



8TH Annual

Economic Development

Incentives Conference

Presented by

VORYS

VISTA SITE SELECTION

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Economic Impact 2.0

Sharing the Full Story of your Project
and Community

Agenda

- ▶ Why an Economic Impact Analysis?
- ▶ Trends
- ▶ Storytelling
- ▶ Modeling considerations
- ▶ Scenarios

Why an Economic Impact Analysis?

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Why an Economic Impact Analysis?

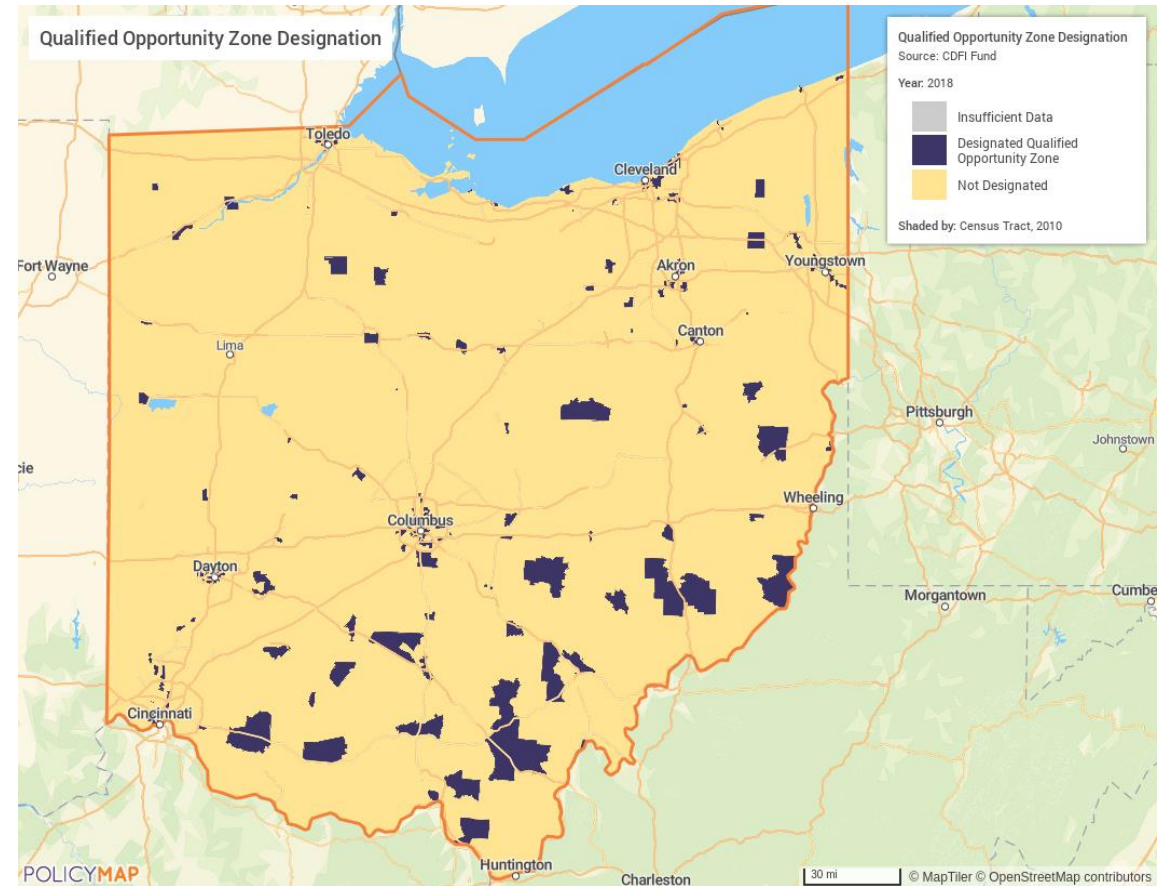
► Circumstances

■ Development projects

- New/completed projects
- Building/infrastructure

■ Policy change

- Adding a new type of tax
- Adding affordable housing requirements
- Adding new incentives program
- New industry



Why an Economic Impact Analysis?

- ▶ Circumstances
 - Funding application requirements
 - Events
 - ▶ Natural event
 - ▶ COVID/pandemic
 - ▶ Sports, conferences, festivals



Backgrounder

The Economics of Hosting the Olympic Games

The costs of hosting the Olympics have skyrocketed, while the economic benefits are far from clear. This has led to fewer states interested in playing host and a search for options to lighten the burdens of staging the big event.

WRITTEN BY
James McBride and Melissa Manno

UPDATED
Last updated December 14, 2021 12:30 pm (EST)



Designer Glauber Penha takes part in the Olympic Flame torch relay outside a stadium in Manaus, Brazil. Bruno Kelly/Reuters



Why an Economic Impact Analysis?

▶ Who

- Government (local/state/federal) and lawmaker
- Developer
- Business
- Economist
- Educational institution



Why an Economic Impact Analysis?

- ▶ Geography
 - Impacts on direct regions and surrounding areas
 - Ecosystem
 - Supply chain
 - Creates a better understanding of your community or project

Trends

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Trends

- ▶ Funding application requirements
 - Grants and tax credit programs – state and federal level
- ▶ Post-pandemic risk aversion
- ▶ Government
 - Make informed decisions
 - ▶ Planning
 - ▶ Allocation of funds

Ohio

Department of
Development

Mike DeWine, Governor
Jon Husted, Lt. Governor

Lydia L. Mihalik, Director

**TRANSFORMATIONAL MIXED-USE DEVELOPMENT PROGRAM
FISCAL YEAR (FY) 2023
ECONOMIC IMPACT STATEMENT FRAMEWORK
UPDATED 6/10/2022**



Trends

- ▶ A component in the incentives decision
- ▶ Allows for a better evaluation of project's opportunity
 - Conducting an economic impact study can turn a business attraction value proposition into a business **attraction and business retention** value proposition.
- ▶ Become a vital tool in the establishment of new industries and technologies (autonomous vehicles, cannabis, financial technology, etc.).

Storytelling

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Storytelling

- ▶ Educate the community's **need or desire** for your project
 - Some communities lack supply, have greater public policy needs or aspire to a goal.
- ▶ Educate the **fit** of your project to the community
 - Some communities are more “prepared” than others for certain industries.
 - ▶ A lack of preparedness does not always mean “no”, it may require more public investment.

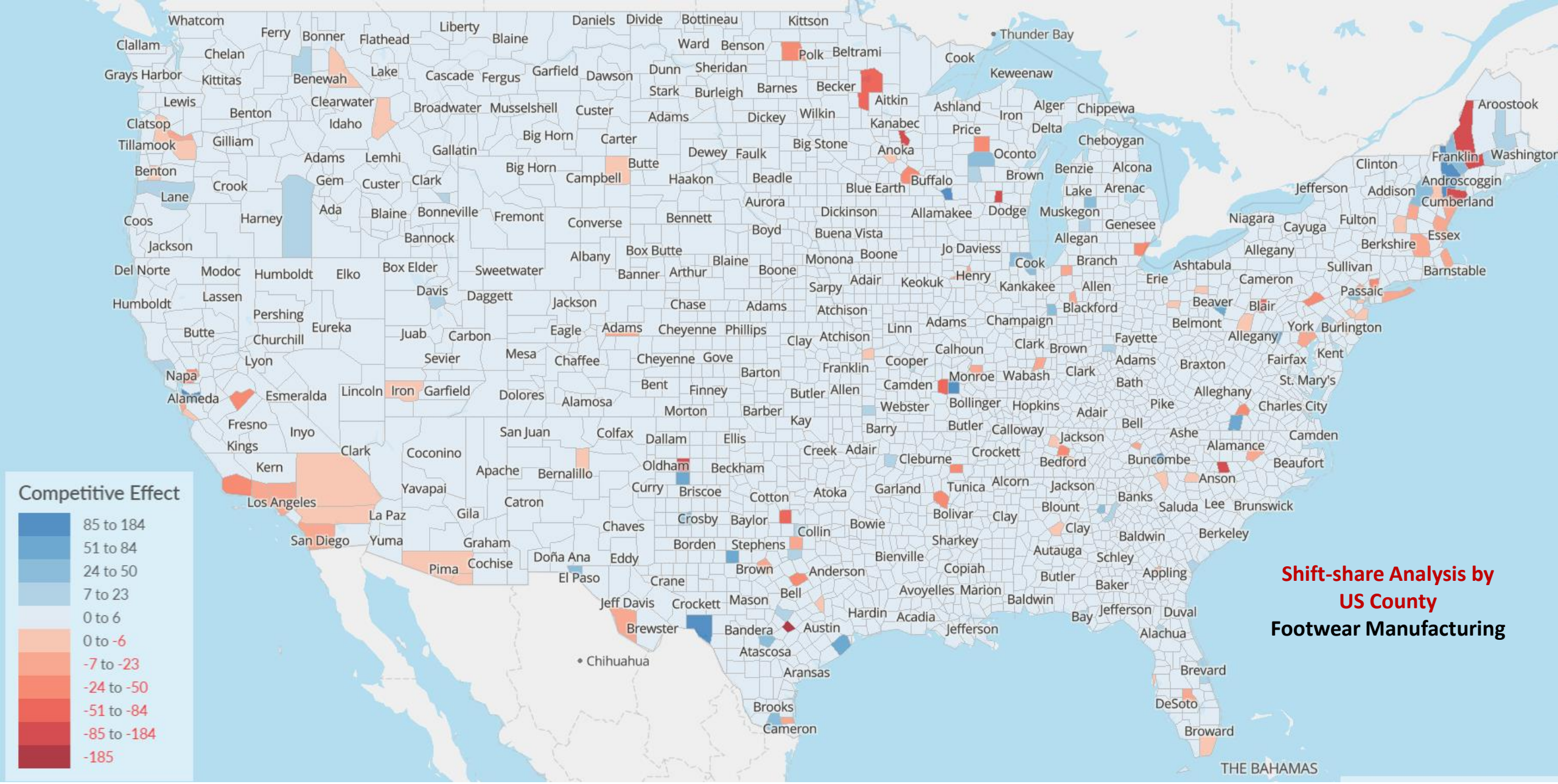
Storytelling

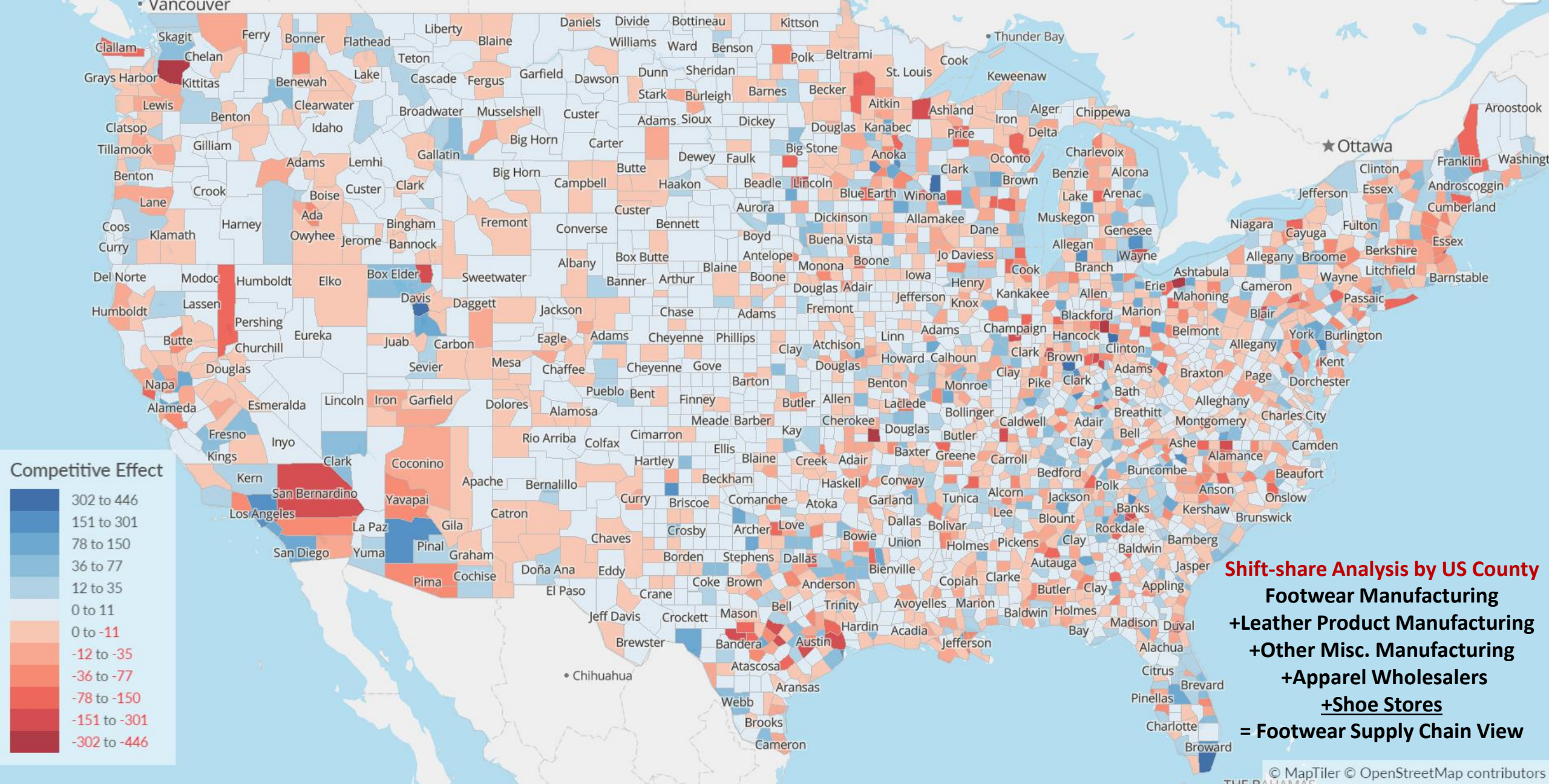
- ▶ Sample methods of storytelling
 - **Traditional** – demographics and economics (i.e. poverty, unemployment, low income and vacancy)
 - **Progressive**
 - ▶ Shift-share analysis & location quotients
 - ▶ Trade flow snapshots
 - ▶ Commodity analysis
 - ▶ Multiplier effects

Storytelling

In addition to part of the economic impact story, shift-share can be used to help site selectors identify initial site regions or narrow sites.

- ▶ **Shift-share analysis** – shift-share is a standard regional analysis method that attempts to determine how much of **regional job growth** can be attributed to national trends and how much is **due to unique regional factors**.
 - Highlights the uniqueness of a regional economy
 - Shows the sectors in which the region is out-competing or under-competing the nation
 - Useful in illustrating to a decision-maker that the project caters to a regional competitive advantage or can help improve a competitive disadvantage (i.e. build industry, invest in infrastructure, etc.).





Storytelling

- ▶ **Trade flows analysis** – illustrates the value of exports from an origin geography (producer) to a destination geography (consumer/purchaser)
 - Highlights export potential of an industry
 - Illustrates key destinations of commerce/supply chain
 - Useful in illustrating the potential of an industry by illustrating a comparable market in which the industry has matured.

The graphic to the right represents motion picture industry exports (\$10 million or higher) originating from Los Angeles County in dollars.

This trade flow analysis may illustrate the export potential of the motion picture industry to a developer looking to construct a production studio, or a policymaker analyzing the potential of a motion picture tax credit program.



Storytelling

- ▶ **Commodity analysis** – evaluating area supply and demand for commodities by residents, institutions and businesses
 - Highlights unmet demand (in \$) for certain products/services.
 - Illustrates percentage of total local demand for the commodity that could possibly be met by local production net of foreign exports).
 - Useful in justifying the economic potential of a certain use.

Pickaway County Commodity	Area Supply	Area Demand	Domestic Supply / Demand Ratio	Sales Potential
Dining - Full-service restaurant services	\$23,880,958.23	\$60,279,588.05	39.53%	\$36,451,067
Dining - Limited-service restaurant services	\$80,472,531.69	\$81,698,731.09	98.32%	\$1,372,539
Lodging - Hotels and motel services, including casino hotels	\$11,043,983.17	\$16,948,691.87	65.16%	\$5,904,924
Office - Accounting, tax preparation, bookkeeping, and payroll services	\$6,744,022.13	\$24,122,175.33	27.79%	\$17,418,623
Office - Computer storage devices	\$0.00	\$5,036,388.28	0.00%	\$5,036,388
Office - Computer systems design services	\$2,078,117.81	\$27,010,336.39	7.58%	\$24,962,953
Office - Computer terminals and other computer peripheral equipment	\$1,077.22	\$2,680,905.61	0.02%	\$2,680,369
Office - Custom computer programming services	\$9,570,794.27	\$17,030,638.55	40.18%	\$10,187,728
Office - Electronic computers	\$15,457.20	\$24,792,870.00	0.06%	\$24,777,994
Office - Funds, trusts, and other financial services	\$28,469,353.78	\$29,306,697.57	97.14%	\$838,172
Office - Leasing of nonfinancial intangible assets	\$1,114,757.25	\$9,361,451.66	8.15%	\$8,598,493
Office - Other computer related services, including facilities management services	\$2,450,840.81	\$8,244,985.69	28.52%	\$5,893,516
Office - Other financial investment services	\$16,479,967.95	\$66,525,398.41	23.15%	\$51,124,769
Recreation - Fitness and recreational sports center services	\$2,300,941.68	\$6,756,009.79	34.06%	\$4,454,913
Recreation - Gambling recreation	\$6,849,109.76	\$14,019,155.87	48.86%	\$7,169,396
Recreation - Museum, heritage, zoo, and recreational services	\$1,286,560.35	\$3,955,873.97	32.52%	\$2,669,424
Recreation - Other amusement and recreation	\$6,378,876.93	\$8,744,407.72	72.95%	\$2,365,362
Retail services - Building material and garden equipment and supplies stores	\$22,665,676.81	\$29,119,319.89	77.84%	\$6,452,841
Retail services - Clothing and clothing accessories stores	\$6,396,358.01	\$21,938,494.87	29.16%	\$15,541,230
Retail services - Electronics and appliance stores	\$2,987,533.00	\$8,842,895.86	33.78%	\$5,855,766
Retail services - Food and beverage stores	\$23,561,370.58	\$41,411,690.19	56.90%	\$17,848,438
Retail services - Furniture and home furnishings stores	\$3,237,513.37	\$11,998,270.57	26.98%	\$8,761,137
Retail services - Gasoline stores	\$31,185,930.18	\$20,064,490.94	100.00%	\$0
Retail services - General merchandise stores	\$32,441,166.45	\$40,801,792.06	79.51%	\$8,360,287
Retail services - Health and personal care stores	\$8,571,298.21	\$20,332,429.63	42.16%	\$11,760,277
Retail services - Miscellaneous store retailers	\$6,811,561.02	\$16,716,889.62	40.75%	\$9,904,757
Retail services - Motor vehicle and parts dealers	\$13,628,994.12	\$21,566,833.44	63.19%	\$7,938,751
Retail services - Nonstore retailers	\$36,281,618.02	\$77,256,594.80	46.96%	\$40,976,898
Retail services - Sporting goods, hobby, musical instrument and book stores	\$3,734,516.78	\$10,628,907.91	35.14%	\$6,893,910

Storytelling

- ▶ **Multiplier effect** – multipliers serve as the basis for typical economic impact models (input/output models).
 - Highlights the spinoff potential of an industry event.
 - Exist by jobs, labor income, sales, contribution to GDP and tax, among others.
 - Useful as a quick metric for public policy makers to understand the **opportunity cost** of the project.
 - ▶ A higher multiplier projects a higher likelihood of highest and best use.

Top Industry Multipliers

Florida

Michigan

Supplier Jobs

Soybean and Other Oilseed Processing (6.95)
Lessors of Non-financial Intangible Assets (11.70)

Soybean and Other Oilseed Processing (4.84)
Petroleum Refineries (2.74)

Jobs Created by Increased Household Spending

Lessors of Non-financial Intangible Assets (30.11)
Tobacco Manufacturing (20.77)

Lessors of Non-financial Intangible Assets (15.22)
Petroleum Refineries (12.74)

Supplier Sales

Insurance and Pension Fund Administration (0.53)
Other Insurance Related Activities (0.53)

Insurance and Pension Fund Administration (0.34)
Insurance Agencies and Brokerages (0.34)

Sales Created by Increased Household Spending

Private Households (1.31)
Electronic Computer Manufacturing (1.25)

Local Government, Excluding Edu. & Hospitals (0.96)
Private Households (0.92)

Modeling Considerations

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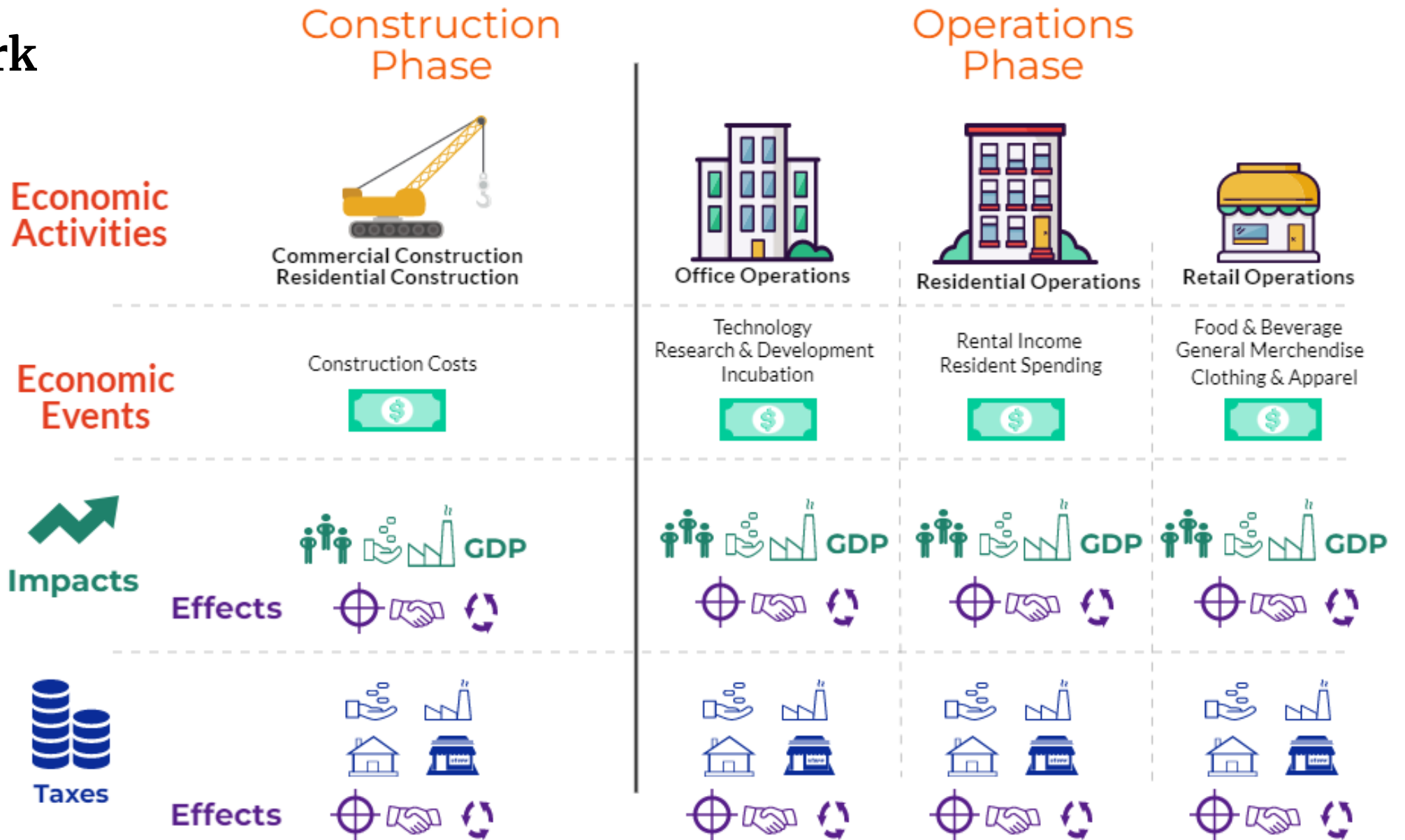
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Modeling Considerations

- ▶ Key terms

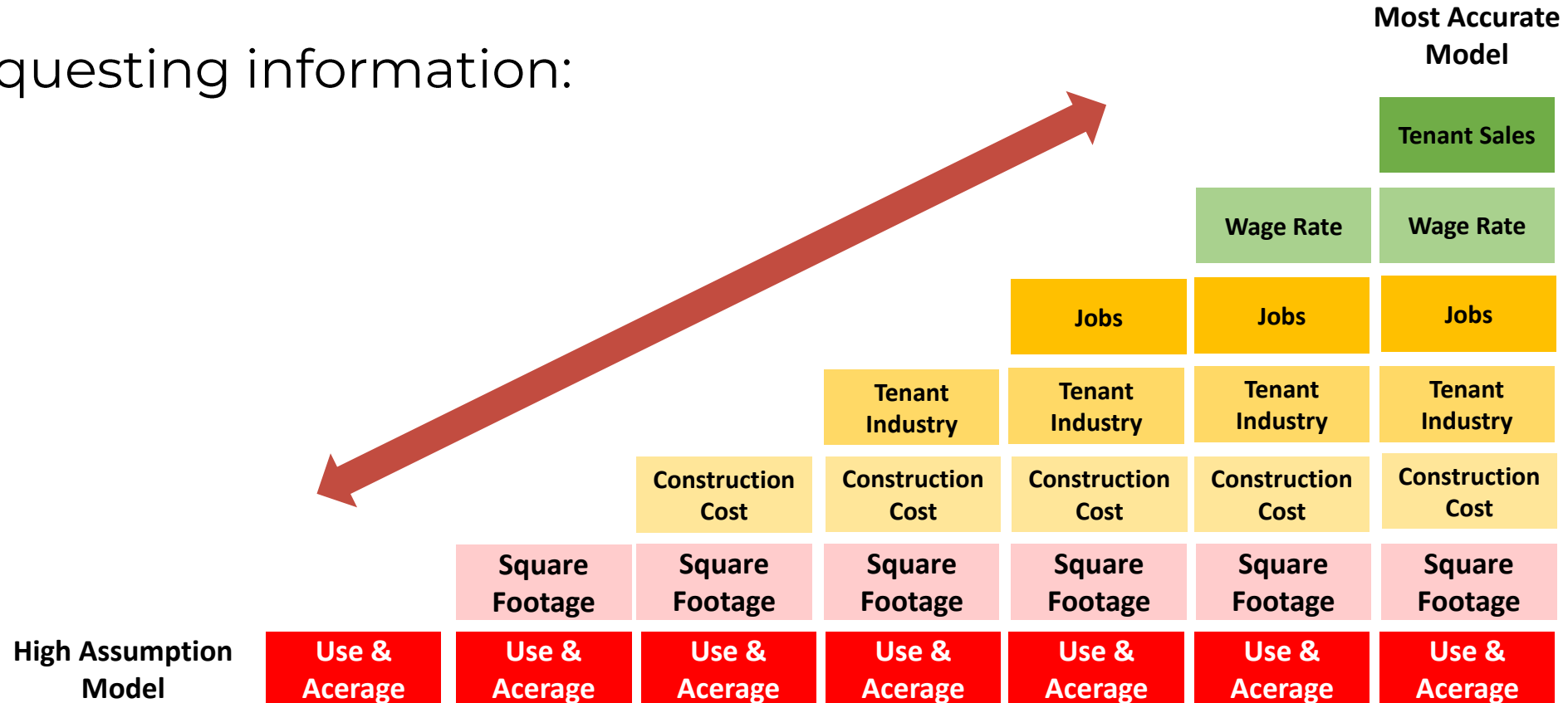
- **Direct effects** – impacts from the project, may include sales of tenants, lease payments to property owners, employment, payroll, building constructions and supplies transactions.
 - ▶ “Project Impacts”
- **Indirect effects** - the business to business purchases in the supply chain taking place in the region that stem from the initial industry input purchases.
 - ▶ “Supplier Impacts”
- **Induced effects** - represents the response by an economy to an initial change (direct effect) that occurs through re-spending of income received by a component of value added. This money is recirculated through the household spending patterns causing further local economic activity
 - ▶ “Household Re-spending Impacts”

Framework example



Modeling Considerations

▶ Requesting information:



Modeling Considerations

- ▶ Geography drives the model

Larger geographies allow economic effects to reach more suppliers and households.

Example is a 500-job HQ project.

	Downtown Cleveland (Zip)	Cuyahoga County	Ohio
Jobs	606	1,112	1,356
Multiplier	1.21	2.22	2.71
Earnings	\$89,384,601	\$118,648,867	\$121,598,150
Multiplier	1.10	1.50	1.67
Taxes	\$2,717,900	\$6,053,640	\$7,547,067

Modeling Considerations

- ▶ Multi-Regional Input-Output Model (MRIO)
 - Conducted for those who want to understand an impact by a neighboring investment.
 - Illustrates the impact to a surrounding county, region, state or zip code (where the event didn't take place).
 - Useful in regionally significant projects that require various municipalities or counties to invest or in land-use planning based in a nearby significant event.

\$4 billion Economic Impact project in Columbus



Modeling Considerations

- ▶ Speculative, multi-tenant building modeling:
 - **Industry mix** – if the building is multi-use the following methods typically work best:
 - ▶ Diversification – utilizes diversity of wages and densities to spread risk of over-inflating/over-deflating.
 - ▶ Clustering – a collection of like industries (ie. securities, accounting, banking, finance) could better reflect a site-selector's efforts in targeting sectors.
 - **Demand analysis** – sticking to in-demand products/services allows for greater indirect/induced effects and meets a community need.

Modeling Considerations

► Modeling taxes

- **I-O models v. reality** – taxes in most models are a corollary calculation. It is often best to calculate independently.
- **City taxes** – important to differentiate when setting a geography to a county-wide impact or larger.
- **Indirect & induced taxes** – may be used from software (harder to calculate independently).
- **Bed tax** – not typically parceled out in software, often undervalued.

Modeling Considerations

- ▶ Growth effect – how to model “caused” development
 - Software typically assumes the “boats” are already built (rising tide lifts all boats)
 - **Catalytic projects** – modeling hypothetical or announced projects.
 - ▶ May include national comps.
 - **Land use method** – estimating the project’s influence on land use implementation.

Modeling Considerations

- ▶ Adjustments (inflation)
 - Most modeling software utilizes **annual** impacts.
 - Accounting for **inflation**:
 - ▶ Within software models
 - ▶ Calculated independently – best to use a 5-year average change
 - Economic Cost Index
 - Consumer Price Index
 - ▶ Property values – a different analysis (based on auditor adjustments)

Scenarios

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Scenarios

- ▶ Footwear manufacturing
500 job plant

	Dayton MSA	Toledo MSA	Columbus MSA	Athens MSA
Jobs	642	898	641	779
Multiplier	1.28	1.80	1.28	1.56
Earnings	\$17,194,130	\$54,010,034	\$17,152,510	\$42,524,398
Multiplier	1.92	1.76	2.15	1.38
Taxes	\$2,060,416	\$4,492,438	\$1,762,931	\$3,960,078

- ▶ Corporate/regional HQ
500 job office

	Dayton MSA	Toledo MSA	Columbus MSA	Athens MSA
Jobs	642	933	1,028	631
Multiplier	1.70	1.87	2.42	1.26
Earnings	\$69,135,453	\$87,154,485	\$115,520,769	\$33,296,383
Multiplier	1.40	1.34	1.59	1.20
Taxes	\$3,514,019	\$4,071,938	\$6,524,225	\$1,519,537

Scenarios

► Restaurant
\$4 million in sales

	Dayton MSA	Toledo MSA	Columbus MSA	Athens MSA
Jobs	82	83	82	102
Multiplier	1.31	1.29	1.45	1.16
Earnings	\$2,793,970	\$2,718,436	\$3,304,625	\$2,307,595
Multiplier	1.31	1.61	1.95	1.36
Taxes	\$455,487	\$423,033	\$497,954	\$420,467

► Supercenter
\$50 million in sales

	Dayton MSA	Toledo MSA	Columbus MSA	Athens MSA
Jobs	694	705	736	693.
Multiplier	1.41	1.41	1.56	1.25
Earnings	\$30,547,594	\$30,512,728	\$35,475,209	\$25,415,382
Multiplier	1.63	1.63	1.90	1.36
Taxes	\$9,933,197	\$9,775,704	\$10,369,612	\$9,527,656

Scenario - Takeaways

- ▶ A geography's strong supply chain enhances indirect impacts.
- ▶ Induced impacts are typically influenced by household volume, household spending potential and higher wages provided by project.
- ▶ Higher indirect and induced impacts result in a higher multiplier effect.
- ▶ Industries in some communities may be saturated, providing lower impact potential.

Questions?

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Thank You



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