

PREPARED FOR:

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

Economic and Fiscal Impact

HEATHERWOOD/111 HEMPSTEAD
TPKE LLC.

Town of Hempstead
Industrial Development Agency

MAY 6, 2021

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CAMOIN 310

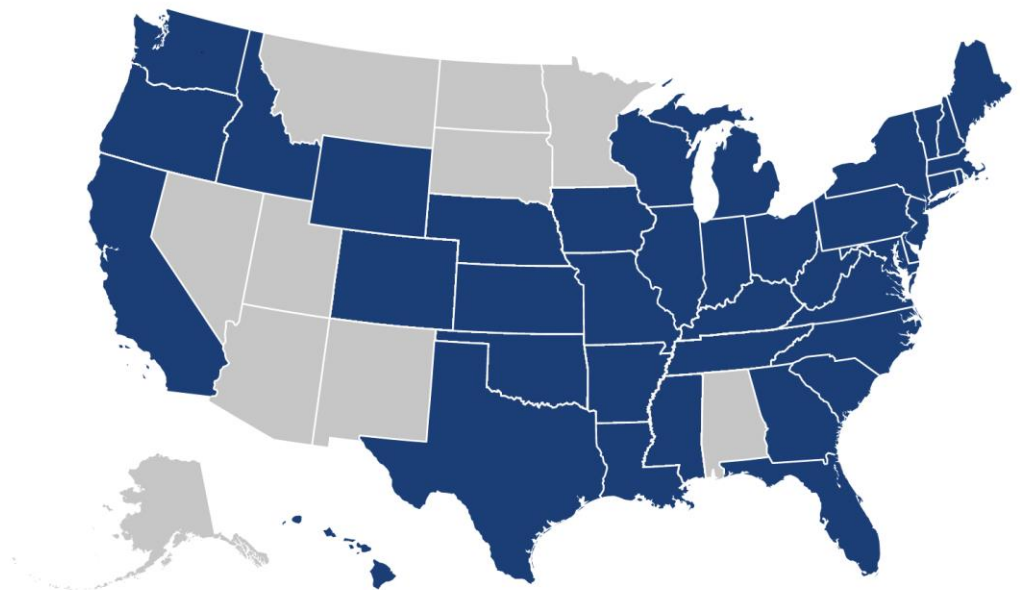
ABOUT CAMOIN 310

Camoin 310 has provided economic development consulting services to municipalities, economic development agencies, and private enterprises since 1999. Through the services offered, Camoin 310 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, Amazon, 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), Crain's New York Business, 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**.

THE PROJECT TEAM

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ABOUT THE STUDY

Camoin 310 was retained by the Town of Hempstead Industrial Development Agency to measure the potential economic and fiscal impacts of a project proposed by Heatherwood/111 Hempstead Tpke. LLC. The proposed project involves construction of 428 market rate apartment units, along with 5,143 square feet of retail/flex space at 111 Hempstead Turnpike in the Hamlet of West Hempstead, Town of Hempstead, Nassau County, New York. The goal of this analysis is to provide a complete assessment of the total economic, employment and tax impact of the project on the Town of Hempstead that result from the new household spending and on-site operations.

The primary tool used in this analysis is the input-output model developed by Economic Modeling Specialists Intl. (Emsi). Primary data used in this study was obtained from the developer's application for financial assistance to the Town of Hempstead Industrial Development Agency and included the following data points: on-site jobs, exemptions, and PILOT schedule. Secondary data was collected by Camoin 310 and used to estimate spending by new households.

The economic impacts are presented in four categories: direct impact, indirect impact, induced impact, and total impact. The indirect and induced impacts are commonly referred to as the "multiplier effect." Note that previous impact reports commissioned by the Town of Hempstead Industrial Development Agency were presented in only three categories: direct impact, indirect impact, and total impact. Prior to 2020, Camoin 310 included both the indirect and induced impacts in the "indirect impact" category. Beginning in 2020, the indirect and induced impacts will be reported separately to allow for more accurate interpretation of results.

STUDY INFORMATION

Data Source:
111 Hempstead Tpke. LLC
Application for Assistance and the
Town of Hempstead Industrial
Development Agency

Geography:
Town of Hempstead and Village
of Hempstead

Study Period:
2021

Modeling Tool:
Emsi

DIRECT IMPACTS

This initial round of impacts is generated as a result of spending on operations and new household spending at town and village businesses.

INDIRECT IMPACTS

The direct impacts have ripple effects through business to business spending. This spending results from the increase in demand for goods and services in industry sectors that supply both the facility and the businesses receiving the new household spending.

INDUCED IMPACTS

Impacts that result from spending by facility employees, employees of town businesses, and employees of suppliers. Earnings of these employees enter the economy as employees spend their paychecks in the town on food, clothing, and other goods and services.

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EXECUTIVE SUMMARY

The Town of Hempstead Industrial Development Agency (the "Agency") received an application for financial assistance from Heatherwood/111 Hempstead Tpke, LLC (the "Applicant") for the construction of 428 apartment units and retail/flex space (the "Project") at 111 Hempstead Turnpike in the Hamlet of West Hempstead, Town Of Hempstead, Nassau County, New York (the "Site"). The development will consist of 428 market-rate residential units and 5,143 square feet of retail/flex space, along with related parking surfaces and streetscapes. The Applicant is seeking a 20-year PILOT agreement from the Agency. The Agency commissioned Camoin 310 to conduct an economic and limited fiscal impact analysis of the Project on the Town of Hempstead (the "Town").

Camoin 310 conducted a market demand analysis of housing in the town and village to determine the extent to which any of the housing units are "new" households and, therefore, associated with new household spending in the town. We determined that 86%, or 368, of the market rate units would be considered as providing "net new households to the town as they allow households to exist in the town that would otherwise locate elsewhere. We then computed the total spending associated with these households to derive job creation resulting from the Project.

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

Table 1
Summary of Benefits

Total Jobs	143
Direct Jobs	106
Total Earnings	\$ 6,965,174
Direct Earnings	\$ 4,493,596
Annual Sales Tax Revenue	\$ 20,151
Average Annual PILOT Payment	\$ 2,132,544
Average Annual PILOT Payment to Town	\$ 182,245
Average Annual PILOT Benefit	\$ 1,195,774
Average Annual PILOT Benefit to Town	\$ 102,189

- ◆ The Project supports 143 net new jobs in the town, with nearly \$7.0 million in associated earnings. These figures include net new jobs resulting from both maintenance and operation of the facility as well as economic activity that results from new household spending.
- ◆ The Applicant has negotiated terms of a proposed 20-year PILOT agreement with the Agency, where the applicant would pay an average of \$2.1 million each year, of which \$182,000 will be allocated to the Town. As compared to the otherwise applicable property taxes, the PILOT represents an average annual benefit to the Town of \$102,000.

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- ◆ Through negotiations with the Agency the Applicant could have access to a sales tax exemption valued at up to \$6.6 million and a mortgage recording tax exemption valued at up to \$806,344. 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.

Table 2

Summary of Costs to Affected Jurisdictions	
	<u>State and County</u>
Sales Tax Exemption	\$ 6,620,009
Mortgage Tax Exemption	\$ 806,344

Source: Applicant, Camoin 310

ECONOMIC IMPACT ANALYSIS

The estimates of direct economic activity generated by facility operation and new resident spending as provided by the Applicant were used as the direct inputs for the economic impact model. Camoin 310 uses the input-output model designed by Economic Modeling Specialists, International (Emsi) to calculate total economic impacts. Emsi allows the analyst to input the amount of new direct economic activity (spending or jobs) occurring within the town and uses the direct inputs to estimate the spillover effects that the net new spending or jobs have as these new dollars circulate through the Town of Hempstead's economy. This is captured in the indirect and induced 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 upon the Town of Hempstead as a result of Project operation, new permanent jobs, and spending by new tenant households.

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 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 are able to live in the jurisdictions as a result of the Project and would otherwise choose to live elsewhere. For this study, we analyzed the demand of rental apartments. For more information on this methodology, see Attachment B.

The Applicant proposes to construct 428 rental units. Based on Camoin 310's rental market demand analysis, this analysis assumes that 86% of the households are net new (Table 1). This is based on a review of the data and an understanding of the proposed Project as detailed above.

Table 3

Net New Households	
Total Households	428
Percent Net New	86%
Net New Households	368

Source: Esri, Camoin 310

SPENDING BY NEW TENANTS

These residents make purchases in the town, thereby adding new dollars to the Town of Hempstead's economy. For this analysis, we researched spending patterns by household income to determine the spending by affordable-rate and market-rate tenants. Tenants in the 368 net new market rate units are assumed to fall into the \$100,000 to \$149,999 spending basket, per the Bureau of Labor Statistics' 2019 Consumer Expenditure Survey.

Using a spending basket for the region which details household spending in individual consumer categories by income level, we analyzed likely tenant spending. According to the 2019 Consumer Expenditure Survey, these have annual expenditures (excluding housing and utility costs) of \$45,846.

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It is assumed that 70%¹ of total expenditures would occur within the Town of Hempstead and, therefore, have an impact on the town's economy. The total net new spending columns show the total amount spent in the town and the village, respectively, based on the number of net new units.

Table 4

Tenant Spending Basket**Market Rate Units (\$100,000 to \$149,999 Annual Household Income)**

Category	Annual per Unit Spending Basket	Amount Spent in Town (70%)	Total Net New Town Spending (368 net new units)
Food	\$ 10,633	\$ 7,443	\$ 2,739,061
Household furnishings and equipment	\$ 2,858	\$ 2,001	\$ 736,221
Apparel and services	\$ 2,565	\$ 1,796	\$ 660,744
Transportation	\$ 15,050	\$ 10,535	\$ 3,876,880
Health care	\$ 6,685	\$ 4,680	\$ 1,722,056
Entertainment	\$ 4,150	\$ 2,905	\$ 1,069,040
Personal care products and services	\$ 1,052	\$ 736	\$ 270,995
Education	\$ 1,862	\$ 1,303	\$ 479,651
Miscellaneous	\$ 991	\$ 694	\$ 255,282
Annual Discretionary Spending	\$ 45,846	\$ 32,092	\$ 11,809,930

Source: 2019 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 totals \$11,809,930 per year. We used the above spending basket amounts to calculate the direct, indirect, and total impact of the Project on the town.

Using \$11.8 million as the new sales input, Camoin 310 employed Emsi to determine the indirect, induced, and total impact of the Project on the Town of Hempstead.² Table 5 outlines the findings of this analysis.

Table 5

Economic Impact - Household Spending

	<u>Jobs</u>	<u>Earnings</u>	<u>Sales</u>
Direct	100	\$ 4,083,758	\$ 11,809,930
Indirect	19	\$ 1,128,091	\$ 3,105,438
Induced	14	\$ 1,040,433	\$ 2,580,392
Total	133	\$ 6,252,281	\$ 17,495,760

Source: Emsi, Camoin 310

IMPACTS OF ON-SITE EMPLOYMENT

The Applicant anticipates that 7 jobs will be on-site within two years following Project completion. Since 87% of the housing units are considered net new to the town and village, 87% of the jobs, or 6 jobs, are considered to be net new. The table below detail the impact that these 6 jobs will have on the Town of Hempstead (Table 6).

¹ Based on an analysis of goods and services available within the town, using Esri Business Analyst. Every category of retail exists within the Town, but some portion of the retail expenditure occurs outside the Town limits.

² Analysis uses the 33 zip codes that are predominantly located within the Town of Hempstead (see Attachment C).

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Table 6

Economic Impact - On-Site Operations			
	<u>Jobs</u>	<u>Earnings</u>	<u>Sales</u>
Direct	6	\$ 409,838	\$ 1,408,155
Indirect	3	\$ 212,840	\$ 562,208
Induced	1	\$ 90,214	\$ 225,977
Total	10	\$ 712,893	\$ 2,196,340

Source: Emsi, Camoin 310

Camoin 310 also considered the extent to which any of the retail space would bring new retail sales to the town. We determined that, because of the generic nature of the retail space and the availability of retail throughout the town, none of the retail space would be "net new" to the Town of Hempstead. The retail component of the Project is not expected to induce any more retail spending within the town than would otherwise occur elsewhere in the town absent the retail space, and therefore the retail component per se would not generate net new sales or jobs.

TOTAL ANNUAL ECONOMIC IMPACT

The complete economic impact of both new household spending as well as on-site operation and maintenance of the Project on the Town of Hempstead in Table 7.

Table 7

Total Annual Economic Impact			
	<u>Jobs</u>	<u>Earnings</u>	<u>Sales</u>
Direct	106	\$ 4,493,596	\$ 13,218,084
Indirect	22	\$ 1,340,931	\$ 3,667,646
Induced	15	\$ 1,130,647	\$ 2,806,370
Total	143	\$ 6,965,174	\$ 19,692,100

Source: Emsi, Camoin 310

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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 the completion of the Project on the local taxing jurisdictions in terms of the cost and/or benefit to municipal budgets.

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 20-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 310 calculated the potential impact on the Town of Hempstead.³

Table 8

Tax Payments with PILOT		
Year	PILOT Payments	Town Portion of Payment
1	\$ 771,088	\$ 65,896
2	\$ 771,088	\$ 65,896
3	\$ 771,088	\$ 65,896
4	\$ 800,000	\$ 68,367
5	\$ 825,000	\$ 70,504
6	\$ 900,000	\$ 76,913
7	\$ 1,000,000	\$ 85,459
8	\$ 1,200,000	\$ 102,551
9	\$ 1,325,000	\$ 113,233
10	\$ 1,500,000	\$ 128,188
11	\$ 1,750,000	\$ 149,553
12	\$ 2,250,000	\$ 192,282
13	\$ 2,500,000	\$ 213,647
14	\$ 2,750,000	\$ 235,012
15	\$ 3,000,000	\$ 256,377
16	\$ 3,225,000	\$ 275,605
17	\$ 3,500,000	\$ 299,106
18	\$ 4,000,000	\$ 341,836
19	\$ 4,500,000	\$ 384,565
20	\$ 5,312,624	\$ 454,011
Total	\$ 42,650,888	\$ 3,644,897
Average	\$ 2,132,544	\$ 182,245

Source: Town of Hempstead IDA, Camoin 310

³ It is assumed that the Town of Hempstead will continue to receive the same portion of the full tax bill that they currently are. The current total taxes are \$771,088 of which the Town receives approximately 9%.

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TAX POLICY COMPARISON

Without financial assistance from the Agency, Camoin 310 assumes the Applicant would not undertake the Project. Based on the current taxes applicable on the Site as provided by the Town of Hempstead IDA and an assumed annual increase to the tax rate of 2.00%⁴ (holding taxable value constant), Table 9 outlines the estimated tax payments made by the building owner without the Project.

Table 9

Tax Payments without Project

<u>Year</u>	<u>Property Tax Payment</u> <u>Without Project*</u>	<u>Town Portion of</u> <u>Payment Without</u> <u>Project</u>
1	\$ 771,088	\$ 65,896
2	\$ 786,510	\$ 67,214
3	\$ 802,240	\$ 68,559
4	\$ 818,285	\$ 69,930
5	\$ 834,651	\$ 71,328
6	\$ 851,344	\$ 72,755
7	\$ 868,370	\$ 74,210
8	\$ 885,738	\$ 75,694
9	\$ 903,453	\$ 77,208
10	\$ 921,522	\$ 78,752
11	\$ 939,952	\$ 80,327
12	\$ 958,751	\$ 81,934
13	\$ 977,926	\$ 83,572
14	\$ 997,485	\$ 85,244
15	\$ 1,017,434	\$ 86,949
16	\$ 1,037,783	\$ 88,688
17	\$ 1,058,539	\$ 90,462
18	\$ 1,079,710	\$ 92,271
19	\$ 1,101,304	\$ 94,116
20	\$ 1,123,330	\$ 95,999
Total	\$ 18,735,413	\$ 1,601,107
Average	\$ 936,771	\$ 80,055

Source: Town of Hempstead IDA, Camoin 310

*Assumes an average annual increase of 2.00%

⁴ 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 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.

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Table 10 calculates the benefit (or cost) to the affected taxing jurisdictions as the difference between the PILOT payments associated with the Project and the property tax payments without the Project. Nearly \$1.2 million more in PILOT revenue will be received annually than property taxes that would be received without the Project. The total benefit would be \$23.9 million over the 20-year period.

Table 10

Tax Policy Comparison (All Jurisdictions)			
Year	Property Tax Payment Without Project	PILOT Payment	Benefit (Cost) of Project
1	\$ 771,088	\$ 771,088	\$ (0)
2	\$ 786,510	\$ 771,088	\$ (15,422)
3	\$ 802,240	\$ 771,088	\$ (31,152)
4	\$ 818,285	\$ 800,000	\$ (18,285)
5	\$ 834,651	\$ 825,000	\$ (9,651)
6	\$ 851,344	\$ 900,000	\$ 48,656
7	\$ 868,370	\$ 1,000,000	\$ 131,630
8	\$ 885,738	\$ 1,200,000	\$ 314,262
9	\$ 903,453	\$ 1,325,000	\$ 421,547
10	\$ 921,522	\$ 1,500,000	\$ 578,478
11	\$ 939,952	\$ 1,750,000	\$ 810,048
12	\$ 958,751	\$ 2,250,000	\$ 1,291,249
13	\$ 977,926	\$ 2,500,000	\$ 1,522,074
14	\$ 997,485	\$ 2,750,000	\$ 1,752,515
15	\$ 1,017,434	\$ 3,000,000	\$ 1,982,566
16	\$ 1,037,783	\$ 3,225,000	\$ 2,187,217
17	\$ 1,058,539	\$ 3,500,000	\$ 2,441,461
18	\$ 1,079,710	\$ 4,000,000	\$ 2,920,290
19	\$ 1,101,304	\$ 4,500,000	\$ 3,398,696
20	\$ 1,123,330	\$ 5,312,624	\$ 4,189,294
Total	\$ 18,735,413	\$ 42,650,888	\$ 23,915,475
Average	\$ 936,771	\$ 2,132,544	\$ 1,195,774

Source: Town of Hempstead IDA, Camoin 310

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Table 11 calculates the benefit (or cost) to the Town. The Town would receive approximately \$102,000 more in PILOT revenue annually than it would receive in property taxes without the Project. The total benefit to the Town would be over \$2.0 million over the 20-year period.

Table 11

Tax Policy Comparison for Town			
Year	Property Tax Payment Without Project	PILOT Payment	Benefit (Cost) of Project
1	\$ 65,896	\$ 65,896	\$ (0)
2	\$ 67,214	\$ 65,896	\$ (1,318)
3	\$ 68,559	\$ 65,896	\$ (2,662)
4	\$ 69,930	\$ 68,367	\$ (1,563)
5	\$ 71,328	\$ 70,504	\$ (825)
6	\$ 72,755	\$ 76,913	\$ 4,158
7	\$ 74,210	\$ 85,459	\$ 11,249
8	\$ 75,694	\$ 102,551	\$ 26,856
9	\$ 77,208	\$ 113,233	\$ 36,025
10	\$ 78,752	\$ 128,188	\$ 49,436
11	\$ 80,327	\$ 149,553	\$ 69,226
12	\$ 81,934	\$ 192,282	\$ 110,349
13	\$ 83,572	\$ 213,647	\$ 130,075
14	\$ 85,244	\$ 235,012	\$ 149,768
15	\$ 86,949	\$ 256,377	\$ 169,428
16	\$ 88,688	\$ 275,605	\$ 186,917
17	\$ 90,462	\$ 299,106	\$ 208,645
18	\$ 92,271	\$ 341,836	\$ 249,565
19	\$ 94,116	\$ 384,565	\$ 290,449
20	\$ 95,999	\$ 454,011	\$ 358,012
Total	\$ 1,601,107	\$ 3,644,897	\$ 2,043,790
Average	\$ 80,055	\$ 182,245	\$ 102,189

Source: Town of Hempstead IDA, Camoin 310

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OTHER EXEMPTIONS

There are additional benefits to working with the Agency including a one-time sales tax exemption on renovation materials and furniture, fixtures, and equipment as well as a mortgage recording tax exemption. Tax exemptions are for the state and county taxes and are not applicable to the town and village.

Table 12

Summary of Costs to Affected Jurisdictions	
	<u>State and County</u>
Sales Tax Exemption	\$ 6,620,009
Mortgage Tax Exemption	\$ 806,344

Source: Applicant, Camoin 310

The additional incentives offered by the Agency will benefit the Applicant but will not negatively affect the taxing jurisdictions because, without the Project, the Town by definition would not be receiving any associated sales tax or mortgage tax revenue.

SALES TAX REVENUE

SALES TAX REVENUE – NEW HOUSEHOLD SPENDING

As a result of the Project, the Town would receive sales tax revenue from the purchases made by the households. Table 13 displays the new sales tax revenue that the Town of Hempstead would receive annually based on in-town spending by new households.

Table 13

Annual Sales Tax Revenue Household Spending	
Total New Spending	\$ 17,495,760
Amount Taxable (30%)	\$ 5,248,728
New Town Sales Tax Revenue Portion*	0.375%
New Town Tax Revenue	\$ 19,683

*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 310

Note that the household spending figure has already been adjusted to account for 70% of total spending occurring within the town (see table entitled "Tenant Spending Baskets"). It is assumed that 30% of purchases will be taxable, based on the spending baskets of tenants and the understanding that certain non-taxable items (related to housing expenses) have been removed from the total spending line, this increasing the remaining portion taxable.

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SALES TAX REVENUE – EMPLOYEE EARNINGS

The earnings generated by on-site jobs that will occur as a result of building operation at the Project (described under Impacts of On-Site Employment) would lead to additional annual sales tax revenue for the town. It is assumed that 70% of the earnings would be spent within the Town of Hempstead and that 25% of those purchases will be taxable. Table 14 displays the annual tax revenue that the Town will receive.

Table 14

Annual Sales Tax Revenue On-Site Operations	
Total New Earnings	\$ 712,893
Amount Spent in County (70%)	\$ 499,025
Amount Taxable (25%)	\$ 124,756
New Town Sales Tax Revenue Portion*	0.375%
New Town Tax Revenue	\$ 468

*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 310

TOTAL ANNUAL SALES TAX REVENUE

The total annual sales tax revenue that the Town will receive is summarized in Table 15.

Table 15

Total Annual Sales Tax Revenue	
Household Spending	\$ 19,683
On-Site Operations	\$ 468
New Town Tax Revenue	\$ 20,151

Source: Town of Hempstead IDA, Camoin 310

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: CALCULATING NET NEW HOUSEHOLDS

"Net new" households that move into a geography because of the availability of desired housing contribute to that geography's economy in measurable ways. Estimating the number of net new households, the households that would not otherwise live in the geography, is therefore a critical task for an economic and fiscal impact analysis for a project that includes housing.

Our housing market research indicates that housing is heavily affected by demand, with households in different demographic groups seeking diverse housing price points and amenities. Our estimates of net new households take into consideration demographic and economic differences among renters, and price points among units offered, identifying the existence and size of a housing gap (where more units are demanded than are available) or surplus (where there is oversupply) in the market segment to be served by the proposed project. Generally, where there is a significant housing gap outside the geography but within a reasonable distance for relocation, a project will draw a larger proportion of net new households into that geography. Each project may therefore have a different expectation for net new households, depending on price point, age restriction if any, and location.

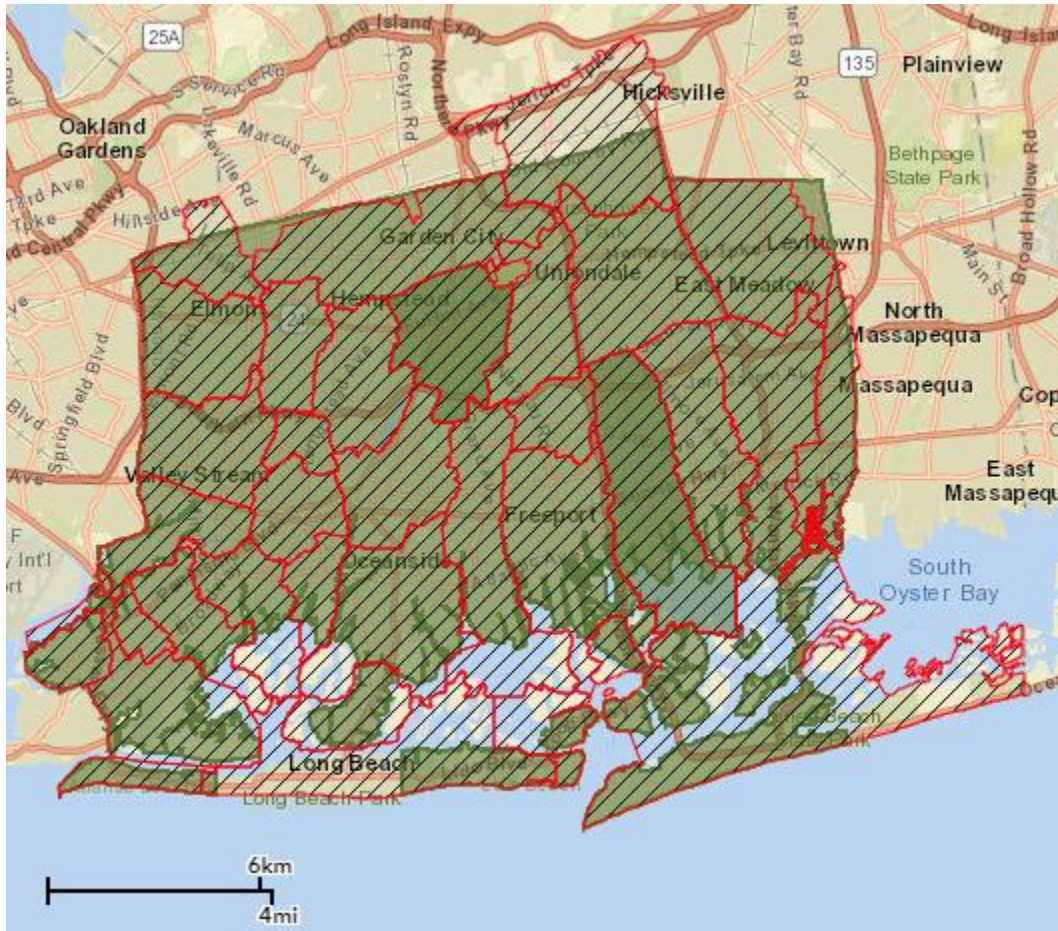
The following steps outline our process for calculating net new households. All data is drawn from Esri Business Analyst.

1. Identify *where* households are likely to come from. We expect that renters for a new project would consider housing within a reasonable driving time from their current location, creating a "renter-shed" for a new project. Households that are within the drive time but outside of the study area are net new.
2. Identify the existing rental housing supply at different price points. Using data from Esri, we identify rental housing units in the study area by price point and calculate the minimum household income expected to be necessary to afford rent by price range.
3. Identify the number of households at different income levels. We analyze households by income group and rental behavior to estimate an "implied number renting" for different income groups.
4. Calculate net housing surplus or gap by price point. Rental housing supply and rental housing demand is compared to calculate a "net gap," indicating excess demand for the project, or a "net surplus." To estimate net new households for a project, the net gap in the study area is compared to the net gap in the drive time.

CAMOIN 310

ATTACHMENT C: STUDY AREAS

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





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