PLANNING FOR ECONOMIC IMPACTS
Integrating Economic and Fiscal Analyses into Planning
Randy Young
Chris Mefford

Contents
- Who’s in the room
- Regional economics framework
- Real world applications
- Lessons learned & words of wisdom

Who’s in the room?
How many here are involved in planning for…?
- An annexation or incorporation
- Major development proposal
- Comprehensive plans
- Subarea plans
- Community facilities district
- Capital facilities plan

Circular flow of a regional economy

Planning for Economic Impacts
Analytic tools

Each fiscal impact affects each jurisdiction differently

2012 Public Revenue Projections

87% of all State taxes represented
Roughly 90% of all local taxes represented

2012 Public Revenue Projections

87% of all State taxes represented
Roughly 90% of all local taxes represented
Geography really matters

- Would the economic activity have happened anyway?
- What are the economic substitutes?
- Who are the winners and losers among transfers in activities?
- Within what boundaries are we concerned?
- Is this a game changer?
- Is there a do-nothing scenario for impacts comparison?

Real world examples

PRACTICAL APPLICATIONS

Can we afford this big new development?

Examples & approach

Examples
- Black Diamond, WA
- Ketchum, ID

Tools & Methods
- Compare revenues to costs
- Per capita, comparable cities, tax base

Results & lessons learned

Results
- Developer pays City for shortfall (Black Diamond)
- City Urban Renewal Area big gains (Ketchum)

Lessons Learned
- My economist can beat up your economist
- Operations vs. capital
- Choice of comparable city (or cities)

Can this industrial area attract development?

Examples & approach

Economic Goal
- Jobs
- Pay for own growth

Key Questions
- What is our vision? Who are our industry targets?
- What do market forecasts suggest are achievable?
- How can we change our destiny?

Can this industrial area attract development?

Examples & approach

Example
- South Kitsap Industrial Area of Bremerton, WA

Tools & Methods
- Market analysis
- Employment and workforce trends
- Absorption potential
SKIA regional context

<table>
<thead>
<tr>
<th>INDUSTRY CATEGORY</th>
<th>Clean Tech Job with Regional Emphasis</th>
<th>SKIA Clean Tech Job Growth with Regional Leadership Rate</th>
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<tr>
<td></td>
<td>2010</td>
<td>2020</td>
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<td>Manufacturing</td>
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<tr>
<td>Total</td>
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Environmental Consulting

Architectural Services

Engineering Services

Research & Development

Clean Tech Professional Services

Residential Construction

Non-Residential Construction

Construction

Designing and Working

Energy Generation and Distribution

Manufacturing

Total

Can this industrial area attract development?

*Results & lessons learned*

**Results**

- Three Scenarios
  - Regional Manufacturing Industrial Center (6,000 jobs)
  - County Employment Center (8,400 jobs)
  - Clean Tech Regional Center (10,000 jobs)

- Different Strategies for Different Scenarios

**Lessons Learned**

- Market realities vs. property owner desires
- Near-term uses to maximize owner profits differed from long-term uses to meet City’s goals

Would this new city survive financially?

*Examples & approach*

**Example**

- Fairwood area (near Renton, WA)

**Tools & Methods**

- Compare revenues to costs
- Comparable city

Would this new city survive financially?

*Results & lessons learned*

**Results**

- Revenues will exceed costs, so Fairwood would be financially feasible

**Lessons Learned**

- Decision is about more than the money
- Role of fire districts
- Choice of comparable city
- Operations vs. capital

Baseline scenario

(using a comparable city)

Which approach creates the most jobs?

*Examples & approach*

**Example**

- Washington Connect Washington Task Force
- Transportation Investment Recommendations

**Tools & Methods**

- Multipliers by industry
- Industry ranks (jobs) and outlook
Which approach creates the most jobs?
Results & lessons learned

<table>
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<tr>
<th>High or Medium Export Activity</th>
<th>High Multiplier Effect</th>
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<tr>
<td>201,000</td>
<td>184,500</td>
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<tr>
<td>Manufacturing &amp; Durable Goods</td>
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<td>Const, Misc &amp; Educ Incl. Publ Ed</td>
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Source: Washington Employment Security Department, Community Attributes
Note: Data for August, with CAI estimates to overcome data limitations, draft estimates.

How much does it cost to provide services in specific areas?
Examples & approach

Example
- Kitsap County, WA: UGAs

Tools & Methods
- Calculate cost per unit of each service provided
- "Drivers" (metrics of demand for service)

Results & lessons learned

Results
- Some UGAs cost more than they pay, others pay more than they cost
- Varies by type and amount of service provided and amount of development

Lessons Learned
- The fiscal model got used for another purpose
- Departments that were sources of key data didn’t like the outcome

Words of wisdom
Authenticity: in reality, and appearance

- Data: availability and sources
- Assumptions: basis, examples, sources
- The use of "professional judgment"
- Transparency: documentation
- Proprietary vs. opaque models
- Approximately right vs. precisely wrong

Words of wisdom
Kids, don’t try this at home

- People like to talk economics
- My economist is better than your economist
- Conflicts of interest (who’s paying for the study?)
- Operating costs analysis simpler than capital analysis
- Be careful how you use this information
- Responsible use of multipliers
- Solve complex problems with lots of limitations
End of presentation

Questions?
Discussion!