

PREPARED FOR:

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

# Economic and Fiscal Impact

PGD BALDWIN COMMONS, LLC

Town of Hempstead  
Industrial Development Agency

JANUARY 25, 2021

PREPARED BY:



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## CAMOIN ASSOCIATES

# 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](http://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 PGD Baldwin Commons, LLC. The proposed project involves construction of 33 units for workforce housing at 785 Merrick Road, Baldwin, New York 11510. 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:**  
PGD Baldwin Commons, 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 PGD Baldwin Commons, LLC (the “Applicant”) for the construction of 33 apartment units (the “Project”) at 785 Merrick Road, Baldwin, NY 11510 (the “Site”). The development will consist of 33 affordable units (for residents earning to 60% area median income), including 10% set aside as fully accessible and 4% for the hearing and visually impaired. The Applicant is seeking a sales tax exemption, mortgage recording tax exemption, and a 30-year PILOT agreement (20 year PILOT with 10 year optional extension if within compliance) 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”).

Due to the unique nature and high level of need for these units, we determined that 100% of the 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		11
Direct Jobs		8
Total Earnings	\$	523,795
Direct Earnings	\$	336,974
Annual Sales Tax Revenue	\$	1,194
Average Annual PILOT Payment	\$	63,202
Average Annual PILOT Payment to Town	\$	24,236
Average Annual PILOT Benefit	\$	24,072
Average Annual PILOT Benefit to Town	\$	9,231

- ◆ The Project supports 11 net new jobs in the town, with nearly \$524,000 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 30-year PILOT agreement with the Agency, where the applicant would pay an average of \$63,202 each year, of which \$24,236 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 \$9,231.
- ◆ Through negotiations with the Agency the Applicant could have access to a sales tax exemption valued at up to \$522,882 and a mortgage recording tax exemption valued at up to \$84,540. 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

	State and County	
Sales Tax Exemption	\$	522,882
Mortgage Tax Exemption	\$	84,540

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.

The Applicant proposes to construct 33 units, all targeted to households earning up to 60% of median area income, with 10% units designed as fully accessible and 4% for the hearing and visually impaired. Due to the unique and highly in-demand nature of this Project, this analysis assumes that 100% of the units are net new to the town (Table 3). This is based on a review of the data and an understanding of the proposed Project as detailed above.

Table 3

<b>Net New Households</b>			
	<u>Total Households</u>	<u>Percent Net New</u>	<u>Net New Households</u>
Affordable	33	100%	33
<b>Total</b>	<b>33</b>	<b>100%</b>	<b>33</b>

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 33 net new affordable units will be available to households earning up to 60% of Nassau County area median income (AMI).<sup>1</sup> 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 \$60,750<sup>2</sup>. Therefore, we will consider spending for tenants to be in the \$50,000 to \$69,999 spending basket, per the Bureau of Labor Statistics' 2019 Consumer Expenditure Survey.

<sup>1</sup> According to the Applicant.

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

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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.

It is assumed that 70%<sup>3</sup> 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 (33 net new units)
Food	\$ 7,922	\$ 5,545	\$ 182,998
Household furnishings and equipment	\$ 3,152	\$ 2,206	\$ 72,811
Apparel and services	\$ 2,886	\$ 2,020	\$ 66,667
Transportation	\$ 8,972	\$ 6,280	\$ 207,253
Health care	\$ 740	\$ 518	\$ 17,094
Entertainment	\$ 2,204	\$ 1,543	\$ 50,912
Personal care products and services	\$ 732	\$ 512	\$ 16,909
Education	\$ 1,014	\$ 710	\$ 23,423
Miscellaneous	\$ 1,116	\$ 781	\$ 25,780
<b>Total Tenant Spending</b>	<b>\$ 28,738</b>	<b>\$ 20,117</b>	<b>\$ 663,848</b>

Source: 2019 Consumer Expenditure Survey, Bureau of Labor Statistics

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 \$663,848 per year. We used the above spending basket amounts to calculate the direct, indirect, and total impact of the Project on the town.

Using \$663,848 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.<sup>4</sup> Table 5 outlines the findings of this analysis.

Table 5

**Economic Impact - Household Spending**

	<u>Jobs</u>	<u>Earnings</u>	<u>Sales</u>
Direct	6	\$ 235,693	\$ 663,848
Indirect	1	\$ 56,765	\$ 151,275
Induced	1	\$ 58,941	\$ 145,981
<b>Total</b>	<b>8</b>	<b>\$ 351,399</b>	<b>\$ 961,104</b>

Source: Emsi, Camoin Associates

<sup>3</sup> 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.

<sup>4</sup> Analysis uses the 33 zip codes that are predominantly located within the Town of Hempstead (see Attachment B).



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**IMPACTS OF ON-SITE EMPLOYMENT**

The Applicant anticipates that 2 jobs (1 full time and 1 part time) will be on-site within two years following Project completion. Since 100% of the housing units are considered net new to the town and village, 100% of the jobs, or 2 jobs, are considered to be net new. The table below detail the impact that these 2 jobs will have on the Town of Hempstead (Table 6).

Table 6

<b>Economic Impact - On-Site Operations</b>			
	<u>Jobs</u>	<u>Earnings</u>	<u>Sales</u>
Direct	2	\$ 101,281	\$ 338,430
Indirect	1	\$ 50,658	\$ 132,209
Induced	0	\$ 20,457	\$ 50,812
<b>Total</b>	<b>3</b>	<b>\$ 172,396</b>	<b>\$ 521,451</b>

Source: Emsi, Camoin Associates

**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

<b>Total Annual Economic Impact</b>			
	<u>Jobs</u>	<u>Earnings</u>	<u>Sales</u>
Direct	8	\$ 336,974	\$ 1,002,278
Indirect	2	\$ 107,423	\$ 283,484
Induced	1	\$ 79,398	\$ 196,793
<b>Total</b>	<b>11</b>	<b>\$ 523,795</b>	<b>\$ 1,482,555</b>

Source: Emsi, Camoin Associates

# 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 30-year PILOT (10 year extension if within compliance at year 20) 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.<sup>5</sup>

Table 8

Tax Payments with PILOT			
Year	PILOT Payments		Town Portion of Payment
1	\$	28,939	\$ 11,097
2	\$	28,939	\$ 11,097
3	\$	28,939	\$ 11,097
4	\$	51,189	\$ 19,629
5	\$	52,213	\$ 20,022
6	\$	53,257	\$ 20,422
7	\$	54,323	\$ 20,831
8	\$	55,409	\$ 21,247
9	\$	56,517	\$ 21,672
10	\$	57,648	\$ 22,106
11	\$	58,801	\$ 22,548
12	\$	59,977	\$ 22,999
13	\$	61,176	\$ 23,459
14	\$	62,400	\$ 23,928
15	\$	63,648	\$ 24,407
16	\$	64,921	\$ 24,895
17	\$	66,219	\$ 25,393
18	\$	67,543	\$ 25,900
19	\$	68,894	\$ 26,418
20	\$	70,272	\$ 26,947
21	\$	71,678	\$ 27,486
22	\$	73,111	\$ 28,035
23	\$	74,573	\$ 28,596
24	\$	76,065	\$ 29,168
25	\$	77,586	\$ 29,751
26	\$	79,138	\$ 30,346
27	\$	80,721	\$ 30,953
28	\$	82,335	\$ 31,572
29	\$	83,982	\$ 32,204
30	\$	85,661	\$ 32,848
Total	\$	1,896,074	\$ 727,074
Average	\$	63,202	\$ 24,236

Source: Town of Hempstead IDA, Camoin Associates

<sup>5</sup> 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 \$28,939 of which the Town receives approximately 38%.

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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%<sup>6</sup> (holding taxable value constant), Table 9 outlines the estimated tax payments made by the building owner without the Project.

Table 9

<b>Tax Payments without Project</b>			
<u>Year</u>	<u>Property Tax Payment</u>	<u>Town Portion of</u>	
	<u>Without Project*</u>	<u>Payment Without</u>	
		<u>Project</u>	
1	\$ 28,937	\$	11,096
2	\$ 29,516	\$	11,318
3	\$ 30,106	\$	11,545
4	\$ 30,708	\$	11,776
5	\$ 31,323	\$	12,011
6	\$ 31,949	\$	12,251
7	\$ 32,588	\$	12,496
8	\$ 33,240	\$	12,746
9	\$ 33,905	\$	13,001
10	\$ 34,583	\$	13,261
11	\$ 35,274	\$	13,526
12	\$ 35,980	\$	13,797
13	\$ 36,699	\$	14,073
14	\$ 37,433	\$	14,354
15	\$ 38,182	\$	14,641
16	\$ 38,946	\$	14,934
17	\$ 39,725	\$	15,233
18	\$ 40,519	\$	15,538
19	\$ 41,330	\$	15,848
20	\$ 42,156	\$	16,165
21	\$ 42,999	\$	16,489
22	\$ 43,859	\$	16,818
23	\$ 44,736	\$	17,155
24	\$ 45,631	\$	17,498
25	\$ 46,544	\$	17,848
26	\$ 47,475	\$	18,205
27	\$ 48,424	\$	18,569
28	\$ 49,393	\$	18,940
29	\$ 50,380	\$	19,319
30	\$ 51,388	\$	19,705
<b>Total</b>	<b>\$ 1,173,928</b>	<b>\$</b>	<b>450,158</b>
<b>Average</b>	<b>\$ 39,131</b>	<b>\$</b>	<b>15,005</b>

Source: Town of Hempstead IDA, Camoin Associates

\*Assumes an average annual increase of 2.00%

<sup>6</sup> 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. Over \$24,000 more in PILOT revenue will be received annually than property taxes that would be received without the Project. The total benefit would be \$722,146 over the 30-year period.

Table 10

<b>Tax Policy Comparison (All Jurisdictions)</b>			
Year	Property Tax Payment Without Project	PILOT Payment	Benefit (Cost) of Project
1	\$ 28,937	\$ 28,939	\$ 2
2	\$ 29,516	\$ 28,939	\$ (577)
3	\$ 30,106	\$ 28,939	\$ (1,167)
4	\$ 30,708	\$ 51,189	\$ 20,481
5	\$ 31,323	\$ 52,213	\$ 20,890
6	\$ 31,949	\$ 53,257	\$ 21,308
7	\$ 32,588	\$ 54,323	\$ 21,735
8	\$ 33,240	\$ 55,409	\$ 22,169
9	\$ 33,905	\$ 56,517	\$ 22,612
10	\$ 34,583	\$ 57,648	\$ 23,065
11	\$ 35,274	\$ 58,801	\$ 23,527
12	\$ 35,980	\$ 59,977	\$ 23,997
13	\$ 36,699	\$ 61,176	\$ 24,477
14	\$ 37,433	\$ 62,400	\$ 24,967
15	\$ 38,182	\$ 63,648	\$ 25,466
16	\$ 38,946	\$ 64,921	\$ 25,975
17	\$ 39,725	\$ 66,219	\$ 26,494
18	\$ 40,519	\$ 67,543	\$ 27,024
19	\$ 41,330	\$ 68,894	\$ 27,564
20	\$ 42,156	\$ 70,272	\$ 28,116
21	\$ 42,999	\$ 71,678	\$ 28,679
22	\$ 43,859	\$ 73,111	\$ 29,252
23	\$ 44,736	\$ 74,573	\$ 29,837
24	\$ 45,631	\$ 76,065	\$ 30,434
25	\$ 46,544	\$ 77,586	\$ 31,042
26	\$ 47,475	\$ 79,138	\$ 31,663
27	\$ 48,424	\$ 80,721	\$ 32,297
28	\$ 49,393	\$ 82,335	\$ 32,942
29	\$ 50,380	\$ 83,982	\$ 33,602
30	\$ 51,388	\$ 85,661	\$ 34,273
<b>Total</b>	<b>\$ 1,173,928</b>	<b>\$ 1,896,074</b>	<b>\$ 722,146</b>
<b>Average</b>	<b>\$ 39,131</b>	<b>\$ 63,202</b>	<b>\$ 24,072</b>

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 \$9,231 more in PILOT revenue annually than it would receive in property taxes without the Project. The total benefit to the Town would be nearly \$277,000 over the 30-year period.

Table 11

<b>Tax Policy Comparison for Town</b>			
Year	Property Tax Payment		Benefit (Cost) of Project
	Without Project	PILOT Payment	
1	\$ 11,096	\$ 11,097	\$ 1
2	\$ 11,318	\$ 11,097	\$ (221)
3	\$ 11,545	\$ 11,097	\$ (448)
4	\$ 11,776	\$ 19,629	\$ 7,854
5	\$ 12,011	\$ 20,022	\$ 8,011
6	\$ 12,251	\$ 20,422	\$ 8,171
7	\$ 12,496	\$ 20,831	\$ 8,335
8	\$ 12,746	\$ 21,247	\$ 8,501
9	\$ 13,001	\$ 21,672	\$ 8,671
10	\$ 13,261	\$ 22,106	\$ 8,845
11	\$ 13,526	\$ 22,548	\$ 9,022
12	\$ 13,797	\$ 22,999	\$ 9,202
13	\$ 14,073	\$ 23,459	\$ 9,386
14	\$ 14,354	\$ 23,928	\$ 9,574
15	\$ 14,641	\$ 24,407	\$ 9,765
16	\$ 14,934	\$ 24,895	\$ 9,961
17	\$ 15,233	\$ 25,393	\$ 10,160
18	\$ 15,538	\$ 25,900	\$ 10,363
19	\$ 15,848	\$ 26,418	\$ 10,570
20	\$ 16,165	\$ 26,947	\$ 10,781
21	\$ 16,489	\$ 27,486	\$ 10,997
22	\$ 16,818	\$ 28,035	\$ 11,217
23	\$ 17,155	\$ 28,596	\$ 11,441
24	\$ 17,498	\$ 29,168	\$ 11,670
25	\$ 17,848	\$ 29,751	\$ 11,904
26	\$ 18,205	\$ 30,346	\$ 12,142
27	\$ 18,569	\$ 30,953	\$ 12,385
28	\$ 18,940	\$ 31,572	\$ 12,632
29	\$ 19,319	\$ 32,204	\$ 12,885
30	\$ 19,705	\$ 32,848	\$ 13,142
<b>Total</b>	<b>\$ 450,158</b>	<b>\$ 727,074</b>	<b>\$ 276,916</b>
<b>Average</b>	<b>\$ 15,005</b>	<b>\$ 24,236</b>	<b>\$ 9,231</b>

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

<b>Summary of Costs to Affected Jurisdictions</b>		
		<u>State and County</u>
Sales Tax Exemption	\$	522,882
Mortgage Tax Exemption	\$	84,540

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

<b>Annual Sales Tax Revenue Household Spending</b>		
Total New Spending	\$	961,104
Amount Taxable (30%)	\$	288,331
New Town Sales Tax Revenue Portion*		0.375%
<b>New Town Tax Revenue</b>	<b>\$</b>	<b>1,081</b>

\*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

<b>Annual Sales Tax Revenue On-Site Operations</b>	
Total New Earnings	\$ 172,396
Amount Spent in County (70%)	\$ 120,677
Amount Taxable (25%)	\$ 30,169
New Town Sales Tax Revenue Portion*	0.375%
<b>New Town Tax Revenue</b>	<b>\$ 113</b>

\*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

<b>Total Annual Sales Tax Revenue</b>	
Household Spending	\$ 1,081
On-Site Operations	\$ 113
<b>New Town Tax Revenue</b>	<b>\$ 1,194</b>

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.

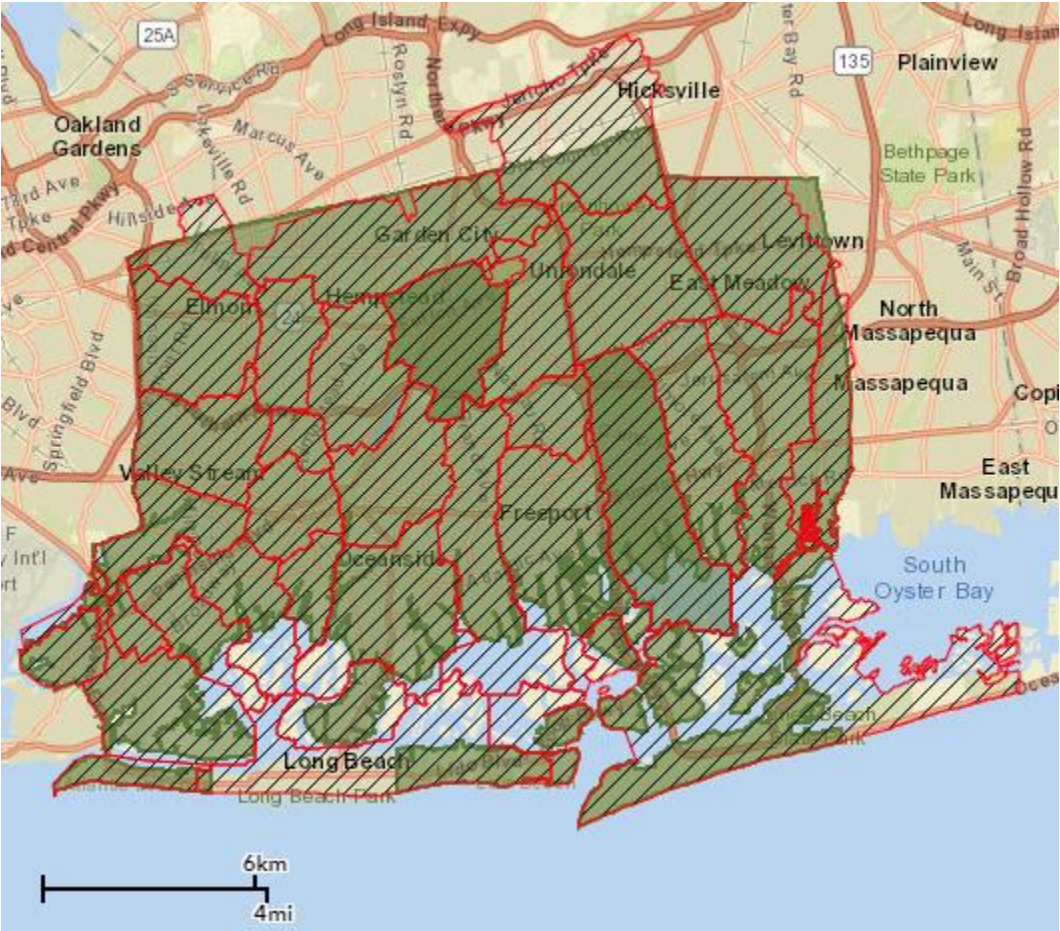
Changes in final demand, and therefore Direct Effects, can occur in a number of circumstances. The above example is easiest to understand: the effect of a manufacturer producing locally but selling globally. If, however, 100% of domestic demand for a good is being met by foreign suppliers (say, DVD players 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.



CAMOIN ASSOCIATES

# ATTACHMENT B: STUDY AREAS

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





# Leading action to grow your economy

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