

PREPARED FOR:

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

# Economic and Fiscal Impact

CETNERPOINT INWOOD, LLC

Town of Hempstead  
Industrial Development Agency

SEPTEMBER 8, 2022

PREPARED BY:



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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 CenterPoint Inwood, LLC. The proposed project involves the construction of a 138,245 square foot office and warehouse space at 65 Rason Road, Inwood, 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 renovation of the facility and on-site operations.

The primary tool used in this analysis is the input-output model developed by Lightcast (formerly 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: renovation spending, on-site jobs, exemptions, and PILOT schedule.

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.”

## STUDY INFORMATION

**Data Source:**  
 CetnerPoint Inwood, LLC  
 Application for Assistance and the  
 Town of Hempstead Industrial  
 Development Agency

**Geography:**  
 Town of Hempstead

**Study Period:**  
 2022

**Modeling Tool:**  
 Lightcast (formerly Emsi)

### DIRECT IMPACTS

*This initial round of impacts is generated as a result of spending on renovation and operations.*

### 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.*

### 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 CenterPoint Inwood, LLC (the “Applicant”) for the construction of a 138,245 square foot office and warehouse facility (the “Project”) at 65 Rason Road, Inwood, Town of Hempstead, Nassau County, New York (the “Site”). The Applicant is seeking a 15-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”).

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

Table 1

<b>Summary of Benefits to Town</b>	
Total Jobs	31
Direct Jobs	25
Total Earnings	\$ 1,498,058
Direct Earnings	\$ 1,146,837
Annual Sales Tax Revenue to County	\$ 11,142
Annual Sales Tax Revenue to Town	\$ 983
Average Annual PILOT Payment	\$ 706,516
Average Annual PILOT Payment to Town	\$ 66,160
Average Annual PILOT Cost	\$ 467,199
Average Annual PILOT Cost to Town	\$ 43,749
<b>Average Annual Net Benefit to Town</b>	<b>\$ 44,733</b>

- ◆ The Project supports 31 net new jobs in the town, with nearly \$1.5 million in associated earnings. These figures include net new jobs resulting from both on-site direct jobs and indirect/induced activity.
- ◆ The Applicant has negotiated terms of a proposed 15-year PILOT agreement with the Agency, where the applicant would pay an average of \$706,516 each year, of which over \$66,000 will be allocated to the Town.
- ◆ On an annual basis, the Project will support an estimated \$11,142 new sales tax revenue in Nassau County, of which \$983 will be allocated to the Town.
- ◆ The average annual net benefit to the Town will be \$44,733. In this case, this is the sum of the average annual PILOT cost to the Town and projected new sales tax revenue to the Town.
- ◆ Through negotiations with the Agency the Applicant could have access to a sales tax exemption valued at up to \$2,277,000. 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 exemption.

Table 2

## Summary of Costs to Affected Jurisdictions

	<b>State and County</b>	
Sales Tax Exemption	\$	2,277,000

Source: Applicant, Camoin Associates

# ECONOMIC IMPACT ANALYSIS

The estimates of direct economic activity generated by facility operation and renovation 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 Lightcast (formerly Emsi) to calculate total economic impacts. Lightcast 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 renovation spending.

## CONSTRUCTION PHASE IMPACTS

The Applicant anticipates that private sector investment in the construction of the Project would cost approximately \$47.0 million<sup>1</sup>, of which 70%<sup>2</sup> would be sourced from within the town. This means that there will be approximately \$32.9 million in net new spending in the town associated with the construction phase of the Project.

Table 3

<b>Construction Phase Spending - Town</b>	
Total Construction Cost	\$ 47,000,000
Percent Sourced from Town	70%
<b>Net New Construction Spending</b>	<b>\$ 32,900,000</b>

Source: Applicant, Camoin Associates

Based on \$32.9 million worth of net new direct spending associated with the construction phase of the Project, Camoin Associates determined that there would be nearly \$42.5 million in total one-time renovation related spending supporting 154 jobs and an associated \$15.5 million in earnings over the construction period throughout the town. Table 4 outlines the economic impacts of construction.

Table 4

<b>Town Economic Impact - Construction Phase</b>			
	<b>Jobs</b>	<b>Earnings</b>	<b>Sales</b>
Direct	108	\$ 12,120,426	\$ 32,900,000
Indirect	21	\$ 1,578,623	\$ 4,920,302
Induced	25	\$ 1,775,770	\$ 4,647,350
<b>Total</b>	<b>154</b>	<b>\$ 15,474,818</b>	<b>\$ 42,467,652</b>

Source: Lightcast (formerly Emsi), Camoin Associates

<sup>1</sup> Includes project costs and provided by the Applicant in Part IV of the application, excluding acquisition and legal fees.

<sup>2</sup> According to Lightcast (formerly Emsi), approximately 70% of demand by the construction industry is met within the town.

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**IMPACTS OF ON-SITE EMPLOYMENT**

While the tenant of the space has yet to be determined, the Applicant estimates that 25 new jobs will be on-site within three years following Project completion. The table below details the impact that these 25 jobs will have on the Town of Hempstead (Table 5).

Table 5

**Town Total Annual Economic Impact**

	<b>Jobs</b>	<b>Earnings</b>	<b>Sales</b>
Direct	25 \$	1,146,837 \$	2,364,771
Indirect	4 \$	225,131 \$	674,896
Induced	2 \$	126,090 \$	326,331
<b>Total</b>	<b>31 \$</b>	<b>1,498,058 \$</b>	<b>3,365,998</b>

**Source:** Lightcast (formerly 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 15-year payment schedule based on the current tax rate, taxable value, and assessed value of the Project. Based on the terms of the PILOT as proposed, Camoin Associates calculated the potential impact on the Town of Hempstead and other applicable jurisdictions.<sup>3</sup>

Table 6

### Tax Payments with PILOT

Year	Total		Portion of Payment by Jurisdiction			
	PILOT Payments	Town	County	School District	Special Districts	
1	\$ 207,579	\$ 19,438	\$ 62,062	\$ 87,157	\$ 38,922	
2	\$ 207,579	\$ 19,438	\$ 62,062	\$ 87,157	\$ 38,922	
3	\$ 207,579	\$ 19,438	\$ 62,062	\$ 87,157	\$ 38,922	
4	\$ 450,000	\$ 42,139	\$ 134,541	\$ 188,944	\$ 84,377	
5	\$ 525,000	\$ 49,162	\$ 156,964	\$ 220,434	\$ 98,440	
6	\$ 600,000	\$ 56,185	\$ 179,388	\$ 251,925	\$ 112,502	
7	\$ 675,000	\$ 63,208	\$ 201,811	\$ 283,415	\$ 126,565	
8	\$ 750,000	\$ 70,232	\$ 224,234	\$ 314,906	\$ 140,628	
9	\$ 825,000	\$ 77,255	\$ 246,658	\$ 346,397	\$ 154,691	
10	\$ 900,000	\$ 84,278	\$ 269,081	\$ 377,887	\$ 168,754	
11	\$ 950,000	\$ 88,960	\$ 284,030	\$ 398,881	\$ 178,129	
12	\$ 1,000,000	\$ 93,642	\$ 298,979	\$ 419,875	\$ 187,504	
13	\$ 1,050,000	\$ 98,324	\$ 313,928	\$ 440,868	\$ 196,879	
14	\$ 1,100,000	\$ 103,006	\$ 328,877	\$ 461,862	\$ 206,254	
15	\$ 1,150,000	\$ 107,688	\$ 343,826	\$ 482,856	\$ 215,630	
<b>Total</b>	<b>\$ 10,597,737</b>	<b>\$ 992,394</b>	<b>\$ 3,168,503</b>	<b>\$ 4,449,722</b>	<b>\$ 1,987,118</b>	
<b>Average</b>	<b>\$ 706,516</b>	<b>\$ 66,160</b>	<b>\$ 211,234</b>	<b>\$ 296,648</b>	<b>\$ 132,475</b>	

Source: Town of Hempstead IDA, Camoin Associates

<sup>3</sup> It is assumed that the jurisdictions will continue to receive the same portion of the PILOT that they currently receive from the full tax bill.

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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>4</sup> (holding taxable value constant), Table 7 outlines the estimated tax payments made by the building owner without the Project.<sup>5</sup>

Table 7

**Tax Payments without Project**

Year	Total Property Tax Payment		Portion of Payment by Jurisdiction			
	Without Project*		Town	County	School District	Special Districts
1	\$	207,579	\$ 19,438	\$ 62,062	\$ 87,157	\$ 38,922
2	\$	211,731	\$ 19,827	\$ 63,303	\$ 88,900	\$ 39,700
3	\$	215,965	\$ 20,223	\$ 64,569	\$ 90,678	\$ 40,494
4	\$	220,285	\$ 20,628	\$ 65,860	\$ 92,492	\$ 41,304
5	\$	224,690	\$ 21,040	\$ 67,178	\$ 94,342	\$ 42,130
6	\$	229,184	\$ 21,461	\$ 68,521	\$ 96,229	\$ 42,973
7	\$	233,768	\$ 21,890	\$ 69,892	\$ 98,153	\$ 43,832
8	\$	238,443	\$ 22,328	\$ 71,290	\$ 100,116	\$ 44,709
9	\$	243,212	\$ 22,775	\$ 72,715	\$ 102,119	\$ 45,603
10	\$	248,076	\$ 23,230	\$ 74,170	\$ 104,161	\$ 46,515
11	\$	253,038	\$ 23,695	\$ 75,653	\$ 106,244	\$ 47,446
12	\$	258,098	\$ 24,169	\$ 77,166	\$ 108,369	\$ 48,394
13	\$	263,260	\$ 24,652	\$ 78,709	\$ 110,536	\$ 49,362
14	\$	268,526	\$ 25,145	\$ 80,284	\$ 112,747	\$ 50,350
15	\$	273,896	\$ 25,648	\$ 81,889	\$ 115,002	\$ 51,357
<b>Total</b>	<b>\$</b>	<b>3,589,751</b>	<b>\$ 336,152</b>	<b>\$ 1,073,261</b>	<b>\$ 1,507,245</b>	<b>\$ 673,093</b>
<b>Average</b>	<b>\$</b>	<b>239,317</b>	<b>\$ 22,410</b>	<b>\$ 71,551</b>	<b>\$ 100,483</b>	<b>\$ 44,873</b>

Source: Town of Hempstead IDA, Camoin Associates

\*Note: Assumes an average annual increase of 2.00%

<sup>4</sup> The tax rate is increased by 2.00% annually. Although inflation has fluctuated in recent years, 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.

<sup>5</sup> Note that current total taxes are \$758,181.14 however estimated taxes for next year within the opinion letter are \$605,233. Next year’s estimated taxes are used for the tax policy comparison.

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Table 8 calculates the benefit to the affected taxing jurisdictions as the difference between the PILOT payments associated with the Project and the property tax payments without the Project. Approximately \$467,199 more in PILOT revenue will be received annually than property taxes that would be received without the Project. The total benefit would be over \$7.0 million over the 15-year period.

Table 8

**Tax Policy Comparison (All Jurisdictions)**

Year	Property Tax Payment Without Project	PILOT Payment	Benefit (Cost) of Project
1	\$ 207,579	\$ 207,579	\$ (0)
2	\$ 211,731	\$ 207,579	\$ (4,152)
3	\$ 215,965	\$ 207,579	\$ (8,386)
4	\$ 220,285	\$ 450,000	\$ 229,715
5	\$ 224,690	\$ 525,000	\$ 300,310
6	\$ 229,184	\$ 600,000	\$ 370,816
7	\$ 233,768	\$ 675,000	\$ 441,232
8	\$ 238,443	\$ 750,000	\$ 511,557
9	\$ 243,212	\$ 825,000	\$ 581,788
10	\$ 248,076	\$ 900,000	\$ 651,924
11	\$ 253,038	\$ 950,000	\$ 696,962
12	\$ 258,098	\$ 1,000,000	\$ 741,902
13	\$ 263,260	\$ 1,050,000	\$ 786,740
14	\$ 268,526	\$ 1,100,000	\$ 831,474
15	\$ 273,896	\$ 1,150,000	\$ 876,104
<b>Total</b>	<b>\$ 3,589,751</b>	<b>\$ 10,597,737</b>	<b>\$ 7,007,986</b>
<b>Average</b>	<b>\$ 239,317</b>	<b>\$ 706,516</b>	<b>\$ 467,199</b>

Source: Town of Hempstead IDA, Camoin Associates

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**TOWN**

Table 9 calculates the benefit to the Town. The Town would receive approximately \$43,749 more in PILOT revenue annually than it would receive in property taxes without the Project. The total benefit to the Town would be \$656,242 over the 15-year period.

Table 9

**Tax Policy Comparison for Town**

Year	Property Tax Payment Without Project	PILOT Payment	Benefit (Cost) of Project
1	\$ 19,438	\$ 19,438	\$ (0)
2	\$ 19,827	\$ 19,438	\$ (389)
3	\$ 20,223	\$ 19,438	\$ (785)
4	\$ 20,628	\$ 42,139	\$ 21,511
5	\$ 21,040	\$ 49,162	\$ 28,122
6	\$ 21,461	\$ 56,185	\$ 34,724
7	\$ 21,890	\$ 63,208	\$ 41,318
8	\$ 22,328	\$ 70,232	\$ 47,903
9	\$ 22,775	\$ 77,255	\$ 54,480
10	\$ 23,230	\$ 84,278	\$ 61,047
11	\$ 23,695	\$ 88,960	\$ 65,265
12	\$ 24,169	\$ 93,642	\$ 69,473
13	\$ 24,652	\$ 98,324	\$ 73,672
14	\$ 25,145	\$ 103,006	\$ 77,861
15	\$ 25,648	\$ 107,688	\$ 82,040
<b>Total</b>	<b>\$ 336,152</b>	<b>\$ 992,394</b>	<b>\$ 656,242</b>
<b>Average</b>	<b>\$ 22,410</b>	<b>\$ 66,160</b>	<b>\$ 43,749</b>

Source: Town of Hempstead IDA, Camoin Associates

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**COUNTY**

Table 10 calculates the benefit to the County. The County would receive approximately \$139,683 more in PILOT revenue annually than it would receive in property taxes without the Project. The total benefit to the County would be nearly \$2.1 million over the 15-year period.

Table 10

**Tax Policy Comparison for County**

Year	Property Tax Payment Without Project	PILOT Payment	Benefit (Cost) of Project
1	\$ 62,062	\$ 62,062	\$ (0)
2	\$ 63,303	\$ 62,062	\$ (1,241)
3	\$ 64,569	\$ 62,062	\$ (2,507)
4	\$ 65,860	\$ 134,541	\$ 68,680
5	\$ 67,178	\$ 156,964	\$ 89,786
6	\$ 68,521	\$ 179,388	\$ 110,866
7	\$ 69,892	\$ 201,811	\$ 131,919
8	\$ 71,290	\$ 224,234	\$ 152,945
9	\$ 72,715	\$ 246,658	\$ 173,943
10	\$ 74,170	\$ 269,081	\$ 194,912
11	\$ 75,653	\$ 284,030	\$ 208,377
12	\$ 77,166	\$ 298,979	\$ 221,813
13	\$ 78,709	\$ 313,928	\$ 235,219
14	\$ 80,284	\$ 328,877	\$ 248,594
15	\$ 81,889	\$ 343,826	\$ 261,937
<b>Total</b>	<b>\$ 1,073,261</b>	<b>\$ 3,168,503</b>	<b>\$ 2,095,243</b>
<b>Average</b>	<b>\$ 71,551</b>	<b>\$ 211,234</b>	<b>\$ 139,683</b>

Source: Town of Hempstead IDA, Camoin Associates

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**SCHOOL DISTRICT**

Table 11 calculates the benefit to the school district. The school district would receive approximately \$196,165 more in PILOT revenue annually than it would receive in property taxes without the Project. The total benefit to the school district would be over \$2.9 million over the 15-year period.

Table 11

**Tax Policy Comparison for School District**

Year	Property Tax Payment Without Project	PILOT Payment	Benefit (Cost) of Project
1	\$ 87,157	\$ 87,157	\$ (0)
2	\$ 88,900	\$ 87,157	\$ (1,743)
3	\$ 90,678	\$ 87,157	\$ (3,521)
4	\$ 92,492	\$ 188,944	\$ 96,452
5	\$ 94,342	\$ 220,434	\$ 126,092
6	\$ 96,229	\$ 251,925	\$ 155,696
7	\$ 98,153	\$ 283,415	\$ 185,262
8	\$ 100,116	\$ 314,906	\$ 214,790
9	\$ 102,119	\$ 346,397	\$ 244,278
10	\$ 104,161	\$ 377,887	\$ 273,726
11	\$ 106,244	\$ 398,881	\$ 292,637
12	\$ 108,369	\$ 419,875	\$ 311,506
13	\$ 110,536	\$ 440,868	\$ 330,332
14	\$ 112,747	\$ 461,862	\$ 349,115
15	\$ 115,002	\$ 482,856	\$ 367,854
<b>Total</b>	<b>\$ 1,507,245</b>	<b>\$ 4,449,722</b>	<b>\$ 2,942,476</b>
<b>Average</b>	<b>\$ 100,483</b>	<b>\$ 296,648</b>	<b>\$ 196,165</b>

Source: Town of Hempstead IDA, Camoin Associates

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**SPECIAL DISTRICTS**

Table 12 calculates the benefit to the special districts. The special districts would receive approximately \$87,602 more in PILOT revenue annually than it would receive in property taxes without the Project. The total benefit to the special districts would be over \$1.3 million over the 15-year period.

Table 12

**Tax Policy Comparison for Special Districts**

Year	Property Tax Payment Without Project	PILOT Payment	Benefit (Cost) of Project
1	\$ 38,922	\$ 38,922	\$ (0)
2	\$ 39,700	\$ 38,922	\$ (778)
3	\$ 40,494	\$ 38,922	\$ (1,572)
4	\$ 41,304	\$ 84,377	\$ 43,073
5	\$ 42,130	\$ 98,440	\$ 56,309
6	\$ 42,973	\$ 112,502	\$ 69,529
7	\$ 43,832	\$ 126,565	\$ 82,733
8	\$ 44,709	\$ 140,628	\$ 95,919
9	\$ 45,603	\$ 154,691	\$ 109,088
10	\$ 46,515	\$ 168,754	\$ 122,238
11	\$ 47,446	\$ 178,129	\$ 130,683
12	\$ 48,394	\$ 187,504	\$ 139,110
13	\$ 49,362	\$ 196,879	\$ 147,517
14	\$ 50,350	\$ 206,254	\$ 155,905
15	\$ 51,357	\$ 215,630	\$ 164,273
<b>Total</b>	<b>\$ 673,093</b>	<b>\$ 1,987,118</b>	<b>\$ 1,314,026</b>
<b>Average</b>	<b>\$ 44,873</b>	<b>\$ 132,475</b>	<b>\$ 87,602</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 construction materials and furniture, fixtures, and equipment. Tax exemptions are for the state and county taxes and are not applicable to the town and village.

Table 13

**Summary of Costs to Affected Jurisdictions**

	State and County	
Sales Tax Exemption	\$	2,277,000

**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 – CONSTRUCTION PHASE**

The one-time construction phase earnings described by the total economic impact of the construction work (described in the above section) would lead to additional sales tax revenue for the Town. It is assumed that 70%<sup>6</sup> of the construction phase earnings would be spent within the county and that 25% of those purchases would be taxable.

Table 14

**One-Time Sales Tax Revenue, Construction Phase**

Total New Earnings	\$	15,474,818
Amount Spent in County (70%)	\$	10,832,373
Amount Taxable (25%)	\$	2,708,093
<b>Nassau County Sales Tax Revenue (4.25%)</b>	<b>\$</b>	<b>115,094</b>
New Town Sales Tax Revenue Portion*		0.375%
<b>New Town Sales Tax Revenue</b>	<b>\$</b>	<b>10,155</b>

**Source:** Town of Hempstead IDA, Camoin Associates

**\*Note:** 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.

<sup>6</sup> According to Lightcast (formerly Emsi), 70% demand for industries in a typical household spending basket is met within Nassau County.



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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 Nassau County and that 25% of those purchases will be taxable. Table 15 displays the annual tax revenue that the Town will receive.

Table 15

<b>Annual Sales Tax Revenue, On-Site Operations</b>	
Total New Earnings	\$ 1,498,058
Amount Spent in County (70%)	\$ 1,048,641
Amount Taxable (25%)	\$ 262,160
<b>Nassau County Sales Tax Revenue (4.25%)</b>	<b>\$ 11,142</b>
New Town Sales Tax Revenue Portion*	0.375%
<b>New Town Tax Revenue</b>	<b>\$ 983</b>

**Source:** Town of Hempstead IDA, Camoin Associates

**\*Note:** 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.

## 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.

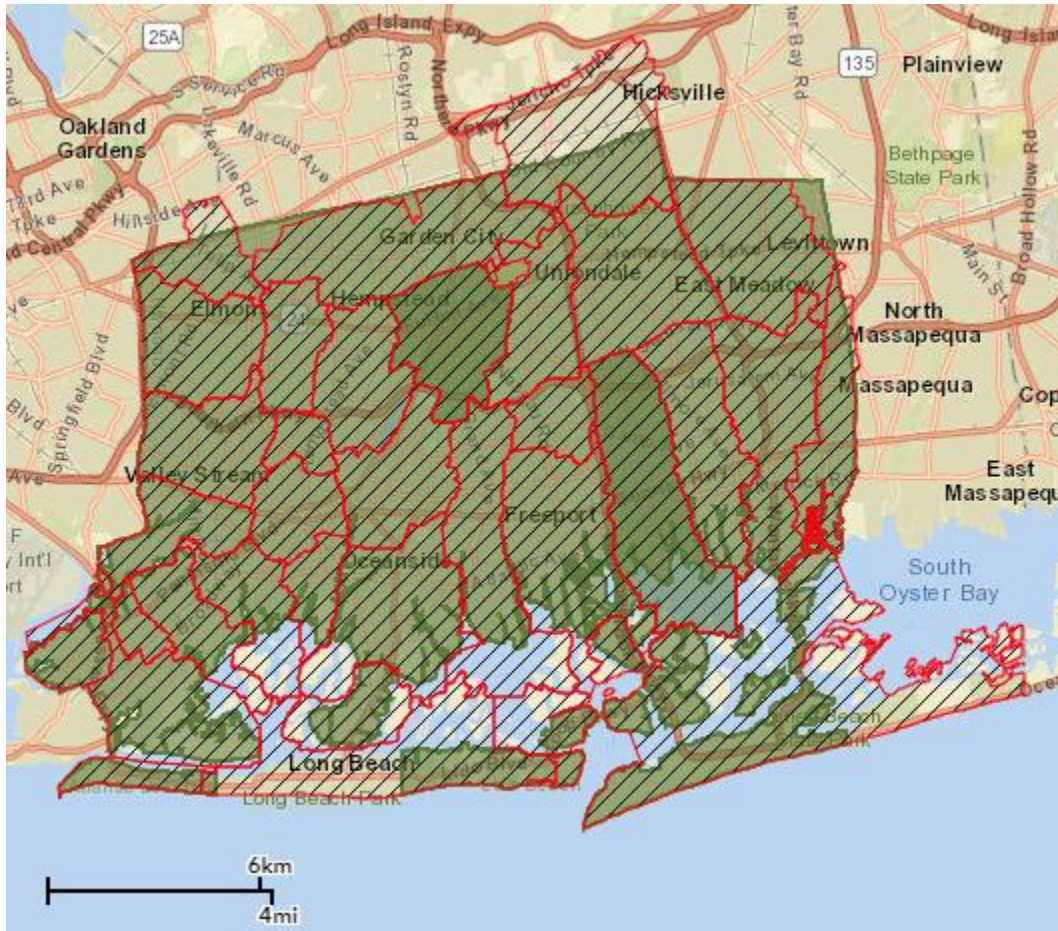
Key information for the reader to retain is that this type of analysis requires rigorous and careful consideration of the geography selected (i.e. how the “local economy” is defined) and the implications of the geography on the computation of the change in final demand. If this analysis wanted to consider 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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