Incorporating Fiscal Impact Analysis into Your Economic Development Strategy

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Albany Conference on Local Authorities and Board Member Training

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Georgia Tech Center for Economic Development Research

TOPICS

- "Economic" vs. "Fiscal" Impact
- Workforce Location and Costs
- Incentive Strategies

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Myth:

Growth and development mean an increasing tax base and better financial health for the local government.

Fact:

A growing tax base isn't enough to guarantee financial health.

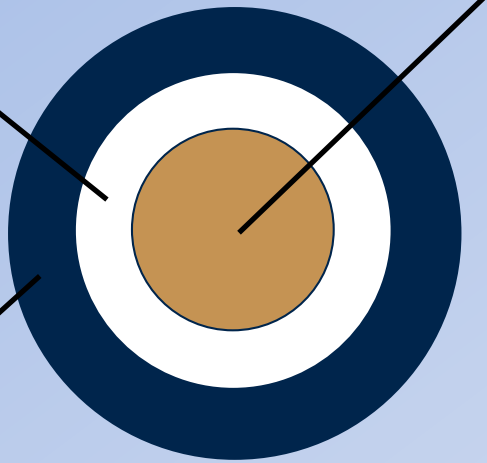
Revenue must grow faster than expenditures.

ECONOMIC IMPACT

INDIRECT ACTIVITY

DIRECT ACTIVITY

INDUCED ACTIVITY



∑ TOTAL ECONOMIC IMPACT

IS THE SUM OF ALL THREE

BASIS FOR THE "MULTIPLIER"

TOTAL ÷ DIRECT = MULTIPLIER

CAN ME MODELED FOR ANY GEOGRAPHY

\+ ALWAYS POSITIVE

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FISCAL IMPACT

EXPENSE

EDUCATION
PUBLIC SAFETY
INCENTIVES, ETC.

REVENUE

PROPERTY TAX
SALES TAX
FEES, ETC.

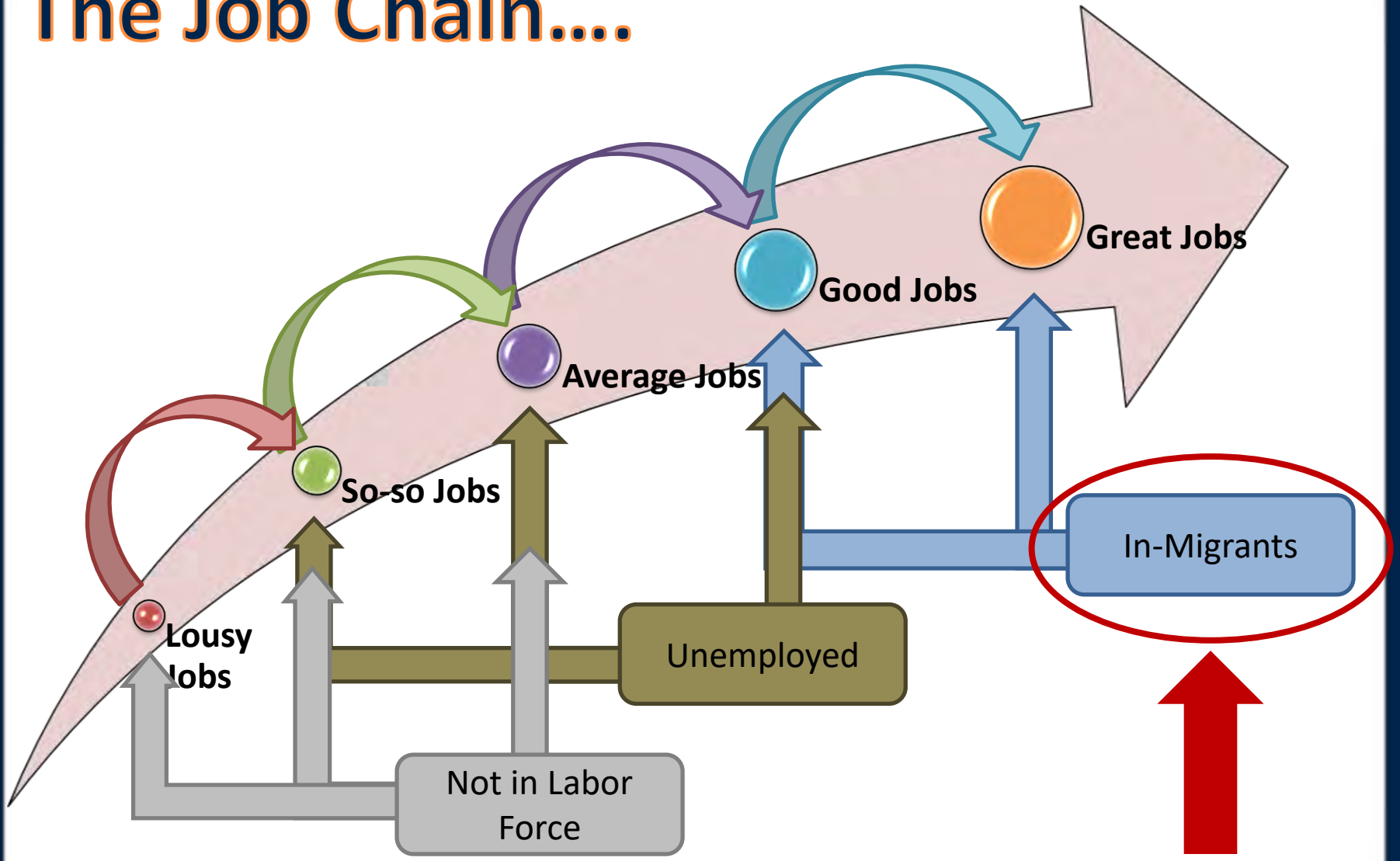
DEMONSTRATES TO THE PUBLIC THAT INCENTIVE DECISIONS ARE NOT TAKEN LIGHTLY.

BASED ON SPECIFIC CHARATERISTICS OF YOUR COMMUNITY:

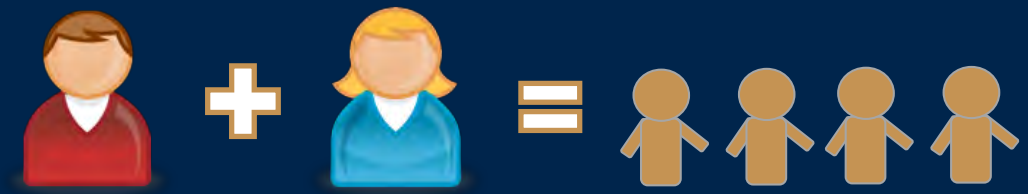
LAND USE, TAX STRUCTURE, COMMUTING PATTERNS, SERVICE DELIVERY, ETC.

CAN BE POSITIVE OR NEGATIVE!

The Job Chain….



Residential growth results in…



- Increased property tax
- Increased sales tax
- Increased fines and fee revenue
- Increased educational costs
- Increased local govt. expenditures

Do households generate enough revenue to pay for the increase in government expenditures?

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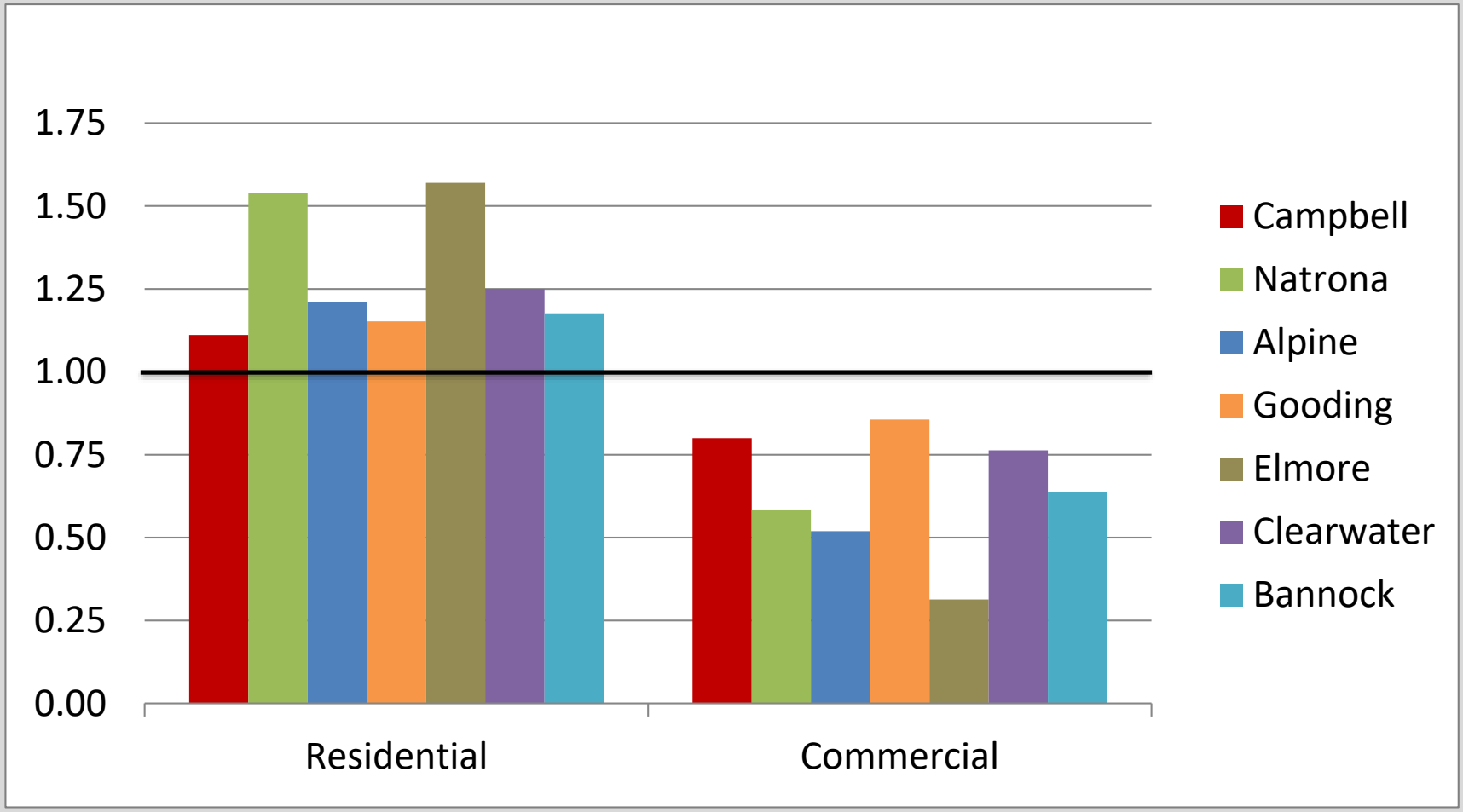
Cost of Community Services

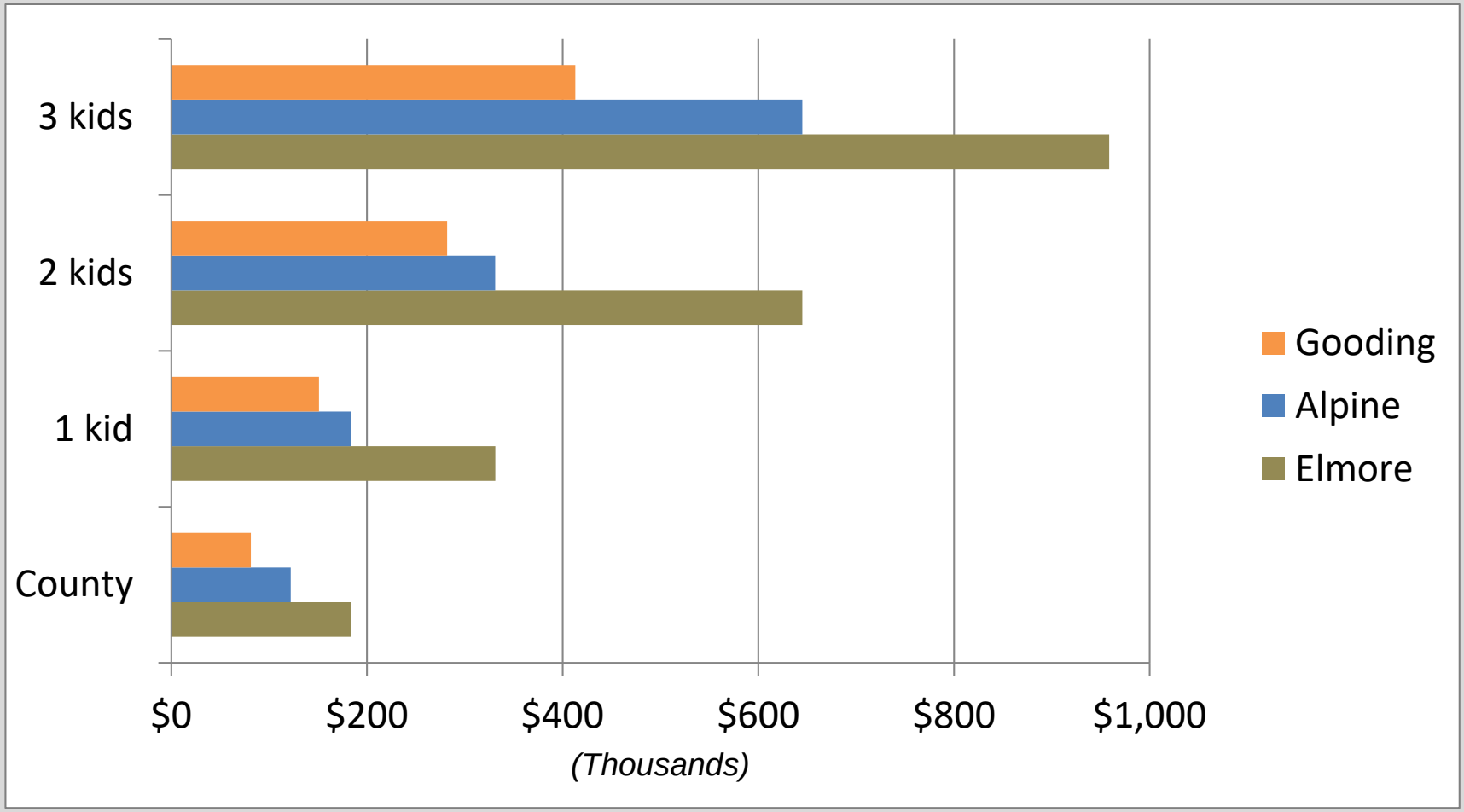
Expenditure-to-Revenue Ratio Examples



Source: Dr. Jeffrey Dorfman, The University of Georgia

Cost of Community Services

Break-Even Home Value Examples



Source: Dr. Jeffrey Dorfman, The University of Georgia

INCENTIVE STRATEGY

HAVE ONE!

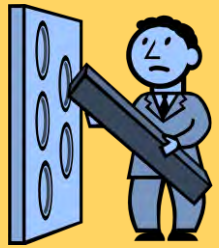
Put your strategy in place BEFORE a project comes looking at your community.

Standardize your policy with your Board of Assessors so you don't have to go back with each project.

ONE SIZE DOES NOT FIT ALL

Your strategy needs to fit your community goals

Every company has different needs….ASK!!



WHAT CAN YOU AFFORD?

Understand the fiscal impact of your offer.

Don't get pulled into paying too much.

SPECIFIC GOALS

#1

#2

#3

#4

What does your community want to be?

Do you have target industries?

Do you have targeted geographic areas?

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INCENTIVE STRATEGY

WHAT CAN YOU AFFORD?

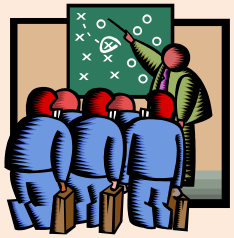
Understand the fiscal impact of your offer.

Don't get pulled into paying too much.

Fiscal Impact Analysis

CHARACTERIZES INCENTIVES AND ECONOMIC DEVELOPMENT SPENDING AS AN INVESTMENT.

CAN GUIDE ADJUSTMENTS TO ECONOMIC DEVELOPMENT POLICIES TO MEET BOTH PROSPECT AND COMMUNITY NEEDS



DEMONSTRATES TO THE PUBLIC THAT INCENTIVE DECISIONS ARE NOT TAKEN LIGHTLY.

HELPS COMMUNITIES WEED OUT BAD DEALS!

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LOCI... The Gold Standard in Fiscal Impact Analysis Software

Let's be honest: Fiscal Impact Analysis is a very difficult and time-consuming process. The amount of data required for fiscal impact analysis and the complexity of the analysis are two important reasons economic developers don't incorporate it into their protocol for projects. And on the occasions that fiscal impact analysis is required, the analysis is virtually always out-sourced.

"LOCI results are presented in a way that companies understand, providing them with assurance that local governments can fulfill their commitments while continuing to be a high-quality place where employees want to live."
—Economic Development America

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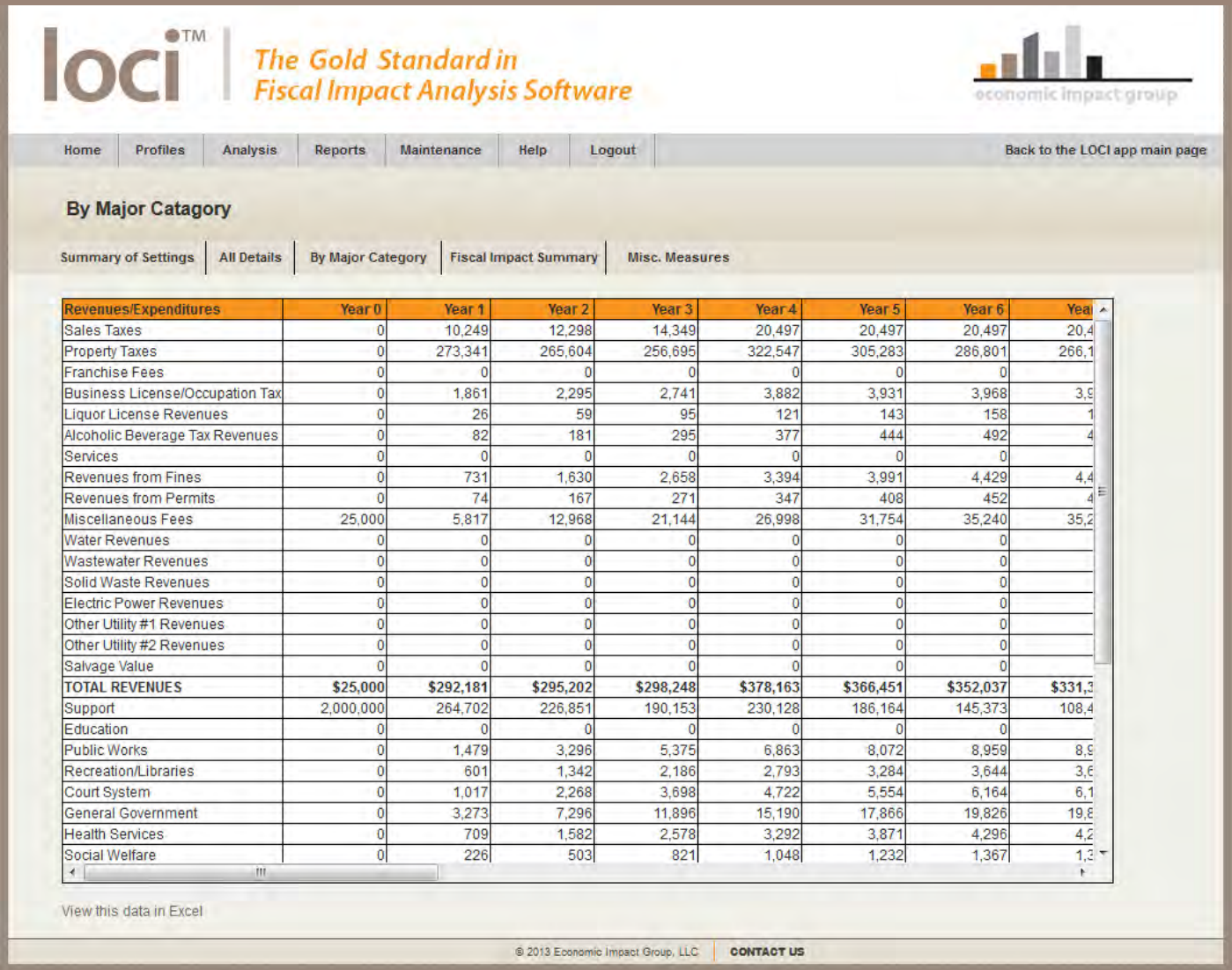

Revenues/Expenditures	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Yea
Sales Taxes	0	10,249	12,298	14,349	20,497	20,497	20,497	20,4
Property Taxes	0	273,341	265,604	256,695	322,547	305,283	286,801	266,1
Franchise Fees	0	0	0	0	0	0	0	
Business License/Occupation Tax	0	1,861	2,295	2,741	3,882	3,931	3,968	3,9
Liquor License Revenues	0	26	59	95	121	143	158	1
Alcoholic Beverage Tax Revenues	0	82	181	295	377	444	492	4
Services	0	0	0	0	0	0	0	
Revenues from Fines	0	731	1,630	2,658	3,394	3,991	4,429	4,4
Revenues from Permits	0	74	167	271	347	408	452	4
Miscellaneous Fees	25,000	5,817	12,968	21,144	26,998	31,754	35,240	35,2
Water Revenues	0	0	0	0	0	0	0	
Wastewater Revenues	0	0	0	0	0	0	0	
Solid Waste Revenues	0	0	0	0	0	0	0	
Electric Power Revenues	0	0	0	0	0	0	0	
Other Utility #1 Revenues	0	0	0	0	0	0	0	
Other Utility #2 Revenues	0	0	0	0	0	0	0	
Salvage Value	0	0	0	0	0	0	0	
TOTAL REVENUES	**$25,000**	**$292,181**	**$295,202**	**$298,248**	**$378,163**	**$366,451**	**$352,037**	**$331,3**
Support	2,000,000	264,702	226,851	190,153	230,128	186,164	145,373	108,4
Education	0	0	0	0	0	0	0	
Public Works	0	1,479	3,296	5,375	6,863	8,072	8,959	8,9
Recreation/Libraries	0	601	1,342	2,186	2,793	3,284	3,644	3,6
Court System	0	1,017	2,268	3,698	4,722	5,554	6,164	6,1
General Government	0	3,273	7,296	11,896	15,190	17,866	19,826	19,8
Health Services	0	709	1,582	2,578	3,292	3,871	4,296	4,2
Social Welfare	0	226	503	821	1,048	1,232	1,367	1,3

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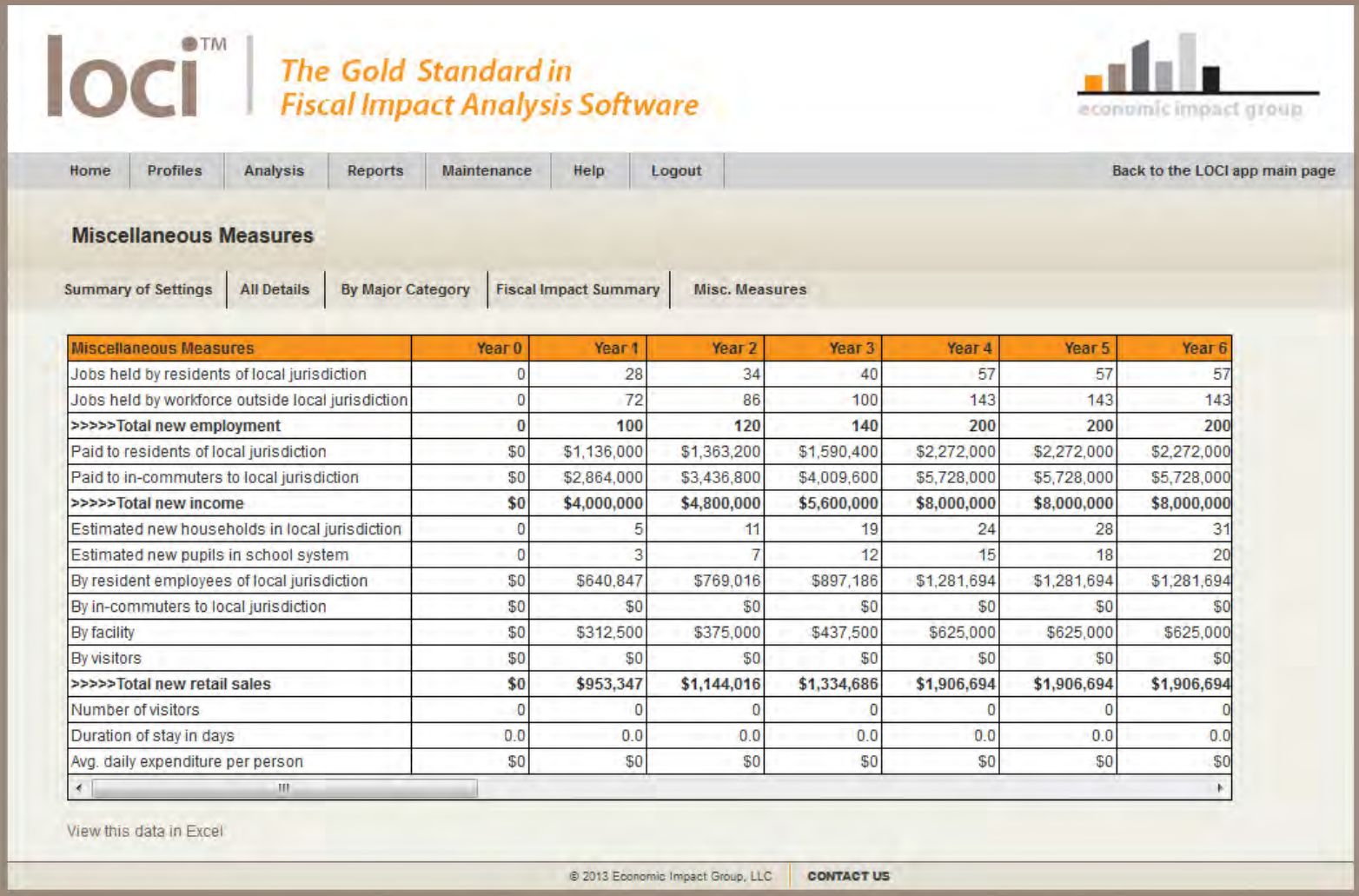

Miscellaneous Measures	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Jobs held by residents of local jurisdiction	0	28	34	40	57	57	57
Jobs held by workforce outside local jurisdiction	0	72	86	100	143	143	143
>>>>>Total new employment	**0**	**100**	**120**	**140**	**200**	**200**	**200**
Paid to residents of local jurisdiction	$0	$1,136,000	$1,363,200	$1,590,400	$2,272,000	$2,272,000	$2,272,000
Paid to in-commuters to local jurisdiction	$0	$2,864,000	$3,436,800	$4,009,600	$5,728,000	$5,728,000	$5,728,000
>>>>>Total new income	**$0**	**$4,000,000**	**$4,800,000**	**$5,600,000**	**$8,000,000**	**$8,000,000**	**$8,000,000**
Estimated new households in local jurisdiction	0	5	11	19	24	28	31
Estimated new pupils in school system	0	3	7	12	15	18	20
By resident employees of local jurisdiction	$0	$640,847	$769,016	$897,186	$1,281,694	$1,281,694	$1,281,694
By in-commuters to local jurisdiction	$0	$0	$0	$0	$0	$0	$0
By facility	$0	$312,500	$375,000	$437,500	$625,000	$625,000	$625,000
By visitors	$0	$0	$0	$0	$0	$0	$0
>>>>>Total new retail sales	**$0**	**$953,347**	**$1,144,016**	**$1,334,686**	**$1,906,694**	**$1,906,694**	**$1,906,694**
Number of visitors	0	0	0	0	0	0	0
Duration of stay in days	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Avg. daily expenditure per person	$0	$0	$0	$0	$0	$0	$0

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Summary Report for Project Project name goes here

Analysis Type: County only

Total New Jobs:	0	Total New Investment:	$0
Total New Payroll:	$0	Total Tax Abatement:	$0
Average Wage:	$0	Total Net Tax Liability:	$0

Real Property Summary:

Personal Property Summary:

Calendar Year	Total New Investment	Gross Tax Liability	Tax Abatement	Net Tax Liability	Total New Investment	Gross Tax Liability	Tax Abatement	Net Tax Liability	Cash Incentive
Prior to operation:	$0	$0	$0	$0	$0	$0	$0	$0	$0
2017	$0	$0	$0	$0	$0	$0	$0	$0	$0
2018	$0	$0	$0	$0	$0	$0	$0	$0	$0
2019	$0	$0	$0	$0	$0	$0	$0	$0	$0
2020	$0	$0	$0	$0	$0	$0	$0	$0	$0
2021	$0	$0	$0	$0	$0	$0	$0	$0	$0
2022	$0	$0	$0	$0	$0	$0	$0	$0	$0
2023	$0	$0	$0	$0	$0	$0	$0	$0	$0
2024	$0	$0	$0	$0	$0	$0	$0	$0	$0
2025	$0	$0	$0	$0	$0	$0	$0	$0	$0
2026	$0	$0	$0	$0	$0	$0	$0	$0	$0
2027		$0	$0	$0		$0	$0	$0	
2028		$0	$0	$0		$0	$0	$0	
2029		$0	$0	$0		$0	$0	$0	
2030		$0	$0	$0		$0	$0	$0	
2031		$0	$0	$0		$0	$0	$0	
2032		$0	$0	$0		$0	$0	$0	
2033		$0	$0	$0		$0	$0	$0	
2034		$0	$0	$0		$0	$0	$0	
2035		$0	$0	$0		$0	$0	$0	
2036		$0	$0	$0		$0	$0	$0	
Total:	$0	$0	$0	$0	$0	$0	$0	$0	$0

10-Year Real Property Tax Abatement: 0.0%
20-Year Real Property Tax Abatement: 0.0%
10-Year Personal Property Tax Abatement: 0.0%
20-Year Personal Property Tax Abatement: 0.0%

Total Abatement:	$0
County share:	$0
City share:	$0
School System share:	$0

Printed on: 5/9/2016

economic impact group

INSTRUCTIONS | Tax Rates | Discounting | Custom Abatement Schedule | Project Data | Summary Report | Abatement Detail | REAL

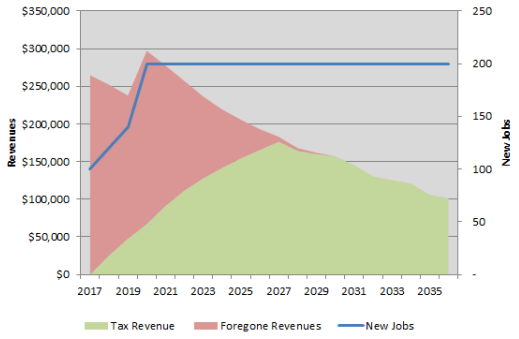
Ready

GASB-77 Report for Project Case Study 1 - Auto Parts Manufacturing

Analysis Type: County only

Total New Jobs:	200	Total New Investment:	$53,000,000
Total New Payroll:	$8,000,000	Total Tax Abatement:	$1,520,104
Average Wage:	$40,000	Total Net Tax Liability:	$2,317,434

Calendar Year *	Total New Employment	Foregone Reveues	Revenue Cost per Job	Net Tax Liability
2017	100	$264,702	$2,647	$0
2018	120	$226,851	$1,890	$25,206
2019	140	$190,154	$1,358	$47,538
2020	200	$230,129	$1,151	$66,978
2021	200	$186,165	$931	$91,149
2022	200	$145,374	$727	$111,606
2023	200	$108,494	$542	$127,816
2024	200	$77,569	$388	$141,577
2025	200	$51,120	$256	$154,303
2026	200	$27,458	$137	$165,488
2027	200	$6,575	$33	$176,356
2028	200	$3,777	$19	$164,149
2029	200	$1,737	$9	$159,951
2030	200	$0	$0	$156,967
2031	200	$0	$0	$144,996
2032	200	$0	$0	$130,159
2033	200	$0	$0	$125,438
2034	200	$0	$0	$120,718
2035	200	$0	$0	$105,881
2036	200	$0	$0	$101,160
Total:	200	$1,520,104	$7,601	$2,317,434



** Permits or fees waived during the construction period are included in the first year of operation.*

Lost Revenue per Job:	$7,601
New Tax Revenue per Job:	$11,587

Printed on: 10/27/2016

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DATA CENTER #1

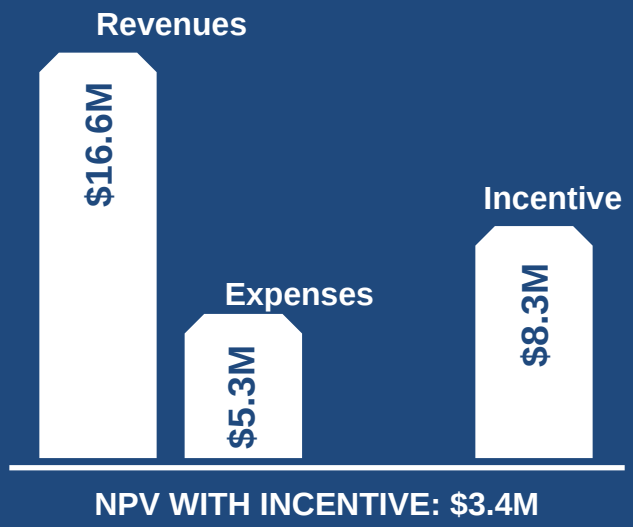
110
NEW JOBS

$250
MILLION
CAP EX

Incentive:
- 10-yr. phased on real prop.
- 4-yr. phased on personal prop.
- School tax

$20M in real property
$230M in personal property

10-year fiscal analysis:



NPV WITH INCENTIVE: $3.4M

DATA CENTER #2

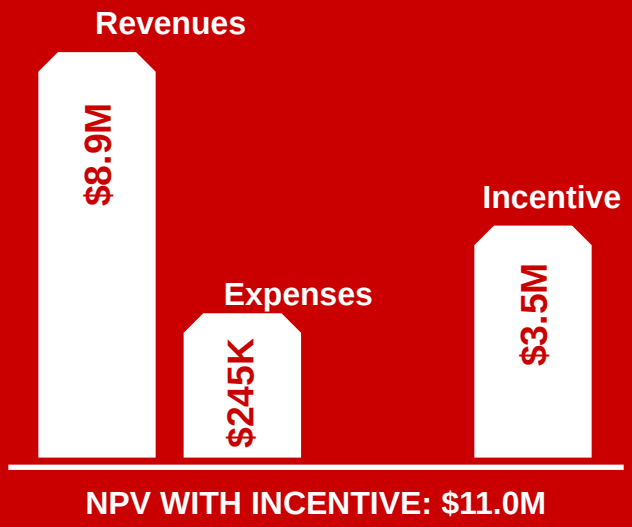
19
NEW JOBS
@ $83,000

$250
MILLION
CAP EX

Incentive:
- 10-yr. phased on real prop.
- 4-yr. phased on personal prop.
- School tax
- $174K in water system waiver

$1B initial estimate
$600M revised
$250M final

10-year fiscal analysis:



NPV WITH INCENTIVE: $11.0M

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CORPORATE HQ

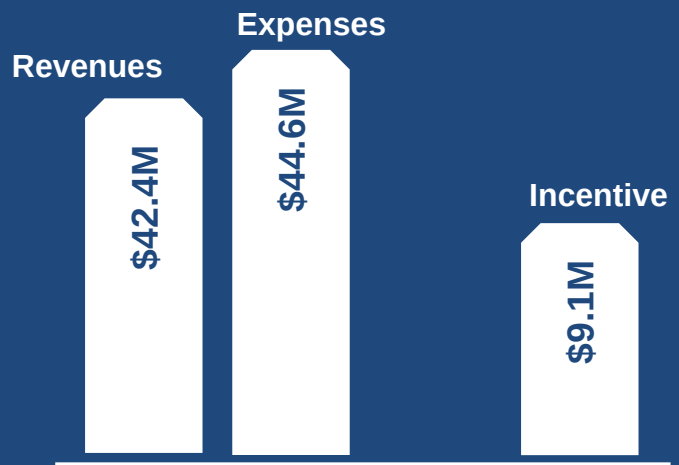
1,250
NEW JOBS
@ $80,000

$18
MILLION
CAP EX

Incentive:
- **20-yr. phased on real prop. (existing building)**
- **School tax**

$100M payroll but only $18M in personal property (desks, office furniture, etc.)

20-year fiscal analysis:



NPV WITHOUT INCENTIVE: $-1.1M

NPV WITH INCENTIVE: $-7.6M

QUESTIONS?

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Our talented economic development professionals have the research and implementation experience needed to help economic developers, community leaders, and industries alike understand the **opportunities and challenges** in fostering local economic development.

See Our Services

The Center for Economic Development Research is a unit of Georgia Tech's **Enterprise Innovation Institute**.

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