

PREPARED FOR:

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

Economic and Fiscal Impact

1315 PENINSULA OWNER, LLC

Town of Hempstead
Industrial Development Agency

NOVEMBER 15, 2023

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 1315 Peninsula Owner, LLC. The proposed project involves the renovation of an approximately 11,808 SF Office Building at 1315 Peninsula Blvd, Hewlett, New York 11557. 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 phase and on-site operations.

The primary tool used in this analysis is the input-output model developed by Lightcast. 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." 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:
1315 Peninsula Owner, LLC
Application for Assistance and the
Town of Hempstead Industrial
Development Agency

Geography:
Town of Hempstead

Study Period:
2023

Modeling Tool:
Lightcast

DIRECT IMPACTS

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

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 1315 Peninsula Owner, LLC (the "Applicant") for the renovation of an approximately 11,808 SF Office Building (the "Project") at 1315 Peninsula Blvd, Hewlett, New York 11557 (the "Site"). The Applicant is seeking a 20-year PILOT agreement from the Agency as well as a sales tax and mortgage 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

Summary of Benefits to Town

Total Jobs	80
Direct Jobs	34
Total Earnings	\$ 7,302,696
Direct Earnings	\$ 4,250,000
Annual Sales Tax Revenue to County	\$ 54,314
Annual Sales Tax Revenue to Town	\$ 4,792
Average Annual PILOT Payment	\$ 98,641
Average Annual PILOT Payment to Town	\$ 7,237
Average Annual PILOT Benefit	\$ 2,964
Average Annual PILOT Benefit to Town	\$ 217
Average Annual Net Benefit to Town	\$ 5,010

- ◆ The Project would support 80 net new jobs in the town, of which 34 are direct jobs, with \$4,250,000 in associated earnings.
- ◆ The Applicant has negotiated terms of a proposed 20-year PILOT agreement with the Agency, where the Applicant would pay an average of \$98,641 each year, of which \$7,237 will be allocated to the Town. The average annual benefit of the PILOT will be \$2,964 each year, of which \$217 will be allocated to the Town.
- ◆ The annual net benefit to the Town is estimated to be \$5,010. 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 \$336,725 and a mortgage tax exemption valued at \$31,309. 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	\$	336,375
Mortgage Tax Exemption	\$	31,309

Source: Applicant, Camoin Associates

ECONOMIC IMPACT ANALYSIS

The estimates of direct economic activity generated by facility operation 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 renovation and operation.

RENOVATION PHASE IMPACTS

The Applicant estimates that private sector investment in the renovation of the Project would cost approximately \$7.04 million¹, of which 70%² would be sourced from within the town. This means that there will be over \$4.927 million in net new spending in the town associated with the renovation phase of the Project.

Table 3

Renovation Phase Spending - Town

Total Renovation Cost	\$ 7,039,000
Percent Sourced from Town	70%
Net New Renovation Spending	\$ 4,927,300

Source: Applicant, Camoin Associates

Based on over \$4.927 million worth of net new direct spending associated with the renovation phase of the Project, Camoin Associates determined that there would be over \$6.295 million in total one-time renovation related spending supporting 22 jobs and an associated \$2.368 million in earnings over the renovation period throughout the town. Table 4 outlines the economic impacts of renovation.

Table 4

Town Economic Impact - Renovation Phase

	Jobs	Earnings	Sales
Direct	16 \$	1,898,872 \$	4,927,300
Indirect	3 \$	223,667 \$	727,709
Induced	3 \$	246,343 \$	640,878
Total	22 \$	2,368,881 \$	6,295,887

Source: Lightcast, Camoin Associates

¹ Includes project costs as provided by the Applicant, excluding acquisition, legal fees, and financial charges.

² According to Lightcast, approximately 70% of renovation industry demand is met within the town.

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IMPACTS OF ON-SITE EMPLOYMENT

According to the Applicant, 34 jobs will be on-site following Project completion. 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	34	\$	4,250,000	\$	14,546,908
Indirect	34	\$	2,131,454	\$	6,229,943
Induced	12	\$	921,242	\$	2,383,936
Total	80	\$	7,302,696	\$	23,160,787

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 20-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.³

Table 6

Tax Payments with PILOT

Year	Total		Portion of Payment by Jurisdiction			
	PILOT Payments		Town	County	School District	Special District
1	\$ 80,000	\$	5,869	\$ 14,323	\$ 49,092	\$ 10,716
2	\$ 80,000	\$	5,869	\$ 14,323	\$ 49,092	\$ 10,716
3	\$ 80,000	\$	5,869	\$ 14,323	\$ 49,092	\$ 10,716
4	\$ 82,820	\$	6,076	\$ 14,828	\$ 50,822	\$ 11,094
5	\$ 85,200	\$	6,251	\$ 15,254	\$ 52,283	\$ 11,412
6	\$ 86,500	\$	6,346	\$ 15,487	\$ 53,080	\$ 11,587
7	\$ 87,800	\$	6,442	\$ 15,719	\$ 53,878	\$ 11,761
8	\$ 90,000	\$	6,603	\$ 16,113	\$ 55,228	\$ 12,055
9	\$ 91,300	\$	6,698	\$ 16,346	\$ 56,026	\$ 12,230
10	\$ 94,000	\$	6,897	\$ 16,829	\$ 57,683	\$ 12,591
11	\$ 96,300	\$	7,065	\$ 17,241	\$ 59,094	\$ 12,899
12	\$ 98,700	\$	7,241	\$ 17,671	\$ 60,567	\$ 13,221
13	\$ 101,200	\$	7,425	\$ 18,119	\$ 62,101	\$ 13,556
14	\$ 103,700	\$	7,608	\$ 18,566	\$ 63,635	\$ 13,891
15	\$ 106,300	\$	7,799	\$ 19,032	\$ 65,231	\$ 14,239
16	\$ 109,600	\$	8,041	\$ 19,622	\$ 67,256	\$ 14,681
17	\$ 119,400	\$	8,760	\$ 21,377	\$ 73,269	\$ 15,994
18	\$ 123,000	\$	9,024	\$ 22,022	\$ 75,479	\$ 16,476
19	\$ 126,600	\$	9,288	\$ 22,666	\$ 77,688	\$ 16,958
20	\$ 130,400	\$	9,567	\$ 23,346	\$ 80,019	\$ 17,467
Total	\$ 1,972,820	\$	144,741	\$ 353,208	\$ 1,210,614	\$ 264,258
Average	\$ 98,641	\$	7,237	\$ 17,660	\$ 60,531	\$ 13,213

Source: Town of Hempstead IDA, Camoin Associates

³ 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.

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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 without the pilot. A 2% annual increase on current payments is assumed. Tax payments without the PILOT total \$1,913,539 over the next 20 years or on average \$95,677 a year.

Table 7

Tax Payments without Project

Year	Property Tax Payment Without Project*	Portion of Payment by Jurisdiction			
		Town	County	School District	Special District
1	\$ 78,755	\$ 5,778	\$ 14,100	\$ 48,328	\$ 10,549
2	\$ 80,330	\$ 5,894	\$ 14,382	\$ 49,294	\$ 10,760
3	\$ 81,937	\$ 6,011	\$ 14,670	\$ 50,280	\$ 10,975
4	\$ 83,575	\$ 6,132	\$ 14,963	\$ 51,286	\$ 11,195
5	\$ 85,247	\$ 6,254	\$ 15,262	\$ 52,311	\$ 11,419
6	\$ 86,952	\$ 6,379	\$ 15,568	\$ 53,358	\$ 11,647
7	\$ 88,691	\$ 6,507	\$ 15,879	\$ 54,425	\$ 11,880
8	\$ 90,465	\$ 6,637	\$ 16,197	\$ 55,513	\$ 12,118
9	\$ 92,274	\$ 6,770	\$ 16,520	\$ 56,624	\$ 12,360
10	\$ 94,120	\$ 6,905	\$ 16,851	\$ 57,756	\$ 12,607
11	\$ 96,002	\$ 7,043	\$ 17,188	\$ 58,911	\$ 12,859
12	\$ 97,922	\$ 7,184	\$ 17,532	\$ 60,089	\$ 13,117
13	\$ 99,880	\$ 7,328	\$ 17,882	\$ 61,291	\$ 13,379
14	\$ 101,878	\$ 7,475	\$ 18,240	\$ 62,517	\$ 13,646
15	\$ 103,916	\$ 7,624	\$ 18,605	\$ 63,767	\$ 13,919
16	\$ 105,994	\$ 7,776	\$ 18,977	\$ 65,043	\$ 14,198
17	\$ 108,114	\$ 7,932	\$ 19,356	\$ 66,344	\$ 14,482
18	\$ 110,276	\$ 8,091	\$ 19,743	\$ 67,670	\$ 14,771
19	\$ 112,482	\$ 8,252	\$ 20,138	\$ 69,024	\$ 15,067
20	\$ 114,731	\$ 8,418	\$ 20,541	\$ 70,404	\$ 15,368
Total	\$ 1,913,539	\$ 140,391	\$ 342,594	\$ 1,174,237	\$ 256,317
Average	\$ 95,677	\$ 7,020	\$ 17,130	\$ 58,712	\$ 12,816

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. In total, \$2,964 more in PILOT revenue will be received annually than property taxes that would be received without the Project. The total benefit would be \$59,281 more over the 20-year period.

Table 8

Tax Policy Comparison (All Jurisdictions)

Year	Property Tax Payment Without Project	PILOT Payment	Benefit (Cost) of Project
1	\$ 78,755	\$ 80,000	\$ 1,245
2	\$ 80,330	\$ 80,000	\$ (330)
3	\$ 81,937	\$ 80,000	\$ (1,937)
4	\$ 83,575	\$ 82,820	\$ (755)
5	\$ 85,247	\$ 85,200	\$ (47)
6	\$ 86,952	\$ 86,500	\$ (452)
7	\$ 88,691	\$ 87,800	\$ (891)
8	\$ 90,465	\$ 90,000	\$ (465)
9	\$ 92,274	\$ 91,300	\$ (974)
10	\$ 94,120	\$ 94,000	\$ (120)
11	\$ 96,002	\$ 96,300	\$ 298
12	\$ 97,922	\$ 98,700	\$ 778
13	\$ 99,880	\$ 101,200	\$ 1,320
14	\$ 101,878	\$ 103,700	\$ 1,822
15	\$ 103,916	\$ 106,300	\$ 2,384
16	\$ 105,994	\$ 109,600	\$ 3,606
17	\$ 108,114	\$ 119,400	\$ 11,286
18	\$ 110,276	\$ 123,000	\$ 12,724
19	\$ 112,482	\$ 126,600	\$ 14,118
20	\$ 114,731	\$ 130,400	\$ 15,669
Total	\$ 1,913,539	\$ 1,972,820	\$ 59,281
Average	\$ 95,677	\$ 98,641	\$ 2,964

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 \$217 more in PILOT revenue annually than it would receive in property taxes without the Project. The total impact on the Town would be \$4,349 more over the 20-year period.

Table 9

Tax Policy Comparison for Town

Year	Property Tax Payment Without Project	PILOT Payment	Benefit (Cost) of Project
1	\$ 5,778	\$ 5,869	\$ 91
2	\$ 5,894	\$ 5,869	\$ (24)
3	\$ 6,011	\$ 5,869	\$ (142)
4	\$ 6,132	\$ 6,076	\$ (55)
5	\$ 6,254	\$ 6,251	\$ (3)
6	\$ 6,379	\$ 6,346	\$ (33)
7	\$ 6,507	\$ 6,442	\$ (65)
8	\$ 6,637	\$ 6,603	\$ (34)
9	\$ 6,770	\$ 6,698	\$ (71)
10	\$ 6,905	\$ 6,897	\$ (9)
11	\$ 7,043	\$ 7,065	\$ 22
12	\$ 7,184	\$ 7,241	\$ 57
13	\$ 7,328	\$ 7,425	\$ 97
14	\$ 7,475	\$ 7,608	\$ 134
15	\$ 7,624	\$ 7,799	\$ 175
16	\$ 7,776	\$ 8,041	\$ 265
17	\$ 7,932	\$ 8,760	\$ 828
18	\$ 8,091	\$ 9,024	\$ 934
19	\$ 8,252	\$ 9,288	\$ 1,036
20	\$ 8,418	\$ 9,567	\$ 1,150
Total	\$ 140,391	\$ 144,741	\$ 4,349
Average	\$ 7,020	\$ 7,237	\$ 217

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 \$531 more in PILOT revenue annually than it would receive in property taxes without the Project. The total impact to the County would be \$10,613 more over the 20-year period.

Table 10

Tax Policy Comparison for County

Year	Property Tax Payment Without Project	PILOT Payment	Benefit (Cost) of Project
1	\$ 14,100	\$ 14,323	\$ 223
2	\$ 14,382	\$ 14,323	\$ (59)
3	\$ 14,670	\$ 14,323	\$ (347)
4	\$ 14,963	\$ 14,828	\$ (135)
5	\$ 15,262	\$ 15,254	\$ (8)
6	\$ 15,568	\$ 15,487	\$ (81)
7	\$ 15,879	\$ 15,719	\$ (160)
8	\$ 16,197	\$ 16,113	\$ (83)
9	\$ 16,520	\$ 16,346	\$ (174)
10	\$ 16,851	\$ 16,829	\$ (21)
11	\$ 17,188	\$ 17,241	\$ 53
12	\$ 17,532	\$ 17,671	\$ 139
13	\$ 17,882	\$ 18,119	\$ 236
14	\$ 18,240	\$ 18,566	\$ 326
15	\$ 18,605	\$ 19,032	\$ 427
16	\$ 18,977	\$ 19,622	\$ 646
17	\$ 19,356	\$ 21,377	\$ 2,021
18	\$ 19,743	\$ 22,022	\$ 2,278
19	\$ 20,138	\$ 22,666	\$ 2,528
20	\$ 20,541	\$ 23,346	\$ 2,805
Total	\$ 342,594	\$ 353,208	\$ 10,613
Average	\$ 17,130	\$ 17,660	\$ 531

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 \$1,819 more in PILOT revenue annually than it would receive in property taxes without the Project. The total impact to the school district would be \$36,377 more over the 20-year period.

Table 11

Tax Policy Comparison for School District

Year	Property Tax Payment Without Project	PILOT Payment	Benefit (Cost) of Project
1	\$ 48,328	\$ 49,092	\$ 764
2	\$ 49,294	\$ 49,092	\$ (203)
3	\$ 50,280	\$ 49,092	\$ (1,188)
4	\$ 51,286	\$ 50,822	\$ (464)
5	\$ 52,311	\$ 52,283	\$ (29)
6	\$ 53,358	\$ 53,080	\$ (277)
7	\$ 54,425	\$ 53,878	\$ (547)
8	\$ 55,513	\$ 55,228	\$ (285)
9	\$ 56,624	\$ 56,026	\$ (598)
10	\$ 57,756	\$ 57,683	\$ (73)
11	\$ 58,911	\$ 59,094	\$ 183
12	\$ 60,089	\$ 60,567	\$ 477
13	\$ 61,291	\$ 62,101	\$ 810
14	\$ 62,517	\$ 63,635	\$ 1,118
15	\$ 63,767	\$ 65,231	\$ 1,463
16	\$ 65,043	\$ 67,256	\$ 2,213
17	\$ 66,344	\$ 73,269	\$ 6,926
18	\$ 67,670	\$ 75,479	\$ 7,808
19	\$ 69,024	\$ 77,688	\$ 8,664
20	\$ 70,404	\$ 80,019	\$ 9,615
Total	\$ 1,174,237	\$ 1,210,614	\$ 36,377
Average	\$ 58,712	\$ 60,531	\$ 1,819

Source: Town of Hempstead IDA, Camoin Associates

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SPECIAL DISTRICTS

Table 12 calculates the benefit (or cost) to the special districts. The special districts would receive approximately \$397 more in PILOT revenue annually than they would receive in property taxes without the Project. The total impact on the special districts would be \$7,941 more over the 20-year period.

Table 12

Tax Policy Comparison for Special Districts

Year	Property Tax Payment Without Project	PILOT Payment	Benefit (Cost) of Project
1	\$ 10,549	\$ 10,716	\$ 167
2	\$ 10,760	\$ 10,716	\$ (44)
3	\$ 10,975	\$ 10,716	\$ (259)
4	\$ 11,195	\$ 11,094	\$ (101)
5	\$ 11,419	\$ 11,412	\$ (6)
6	\$ 11,647	\$ 11,587	\$ (61)
7	\$ 11,880	\$ 11,761	\$ (119)
8	\$ 12,118	\$ 12,055	\$ (62)
9	\$ 12,360	\$ 12,230	\$ (130)
10	\$ 12,607	\$ 12,591	\$ (16)
11	\$ 12,859	\$ 12,899	\$ 40
12	\$ 13,117	\$ 13,221	\$ 104
13	\$ 13,379	\$ 13,556	\$ 177
14	\$ 13,646	\$ 13,891	\$ 244
15	\$ 13,919	\$ 14,239	\$ 319
16	\$ 14,198	\$ 14,681	\$ 483
17	\$ 14,482	\$ 15,994	\$ 1,512
18	\$ 14,771	\$ 16,476	\$ 1,704
19	\$ 15,067	\$ 16,958	\$ 1,891
20	\$ 15,368	\$ 17,467	\$ 2,099
Total	\$ 256,317	\$ 264,258	\$ 7,941
Average	\$ 12,816	\$ 13,213	\$ 397

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. 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	\$	336,375
Mortgage Tax Exemption	\$	31,309

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 renovation 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%⁴ 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	\$	2,368,881
Amount Spent in County (70%)	\$	1,658,217
Amount Taxable (25%)	\$	414,554
Nassau County Sales Tax Revenue (4.25%)	\$	17,619
New Town Sales Tax Revenue Portion*		0.375%
New Town Sales Tax Revenue	\$	1,555

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.

⁴ According to Lightcast, 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	\$	7,302,696
Amount Spent in County (70%)	\$	5,111,887
Amount Taxable (25%)	\$	1,277,972
Nassau County Sales Tax Revenue (4.25%)	\$	54,314
New Town Sales Tax Revenue Portion*		0.375%
New Town Tax Revenue	\$	4,792

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.

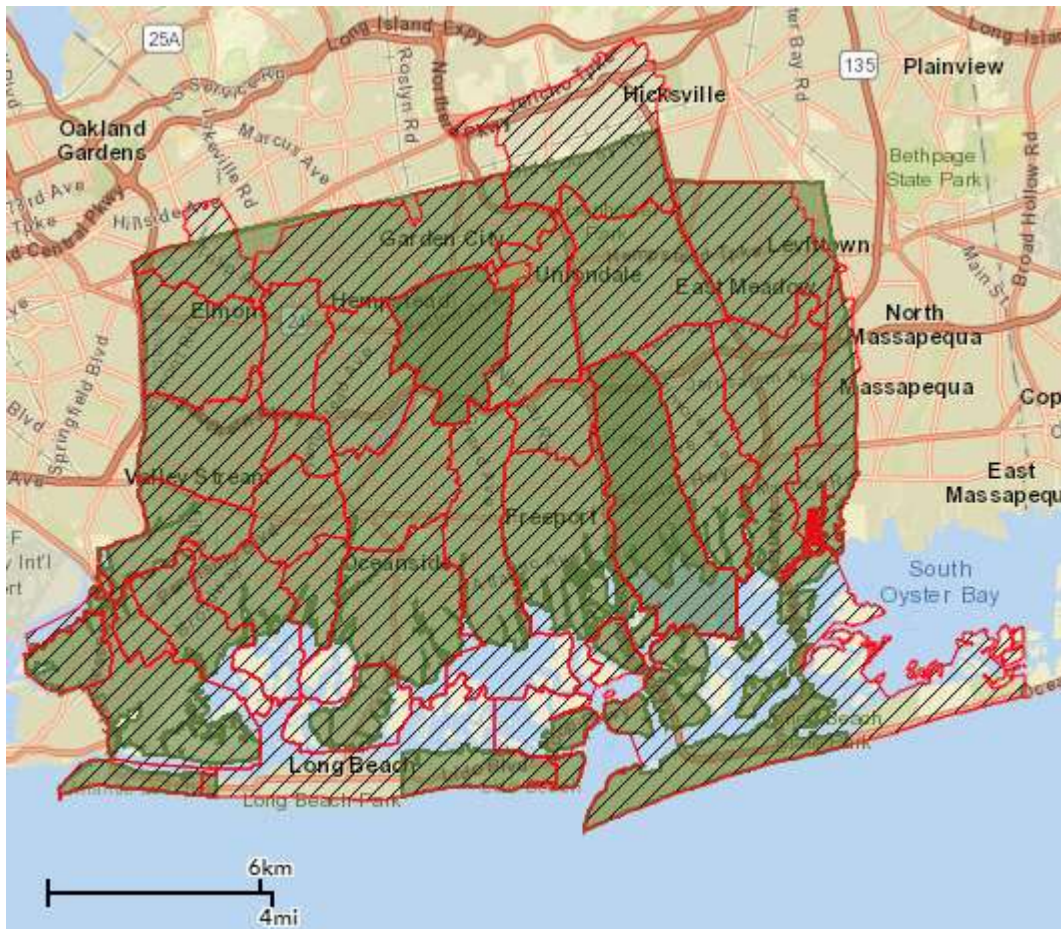
Therefore, the total economic impact resulting from the new widget manufacturer is the initial \$1 million of new money (i.e., Direct Effects) flowing in the US economy, plus the Indirect Effects. The ratio of Total Effects to Direct Effects is called the “multiplier effect” and is often reported as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



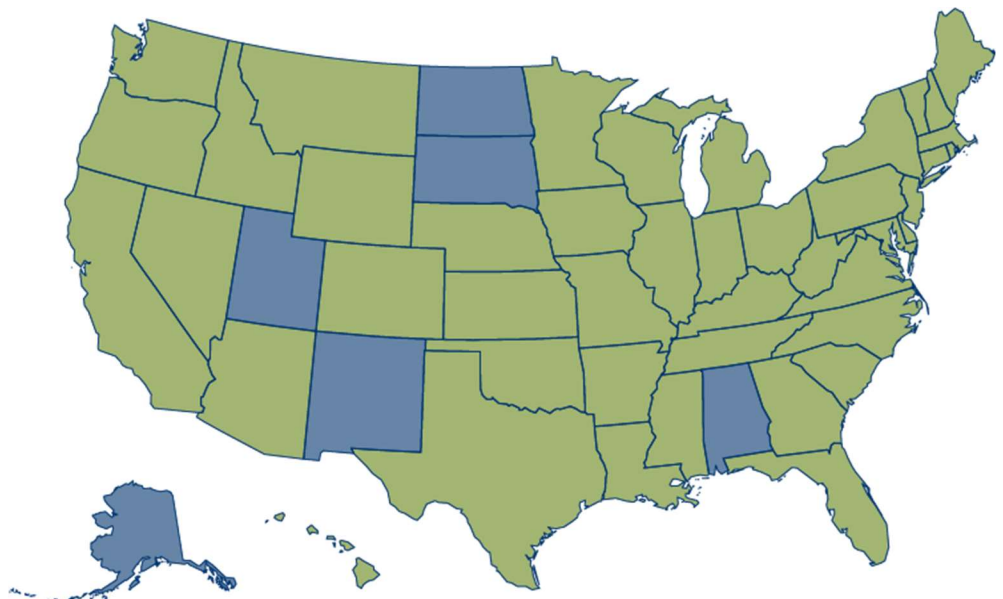
ABOUT CAMOIN ASSOCIATES

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/camoinassociates).

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Leading action to grow your economy

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