

PREPARED FOR:

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

# Economic and Fiscal Impact

159 HANSE DEVELOPMENT, LLC

Town of Hempstead  
Industrial Development Agency

OCTOBER 14, 2022

PREPARED BY:



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## CAMOIN ASSOCIATES

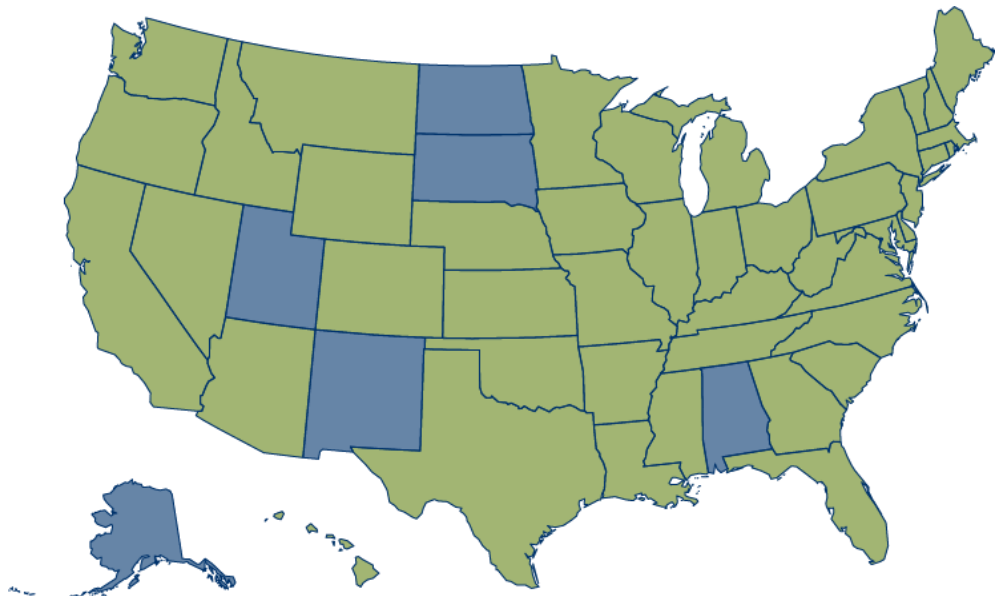
# ABOUT CAMOIN ASSOCIATES

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 44 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  
*Vice President*

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*Senior Analyst*



# 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 159 Hanse Development, LLC. The proposed project involves renovation of an approximately 67,307 SF industrial building at 159 Hanse Avenue, Freeport, New York 11520. 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 construction phase 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: 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:**  
159 Hanse Development, 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 operations and and construction.*

## 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 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 159 Hanse Development, LLC (the "Applicant") for the renovation of an approximately 67,307 SF industrial space (the "Project") at 159 Hanse Avenue, Freeport, New York 11520 (the "Site"). The Applicant is seeking a 15-year PILOT agreement from the Agency as well as a sales tax exemption and a mortgage recording tax exemption. 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	177
Direct Jobs	100
Total Earnings	\$ 15,424,359
Direct Earnings	\$ 9,486,804
Annual Sales Tax Revenue to County	\$ 114,719
Annual Sales Tax Revenue to Town	\$ 10,122
Average Annual PILOT Payment	\$ 215,667
Average Annual PILOT Payment to Town	\$ 1,609
Average Annual PILOT Benefit	\$ 8,322
Average Annual PILOT Benefit to Town	\$ 62
<b>Average Annual Net Benefit to Town</b>	<b>\$ 10,184</b>

- ◆ The Project would support 177 net new jobs in the town, of which 100 are direct jobs, with over \$15.4 million in associated earnings.
- ◆ The Applicant has negotiated terms of a proposed 15-year PILOT agreement with the Agency, where the applicant would pay an average of \$215,667 each year, of which \$1,609 will be allocated to the Town.
- ◆ The annual net benefit to the Town is estimated to be \$10,184. In this case, this is the sum of the average annual PILOT benefit to the Town and new annual 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 \$159,563 and a mortgage recording tax exemption valued at up to \$52,500. 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

<b>Summary of Costs to Affected Jurisdictions</b>	
	<b>State and County</b>
Sales Tax Exemption	\$ 159,563
Mortgage Tax Exemption	\$ 52,500

**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 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 construction and operation.

## RENOVATION PHASE IMPACTS

The Applicant estimates that private sector investment in the renovation of the Project would cost approximately \$2.8 million<sup>1</sup>, of which 70%<sup>2</sup> would be sourced from within the town. This means that there will be over \$1.9 million in net new spending in the town associated with the renovation phase of the Project.

Table 3

<b>Renovation Phase Spending - Town</b>	
Total Renovation Cost	\$ 2,765,000
Percent Sourced from Town	70%
<b>Net New Renovation Spending</b>	<b>\$ 1,935,500</b>

Source: Applicant, Camoin Associates

Based on over \$1.9 million worth of net new direct spending associated with the renovation phase of the Project, Camoin Associates determined that there would be over \$2.5 million in total one-time renovation related spending supporting 12 jobs and an associated over \$904,000 in earnings over the renovation period throughout the town. Table 4 outlines the economic impacts of renovation.

Table 4

<b>Town Economic Impact - Construction Phase</b>			
	<b>Jobs</b>	<b>Earnings</b>	<b>Sales</b>
Direct	10 \$	706,105 \$	1,935,500
Indirect	1 \$	93,051 \$	289,843
Induced	1 \$	105,033 \$	274,946
<b>Total</b>	<b>12 \$</b>	<b>904,190 \$</b>	<b>2,500,289</b>

Source: Lightcast, Camoin Associates

<sup>1</sup> Includes project costs as provided by the Applicant, excluding acquisition and legal fees.

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

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## IMPACTS OF ON-SITE EMPLOYMENT

According to the Applicant, 100 new jobs will be on-site following Project completion. 50 of the jobs will be relocated to the Project from other locations – 4 from an existing location in Forest Hills and 46 from an existing location in Inwood (within the Town of Hempstead). The Applicant states that without assistance from the Agency it is likely that all jobs could be located in New Jersey. Therefore, all 100 jobs are considered to be net new to the Town of Hempstead. The table below details the impact that these net new jobs will have on the Town of Hempstead (Table 5).

Table 5

### Town Economic Impact - On-Site Operations

	Jobs	Earnings	Sales
Direct	100 \$	9,486,804 \$	57,942,780
Indirect	48 \$	3,823,616 \$	10,031,492
Induced	29 \$	2,113,939 \$	5,561,039
<b>Total</b>	<b>177 \$</b>	<b>15,424,359 \$</b>	<b>73,535,311</b>

Source: Lightcast, 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 PILOT 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 affected jurisdictions.<sup>3</sup>

Table 6

### Tax Payments with PILOT

Year	Total PILOT Payments	Portion of Payment by Jurisdiction			
		Town	County	School District	Village
1	\$ 180,000	\$ 1,343	\$ 18,531	\$ 109,540	\$ 50,586
2	\$ 180,000	\$ 1,343	\$ 18,531	\$ 109,540	\$ 50,586
3	\$ 180,000	\$ 1,343	\$ 18,531	\$ 109,540	\$ 50,586
4	\$ 185,000	\$ 1,380	\$ 19,046	\$ 112,582	\$ 51,991
5	\$ 193,000	\$ 1,440	\$ 19,870	\$ 117,451	\$ 54,240
6	\$ 200,000	\$ 1,492	\$ 20,590	\$ 121,711	\$ 56,207
7	\$ 208,000	\$ 1,552	\$ 21,414	\$ 126,579	\$ 58,455
8	\$ 215,000	\$ 1,604	\$ 22,135	\$ 130,839	\$ 60,423
9	\$ 223,000	\$ 1,664	\$ 22,958	\$ 135,707	\$ 62,671
10	\$ 230,000	\$ 1,716	\$ 23,679	\$ 139,967	\$ 64,638
11	\$ 238,000	\$ 1,776	\$ 24,502	\$ 144,836	\$ 66,886
12	\$ 243,000	\$ 1,813	\$ 25,017	\$ 147,879	\$ 68,292
13	\$ 249,000	\$ 1,858	\$ 25,635	\$ 151,530	\$ 69,978
14	\$ 253,000	\$ 1,887	\$ 26,047	\$ 153,964	\$ 71,102
15	\$ 258,000	\$ 1,925	\$ 26,561	\$ 157,007	\$ 72,507
<b>Total</b>	<b>\$ 3,235,000</b>	<b>\$ 24,133</b>	<b>\$ 333,048</b>	<b>\$ 1,968,671</b>	<b>\$ 909,148</b>
<b>Average</b>	<b>\$ 215,667</b>	<b>\$ 1,609</b>	<b>\$ 22,203</b>	<b>\$ 131,245</b>	<b>\$ 60,610</b>

Source: Town of Hempstead IDA, Camoin Associates

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

## CAMOIN ASSOCIATES

## TAX POLICY COMPARISON

Without financial assistance from the Agency, Camoin Associates assumes the Applicant would not undertake the Project. Table 7 displays the property tax payment associated with the Project.

Table 7

### Tax Payments without Project

Year	Total		Portion of Payment by Jurisdiction							
	Property Tax Payment	Without Project*	Town	County	School District	Village				
1	\$	179,847	\$	1,342	\$	18,516	\$	109,447	\$	50,543
2	\$	183,444	\$	1,369	\$	18,886	\$	111,636	\$	51,554
3	\$	187,113	\$	1,396	\$	19,264	\$	113,868	\$	52,585
4	\$	190,855	\$	1,424	\$	19,649	\$	116,146	\$	53,637
5	\$	194,673	\$	1,452	\$	20,042	\$	118,469	\$	54,710
6	\$	198,566	\$	1,481	\$	20,443	\$	120,838	\$	55,804
7	\$	202,537	\$	1,511	\$	20,852	\$	123,255	\$	56,920
8	\$	206,588	\$	1,541	\$	21,269	\$	125,720	\$	58,058
9	\$	210,720	\$	1,572	\$	21,694	\$	128,234	\$	59,220
10	\$	214,934	\$	1,603	\$	22,128	\$	130,799	\$	60,404
11	\$	219,233	\$	1,636	\$	22,570	\$	133,415	\$	61,612
12	\$	223,618	\$	1,668	\$	23,022	\$	136,083	\$	62,844
13	\$	228,090	\$	1,702	\$	23,482	\$	138,805	\$	64,101
14	\$	232,652	\$	1,736	\$	23,952	\$	141,581	\$	65,383
15	\$	237,305	\$	1,770	\$	24,431	\$	144,413	\$	66,691
<b>Total</b>	<b>\$</b>	<b>3,110,176</b>	<b>\$</b>	<b>23,202</b>	<b>\$</b>	<b>320,197</b>	<b>\$</b>	<b>1,892,708</b>	<b>\$</b>	<b>874,068</b>
<b>Average</b>	<b>\$</b>	<b>207,345</b>	<b>\$</b>	<b>1,547</b>	<b>\$</b>	<b>21,346</b>	<b>\$</b>	<b>126,181</b>	<b>\$</b>	<b>58,271</b>

Source: Town of Hempstead IDA, Camoin Associates

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

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Table 8 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 \$8,000 more in PILOT revenue will be received annually than property taxes that would be received without the Project. The total benefit would be approximately \$125,000 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	\$ 179,847	\$ 180,000	\$ 153
2	\$ 183,444	\$ 180,000	\$ (3,444)
3	\$ 187,113	\$ 180,000	\$ (7,113)
4	\$ 190,855	\$ 185,000	\$ (5,855)
5	\$ 194,673	\$ 193,000	\$ (1,673)
6	\$ 198,566	\$ 200,000	\$ 1,434
7	\$ 202,537	\$ 208,000	\$ 5,463
8	\$ 206,588	\$ 215,000	\$ 8,412
9	\$ 210,720	\$ 223,000	\$ 12,280
10	\$ 214,934	\$ 230,000	\$ 15,066
11	\$ 219,233	\$ 238,000	\$ 18,767
12	\$ 223,618	\$ 243,000	\$ 19,382
13	\$ 228,090	\$ 249,000	\$ 20,910
14	\$ 232,652	\$ 253,000	\$ 20,348
15	\$ 237,305	\$ 258,000	\$ 20,695
<b>Total</b>	<b>\$ 3,110,176</b>	<b>\$ 3,235,000</b>	<b>\$ 124,824</b>
<b>Average</b>	<b>\$ 207,345</b>	<b>\$ 215,667</b>	<b>\$ 8,322</b>

Source: Town of Hempstead IDA, Camoin Associates

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**TOWN**

Table 9 calculates the benefit (or cost) to the Town. The Town would receive approximately \$62 more in PILOT revenue annually than it would receive in property taxes without the Project. The total benefit to the Town would be \$931 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	\$ 1,342	\$ 1,343	\$ 1
2	\$ 1,369	\$ 1,343	\$ (26)
3	\$ 1,396	\$ 1,343	\$ (53)
4	\$ 1,424	\$ 1,380	\$ (44)
5	\$ 1,452	\$ 1,440	\$ (12)
6	\$ 1,481	\$ 1,492	\$ 11
7	\$ 1,511	\$ 1,552	\$ 41
8	\$ 1,541	\$ 1,604	\$ 63
9	\$ 1,572	\$ 1,664	\$ 92
10	\$ 1,603	\$ 1,716	\$ 112
11	\$ 1,636	\$ 1,776	\$ 140
12	\$ 1,668	\$ 1,813	\$ 145
13	\$ 1,702	\$ 1,858	\$ 156
14	\$ 1,736	\$ 1,887	\$ 152
15	\$ 1,770	\$ 1,925	\$ 154
<b>Total</b>	<b>\$ 23,202</b>	<b>\$ 24,133</b>	<b>\$ 931</b>
<b>Average</b>	<b>\$ 1,547</b>	<b>\$ 1,609</b>	<b>\$ 62</b>

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

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**COUNTY**

Table 10 calculates the benefit (or cost) to the County. The County would receive approximately \$857 more in PILOT revenue annually than it would receive in property taxes without the Project. The total benefit to the County would be nearly \$13,000 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	\$ 18,516	\$ 18,531	\$ 16
2	\$ 18,886	\$ 18,531	\$ (355)
3	\$ 19,264	\$ 18,531	\$ (732)
4	\$ 19,649	\$ 19,046	\$ (603)
5	\$ 20,042	\$ 19,870	\$ (172)
6	\$ 20,443	\$ 20,590	\$ 148
7	\$ 20,852	\$ 21,414	\$ 562
8	\$ 21,269	\$ 22,135	\$ 866
9	\$ 21,694	\$ 22,958	\$ 1,264
10	\$ 22,128	\$ 23,679	\$ 1,551
11	\$ 22,570	\$ 24,502	\$ 1,932
12	\$ 23,022	\$ 25,017	\$ 1,995
13	\$ 23,482	\$ 25,635	\$ 2,153
14	\$ 23,952	\$ 26,047	\$ 2,095
15	\$ 24,431	\$ 26,561	\$ 2,131
<b>Total</b>	<b>\$ 320,197</b>	<b>\$ 333,048</b>	<b>\$ 12,851</b>
<b>Average</b>	<b>\$ 21,346</b>	<b>\$ 22,203</b>	<b>\$ 857</b>

Source: Town of Hempstead IDA, Camoin Associates

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**SCHOOL DISTRICT**

Table 11 calculates the benefit (or cost) to the school district. The school district would receive approximately \$5,000 more in PILOT revenue annually than it would receive in property taxes without the Project. The total benefit to the school district would be nearly \$76,000 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	\$ 109,447	\$ 109,540	\$ 93
2	\$ 111,636	\$ 109,540	\$ (2,096)
3	\$ 113,868	\$ 109,540	\$ (4,329)
4	\$ 116,146	\$ 112,582	\$ (3,563)
5	\$ 118,469	\$ 117,451	\$ (1,018)
6	\$ 120,838	\$ 121,711	\$ 873
7	\$ 123,255	\$ 126,579	\$ 3,324
8	\$ 125,720	\$ 130,839	\$ 5,119
9	\$ 128,234	\$ 135,707	\$ 7,473
10	\$ 130,799	\$ 139,967	\$ 9,168
11	\$ 133,415	\$ 144,836	\$ 11,421
12	\$ 136,083	\$ 147,879	\$ 11,795
13	\$ 138,805	\$ 151,530	\$ 12,725
14	\$ 141,581	\$ 153,964	\$ 12,383
15	\$ 144,413	\$ 157,007	\$ 12,594
<b>Total</b>	<b>\$ 1,892,708</b>	<b>\$ 1,968,671</b>	<b>\$ 75,962</b>
<b>Average</b>	<b>\$ 126,181</b>	<b>\$ 131,245</b>	<b>\$ 5,064</b>

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

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**VILLAGE**

Table 12 calculates the benefit (or cost) to the village. The village would receive approximately \$2,339 more in PILOT revenue annually than it would receive in property taxes without the Project. The total benefit to the village would be over \$35,000 over the 15-year period.

Table 12

**Tax Policy Comparison for Village**

Year	Property Tax Payment Without Project	PILOT Payment	Benefit (Cost) of Project
1	\$ 50,543	\$ 50,586	\$ 43
2	\$ 51,554	\$ 50,586	\$ (968)
3	\$ 52,585	\$ 50,586	\$ (1,999)
4	\$ 53,637	\$ 51,991	\$ (1,646)
5	\$ 54,710	\$ 54,240	\$ (470)
6	\$ 55,804	\$ 56,207	\$ 403
7	\$ 56,920	\$ 58,455	\$ 1,535
8	\$ 58,058	\$ 60,423	\$ 2,364
9	\$ 59,220	\$ 62,671	\$ 3,451
10	\$ 60,404	\$ 64,638	\$ 4,234
11	\$ 61,612	\$ 66,886	\$ 5,274
12	\$ 62,844	\$ 68,292	\$ 5,447
13	\$ 64,101	\$ 69,978	\$ 5,876
14	\$ 65,383	\$ 71,102	\$ 5,719
15	\$ 66,691	\$ 72,507	\$ 5,816
<b>Total</b>	<b>\$ 874,068</b>	<b>\$ 909,148</b>	<b>\$ 35,080</b>
<b>Average</b>	<b>\$ 58,271</b>	<b>\$ 60,610</b>	<b>\$ 2,339</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 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 13

### Summary of Costs to Affected Jurisdictions

	State and County	
Sales Tax Exemption	\$	159,563
Mortgage Tax Exemption	\$	52,500

**Source:** Applicant, Camoin Associates

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

## SALES TAX REVENUE

### SALES TAX REVENUE – RENOVATION PHASE

The one-time construction phase earnings described by the total economic impact of the renovation work (described in the above section) would lead to additional sales tax revenue for the Town. It is assumed that 70%<sup>4</sup> of the renovation phase earnings would be spent within the county and that 25% of those purchases would be taxable.

Table 14

One-Time Sales Tax Revenue, Renovation Phase		
Total New Earnings	\$	904,190
Amount Spent in County (70%)	\$	632,933
Amount Taxable (25%)	\$	158,233
<b>Nassau County Sales Tax Revenue (4.25%)</b>	<b>\$</b>	<b>6,725</b>
New Town Sales Tax Revenue Portion*		0.375%
<b>New Town Sales Tax Revenue</b>	<b>\$</b>	<b>593</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>4</sup> According to 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

**Annual Sales Tax Revenue, On-Site Operations**

Total New Earnings	\$	15,424,359
Amount Spent in County (70%)	\$	10,797,052
Amount Taxable (25%)	\$	2,699,263
<b>Nassau County Sales Tax Revenue (4.25%)</b>	<b>\$</b>	<b>114,719</b>
New Town Sales Tax Revenue Portion*		0.375%
<b>New Town Tax Revenue</b>	<b>\$</b>	<b>10,122</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.

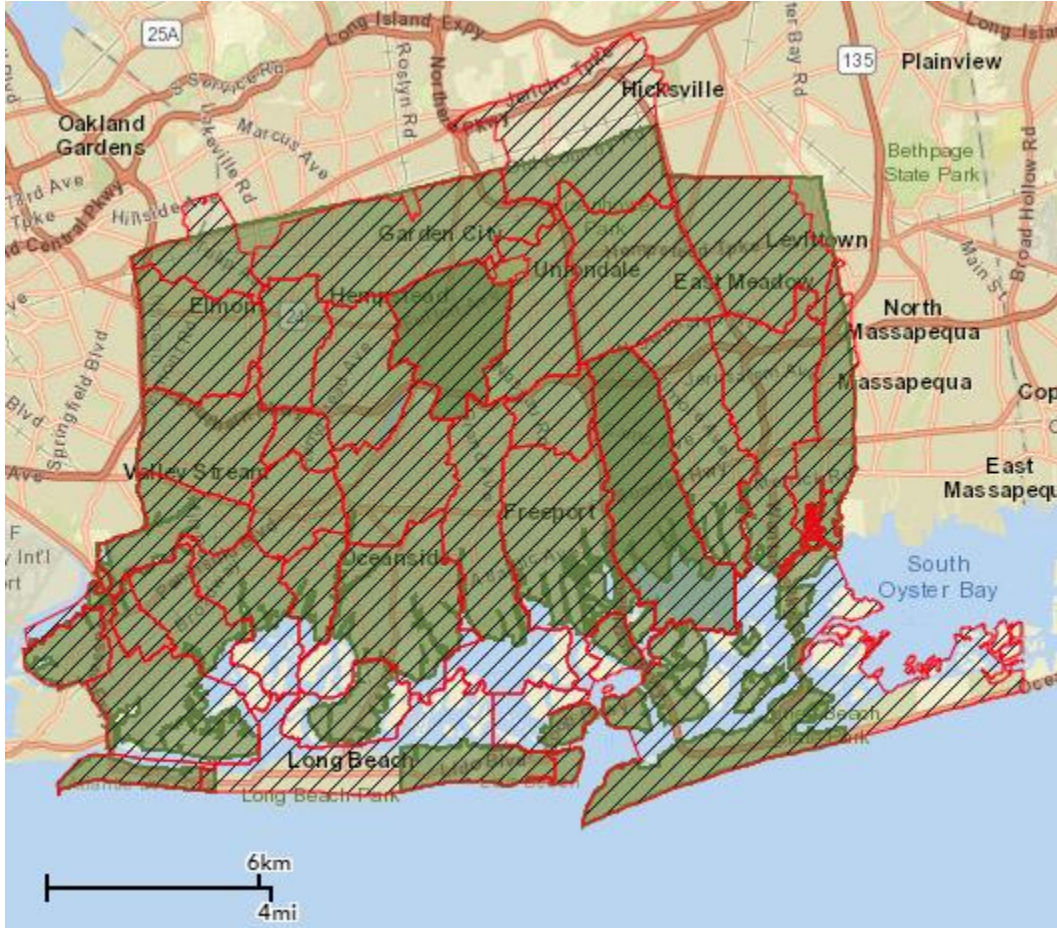
Therefore, the total economic impact resulting from the new widget manufacturer is the initial \$1 million of new money (i.e. Direct Effects) flowing in the US economy, plus the Indirect Effects. The ratio of Total Effects to Direct Effects is called the “multiplier effect” and is often reported as a 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.

## 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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