

PREPARED FOR:

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

Economic and Fiscal Impact

25 WANSER, LLC

Town of Hempstead
Industrial Development Agency

AUGUST 18, 2021

PREPARED BY:



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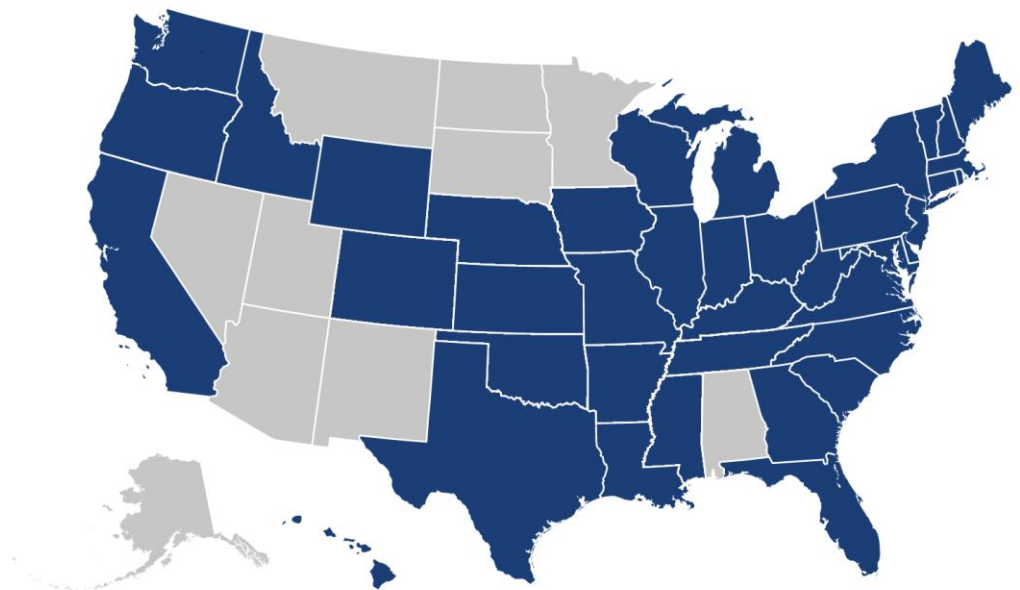
ABOUT CAMOIN ASSOCIATES

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, 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 43 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](https://www.facebook.com/camoinassociate).

THE PROJECT TEAM

Rachel Selsky
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ABOUT THE STUDY

Camoin Associates was retained by the Town of Hempstead Industrial Development Agency to measure the potential economic and fiscal impacts of a project proposed by 25 Wanser, LLC. The proposed project involves construction of 313 apartment units, of which 63 are affordable units at 25 Wanser Avenue and 40 Bayview Avenue, Lawrence/Inwood, NY 11096. 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 Associates 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 Associates 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:
25 Wanser, LLC Application for Assistance and the Town of Hempstead Industrial Development Agency

Geography:
Town 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 25 Wanser, LLC (the "Applicant") for the construction of 313 apartment units (the "Project") at 25 Wanser Avenue and 40 Bayview Avenue, Lawrence/Inwood, Town of Hempstead, Nassau County, New York (the "Site"). The development will consist of 250 market-rate residential units, 63 affordable units (313 total units) and some retail space, along with related parking surfaces and streetscapes. The Applicant is seeking a 25-year PILOT agreement from the Agency. 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 demand analysis of housing in the town 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 205 of the market rate units and 63 of the affordable 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	91
Direct Jobs	68
Total Earnings	\$ 4,773,468
Direct Earnings	\$ 3,184,381
Annual Sales Tax Revenue	\$ 13,127
Average Annual PILOT Payment	\$ 1,525,022
Average Annual PILOT Payment to Town	\$ 891,298
Average Annual PILOT Benefit	\$ 1,248,896
Average Annual PILOT Benefit to Town	\$ 729,916

- ◆ The Project supports 91 net new jobs in the town, with over \$4.7 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 25-year PILOT agreement with the Agency, where the applicant would pay an average of \$1.5 million each year, of which \$891,298 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 \$729,916.
- ◆ Through negotiations with the Agency the Applicant could have access to a sales tax exemption valued at up to \$5.3 million and a mortgage recording tax exemption valued at up to \$1.3. 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	\$	5,272,397
Mortgage Tax Exemption	\$	1,293,939

Source: Applicant, Camoin Associates

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 Associates 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

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 313 rental units, of which 250 will be market rate units and 63 will be affordable rate units. Based on Camoin Associates' rental market demand analysis, this analysis assumes that 100% of the affordable households are net new to the town and 82% of the market rate 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			
	<u>Total Households</u>	<u>Percent Net New</u>	<u>Net New Households</u>
Market-Rate	250	82%	205
Affordable	63	100%	63
Total	313	86%	268

Source: Esri, Camoin Associates

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.

The 63 net new affordable units will be available to households earning up to 60% of Nassau County area median income (AMI).¹ We assume an average household size of 2 persons given the type of development and units. The 60% AMI income for a 2-person occupancy is \$60,750². Therefore, we will consider spending for tenants to be in

¹ According to the Applicant.

² According to HUD's 2020-2021 income limits for the Nassau-Suffolk region.

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the \$50,000 to \$69,999 spending basket, per the Bureau of Labor Statistics' 2019 Consumer Expenditure Survey. Tenants in the 205 net new market rate units will fall into the \$100,000 to \$149,999 spending basket.

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, households in affordable units have annual expenditures (excluding housing and utility costs) of \$28,738 and households in market rate units have annual expenditures of \$45,846.

It is assumed that 70%³ 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

Affordable Units for Tenants Earning 60% AMI (\$50,000 to \$69,999 Annual Household Income)			
Category	Annual per Unit Spending Basket	Amount Spent in Town (70%)	Total Net New Town Spending (63 net new units)
Food	\$ 7,922	\$ 5,545	\$ 349,360
Household furnishings and equipment	\$ 3,152	\$ 2,206	\$ 139,003
Apparel and services	\$ 2,886	\$ 2,020	\$ 127,273
Transportation	\$ 8,972	\$ 6,280	\$ 395,665
Health care	\$ 740	\$ 518	\$ 32,634
Entertainment	\$ 2,204	\$ 1,543	\$ 97,196
Personal care products and services	\$ 732	\$ 512	\$ 32,281
Education	\$ 1,014	\$ 710	\$ 44,717
Miscellaneous	\$ 1,116	\$ 781	\$ 49,216
Annual Discretionary Spending	\$ 28,738	\$ 20,117	\$ 1,267,346
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 (205 net new units)
Food	\$ 10,633	\$ 7,443	\$ 1,525,836
Household furnishings and equipment	\$ 2,858	\$ 2,001	\$ 410,123
Apparel and services	\$ 2,565	\$ 1,796	\$ 368,078
Transportation	\$ 15,050	\$ 10,535	\$ 2,159,675
Health care	\$ 6,685	\$ 4,680	\$ 959,298
Entertainment	\$ 4,150	\$ 2,905	\$ 595,525
Personal care products and services	\$ 1,052	\$ 736	\$ 150,962
Education	\$ 1,862	\$ 1,303	\$ 267,197
Miscellaneous	\$ 991	\$ 694	\$ 142,209
Annual Discretionary Spending	\$ 45,846	\$ 32,092	\$ 6,578,901
Total Tenant Spending			\$ 7,846,247

Source: 2019 Consumer Expenditure Survey, Bureau of Labor Statistics

³ 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.

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The total net new spending in the town and the village was calculated by multiplying the amount spent in each region by the number of net new units. As shown in the table above, spending in the town by all new households totals \$7,846,247 per year. We used the above spending basket amounts to calculate the direct, indirect, and total impact of the Project on the town.

Using \$7.8 million as the new sales input, Camoin Associates employed Emsi to determine the indirect, induced, and total impact of the Project on the Town of Hempstead.⁴ Table 5 outlines the findings of this analysis.

Table 5

Economic Impact - Household Spending			
	<u>Jobs</u>	<u>Earnings</u>	<u>Sales</u>
Direct	63	\$ 2,835,039	\$ 7,846,247
Indirect	11	\$ 675,576	\$ 1,798,075
Induced	8	\$ 671,752	\$ 1,679,703
Total	82	\$ 4,182,366	\$ 11,324,025

Source: Emsi, Camoin Associates

IMPACTS OF ON-SITE EMPLOYMENT

The Applicant anticipates that 6 jobs will be on-site within two years following Project completion. Since 86% of the housing units are considered net new to the town and village, 86% of the jobs, or 5 jobs, are considered to be net new. The table below detail the impact that these 5 jobs will have on the Town of Hempstead (Table 6).

Table 6

Economic Impact - On-Site Operations			
	<u>Jobs</u>	<u>Earnings</u>	<u>Sales</u>
Direct	5	\$ 349,342	\$ 1,167,324
Indirect	3	\$ 171,658	\$ 454,565
Induced	1	\$ 70,101	\$ 176,063
Total	9	\$ 591,102	\$ 1,797,952

Source: Emsi, Camoin Associates

Camoin Associates 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.

⁴ Analysis uses the 33 zip codes that are predominantly located within the Town of Hempstead (see Attachment C).

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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	68	\$ 3,184,381	\$ 9,013,571
Indirect	14	\$ 847,234	\$ 2,252,640
Induced	9	\$ 741,853	\$ 1,855,766
Total	91	\$ 4,773,468	\$ 13,121,977

Source: Emsi, Camoin Associates

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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 25-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 impact on the Town of Hempstead.⁵

Table 8

Tax Payments with PILOT		
Year	PILOT Payments	Town Portion of Payment
1	\$ 215,520	\$ 125,961
2	\$ 215,520	\$ 125,961
3	\$ 215,520	\$ 125,961
4	\$ 325,000	\$ 189,946
5	\$ 400,000	\$ 233,780
6	\$ 420,000	\$ 245,469
7	\$ 550,000	\$ 321,447
8	\$ 675,000	\$ 394,503
9	\$ 750,000	\$ 438,337
10	\$ 850,000	\$ 496,782
11	\$ 950,000	\$ 555,227
12	\$ 1,000,000	\$ 584,449
13	\$ 1,100,000	\$ 642,894
14	\$ 1,300,000	\$ 759,784
15	\$ 1,500,000	\$ 876,674
16	\$ 1,750,000	\$ 1,022,786
17	\$ 2,000,000	\$ 1,168,899
18	\$ 2,786,000	\$ 1,628,276
19	\$ 2,841,000	\$ 1,660,421
20	\$ 2,898,000	\$ 1,693,734
21	\$ 2,956,000	\$ 1,727,632
22	\$ 3,015,000	\$ 1,762,115
23	\$ 3,076,000	\$ 1,797,766
24	\$ 3,137,000	\$ 1,833,418
25	\$ 3,200,000	\$ 1,870,238
Total	\$ 38,125,560	\$ 22,282,458
Average	\$ 1,525,022	\$ 891,298

Source: Town of Hempstead IDA, Camoin Associates

⁵ 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 Associates 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%⁶ (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

Year	Property Tax Payment Without Project*	Town Portion of Payment Without Project	
1	\$ 215,520	\$	125,961
2	\$ 219,830	\$	128,480
3	\$ 224,227	\$	131,049
4	\$ 228,712	\$	133,670
5	\$ 233,286	\$	136,344
6	\$ 237,951	\$	139,071
7	\$ 242,711	\$	141,852
8	\$ 247,565	\$	144,689
9	\$ 252,516	\$	147,583
10	\$ 257,566	\$	150,534
11	\$ 262,718	\$	153,545
12	\$ 267,972	\$	156,616
13	\$ 273,331	\$	159,748
14	\$ 278,798	\$	162,943
15	\$ 284,374	\$	166,202
16	\$ 290,062	\$	169,526
17	\$ 295,863	\$	172,917
18	\$ 301,780	\$	176,375
19	\$ 307,816	\$	179,903
20	\$ 313,972	\$	183,501
21	\$ 320,251	\$	187,171
22	\$ 326,656	\$	190,914
23	\$ 333,190	\$	194,732
24	\$ 339,853	\$	198,627
25	\$ 346,650	\$	202,600
Total	\$ 6,903,170	\$	4,034,553
Average	\$ 276,127	\$	161,382

Source: Town of Hempstead IDA, Camoin Associates

*Assumes an average annual increase of 2.00%

⁶ 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. More than \$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 \$31.2 million over the 25-year period.

Table 10

Tax Policy Comparison (All Jurisdictions)			
Year	Property Tax Payment Without Project	PILOT Payment	Benefit (Cost) of Project
1	\$ 215,520	\$ 215,520	\$ -
2	\$ 219,830	\$ 215,520	\$ (4,310)
3	\$ 224,227	\$ 215,520	\$ (8,707)
4	\$ 228,712	\$ 325,000	\$ 96,288
5	\$ 233,286	\$ 400,000	\$ 166,714
6	\$ 237,951	\$ 420,000	\$ 182,049
7	\$ 242,711	\$ 550,000	\$ 307,289
8	\$ 247,565	\$ 675,000	\$ 427,435
9	\$ 252,516	\$ 750,000	\$ 497,484
10	\$ 257,566	\$ 850,000	\$ 592,434
11	\$ 262,718	\$ 950,000	\$ 687,282
12	\$ 267,972	\$ 1,000,000	\$ 732,028
13	\$ 273,331	\$ 1,100,000	\$ 826,669
14	\$ 278,798	\$ 1,300,000	\$ 1,021,202
15	\$ 284,374	\$ 1,500,000	\$ 1,215,626
16	\$ 290,062	\$ 1,750,000	\$ 1,459,938
17	\$ 295,863	\$ 2,000,000	\$ 1,704,137
18	\$ 301,780	\$ 2,786,000	\$ 2,484,220
19	\$ 307,816	\$ 2,841,000	\$ 2,533,184
20	\$ 313,972	\$ 2,898,000	\$ 2,584,028
21	\$ 320,251	\$ 2,956,000	\$ 2,635,749
22	\$ 326,656	\$ 3,015,000	\$ 2,688,344
23	\$ 333,190	\$ 3,076,000	\$ 2,742,810
24	\$ 339,853	\$ 3,137,000	\$ 2,797,147
25	\$ 346,650	\$ 3,200,000	\$ 2,853,350
Total	\$ 6,903,170	\$ 38,125,560	\$ 31,222,390
Average	\$ 276,127	\$ 1,525,022	\$ 1,248,896

Source: Town of Hempstead IDA, Camoin Associates

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Table 11 calculates the benefit (or cost) to the Town. The Town would receive approximately \$729,916 more in PILOT revenue annually than it would receive in property taxes without the Project. The total benefit to the Town would be over \$18 million over the 25-year period.

Table 11

Tax Policy Comparison for Town			
Year	Property Tax Payment Without Project	PILOT Payment	Benefit (Cost) of Project
1	\$ 125,961	\$ 125,961	\$ -
2	\$ 128,480	\$ 125,961	\$ (2,519)
3	\$ 131,049	\$ 125,961	\$ (5,089)
4	\$ 133,670	\$ 189,946	\$ 56,276
5	\$ 136,344	\$ 233,780	\$ 97,436
6	\$ 139,071	\$ 245,469	\$ 106,398
7	\$ 141,852	\$ 321,447	\$ 179,595
8	\$ 144,689	\$ 394,503	\$ 249,814
9	\$ 147,583	\$ 438,337	\$ 290,754
10	\$ 150,534	\$ 496,782	\$ 346,247
11	\$ 153,545	\$ 555,227	\$ 401,682
12	\$ 156,616	\$ 584,449	\$ 427,833
13	\$ 159,748	\$ 642,894	\$ 483,146
14	\$ 162,943	\$ 759,784	\$ 596,841
15	\$ 166,202	\$ 876,674	\$ 710,472
16	\$ 169,526	\$ 1,022,786	\$ 853,260
17	\$ 172,917	\$ 1,168,899	\$ 995,982
18	\$ 176,375	\$ 1,628,276	\$ 1,451,901
19	\$ 179,903	\$ 1,660,421	\$ 1,480,518
20	\$ 183,501	\$ 1,693,734	\$ 1,510,233
21	\$ 187,171	\$ 1,727,632	\$ 1,540,462
22	\$ 190,914	\$ 1,762,115	\$ 1,571,201
23	\$ 194,732	\$ 1,797,766	\$ 1,603,034
24	\$ 198,627	\$ 1,833,418	\$ 1,634,791
25	\$ 202,600	\$ 1,870,238	\$ 1,667,638
Total	\$ 4,034,553	\$ 22,282,458	\$ 18,247,905
Average	\$ 161,382	\$ 891,298	\$ 729,916

Source: Town of Hempstead IDA, Camoin Associates

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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.

Table 12

Summary of Costs to Affected Jurisdictions	
	<u>State and County</u>
Sales Tax Exemption	\$ 5,272,397
Mortgage Tax Exemption	\$ 1,293,939

Source: Applicant, Camoin Associates

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	\$ 11,324,025
Amount Taxable (30%)	\$ 3,397,207
New Town Sales Tax Revenue Portion*	0.375%
New Town Tax Revenue	\$ 12,740

*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 (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	\$ 591,102
Amount Spent in County (70%)	\$ 413,771
Amount Taxable (25%)	\$ 103,443
New Town Sales Tax Revenue Portion*	0.375%
New Town Tax Revenue	\$ 388

*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

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	\$ 12,740
On-Site Operations	\$ 388
New Town Tax Revenue	\$ 13,127

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: 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.

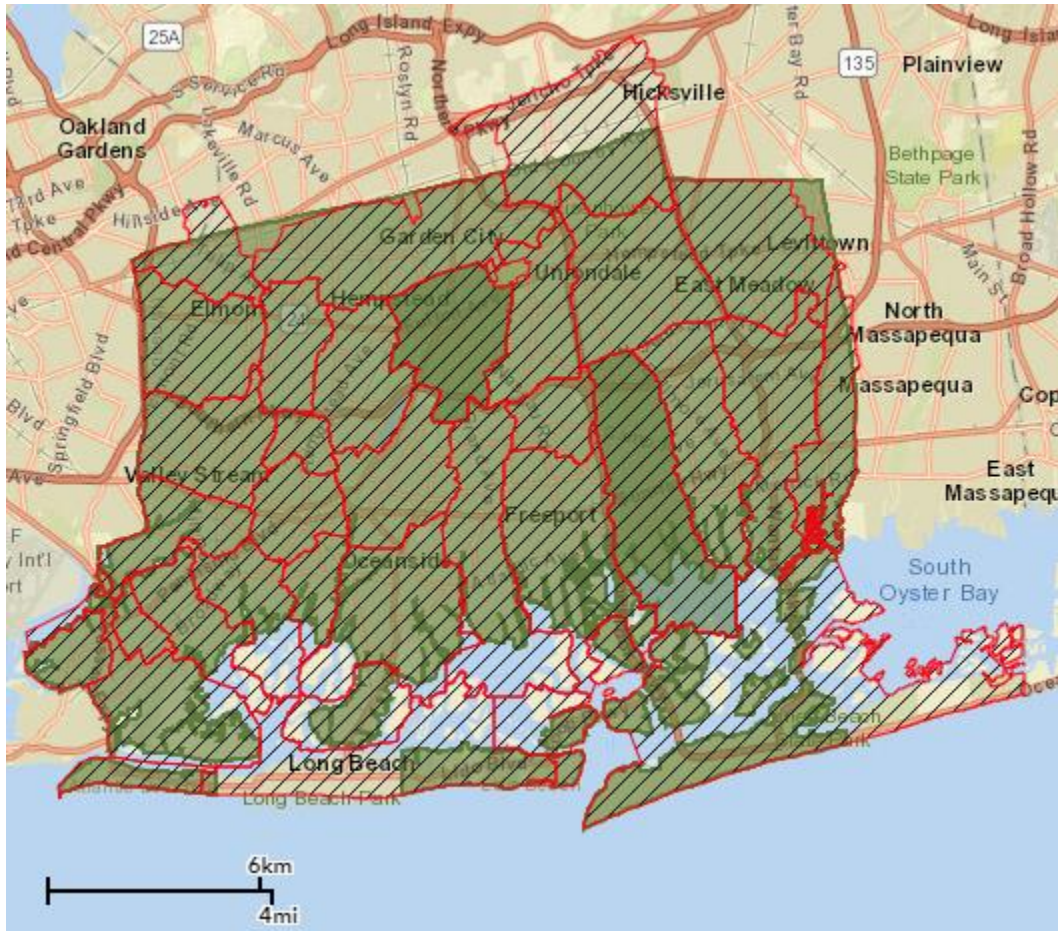
Our housing market research indicates that housing is heavily affected by demand, with households in different demographic groups seeking diverse housing price points and amenities. Our estimates of net new households take into consideration demographic and economic differences among renters, and price 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.

ATTACHMENT C: STUDY AREAS

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





Leading action to grow your economy

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