



**ECONOMIC
IMPACT
UPDATE**

**ESTIMATED IMPACTS OF 300 S. MAIN STREET
REDEVELOPMENT**

Prepared by:
RowanWorks, Economic Development

July 2, 2013

The Honorable Paul B. Woodson, Jr.
City of Salisbury
P.O. Box 470
Salisbury, NC 28144

Re: Updated Economic Impact Estimates for Redevelopment of 300 Block of S. Main Street

Dear Mayor Woodson and Council Members:

On behalf of your Economic Development Commission, please allow me to present to you this Updated Economic Impact Analysis regarding the Integro and Central Office Projects. Considering the substantial progress and new information available, we thought that the City Council might appreciate the following information.

We are excited about the rapid redevelopment of the 300 Block of South Main Street. We hope that you find this document a useful resource as you continue to advance these projects.

As always, we strive to utilize factual data and realistic projections extrapolated from the best information available. It is our intent that this document serve as a resource for you as you deliberate potential actions.

Please do not hesitate to contact our offices with any questions you may have regarding this matter. We look forward to your feedback.

Sincerely,



Robert M. Van Geons
Executive Director

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1.Integro Project Description

Integro Technologies Corporation (Integro) is a full service machine vision and ID integrator providing turnkey product solutions, consulting and support services for a wide range of industries. Since 2010, the Company has been located at 305 North Lee Street and currently employs 25 full-time employees (the majority working here in Salisbury



After an exhaustive search, Integro was unable to find an existing building in Salisbury, or in Rowan County, that meets their needs. With your support, the Company has purchased approximately 0.9 acres of property owned by the City of Salisbury, located at the corner of South Main Street and East Bank Street. The property was previously home to the Farmers Market and the former GX Fitness.

Integro is currently building a 41,800 square foot headquarters on the site, which will include approximately 10,800 square feet of office condos / ‘key man’ offices, designed to accommodate technology businesses and other new startups.



This project is a \$4 million+ investment in the City of Salisbury and has helped you retain a rapidly growing company. More importantly, this project is quickly creating 8 new high tech jobs, paying an average wage in excess of \$72,500 per year.

While the Salisbury Business Center (SBC) will serve as the home to Integro Technologies Corporation, it will also provide key-man space, individual offices, or office condos to companies or employees that telecommute. The SBC will leverage *Fibrant* for video conferencing, phone systems, data intensive web-based activities, and daily high speed remote server backups. The SBC will offer facilities such as state of the art conference rooms, an auditorium for training, seminars, or other private/public speaking events. The SBC will also offer, with sufficient interest, a pool of shared resources for entrepreneurs and small business owners to leverage and accelerate their growth by focusing on their core business. The SBC also will have a 90-seat auditorium, expected to draw 40 to 90 people on a regular basis for high-tech training classes and professional seminars.

When complete, this prominent location will also showcase our community to the dozens of customers and clients that visit Integro’s offices each year, opening the door to conversations regarding potential economic development projects.

2. Proposed Central Office Project

As you are well aware, the Rowan – Salisbury School System has proposed the consolidation of their five (5) existing administrative facilities to a new 62,000 +/- “Central Office”, to be located at 329 S. Main Street. The proposed project would cost approximately \$8 million to construct. Once occupied, 165 administrative employees would work out of the new facility.

The City of Salisbury has agreed to donate the land required and to develop and provide 162 spaces for employee parking. Upon completion, Rowan – Salisbury Schools would vacate existing facilities, ending leases and disposing of vacant property (assumed by EDC).



Economic Impacts

3. Model of City Revenue – 10-Year Horizon

While the Central Office Project would be tax exempt, the Integro Project will substantially increase the Tax base of the City. The following was prepared as part of the Integro Impact Study

The evolving nature of City tax rates, assessed value of the installed equipment, and construction timelines require certain assumptions in order to develop a functioning model. To establish a baseline, the following constants were applied:

- The City tax rate is fixed at the current rate of .6374.
- \$4 million of new equipment and construction occurs prior to December 31, 2014.
- The project is complete by December 31, 2014.

In application, it is unlikely that all assumptions will hold constant. The model provides general trends of expected revenues and expenditures.

Incorporating the above framework, the following outcomes are projected:

- During each year of the proposed 7-year incentive agreement, the amount of new revenue collected and incentives disbursed will vary, depending on the amount of capital investment for each year. For example:
- In Year One of the proposed incentive agreement, the facility would generate \$25,496 of new revenue for the City of Salisbury. The City would provide an incentive grant of approximately \$21,672 and would retain \$3,824.
- In Year Seven, the facility would generate \$29,320 of new revenue for the City of Salisbury. The City would provide an incentive grant of approximately \$24,922 and would retain \$4,398.
- During the seven incentivized years, the City of Salisbury would collect \$191,858 in revenue and provide incentive grants totaling \$163,079. The City would retain \$28,779 of revenue during the incentive term.
- Modeled with a 10-year horizon, the City of Salisbury would collect an estimated \$283,643, disburse an estimated \$163,079 in grants and retain an estimated \$120,564 of new revenue.

Revenue Calculations

In order to illustrate the revenue impact of this potential project on our community, we have projected revenue returns for a 10-year study period through 2024.

The Company expects that the majority of construction, equipment installation, and infrastructure improvements will be complete by December 31, 2014.

Proposed Project:

		Time Period	F.Y. 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20
		Calendar Year	2014	2015	2016	2017	2018
Total Capital Investment	Total planned amount of Expansion project		\$4,000,000	\$4,100,000	\$4,200,000	\$4,300,000	\$4,400,000
City Tax Rate	0.6374%	0.6374%	0.6374%	0.6374%	0.6374%	0.6374%	0.6374%
City Tax Revenue	Local Taxable Capital Investment times City Tax Rate		\$25,496	\$26,133	\$26,771	\$27,408	\$28,046
Expansion Grant %	85% for 7 years. Paid in FY 2016-2012	85%	85%	85%	85%	85%	85%
Expansion Grant %	City Tax Revenue times Expansion Grant		\$21,672	\$22,213	\$22,755	\$23,297	\$23,839
City Net Revenue	City Tax Revenue minus Expansion Grant		\$3,824	\$3,920	\$4,016	\$4,111	\$4,207

FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25	10 Year Sum.
2019	2020	2021	2022	2023	
\$4,500,000	\$4,600,000	\$4,700,000	\$4,800,000	\$4,900,000	\$44,500,000
0.6374%	0.6374%	0.6374%	0.6374%	0.6374%	0.6374%
\$28,683	\$29,320	\$29,958	\$30,595	\$31,233	\$283,643
85%	85%	0%	0%	0%	
\$24,381	\$24,922	\$0	\$0	\$0	\$163,079
\$4,302	\$4,398	\$29,958	\$30,595	\$31,233	\$120,564

4. Combined Economic Impacts

Effective planning for public- and private-sector projects and programs at the State and local levels require a systematic analysis of the economic impacts of these projects and programs on affected regions. In turn, systematic analysis of economic impacts must account for the inter-industry relationships within regions because these relationships largely determine how regional economies are likely to respond to project and program changes. Thus, regional IMPLAN multipliers, which account for inter-industry relationships within regions, are useful tools for conducting regional economic impact analyses. IMPLAN is an economic impact assessment software system developed by Minnesota IMPLAN Group, Inc. It allows researchers to develop local level input-output models that can estimate the economic impact of new firms moving into an area, professional sports teams, recreation and tourism, and many more activities.

The framework and methodological basis for this impact analysis is derived from the U.S. Department of Commerce's Benchmark Input-Output Accounts. They primarily use detailed data from the economic censuses that are conducted by the Bureau of the Census. The benchmark I-O Tables show how industries interact at the detailed level; specifically, they show how approximately 500 industries provide input to, and use output from each other to produce gross domestic product. The I-O accounts provide detailed information on the flows of the goods and services that make up the production processes of industries.

KEY ECONOMIC IMPACT DEFINITIONS

Source: www.implan.com

Direct Impacts: The known or predicted change in the economy that is being studied. In this analysis the direct impacts are the changes associated with the development (construction) and operation of the proposed facility.

Indirect Impact: Secondary impact caused to industries in the supply chain of the direct impact. In this case, facility operations would require purchases from North Carolina supplier firms, thus they would be indirectly impacted by this project.

Induced Impact: Direct and indirect employment (and increases in labor income) creates additional household spending on goods and services.

Employment: The number of full-time and part-time jobs; measured by place of employment. Employees, sole proprietors, and active partners are included, but unpaid family workers and volunteers are not.

Labor Income: All forms of employment income, including employee compensation and proprietor income.

Output: The amount of production, including all intermediate goods purchased, as well as value added (compensation and profit). Output is equal to sales in service industries and equal to sales plus the change in inventory for manufacturers.

Value Added: Value added is the difference between total output and the cost of intermediate inputs. Value added is a measure of an individual producer, industry, or sector's contribution to the State's gross domestic product.

Disclaimer: Economic modeling can provide general impact estimates for an economic development project. However, future results will be affected by political, social, and economic conditions. Economic modeling is most informative when used in conjunction with other forms of analysis, such as cost-benefit analysis and fiscal impact analysis, to estimate the overall impact of a project.

5. Generated Economic Impact of Construction

In the proceeding section, we endeavored to illustrate how the proposed projects will directly retain and create new jobs and expand the local tax base. However, the direct impact of the proposed investment will resonate beyond the site boundaries and Company employees. When the unemployed find opportunity, or citizens advance in their careers, that personal economic growth is felt throughout the community. Additionally, the Company and School System, procure additional services and are engaged in the local economy.

These projects cross a variety of industry classifications. Utilizing traditional industrial categories specific to our local economy, we have projected the results contained herein. As these numbers are projections and used to extrapolate reciprocal impacts, actual impacts will certainly deviate from the projections. The following section was prepared by RowanWorks, utilizing IMPLAN software, incorporating information provided by the Company and School System. As should be expected, applied outcomes will certainly vary from the model’s projections.

Project Location/ Economic Impact Area	Rowan County
IMPLAN Sector (Construction)	34 – Construction of new nonresidential structures
Investment in Construction	\$8,650,000
Local Purchase Percent	100% - All construction will be conducted in the region, all output will be generated within the region

Temporary Job Creation

Site preparation, installation of infrastructure and construction of the proposed Central Office and Integro facilities will create a number of direct and indirect construction, contract and service positions. The following section uses established economic impact models to estimate the direct and indirect impacts of this project on our local economy.

Construction is modeled as if all work takes place within one year. Projected jobs are also a full calendar year. In actuality, the timeline of the project may increase or decrease “real-time” employment. For example, if the project were completed in six months, the total number of jobs during construction would be twice the projections, but only exist half as long. In all instances, these positions should be viewed as temporary, ending once construction is complete.

Total Economic Impacts of Construction.

Impact Type	Employment	Labor Income (\$ millions)	Total Value Added (\$ millions)	Output (\$ millions)
Direct Effect	85.0	3.7	4.6	11.2
Indirect Effect	17.0	0.7	1.0	1.9
Induced Effect	21.0	0.7	1.4	2.2
Total Effect	123.0	5.1	7.0	15.3

Source: MIG IMPLAN 3.1, Model created in July 2013. Above dollar values are rounded to the nearest hundred-thousand.

Top 10 Industries Impacted by Construction of the two facilities

Description	Total Employment	Total Labor Income	Total Value Added	Total Output
Construction of new nonresidential structures	69	\$2,921,020	\$3,628,319	\$8,650,000
Architectural, engineering, and related services	5.2	\$259,646	\$265,238	\$509,003
Food services and drinking places	3.2	\$51,704	\$83,542	\$165,405
Nursing and residential care facilities	1.1	\$31,800	\$36,653	\$58,327
Wholesale trade businesses	1.0	\$55,457	\$111,498	\$137,785
Private hospitals	1.0	\$59,612	\$65,141	\$124,573
Retail Stores - General merchandise	0.8	\$18,640	\$30,515	\$39,709
Real estate establishments	0.8	\$7,721	\$73,139	\$84,632
Employment services	0.7	\$19,698	\$21,295	\$26,407
Transport by truck	0.7	\$45,991	\$53,470	\$93,711

6. Economic Impact of Employment

Combined these projects will directly employ 197 workers. Their combined salaries, spending activities and needed services will support additional jobs in the local economy, directly and indirectly creating additional employment opportunities. We have modeled the spending power / economic impact of the wages these employees receive.

Project Location/ Economic Impact Area	Rowan County
IMPLAN Sector (Operations)	437 – Employment & Payroll only (State / Local Gov.) 696 – Engineering Services
Direct Employment -	197

Impact Type	Employment	Labor Income (\$ millions)	Total Value Added (\$ millions)	Output (\$ millions)
Direct Effect	197.0	9.6	11.1	13.1
Indirect Effect *	7.9	.3	0.4	.7
Induced Effect	45.3	1.6	3	4.8
Total Effect	250.3	11.5	14.6	18.7

The following represent

the industries most impacted by the ongoing operations.

Description	Total Employment	Total Labor Income	Total Value Added	Total Output
* Employment and payroll only (state & local govt, non-education)	165.0	8,017,223.8	9,520,786.4	9,920,780.0
Architectural, engineering, and related services	33.2	1,679,849.0	1,716,027.6	3,340,750.3
Food services and drinking places	8.2	133,904.1	216,357.1	429,588.8
Nursing and residential care facilities	3.0	89,611.5	103,288.2	167,848.1
Private hospitals	2.7	168,322.1	183,932.8	356,000.2
Retail Stores - General merchandise	2.0	46,847.8	76,692.8	98,624.0
Offices of physicians, dentists, and other health practitioners	2.0	156,820.4	161,976.9	260,090.7
Employment services	1.9	50,392.5	54,476.9	67,803.4
Retail Stores - Food and beverage	1.7	85,044.8	104,604.9	123,322.8
Real estate establishments	1.6	16,488.5	156,191.9	182,985.6

Additional Job Creation:

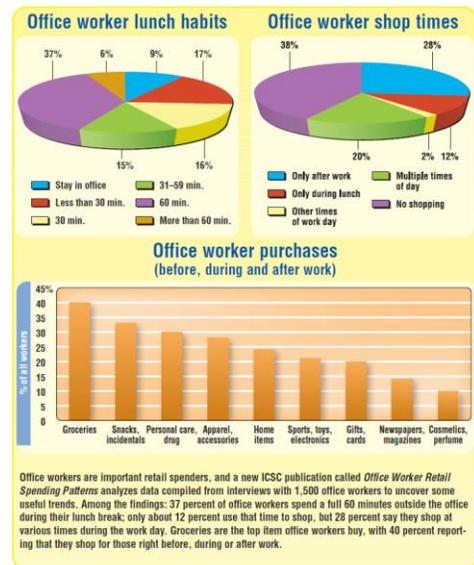
As mentioned above, the SBC will also provide key-man space, individual offices, or office condos to companies or employees that telecommute. In addition to fostering a culture of entrepreneurship, it is reasonable to extrapolate that 10 additional jobs will occupy this space. This brings the estimated total employment impact of these projects to 260.

7. Secondary Impacts

In effort to better understand the dynamics of urban office employee expenditures, we have thoroughly reviewed more than eighteen different studies, covering topics including office worker spending patterns, development of downtown retail, retail leakage, and capital retention differences between chain stores and independently owned businesses.

While these studies cannot be directly integrated into the IMPLAN impact model, we can extrapolate reasonable projections.

A recent study published by the International Council of Shopping Centers found that average office workers spend the following near their place of work:



- The average-weekly spend on all goods and services by office workers in close vicinity of the person's office building is \$102.
- Expenditures at restaurants, fast-food establishments, delicatessens and other eateries (without regard to breakfast, lunch, dinner or snacks) collectively account for 14% of the typical weekly expenditure.
- The more ample the retail, restaurant and services offerings in the vicinity of the office building, the higher the spending by office workers.
- Opportunities exist for increasing office-worker shopper sales penetration, which can be low for some store and service types.

Assuming these averages hold, the employees in this area will collectively spend more than \$1 million in our local economy each year.

Additionally, repeated studies have shown that there is a higher retention of capital when purchases are made with locally owned retailers and service providers versus their corporately owned competitors. Communities studying this occurrence have found that capital retention rates increase by a multiplier between 1.5 and 3.46, when business is done with a locally owned firm. It should be noted that geographic location, the specific business sectors studied, and other factors impact each study.

SBC Auditorium and Integro Client Impact

By adding a state of the art auditorium and training space, along with key man offices, the SBC facility will likely attract in excess of 100 visitors, event attendees and clients, per month. Utilizing TDA averages, these visitors will likely expend in excess of \$250,000 in our City each year.

8. Summary

These projects appear to have a lengthy list of positive attributes and few apparent liabilities. Upon completion, these projects would:

- Create approximately 123 temporary employment opportunities during construction
- Support an estimated 260 jobs in the local economy
- Facilitate and potentially capture approximately \$1,250,000 in local retail, service and entertainment expenditures (additionally may reduce retail leakage)
- Increase the City and County Tax Base by more approximately \$4,000,000
- Provide increased sales and property tax revenue in excess of \$60,000 per year
- Create new opportunities for entrepreneurial development and collaborative Public/Private educational partnerships
- Positively showcase our County Seat as a vibrant, progressive community.

When completed, these projects will reflect positively on our community, highlighting successful public-private partnerships, further advancing the City of Salisbury's reputation as a business friendly community.

On behalf of the staff of your Economic Development Commission, we look forward to providing you any additional information requested, or meeting with you personally to discuss these findings in detail. We hope that you have found this information useful as you continue your deliberations regarding these projects.