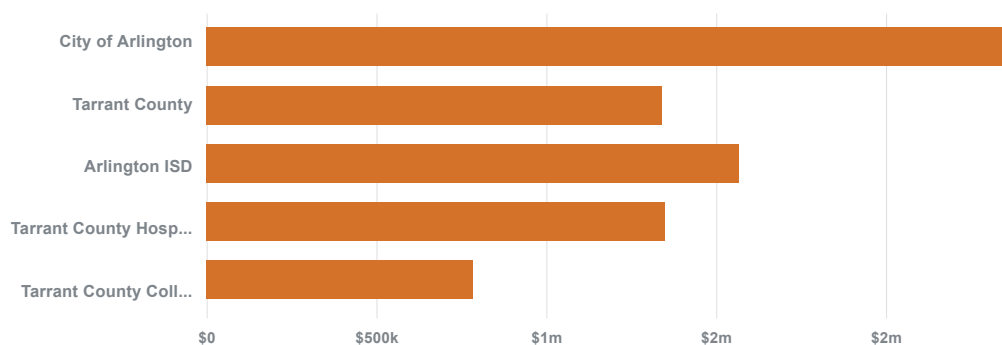
Fiscal Impact Overview

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	\$4,286,936	(\$1,921,529)	\$2,365,407	\$1,849,560
Tarrant County	\$1,579,163	(\$237,210)	\$1,341,954	\$1,040,552
Arlington ISD	\$8,439,885	(\$6,872,050)	\$1,567,834	\$1,213,820
Tarrant County Hospital	\$1,350,596	\$0	\$1,350,596	\$1,045,874
Tarrant County College	\$783,353	\$0	\$783,353	\$606,612
Total	\$16,439,932	(\$9,030,788)	\$7,409,143	\$5,756,419

*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.

Net Benefits Over the Next 10 Years



Public Support Overview

A summary of the total Public Support modeled in this analysis is shown below.

VALUE OF PUBLIC SUPPORT UNDER CONSIDERATION			
	PROPERTY TAX INCENTIVE	NON-TAX INCENTIVE	TOTAL
City of Arlington	\$2,293,148	\$1,000,000	\$3,293,148
Tarrant County	\$0	\$0	\$0
Arlington ISD	\$0	\$0	\$0
Tarrant County Hospital	\$0	\$0	\$0
Tarrant County College	\$0	\$0	\$0
Total	\$2,293,148	\$1,000,000	\$3,293,148

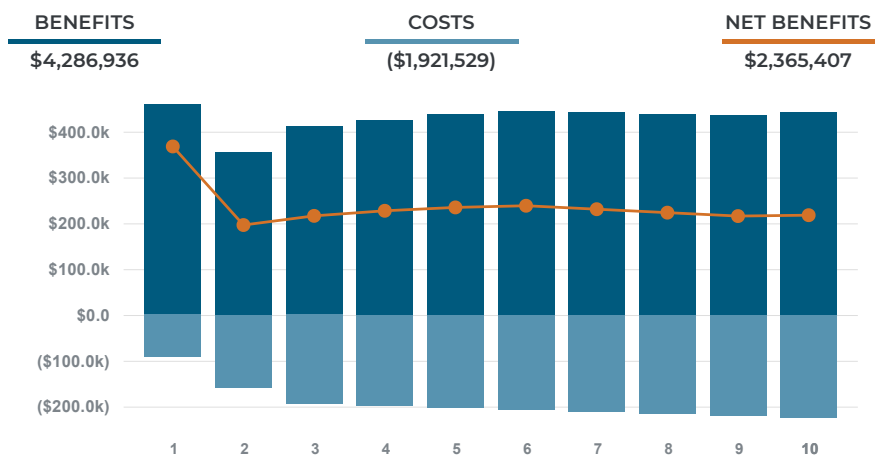
City of Arlington Fiscal Impact

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	CURRENT	EXPANSION	TOTAL
Sales Taxes	\$603,002	\$411,233	\$1,014,236
Real Property Taxes*	\$93,600	\$0	\$93,600
FF&E Property Taxes*	\$124,800	\$280,800	\$405,600
Inventory Property Taxes	\$249,600	\$546,610	\$796,210
New Residential Property Taxes	\$0	\$48,891	\$48,891
Hotel Occupancy Taxes	\$6,159	\$0	\$6,159
Building Permits and Fees	\$0	\$0	\$0
Utility Revenue	\$214,943	\$1,072,302	\$1,287,245
Utility Franchise Fees	\$46,263	\$230,961	\$277,223
Miscellaneous Taxes and User Fees	\$59,785	\$297,986	\$357,771
Benefits Subtotal	\$1,398,153	\$2,888,783	\$4,286,936
COSTS	CURRENT	EXPANSION	TOTAL
Cost of Government Services	(\$106,048)	(\$528,946)	(\$634,994)
Cost of Utility Services	(\$214,943)	(\$1,071,591)	(\$1,286,534)
Costs Subtotal	(\$320,991)	(\$1,600,538)	(\$1,921,529)
Net Benefits	\$1,077,162	\$1,288,246	\$2,365,407

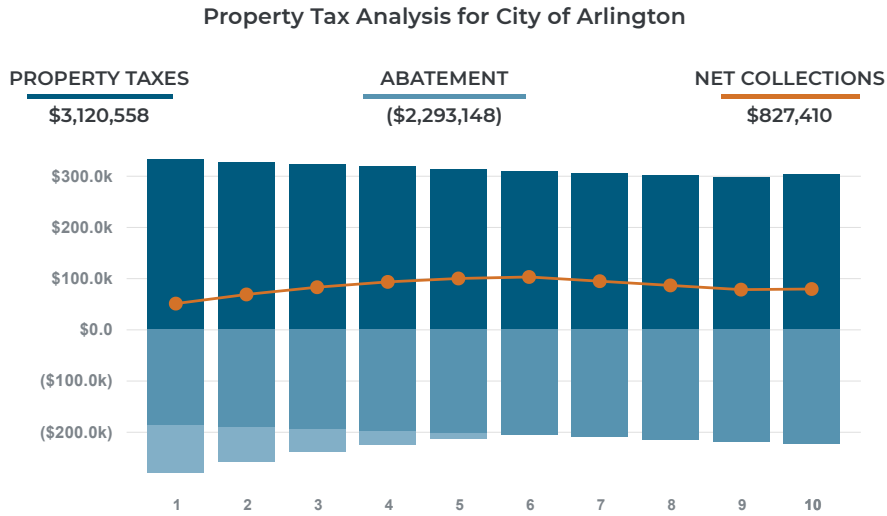
*Excludes Property Tax Abatement valued at \$2,293,148

Annual Fiscal Net Benefits for City of Arlington



Tax Incentives

The following property tax incentive is modeled for City of Arlington in this analysis.

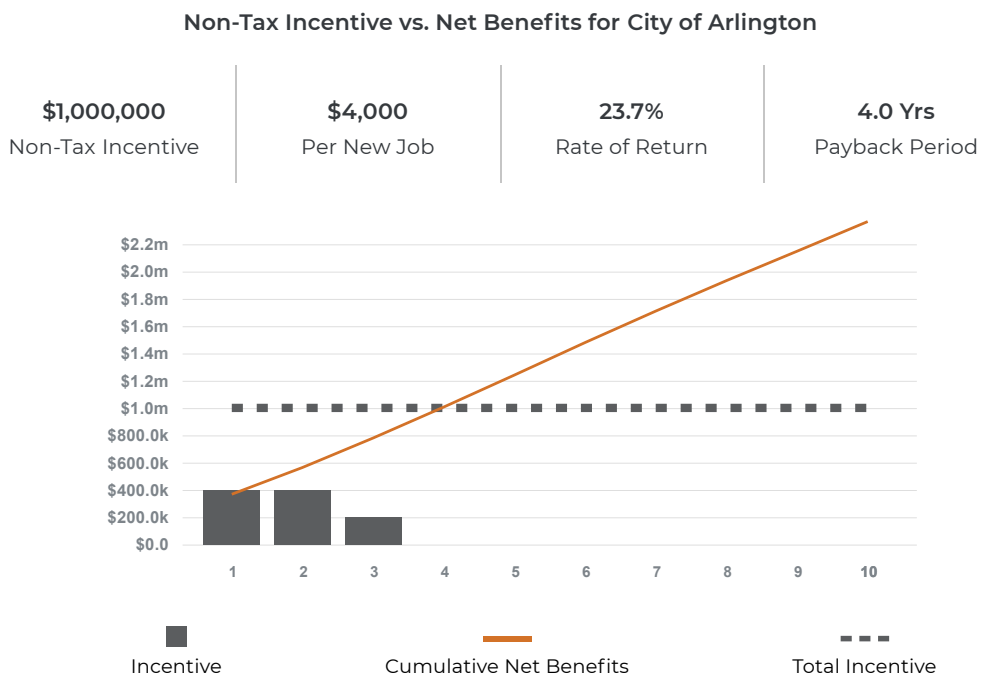


Non-Tax Incentives

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

NON-TAX INCENTIVES UNDER CONSIDERATION	
YEAR	NON-TAX INCENTIVE
1	\$400,000
2	\$400,000
3	\$200,000
Total	\$1,000,000

The graph below depicts the non-tax incentives modeled in this analysis versus the cumulative net benefits to City of Arlington. The intersection indicates the length of time until the incentives are paid back.

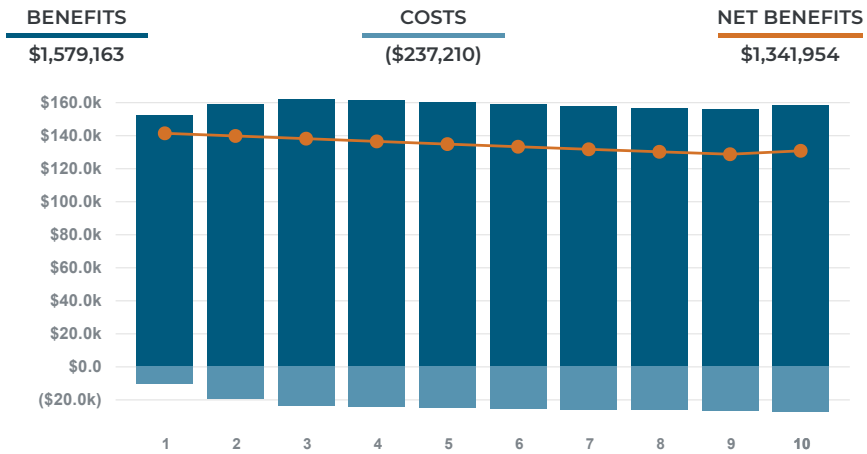


Tarrant County Fiscal Impact

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	CURRENT	EXPANSION	TOTAL
Real Property Taxes	\$35,100	\$768,670	\$803,770
FF&E Property Taxes	\$46,800	\$196,560	\$243,360
Inventory Property Taxes	\$93,600	\$204,979	\$298,579
New Residential Property Taxes	\$0	\$62,484	\$62,484
Miscellaneous Taxes and User Fees	\$19,217	\$151,753	\$170,970
Benefits Subtotal	\$194,717	\$1,384,446	\$1,579,163
COSTS	CURRENT	EXPANSION	TOTAL
Cost of Government Services	(\$26,334)	(\$210,875)	(\$237,210)
Costs Subtotal	(\$26,334)	(\$210,875)	(\$237,210)
Net Benefits	\$168,383	\$1,173,571	\$1,341,954

Annual Fiscal Net Benefits for Tarrant County

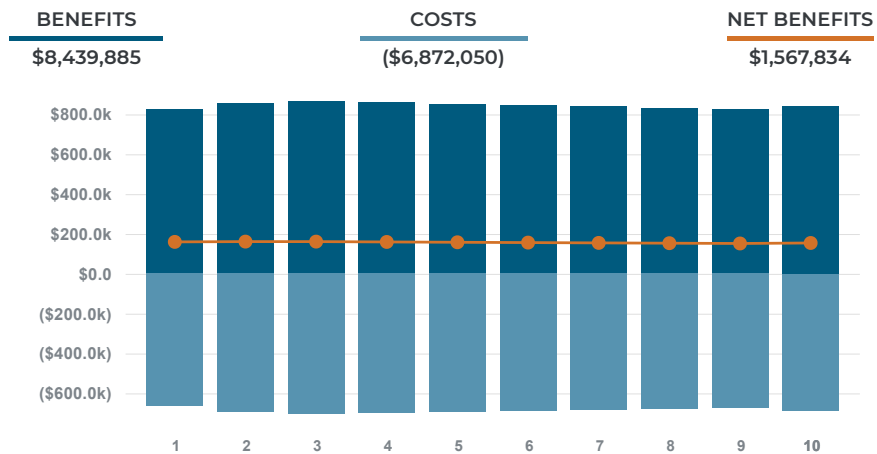


Arlington ISD Fiscal Impact

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	CURRENT	EXPANSION	TOTAL
Real Property Taxes	\$194,800	\$4,266,022	\$4,460,823
FF&E Property Taxes	\$259,734	\$1,090,883	\$1,350,617
Inventory Property Taxes	\$519,468	\$1,137,606	\$1,657,074
New Residential Property Taxes	\$0	\$128,744	\$128,744
Addtl. State & Federal School Funding	\$0	\$842,627	\$842,627
Benefits Subtotal	\$974,002	\$7,465,882	\$8,439,885
COSTS	CURRENT	EXPANSION	TOTAL
Cost to Educate New Students	\$0	(\$786,647)	(\$786,647)
Reduction in State School Funding	(\$780,176)	(\$5,305,227)	(\$6,085,403)
Costs Subtotal	(\$780,176)	(\$6,091,874)	(\$6,872,050)
Net Benefits	\$193,826	\$1,374,008	\$1,567,834

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	CURRENT	EXPANSION	TOTAL
Real Property Taxes	\$33,664	\$737,230	\$770,895
FF&E Property Taxes	\$44,886	\$188,520	\$233,406
Inventory Property Taxes	\$89,772	\$196,595	\$286,366
New Residential Property Taxes	\$0	\$59,928	\$59,928
Benefits Subtotal	\$168,322	\$1,182,274	\$1,350,596
COSTS	CURRENT	EXPANSION	TOTAL
None Estimated	\$0	\$0	\$0
Costs Subtotal	\$0	\$0	\$0
Net Benefits	\$168,322	\$1,182,274	\$1,350,596

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	CURRENT	EXPANSION	TOTAL
Real Property Taxes	\$19,525	\$427,598	\$447,123
FF&E Property Taxes	\$26,034	\$109,343	\$135,377
Inventory Property Taxes	\$52,068	\$114,026	\$166,094
New Residential Property Taxes	\$0	\$34,759	\$34,759
Benefits Subtotal	\$97,628	\$685,725	\$783,353
COSTS	CURRENT	EXPANSION	TOTAL
None Estimated	\$0	\$0	\$0
Costs Subtotal	\$0	\$0	\$0
Net Benefits	\$97,628	\$685,725	\$783,353

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:

322121 PAPER (EXCEPT NEWSPRINT) MILLS		CITY OF ARLINGTON
Employment Multiplier	(Type II Direct Effect)	1.9191
Earnings Multiplier	(Type II Direct Effect)	1.6908

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 ABATEMENT					
YR.	LAND	BUILDINGS...	FF&E	INVENTORIES	TOTAL
1	\$0	\$187,200	\$93,600	\$0	\$280,800
2	\$0	\$190,944	\$67,392	\$0	\$258,336
3	\$0	\$194,763	\$44,928	\$0	\$239,691
4	\$0	\$198,658	\$26,208	\$0	\$224,866
5	\$0	\$202,631	\$11,232	\$0	\$213,863
6	\$0	\$206,684	\$0	\$0	\$206,684
7	\$0	\$210,818	\$0	\$0	\$210,818
8	\$0	\$215,034	\$0	\$0	\$215,034
9	\$0	\$219,335	\$0	\$0	\$219,335
10	\$0	\$223,721	\$0	\$0	\$223,721
Total	\$0	\$2,049,788	\$243,360	\$0	\$2,293,148

CITY OF ARLINGTON PROPERTY TAX ABATEMENT SCHEDULE				
YR.	LAND	BUILDINGS...	FF&E	INVENTORIES
1	0.0%	100.0%	100.0%	0.0%
2	0.0%	100.0%	80.0%	0.0%
3	0.0%	100.0%	60.0%	0.0%
4	0.0%	100.0%	40.0%	0.0%
5	0.0%	100.0%	20.0%	0.0%
6	0.0%	100.0%	0.0%	0.0%
7	0.0%	100.0%	0.0%	0.0%
8	0.0%	100.0%	0.0%	0.0%
9	0.0%	100.0%	0.0%	0.0%
10	0.0%	100.0%	0.0%	0.0%



Proposal