


Henderson,
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Company



PLANNING FOR ECONOMIC IMPACTS
Integrating Economic and Fiscal Analyses into Planning
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Contents

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

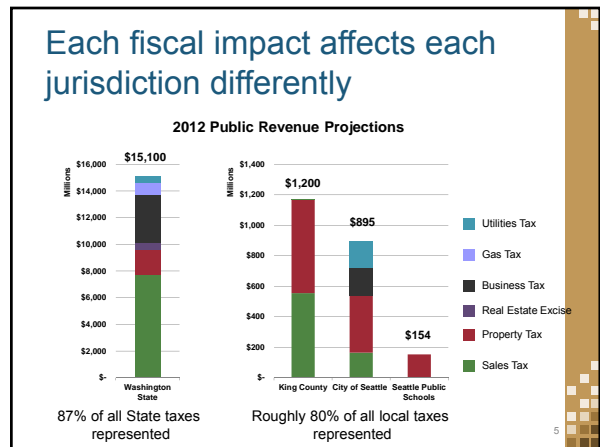
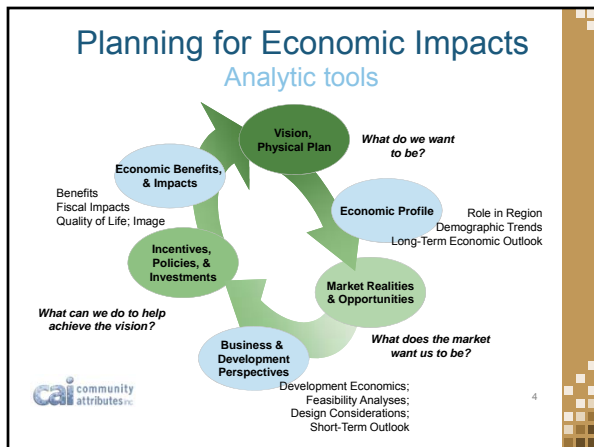
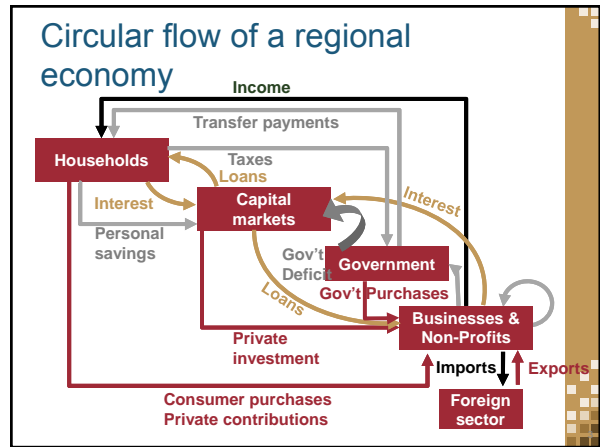
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Who's in the room?

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

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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?



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Real world examples

PRACTICAL APPLICATIONS

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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



Ketchum, ID Revenue Allocation Area



How does "Tax increment" work?


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Can we afford this big new development?

Results & lessons learned

Results

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



Black Diamond, WA Project Map

Lessons Learned

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

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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?



Exhibit 8 - Employment Change by Census Tract, 1980 - 2000 (Washington County)

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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




Exhibit 9 - Employment Change by Census Tract, 1980 - 2000 (Washington County)

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SKIA regional context

INDUSTRY CATEGORY	Clean Tech Job with Regional Emphasis			SKIA Clean Tech Job Growth with Regional Leadership Role	
	2010	2030	New Jobs	SKIA Share of Jobs	Job Growth
Environmental Consulting	1,700	4,200	2,500	25%	630
Architectural Services	3,300	9,651	6,351	25%	1,590
Engineering Services	7,200	17,949	10,749	25%	2,690
Research and Development	2,000	7,529	5,529	25%	1,380
Clean Tech Professional Services	14,200	39,328	25,128	25%	6,280
Residential Construction	2,700	4,614	1,914	25%	480
Non-Residential Construction	2,900	7,049	4,149	25%	1,040
Construction	5,600	11,663	6,063	25%	1,520
Recycling and Waste	2,100	6,125	4,025	25%	1,010
Energy Generation and Distribution	500	1,841	1,341	25%	340
Manufacturing	1,300	4,858	3,558	25.0%	890
Total	23,700	63,816	40,116	25.0%	10,040

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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

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Would this new city survive financially?


Examples & approach

Example

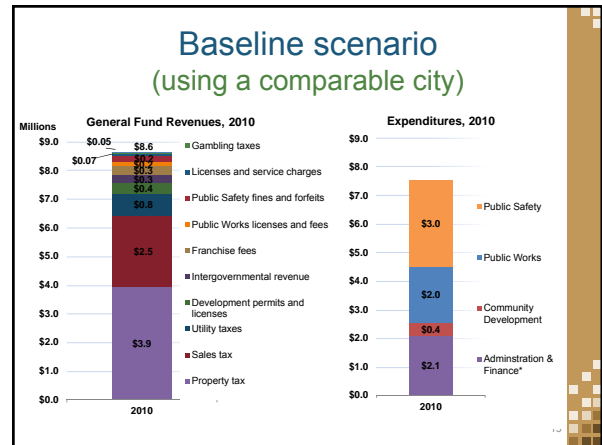
- Fairwood area (near Renton), WA

Tools & Methods

- Compare revenues to costs
- Comparable city



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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

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Which approach creates the most jobs?

Examples & approach

Example

- Washington Connect Washington Task Force
- Transportation Investment Recommendations

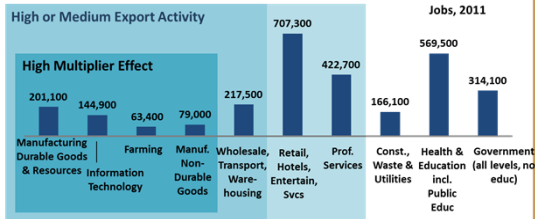
Tools & Methods

- Multipliers by industry
- Industry ranks (jobs) and outlook

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Which approach creates the most jobs?

Results & lessons learned



Source: Washington Employment Security Department, Community Attributes
 Note: Data for August, with CAI estimates to overcome data limitations, draft estimates.

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

Examples & approach

Example

- Kitsap County, WA: UGAs

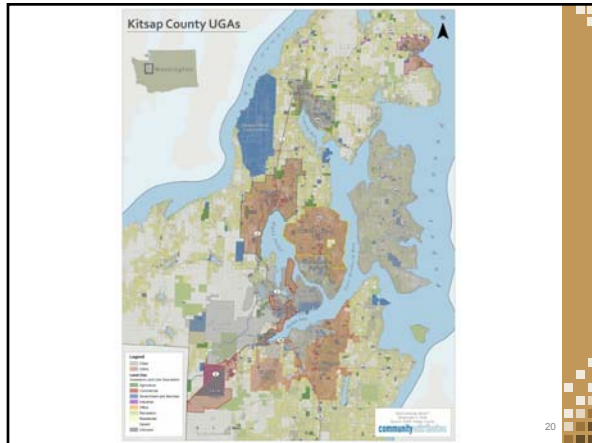
Tools & Methods

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

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

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

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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

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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

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End of presentation

Questions?
Discussion!

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