

AvalonBay Communities, Inc.:

Economic and Fiscal Impact Analysis

February 2019

Prepared for:

Town of Hempstead Industrial Development Agency
350 Front Street, Room 234-A
Hempstead, NY 11550



120 West Avenue, Suite 303
Saratoga Springs, NY 12866

518.899.2608

www.camoinassociates.com

About Camoin Associates

Camoin Associates has provided economic development consulting services to municipalities, economic development agencies, and private enterprises since 1999. Through the services offered, Camoin Associates has had the opportunity to serve EDOs and local and state governments from Maine to California; corporations and organizations that include Lowes Home Improvement, FedEx, Volvo (Nova Bus) and the New York Islanders; as well as private developers proposing projects in excess of \$6 billion. Our reputation for detailed, place-specific, and accurate analysis has led to projects in 32 states and garnered attention from national media outlets including *Marketplace* (NPR), *Forbes* magazine, *The New York Times* and *The Wall Street Journal*. Additionally, our marketing strategies have helped our clients gain both national and local media coverage for their projects in order to build public support and leverage additional funding. We are based in Saratoga Springs, NY, with regional offices in Portland, ME; Boston, MA; Richmond, VA and Brattleboro, VT. To learn more about our experience and projects in all of our service lines, please visit our website at www.camoinassociates.com. You can also find us on Twitter [@camoinassociate](https://twitter.com/camoinassociate) and on [Facebook](https://www.facebook.com/camoinassociates).

The Project Team

Michael N'dolo
Project Principal

Dina DeCarlo
Project Manager

Bethany Meys
Analyst

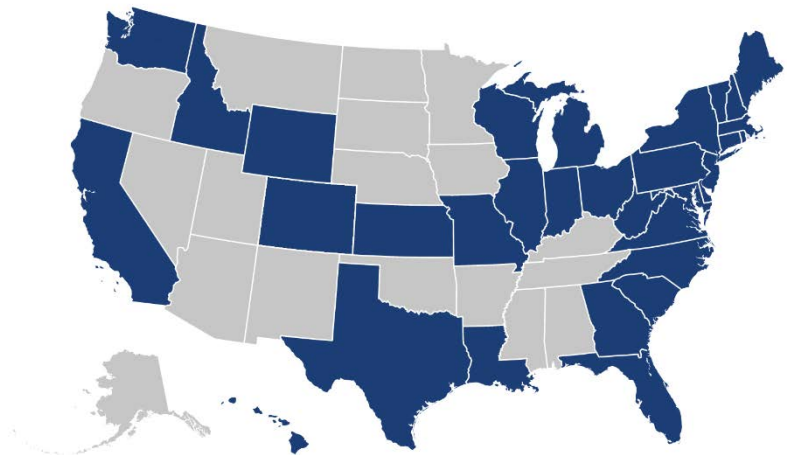


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Summary

The Town of Hempstead Industrial Development Agency (the "Agency") received an application for financial assistance from AvalonBay Communities, Inc. (the "Applicant") for the acquisition of a brownfield site and construction of 172 residential units (the "Project") at Sheridan Place and Parkway South or more specifically Tax Map Section 43; Block 381; Lots 35, 36, 102, 314 and 328 in the Hamlet of Harbor Isle, Town of Hempstead, Nassau County, New York (the "Site"). The Agency commissioned Camoin Associates to conduct an economic and limited fiscal impact analysis of the Project on the Town of Hempstead (the "Town").

Camoin Associates conducted a market analysis of market-rate housing in the Town to determine the extent to which any of the housing units would create "new" households and, therefore, new household spending in the Town. We determined that all 172 market-rate units would be considered as providing "net new" households to the Town (i.e. allowing households to exist in the Town that otherwise would locate elsewhere). We then computed the total amount of net new spending by these new households to derive job creation resulting from the Project.

The following is a summary of our findings from this study, with details below.

Summary of Benefits	
Construction Phase Jobs	95
Construction Phase On-Site Jobs	68
Construction Phase Earnings	\$ 7,198,721
Construction Phase On-Site Earnings	\$ 5,680,772
One-Time Construction-Related Sales Tax Revenue	\$ 4,724
Annual Jobs	75
Direct Jobs	57
Indirect Jobs	18
Annual Earnings	\$ 3,308,475
Direct Earnings	\$ 2,243,502
Indirect Earnings	\$ 1,064,973
Annual Sales Tax Revenue to Town	\$ 9,305
Average Annual PILOT Payment	\$ 539,667
Average Annual PILOT Town Payment	\$ 105,570
Average Annual PILOT Benefit	\$ 426,898
Average Annual PILOT Benefit to Town	\$ 83,510

Note: Jobs and Earnings only include "net new" positions.

Source: Camoin Associates, Town of Hempstead IDA

- The construction of the building would result in approximately 68 new direct construction jobs generating nearly \$5.7 million in direct new earnings on-site and an additional \$1.5 million in indirect earnings.
- The Project would support 75 net new jobs in the Town annually with over \$3.3 million in associated earnings. Those figures are composed of net new jobs resulting from maintenance and operation of the facility and new economic activity from household spending.
- The Applicant has proposed a 15-year PILOT agreement with the Agency, where the Applicant would pay an average of \$539,667 each year, of which \$105,570 would be allocated to the Town. As compared to the otherwise-applicable property taxes, the PILOT represents a benefit to the Town of \$83,510 per year on average.

Estimated One-Time Costs to Affected Jurisdictions	
	State and County
Total Sales Tax Exemption*	\$ 2,285,625

**The IDA may or may not consider this a "cost."*

Source: Town of Hempstead IDA, Camoin Associates

- Through negotiations with the Agency, the Applicant could have access to a sales tax exemption valued at up to \$2,285,625. However, if we assume that the Project would not occur absent IDA benefits, this is not actually a "cost" to the State and County since no future revenue stream would exist without the exemptions.



Economic Impact Analysis

The estimates of direct economic activity generated during facility operation and new resident spending, as provided by the Applicant, were used as the direct inputs for the economic impact model. Camoin Associates used the input-output model designed by Economic Modeling Specialists, International (EMSI) to calculate total economic impacts. EMSI uses the amount of new direct economic activity (spending or jobs) occurring within the Town of Hempstead as a direct input to estimate the spillover effects that the net new spending or jobs have as these new dollars circulate through the Town economy. This is captured in the indirect impacts and is commonly referred to as the “multiplier effect.” See Attachment A for more information on economic impact analysis.

The Project would have economic impacts on the Town of Hempstead as a result of Project construction, new permanent jobs, and spending by new tenant households.

Construction Phase Impacts

The Applicant anticipates that the private sector investment in the construction of the Project (excluding land acquisition, legal fees, and financial fees) would be approximately \$51.2 million.¹ Assuming that approximately 30%² of the total renovation and construction cost is sourced from within the Town of Hempstead, this results in approximately \$15.4 million in net new spending in the Town of Hempstead associated with the construction phase.

Construction Phase Spending	
Construction Cost	\$ 51,200,000
Percent Sourced from Town	30%
Net New Construction Spending	\$ 15,360,000

Source: Applicant, Camoin Associates

The \$15.4 million worth of net new direct spending was used as an input to determine the one-time impact of construction throughout the Town. We determined that there would be a total of nearly \$19.6 million in total construction-related spending supporting 95 jobs and about \$7.2 million in earnings within the Town of Hempstead.

Economic Impact - Construction Phase			
	Direct	Indirect	Total
Jobs	68	27	95
Earnings	\$ 5,680,772	\$ 1,517,949	\$ 7,198,721
Sales	\$ 15,360,000	\$ 4,199,122	\$ 19,559,122

Source: EMSI, Camoin Associates

¹ Includes project costs as provided by Applicant in the application under Project Costs, except for legal and financial fees, land acquisition, permits, and real estate taxes.

² Camoin Associates conducted an industry analysis on the construction industry in the Town of Hempstead and found that 31% of the industry's inputs are purchased from within the region. Based on this data, Camoin Associates assumes that 30% of the total construction sales will be sourced from within the Town.

Impacts of New Household Spending

In order to determine the annual economic impact of the Project on the Town, the first step is to calculate the number of households that can be considered “net new” to the Town’s economy. In other words, the number of households that, but for the Project, would not exist in the Town of Hempstead. With respect to this Project, net new households consist of those who would otherwise live elsewhere if the Project were not to occur.

For this study, we analyzed the existing supply and demand of market-rate apartments. The following summarizes the research conducted to determine the percentage of the market-rate units that could be considered new to the Town of Hempstead.

In 2017, the vacancy rate for multifamily rental units for Long Island (Nassau and Suffolk counties) ranged from 0.7% to 8.3% depending on the class and style of development.³ Overall, vacancy rates remain below 3%, with less than 30% of inventory representing Class A product. According to Integra Realty Resources, new construction has been minimal, which will ensure continued unmet rental demand.

The following table compares 2017 multifamily rental vacancy rates for Nassau/Suffolk counties, the U.S. East Region, and the nation:

2017 Annual Multifamily Vacancy Rates			
	Long Island*	East Region	National
Urban Class A	8.3%	7.5%	7.8%
Urban Class B	4.7%	5.9%	5.4%
Suburban Class A	1.8%	3.7%	4.0%
Suburban Class B	0.7%	3.3%	3.8%

* Nassau and Suffolk counties

Source: *Integra Realty Resources, 2017 mid-year report*

Overall, rental units comprise a small share of the total housing stock in Nassau County and the Town of Hempstead, especially relative to neighboring New York City and the New York Metropolitan Statistical Area (MSA). Only 19.5% of Nassau County and 19.7% of the Town of Hempstead’s housing units are rental units, compared to 68.0% in New York City, and 49.0% in the MSA.

Rental Housing Units		
	Renter-Occupied Units	% of All Occupied Units
Town of Hempstead	47,621	19.7%
Nassau County	86,139	19.5%
New York City	2,116,613	68.0%
New York MSA	3,484,472	49.0%

Source: *2016 American Community Survey 1-Year Estimates*

Given low vacancies for multifamily rental units and the overall dearth of rental units in the Town of Hempstead and across Long Island, the Project will likely capture a notable amount of the Town’s pent-up rental housing demand, retaining residents within the Town and/or attracting new residents.

Therefore, due to the high demand for housing units in the Town of Hempstead and on Long Island in general, this analysis assumes that 100% of those occupying the 172 units will be net new to the Town.

³ 2017 Long Island, NY Multifamily Annual Report, Integra Realty Resources.

Spending by New Tenants

The Project consists of 172 apartment units ranging from one to three-bedroom units. The new residents of these units would make purchases in the Town, thereby adding dollars to the Town's economy. For this analysis, we researched spending patterns by household income to determine the spending by new tenants.

Given an average rental price point of \$3,383 per unit per month and estimating that housing costs typically account for 30% of a household's income, qualifying tenants will need a household income of at least \$135,333. Therefore, we consider qualifying tenants to fall within the income bracket of \$100,000 and \$149,999. Using this bracket, we can determine spending patterns for the market-rate tenants.

Analyzing a spending basket for the region which details household spending in individual consumer categories by income level, we concluded likely tenant spending. According to the Bureau of Labor Statistics 2016 Consumer Expenditure Survey, households with an income between \$100,000 and \$149,999 have annual expenditures (excluding housing and utility costs) of \$44,521.

We assume that 70%⁴ of total expenditures would occur within the Town of Hempstead and, therefore, have a positive impact on the Town's economy. The Total Net New Town Spending column shows the total amount that we estimate will be spent in the Town based on the 172 net new units.

Tenant Spending Basket			
\$100,000 to \$149,999 Annual Household Income			
Category	Annual per Unit Spending Basket	Amount Spent in Town (70%)	Total Net New Town Spending (172 net new units)
Food	\$ 10,351	\$ 7,246	\$ 1,246,260
Household furnishings and equipment	\$ 2,927	\$ 2,049	\$ 352,411
Apparel and services	\$ 2,456	\$ 1,719	\$ 295,702
Transportation	\$ 13,658	\$ 9,561	\$ 1,644,423
Health care	\$ 6,560	\$ 4,592	\$ 789,824
Entertainment	\$ 4,350	\$ 3,045	\$ 523,740
Personal care products and services	\$ 1,058	\$ 741	\$ 127,383
Education	\$ 1,841	\$ 1,289	\$ 221,656
Miscellaneous	\$ 1,420	\$ 994	\$ 170,968
Annual Discretionary Spending	\$ 44,621	\$ 31,235	\$ 5,372,368
Total Net New Spending			\$ 5,372,368

Source: 2016 Consumer Expenditure Survey, Bureau of Labor Statistics

The total net new spending in the Town was calculated by multiplying the amount spent in the Town by the number of net new units. As shown in the table above, spending in the Town by all new households would total approximately \$5.4 million per year. We used the above spending basket amounts to calculate the direct, indirect, and total impact of the Project on the Town. To do this, we attributed the various spending categories to the NAICS codes shown in the table below.

⁴ Every category of retail exists within the Town, but some portion of the retail expenditure occurs outside the Town limits.

Spending Basket Breakdown by NAICS Code		
NAICS Code	Industry	Spending Basket Category
445110	Supermarkets and Other Grocery (except Convenience) Stores	Food
722511	Full-Service Restaurants	Food
442299	All Other Home Furnishings Stores	Household furnishings and equipment
448140	Family Clothing Stores	Apparel and services
441110	New Car Dealers	Transportation
447110	Gasoline Stations with Convenience Stores	Transportation
811111	General Automotive Repair	Transportation
524114	Direct Health and Medical Insurance Carriers	Health care
622110	General Medical and Surgical Hospitals (Private)	Health care
512131	Motion Picture Theaters	Entertainment
452319	All Other General Merchandise Stores	Entertainment, Personal care products and services, Miscellaneous
	All Other General Merchandise Stores	Personal care products and services
	All Other General Merchandise Stores	Miscellaneous
611310	Colleges, Universities, and Professional Schools	Education

Source: Camoin Associates

Using \$5.4 million as the new sales input, Camoin Associates employed EMSI to determine the indirect and total impact of the Project on the Town of Hempstead.⁵ The following table outlines the findings of this analysis.

Spending from new tenant households will result in a total of 65 net new jobs, over \$2.7 million in earnings, and over \$7.6 million in sales in the Town of Hempstead, annually.

Town Economic Impact - Household Spending			
	Direct	Indirect	Total
Jobs	51	14	65
Earnings	\$ 1,877,502	\$ 868,632	\$ 2,746,134
Sales	\$ 5,372,368	\$ 2,236,689	\$ 7,609,058

Source: EMSI, Camoin Associates

⁵ Analysis uses the 33 ZIP codes that are predominately located within the Town of Hempstead (map image shown in Attachment B).

Impacts of On-Site Employment

The Applicant projects that 6 full-time workers will be employed on-site as a result of the Project. The table below details the impact the 6 new jobs with an average salary of \$61,000⁶ will have on the Town of Hempstead in terms of direct, indirect and total impacts on employment and wages.

Annual Economic Impact - Operations and Maintenance			
	Direct	Indirect	Total
Jobs	6	4	10
Earnings*	\$ 366,000	\$ 196,341	\$ 562,341
Sales	\$ 999,472	\$ 523,707	\$ 1,523,179

**Earnings adjusted based on information from the Applicant*

Source: EMSI, Camoin Associates

As shown in the tables above, we anticipate that 6 new jobs and \$366,000 in new earnings would occur at the Site itself. Taking into account the additional indirect and induced economic impacts on the Town from the 6 direct jobs, total employment created by the project is estimated at 10 jobs and about \$562,000 in annual earnings. Over \$1.5 million in total sales would be generated as a result of operating and maintaining the Project.

The complete economic impact, both from new household spending as well as operation and maintenance of the multifamily residential facility, is displayed in the table below. The total annual economic impact will include 75 new jobs with over \$3.3 million in new earnings, and over \$9.1 million in new sales.

Town Economic Impact - Household Spending			
	Direct	Indirect	Total
Jobs	51	14	65
Earnings	\$ 1,877,502	\$ 868,632	\$ 2,746,134
Sales	\$ 5,372,368	\$ 2,236,689	\$ 7,609,058
Town Economic Impact - Operation and Maintenance			
	Direct	Indirect	Total
Jobs	6	4	10
Earnings	\$ 366,000	\$ 196,341	\$ 562,341
Sales	\$ 999,472	\$ 523,707	\$ 1,523,179
Town Economic Impact - Combined Annual Impact			
	Direct	Indirect	Total
Jobs	57	18	75
Earnings	\$ 2,243,502	\$ 1,064,973	\$ 3,308,475
Sales	\$ 6,371,840	\$ 2,760,396	\$ 9,132,237

Source: EMSI, Camoin Associates

⁶ As estimated by the Applicant.

Fiscal Impact Analysis

In addition to the economic impact of the Project on the local economies (outlined above), there would also be a fiscal impact in terms of annual property tax and sales tax generation. The following section of the analysis outlines the impact of completion of the Project on the Town in terms of the cost and/or benefit to the municipal budget.

Payment in Lieu of Taxes (PILOT)

The Applicant has applied to the Agency for a Payment In Lieu of Taxes (PILOT) agreement. The Applicant has proposed a 15-year payment schedule based on the current tax rate, taxable value, and assessed value of the Project.

Based on the terms of the PILOT as proposed, Camoin Associates calculated the potential impacts on the Town:

Tax Payments With PILOT		
Year	Total Payment	Town Portion of Payment
1	\$ 100,000	\$ 19,562
2	\$ 100,000	\$ 19,562
3	\$ 100,000	\$ 19,562
4	\$ 375,000	\$ 73,358
5	\$ 410,000	\$ 80,205
6	\$ 460,000	\$ 89,986
7	\$ 500,000	\$ 97,811
8	\$ 550,000	\$ 107,592
9	\$ 600,000	\$ 117,373
10	\$ 650,000	\$ 127,154
11	\$ 700,000	\$ 136,935
12	\$ 800,000	\$ 156,497
13	\$ 850,000	\$ 166,278
14	\$ 900,000	\$ 176,059
15	\$ 1,000,000	\$ 195,621
Total	\$ 8,095,000	\$ 1,583,556
Average	\$ 539,667	\$ 105,570

Source: Town of Hempstead IDA, Camoin Associates

Tax Policy Comparison

Without financial assistance from the Agency, Camoin Associates assumes that the Applicant would not undertake the Project. Based on the current taxes applicable on the Site and an assumed annual increase to the tax rate of 2.00%⁷ (holding taxable value constant), the following table outlines the estimated tax payments made by the building owner without the Project.

Tax Payment Without Project*		
Year	Payment Without Project	Town Portion of Payment Without Project
1	\$ 97,814	\$ 19,134
2	\$ 99,770	\$ 19,517
3	\$ 101,765	\$ 19,907
4	\$ 103,801	\$ 20,306
5	\$ 105,877	\$ 20,712
6	\$ 107,994	\$ 21,126
7	\$ 110,154	\$ 21,549
8	\$ 112,357	\$ 21,979
9	\$ 114,604	\$ 22,419
10	\$ 116,896	\$ 22,867
11	\$ 119,234	\$ 23,325
12	\$ 121,619	\$ 23,791
13	\$ 124,051	\$ 24,267
14	\$ 126,532	\$ 24,752
15	\$ 129,063	\$ 25,248
Total	\$ 1,691,533	\$ 330,900
Average	\$ 112,769	\$ 22,060

* Assumes 2.00% annual increase

Source: Town of Hempstead IDA, Camoin Associates

⁷ The tax rate is increased by 2.00% annually, the maximum inflation factor that can be reasonably anticipated into the future. New York State property tax cap legislation limits tax levy growth to an inflation factor set by the State or 2.00%, whichever is less, the amount by which a government entity may increase its annual tax levy (certain exceptions apply). Although in recent years the inflation factor has been less than 2.00%, using 2.00% for the purposes of comparing future otherwise applicable property tax payments without the Project to the proposed PILOT schedule provides a conservative estimate of the Project's benefit/cost to the Town.

The tables below calculate the benefit (or cost) as the difference between the PILOT payments associated with the Project and the property tax payments without the Project. Over the course of the proposed PILOT term, the average annual collection by local jurisdictions would be approximately \$426,898 more in PILOT revenue than property taxes without the Project. The total benefit to the affected taxing jurisdictions of the PILOT agreement over 15 years would be \$6,403,467.

Tax Policy Comparison			
	A	B	C
Year	Payment Without Project	Total Payment	Benefit (Cost) of Project (Col. B - Col. A)
1	\$ 97,814	\$ 100,000	\$ 2,186
2	\$ 99,770	\$ 100,000	\$ 230
3	\$ 101,765	\$ 100,000	\$ (1,765)
4	\$ 103,801	\$ 375,000	\$ 271,199
5	\$ 105,877	\$ 410,000	\$ 304,123
6	\$ 107,994	\$ 460,000	\$ 352,006
7	\$ 110,154	\$ 500,000	\$ 389,846
8	\$ 112,357	\$ 550,000	\$ 437,643
9	\$ 114,604	\$ 600,000	\$ 485,396
10	\$ 116,896	\$ 650,000	\$ 533,104
11	\$ 119,234	\$ 700,000	\$ 580,766
12	\$ 121,619	\$ 800,000	\$ 678,381
13	\$ 124,051	\$ 850,000	\$ 725,949
14	\$ 126,532	\$ 900,000	\$ 773,468
15	\$ 129,063	\$ 1,000,000	\$ 870,937
Total	\$ 1,691,533	\$ 8,095,000	\$ 6,403,467
Average	\$ 112,769	\$ 539,667	\$ 426,898

Source: Town of Hempstead IDA, Camoin Associates

The table below calculates the benefit (or cost) to the Town. The Town would receive approximately \$83,510 more in PILOT revenue annually than it would receive in property taxes without the Project. The total benefit to the Town would be \$1,252,656 over the 15-year period.

Tax Policy Comparison for Town			
	A	B	C
Year	Payment Without Project	Total Payment	Benefit (Cost) of Project (Col. B - Col. A)
1	\$ 19,134	\$ 19,562	\$ 428
2	\$ 19,517	\$ 19,562	\$ 45
3	\$ 19,907	\$ 19,562	\$ (345)
4	\$ 20,306	\$ 73,358	\$ 53,052
5	\$ 20,712	\$ 80,205	\$ 59,493
6	\$ 21,126	\$ 89,986	\$ 68,860
7	\$ 21,549	\$ 97,811	\$ 76,262
8	\$ 21,979	\$ 107,592	\$ 85,612
9	\$ 22,419	\$ 117,373	\$ 94,954
10	\$ 22,867	\$ 127,154	\$ 104,287
11	\$ 23,325	\$ 136,935	\$ 113,610
12	\$ 23,791	\$ 156,497	\$ 132,706
13	\$ 24,267	\$ 166,278	\$ 142,011
14	\$ 24,752	\$ 176,059	\$ 151,307
15	\$ 25,248	\$ 195,621	\$ 170,374
Total	\$ 330,900	\$ 1,583,556	\$ 1,252,656
Average	\$ 22,060	\$ 105,570	\$ 83,510

Source: Town of Hempstead IDA, Camoin Associates

Other Exemptions

There are other benefits to working with the Agency including a one-time sales tax exemption on renovation materials and furniture, fixtures, and equipment.

Estimated One-Time Costs to Affected Jurisdictions	
	State and County
Total Sales Tax Exemption*	\$ 2,285,625

*The IDA may or may not consider this a "cost."

Source: Town of Hempstead IDA, Camoin Associates

The additional incentive offered by the IDA will benefit the Applicant but will not negatively affect the tax jurisdictions because, without the Project, the State and County by definition would not be receiving any associated sales tax.

Sales Tax Revenue - Construction Phase

The one-time construction phase earnings described by the total economic impact of the construction work would lead to additional sales tax revenue for the County, a portion of which is distributed to the Town. It is assumed that 70%⁸ of the construction phase earnings would be spent within Nassau County and that 25% of those purchases would be taxable.

One-Time Sales Tax Revenue Construction Phase	
Total New Earnings	\$ 7,198,721
Amount Spent in the County (70%)	\$ 5,039,105
Amount Taxable (25%)	\$ 1,259,776
New Town Sales Tax Revenue Portion*	0.375%
New Town Tax Revenue	\$ 4,724

* Nassau County's sales tax rate is 4.25%, of which 0.75% is allocated to the towns and cities within the county. For this analysis we assume half of the 0.75% is allocated to the Town of Hempstead.

Source: Town of Hempstead IDA, Camoin Associates

As a result of construction phase employment, the Town would receive approximate \$4,724 in sales tax revenue.

Sales Tax Revenue – New Household Spending

The Town would receive sales tax revenue from the purchases made by the new households. Based on in-Town spending by new households, the Town of Hempstead would receive \$7,133 annually in net new sales tax revenue.

Annual Town Sales Tax Revenue Household Spending	
Total New Spending	\$ 7,609,058
Amount Taxable (25%)	\$ 1,902,264
New Town Sales Tax Revenue Portion*	0.375%
New Town Tax Revenue	\$ 7,133

* Nassau County's sales tax rate is 4.25%, of which 0.75% is allocated to the towns and cities within the county. For this analysis we assume half of the 0.75% is allocated to the Town of Hempstead.

Source: Town of Hempstead IDA, Camoin Associates

Note that the household spending figure has already been adjusted to account for 70% of total spending occurring within the Town.

⁸ A retail leakage analysis of Nassau County suggests that a vast majority of the goods and services that employees will be purchasing are available within the county (food, clothing, vehicles, computers, etc.), but there still will be some outside spending on travel and through purchases made online and in neighboring counties. Based on third-party proprietary retail spending data, 70% is a reasonable assumption for the amount of in-county spending. (Source: ESRI Business Analysis Online Retail Market Profile)

Sales Tax Revenue – Employee Earnings

In addition to the sales tax revenue from the construction phase, new earnings generated by jobs that will occur as a result of on-site operation jobs at the Project would lead to additional annual sales tax revenue for the County. Sales tax is collected at the Nassau County level with 0.75% of the 4.25% sales tax distributed to Towns. For this analysis we assume half of the 0.75% sales tax is allocated to the Town of Hempstead. It is assumed that 70% of the earnings would be spent within Nassau County and that 25% of those purchases will be taxable.

Annual Town Sales Tax Revenue Employee Earnings	
Total New Earnings	\$ 3,308,475
Amount Spent in the County (70%)	\$ 2,315,932
Amount Taxable (25%)	\$ 578,983
New Town Sales Tax Revenue Portion*	0.375%
New Town Tax Revenue	\$ 2,171

* Nassau County's sales tax rate is 4.25%, of which 0.75% is allocated to the towns and cities within the county. For this analysis we assume half of the 0.75% is allocated to the Town of Hempstead.

Source: Town of Hempstead IDA, Camoin Associates

Under these assumptions, the Town would receive approximately \$2,171 each year in new tax revenue from the economic impacts of the Project.

Total Annual Sales Tax Revenue

In total, we estimate that the Town would receive \$9,305 in annual sales tax related to the Project.

Town Total Annual Sales Tax Revenue	
Household Spending	\$ 7,133
Employee Earnings	\$ 2,171
New Town Tax Revenue	\$ 9,305

Source: Town of Hempstead IDA, Camoin Associates

Attachment A: What is Economic Impact Analysis?

The purpose of conducting an economic impact study is to ascertain the total cumulative changes in employment, earnings and output in a given economy due to some initial “change in final demand”. To understand the meaning of “change in final demand”, consider the installation of a new widget manufacturer in Anytown, USA. The widget manufacturer sells \$1 million worth of its widgets per year exclusively to consumers in Canada. Therefore, the annual change in final demand in the United States is \$1 million because dollars are flowing in from outside the United States and are therefore “new” dollars in the economy.

This change in final demand translates into the first round of buying and selling that occurs in an economy. For example, the widget manufacturer must buy its inputs of production (electricity, steel, etc.), must lease or purchase property and pay its workers. This first round is commonly referred to as the “Direct Effects” of the change in final demand and is the basis of additional rounds of buying and selling described below.

To continue this example, the widget manufacturer’s vendors (the supplier of electricity and the supplier of steel) will enjoy additional output (i.e. sales) that will sustain their businesses and cause them to make additional purchases in the economy. The steel producer will need more pig iron and the electric company will purchase additional power from generation entities. In this second round, some of those additional purchases will be made in the US economy and some will “leak out”. What remains will cause a third round (with leakage) and a fourth (and so on) in ever-diminishing rounds of industry-to-industry purchases. Finally, the widget manufacturer has employees who will naturally spend their wages. Again, those wages spent will either be for local goods and services or will “leak” out of the economy. The purchases of local goods and services will then stimulate other local economic activity. Together, these effects are referred to as the “Indirect Effects” of the change in final demand.

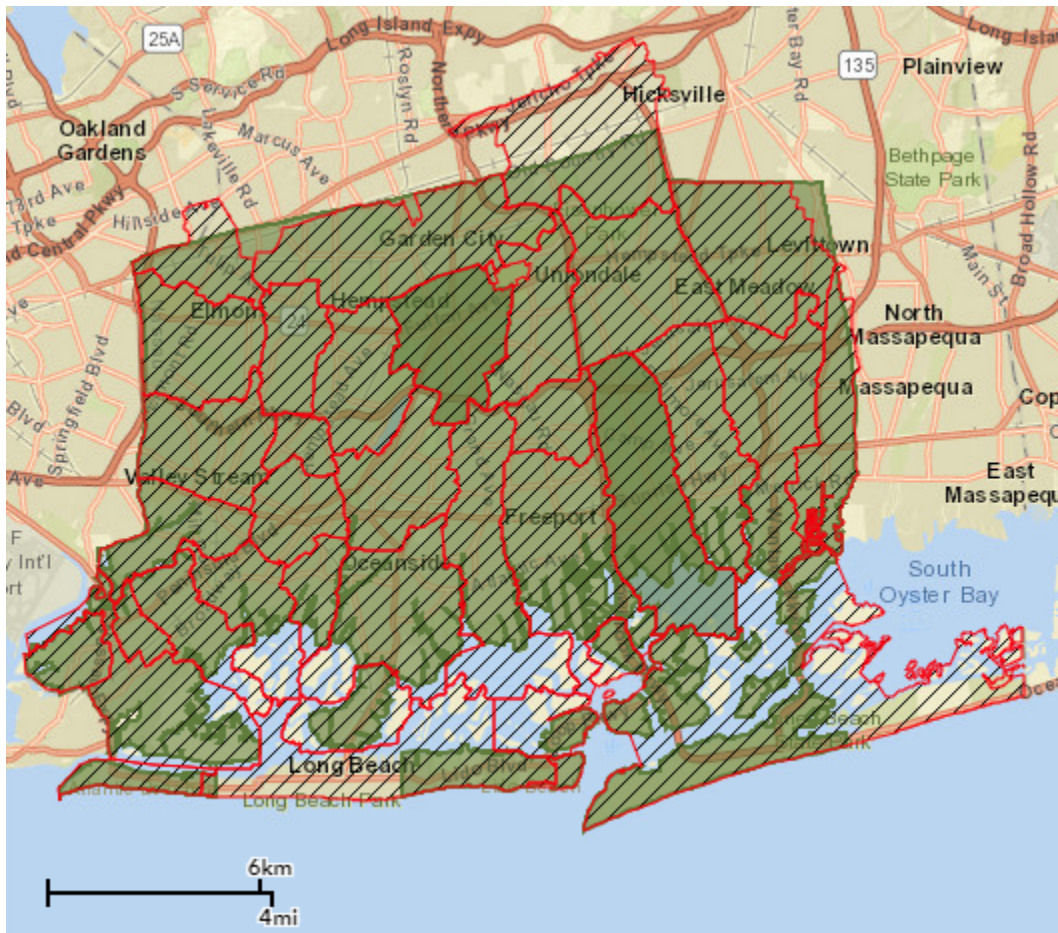
Therefore, the total economic impact resulting from the new widget manufacturer is the initial \$1 million of new money (i.e. Direct Effects) flowing in the US economy, plus the Indirect Effects. The ratio of Total Effects to Direct Effects is called the “multiplier effect” and is often reported as a dollar-of-impact per dollar-of-change. Therefore, a multiplier of 2.4 means that for every dollar (\$1) of change in final demand, an additional \$1.40 of indirect economic activity occurs for a total of \$2.40.

Key information for the reader to retain is that this type of analysis requires rigorous and careful consideration of the geography selected (i.e. how the “local economy” is defined) and the implications of the geography on the computation of the change in final demand. If this analysis wanted to consider the impact of the widget manufacturer on the entire North American continent, it would have to conclude that the change in final demand is zero and therefore the economic impact is zero. This is because the \$1 million of widgets being purchased by Canadians is not causing total North American demand to increase by \$1 million. Presumably, those Canadian purchasers will have \$1 million less to spend on other items and the effects of additional widget production will be cancelled out by a commensurate reduction in the purchases of other goods and services.

Changes in final demand, and therefore Direct Effects, can occur in a number of circumstances. The above example is easiest to understand: the effect of a manufacturer producing locally but selling globally. If, however, 100% of domestic demand for a good is being met by foreign suppliers (say, DVD players being imported into the US from Korea and Japan), locating a manufacturer of DVD players in the US will cause a change in final demand because all of those dollars currently leaving the US economy will instead remain. A situation can be envisioned whereby a producer is serving both local and foreign demand, and an impact analysis would have to be careful in calculating how many “new” dollars the producer would be causing to occur domestically.

Attachment B: Study Areas

Town of Hempstead (Green) and ZIP Code Region (Red outline with dashes)



Camoin Associates, Inc.
120 West Avenue, Suite 303
Saratoga Springs, NY 12866
518.899.2608
www.camoinassociates.com
@camoinassociate

