

PREPARED FOR:

Walden Construction Enterprise

Economic and Fiscal Impact

WALDEN CONSTRUCTION ENTERPRISE

OCTOBER 7, 2021

PREPARED BY:



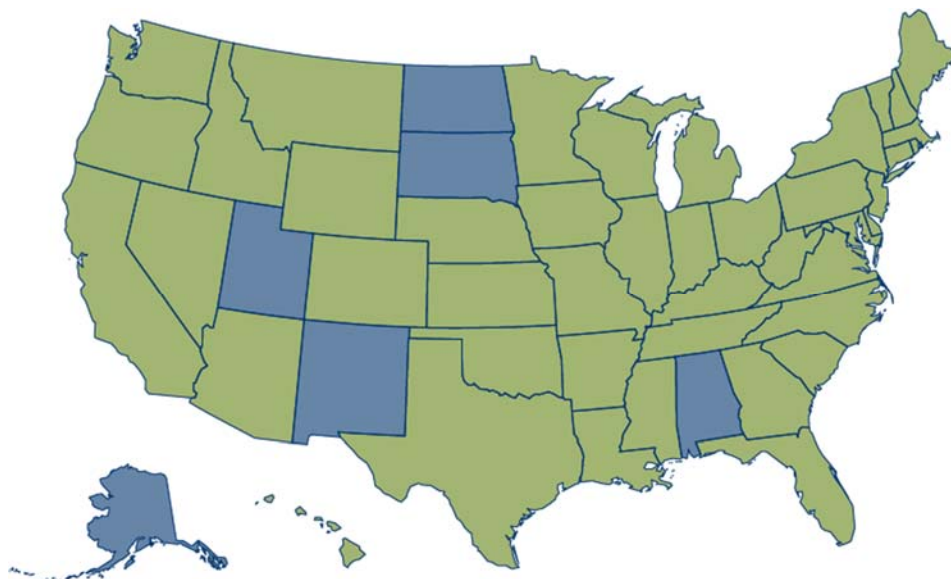
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ABOUT CAMOIN ASSOCIATES

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 32 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. 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 and LinkedIn**.

THE PROJECT TEAM

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ABOUT THE STUDY

Project Description

Walden Construction Enterprise LLC (Applicant) is submitting an application for financial assistance to the Town of Montgomery IDA (Agency) related to the development of 68 market-rate units for seniors (age 55+). The Applicant has requested financial assistance in the form of sales and use and mortgage recording tax abatements.

Purpose of Work

Camoin Associates was engaged to provide an independent, third-party estimate of the economic and fiscal impacts of the Project to inform the Agency's analysis if the Agency assumes that approximately 95% of 68 apartments (65 units) will be "net new" to the Town of Montgomery meaning leased by tenants from outside of the Town of Montgomery. This assumption only represents one possible scenario without evidence to indicate that this scenario is likely to occur or not.

Sources of Information

Camoin Associates was provided with a copy of the Walden Construction Enterprise application to the Agency, with anticipated project costs and jobs, and documents from the Applicant about the scope of the project, redevelopment plans, and tax history. Anticipated property tax payment upon full-build out was also provided by the Applicant. These are the sources of Project information used in our analysis. Camoin Associates did not independently confirm project costs, wages for Project employees, or property values.

Overview of Methodology

This study measures the economic and fiscal impacts resulting from household spending by residents of the Project's senior housing units. The primary tool used in the *Economic Impact Analysis* is the input-output model developed by Economic Modeling Specialists Intl. (Emsi). Primary data include the following data points: number of residential units, expected rental rates, and expected assessed value upon build-out. Secondary data was collected by Camoin Associates and used to estimate spending by new households. Attachment A provides more information on economic impact analysis.

- The *Economic Impact Analysis* estimates the sales resulting from households living in the town as a result of the Project.
- The *Fiscal Impact Analysis* provides a comparison of real property taxes with and without the Project.

ECONOMIC IMPACT ANALYSIS

Key Assumptions:

1. This analysis assumes for informational purposes only, without any basis in fact, that approximately 95% of 68 apartments (65 units) will be “net new” to the Town of Montgomery. For more information on this methodology, see Attachment B.
2. Because 95% of all new housing units created by the Project are assumed to be net new, 95% of the economic impacts related to on-site residential operations are therefore also treated as “net new” activity for the purposes of this analysis.
3. The model uses the following zip codes as a proxy for the Town of Montgomery: 12549, 12586, 12575 and 12543. The input/output model does not allow for analysis at a geography smaller than zip code.

DIRECT IMPACTS

This initial round of impacts is generated as a result of spending on operations and new household spending at county businesses.

INDIRECT IMPACTS

The direct impacts have ripple effects through business to business spending. This results from the increase in demand for goods and services in industry sectors that supply both the facility and the businesses receiving the new household spending.

INDUCED IMPACTS

Impacts that result from spending by facility employees, employees of county businesses, and employees of suppliers. Earnings of these employees enter the economy as employees spend their paychecks in the county on food, clothing, and other goods and services.

IMPACTS OF NEW HOUSEHOLD SPENDING

NET NEW HOUSEHOLDS

As noted in the Key Assumptions, above, 95% of units will be net new to the town. This means that of the 68 units, 65 will be net new.

Table 1

Net New Households			
	Total Households	Percent Net New	Net New Households
Market Rate	68	95%	65
Total	68	95%	65

Source: Esri, Camoin Associates

SPENDING BY NEW TENANTS

Retained or new residents would make purchases in the town, thereby adding dollars to the Town of Montgomery economy. For this analysis, we researched spending patterns by household income and type. Based on median household income of those over the age of 65 in the Town of Montgomery, the median household income would be in the \$70,000 to \$99,999 range.¹

¹ Source: Esri Business Analyst Online

Likely spending was estimated using a spending basket from the 2019 Consumer Expenditure Survey for households over 65 years old, which details average household spending in individual consumer categories by age and income level². Table 2 shows the total spending by category. It is assumed that 25% of this spending will be within the Town of Montgomery and, therefore, have an impact on the Town’s economy.³ The total net new spending in the town was calculated by multiplying the amount spent in the town by the number of net new units occupied by households.

Table 2

Tenant Spending Basket			
\$70,000 to \$99,999 Annual Household Income, 65 Units			
Category	Annual per Unit Spending Basket	Amount Spent in Town (25%)	Total Net New Town Spending
Food	\$ 7,326	\$ 1,832	\$ 119,048
Household furnishings and equipment	\$ 2,604	\$ 651	\$ 42,315
Apparel and services	\$ 1,392	\$ 348	\$ 22,620
Transportation	\$ 9,196	\$ 2,299	\$ 149,435
Health care	\$ 2,464	\$ 616	\$ 40,040
Entertainment	\$ 3,169	\$ 792	\$ 51,496
Personal care products and services	\$ 772	\$ 193	\$ 12,545
Education	\$ 525	\$ 131	\$ 8,531
Miscellaneous	\$ 1,354	\$ 339	\$ 22,003
Net New Town Spending	\$ 28,802	\$ 7,201	\$ 468,033

Source: Consumer units with reference person age 65 and over by income before taxes: Average annual expenditures and characteristics, Consumer Expenditure Surveys, 2019-2020

(1) Health insurance provider assumed to be outside of town

Using \$468,033 as the new sales input, Camoin Associates employed Emsi to determine the indirect, induced, and total impact of the net new household spending as a result of the project. Table 3 outlines the findings of this analysis.

Table 3

Economic Impact - Household Spending*			
	<u>Jobs</u>	<u>Earnings</u>	<u>Sales</u>
Direct	5	\$ 170,039	\$ 468,033
Indirect	0	\$ 13,242	\$ 36,854
Induced	0	\$ 13,623	\$ 40,767
Total	5	\$ 196,904	\$ 545,654

Source: Emsi, Camoin Associates

* Not on-site jobs, but jobs created in the community from new household spend

Totals may not add because of rounding.

² Source: Consumer Expenditure Surveys, U.S. Bureau of Labor Statistics, September 2021

³ A retail leakage analysis of the Town of Montgomery suggests that about a quarter of the goods and services that residents will be purchasing are available within the town (food, clothing, vehicles, computers, etc.). Based on third party proprietary retail spending data, 25% is a reasonable assumption for the amount of in-town spending. (Source: Emsi)

IMPACTS OF ON-SITE OPERATIONS

The Applicant and the Agency anticipate on-site employment associated with the residential portion of the development will be 3 - 4 employees. Since 95% of the units are net new, this means that 95% of the associated jobs will be “net new” for the purposes of measuring economic impact (Table 1, above). Therefore, there are 3 minimum net new on-site jobs as a result of this Project.

Using these new jobs as the direct input in the Emsi model, Table 4 details the annual impact that the on-site activity will have in the Town of Montgomery in terms of employment, earnings, and sales of goods and services.

Table 4

Economic Impact - On-Site Operations			
	<u>Jobs</u>	<u>Earnings</u>	<u>Sales</u>
Direct	3	\$ 99,347	\$ 331,969
Indirect	0	\$ 16,830	\$ 46,603
Induced	0	\$ 3,920	\$ 11,572
Total	3	\$ 120,097	\$ 390,144

Source: Emsi, Camoin Associates

Totals may not add because of rounding.

TOTAL ANNUAL ECONOMIC IMPACT

The annual economic impact of new household spending and on-site operations is displayed in Table 5.

Table 5

Total Annual Economic Impact			
	<u>Jobs</u>	<u>Earnings</u>	<u>Sales</u>
Direct	8	\$ 269,386	\$ 800,001
Indirect	0	\$ 30,072	\$ 83,458
Induced	0	\$ 17,544	\$ 52,339
Total	8	\$ 317,002	\$ 935,798

Source: Emsi, Camoin Associates

FISCAL IMPACT ANALYSIS

In addition to the economic impact of the Project on the local economy (outlined above), there would also be a fiscal impact on annual real property tax collection. The following section of the analysis outlines the impact of the completion of the Project on the local taxing jurisdictions.

PROPERTY TAX REVENUE

Upon full build out, the Project will pay over \$182,660 in property taxes for a net benefit of over \$172,140. Assuming an annual increase of 2%, this is equal to a net benefit to the communities in real property tax revenue of nearly \$1.7 million.

Table 6

Real Property Tax Revenue Comparison

Year	Total Estimated Property Tax Payment	Tax Payment without Project	Benefit to Communities: Net New Real Property Tax
1	\$ 182,663	\$ 10,517	\$ 172,146
2	\$ 186,316	\$ 10,727	\$ 175,589
3	\$ 190,043	\$ 10,942	\$ 179,101
4	\$ 193,843	\$ 11,161	\$ 182,683
5	\$ 197,720	\$ 11,384	\$ 186,336
6	\$ 201,675	\$ 11,612	\$ 190,063
7	\$ 205,708	\$ 11,844	\$ 193,864
8	\$ 209,822	\$ 12,081	\$ 197,742
9	\$ 214,019	\$ 12,322	\$ 201,696
10	\$ 218,299	\$ 12,569	\$ 205,730
Total	\$ 2,000,108	\$ 115,157	\$ 1,884,950
Present Value	\$ 1,790,814	\$ 103,108	\$ 1,687,706

Source: Applicant. Present Value discount rate is 2%. Assumes 2% annual increase per year.

Totals may not add because of rounding.

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: CALCULATING NET NEW HOUSEHOLDS

“Net new” households that move into a geography because of the availability of desired housing contribute to that geography’s economy in measurable ways. Estimating the number of net new households, the households that would not otherwise live in the geography, is therefore a critical task for an economic and fiscal impact analysis for a project that includes housing.

Our housing market research indicates that housing is heavily affected by demand, with households in different demographic groups seeking diverse housing price points and amenities. Our estimates of net new households take into consideration demographic and economic differences among renters, and price points among units offered, identifying the existence and size of a housing gap (where more units are demanded than are available) or surplus (where there is oversupply) in the market segment to be served by the proposed project. Generally, where there is a significant housing gap outside the geography but within a reasonable distance for relocation, a project will draw a larger proportion of net new households into that geography. Each project may therefore have a different expectation for net new households, depending on price point, age restriction if any, and location.

The following steps outline our process for calculating net new households. All data is drawn from Esri Business Analyst.

1. Identify *where* households are likely to come from. We expect that renters for a new project would consider housing within a reasonable driving time from their current location, creating a “renter-shed” for a new project. Households that are within the drive time but outside of the study area are net new.
2. Identify the existing rental housing supply at different price points. Using data from Esri, we identify rental housing units in the study area by price point and calculate the minimum household income expected to be necessary to afford rent by price range.
3. Identify the number of households at different income levels. We analyze households by income group and rental behavior to estimate an “implied number renting” for different income groups.
4. Calculate net housing surplus or gap by price point. Rental housing supply and rental housing demand is compared to calculate a “net gap,” indicating excess demand for the project, or a “net surplus.” To estimate net new households for a project, the net gap in the study area is compared to the net gap in the drive time.



Leading action to grow your economy

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