

Chapter VIII

Economic Impact Assessment

8.1 Overview

Market conditions and trends indicate that York County is positioned to attract office and retail development over the next ten (10) years. While the precise level of development is difficult to predict, development on the order of 2.5 million square feet of new space is projected. These estimates were prepared in consideration of past employment growth trends and trends occurring in those industries that typically occupy office and retail space.

To provide some insight into the type of economic and fiscal impacts that would be associated with the development of 2.5 million square feet of new office and retail space, an economic and fiscal impact evaluation of the potential development was performed.

Based on the Bureau of Labor Statistics RIMS II Input-Output Model, a measurement of the economic impact (e.g. income tax, property tax, sales tax, etc.) of the development of the 2.5 million square feet during the construction period and during annual operations at full build out was conducted. The Bureau of Economic Analysis' RIMS II model was used to estimate indirect, or induced, impacts (e.g. income and sales tax benefits) to York County, York County municipalities and school districts, and to the Commonwealth of Pennsylvania as a result of the new investment in the area. Impacts were measured in direct terms (on-site development impacts) and in indirect/induced terms. For this 2014 Economic Development Plan Update, the economic impacts were calculated based on the rates used in the 2008 Plan.

8.2 Economic Development Program (Build-Out Potential)

It is estimated that York County economic development will total over 2.5 million square feet of development. This includes approximately 0.5 million square feet of office space and approximately 2.0 million square feet of retail space. Industrial is not included because of the projected loss in total square feet. Exhibit 8-1 indicates the estimated build-out potential for York County.

Exhibit 8-1: Projected Build-Out Potential York County	
	Gross Buildable Area in Square Feet
Office	458,250
Retail	2,059,511
Total	2,517,761

Source: York County Planning Commission

8.3 Construction Period Economic and Fiscal Impacts (Constant 2008 Dollars)

As a result of the construction of this new development, a variety of new economic opportunities will be created during the construction period. The construction of this new space will create 7,323 direct on-site jobs with an aggregate payroll of approximately \$237 million. Furthermore, these direct jobs will create 6,464 additional indirect, or spin-off, jobs off-site, with an aggregate payroll of approximately \$204 million. Direct consumer expenditures by employees during the construction period will total roughly \$237.7 million, while an estimated \$249.6 million in material purchases will be made in the County. All amounts are in constant 2008 dollars to avoid counting any inflationary impacts. This information is displayed in Exhibit 8-2.

Exhibit 8-2: York County Economic Impact Construction Period (2008\$)			
	Direct	Indirect	Total
Jobs (FTE)	7,323	6,464	13,787
Payroll	\$249,721,477	\$204,387,284	\$454,108,761
Material Purchases (regional)	\$249,585,648		\$249,585,648
Consumer Expenditures	\$237,690,520		\$237,690,520

Source: York County Planning Commission using rates from 2009 Plan

The related fiscal impact of the construction, as demonstrated in Exhibit 8-3, will be approximately \$29 million in tax revenue to the Commonwealth and local York County municipalities and school districts. This includes \$8.8 million in Commonwealth income tax from construction workers, approximately \$1 million in local earned income tax paid to York County municipalities and other local jurisdictions, \$224,749 in local services taxes paid to York County municipalities, approximately \$12 million in sales tax of materials purchases made in the Commonwealth, approximately \$2.9 million in spin-off sales tax revenue, and a little over \$4 million in building permit fees to local municipalities. All tax figures are in constant 2008 dollars to avoid including any inflationary impacts.

Exhibit 8-3: Fiscal Impact Construction Period (2008\$) York County Build-Out				
Annual Fiscal Impacts	York County	Commonwealth	Local Jurisdictions	Total
Income Tax	-	\$8,865,112	-	\$8,865,112
Local Earned Income Tax	-	-	\$998,886	\$998,886
Local Services Tax	-	-	\$224,749	\$224,749
Direct Sales Tax	-	\$11,980,111	-	\$11,980,111
Indirect Sales Tax	-	\$2,876,055	-	\$2,876,055
Building Permit Fees	-	-	\$4,091,362	\$4,091,362
Total	-	\$23,721,278	\$5,314,997	\$29,036,275

Source: York County Planning Commission using rates from 2009 Plan

Exhibit 8-3 also shows that the Commonwealth of Pennsylvania will receive approximately \$23.7 million in tax revenue of which \$8.8 million will be in income tax (from construction workers living in the Commonwealth), \$12 million in sales tax of materials purchases made in the Commonwealth and \$2.9 million will be receipts of indirect (or spin-off) sales tax revenue (from retail purchases made by construction workers in the Commonwealth). It is projected that York County local municipalities will receive a total of \$5.3 million in revenue. This includes approximately \$1 million in local earned income taxes, \$224,749 in local services taxes (emergency and maintenance fees), and over \$4 million in building permit fees.

8.4 Operating Period Economic and Fiscal Impacts (Constant 2008 Dollars)

Once construction is completed and market absorbed, impacts related to the development operations will continue on an annual basis. As presented in Exhibit 8-4, the York County build-out will facilitate development (with an estimated market value of over \$611 million) that will create 3,777 direct on-site jobs with an aggregate annual payroll of \$140.6 million. Furthermore, the development will create an additional 4,287 indirect, or spin-off, jobs off-site as a result of expenditures made by the development's employees. These indirect jobs will have an aggregate annual payroll of \$136.2 million. These wages and salaries of development employees will generate \$116.7 million in annual consumer expenditures. Build-out of retail development will have a direct economic impact of \$71.1million in annual on-site retail sales.

Exhibit 8-4: Economic Impact Annual Operations at Build-Out (2008\$) York County			
	Direct	Indirect	Total
Jobs (FTE)	3,777	4,287	8,064
Payroll	\$140,613,933	\$136,288,017	\$276,901,950
Consumer Expenditures	\$116,720,631		\$116,720,631
Retail Sales (on site)	\$71,071,809		\$71,071,809

Source: York County Planning Commission using rates from 2009 Plan

Furthermore, Exhibit 8-5 shows that the related fiscal impact during annual operations at build-out will be approximately \$34 million in tax revenue to the Commonwealth and local York County municipalities and school districts. This includes \$4.2 million in income tax from employees within the developments, approximately \$.5 million in local earned income taxes, \$126,553 in local services taxes, \$23 million in real property taxes, \$3.6 million in direct (on-site) sales tax revenue, \$1.75 million in indirect (or spin-off) sales tax revenue (made by development employees in the Commonwealth), and \$426,431 in corporate franchise taxes from the newly-created businesses.

The Commonwealth of Pennsylvania will receive \$10 million in tax revenue. Of this total, \$4.2 million will be in income tax (from development employees living in the Commonwealth), \$3.6 million will be in direct (on-site) sales tax revenue, \$1.75million in indirect (or spin-off) sales tax revenue (made by development employees in the Commonwealth), and \$426,431 will be in corporate franchise taxes.

York County will receive a total of approximately \$2.5 million in annual tax revenue once the build out is complete. These revenues are entirely from real property tax sources. Local municipalities (and local school districts) in York County will receive approximately \$21 million in tax revenue once the developments are fully built-out. This includes \$20.5 million in real property tax revenues, \$464,026 in local earned income tax revenues, and \$126,553 in local services tax revenues.

Exhibit 8-5: Fiscal Impact York County Operations Period (2008\$)				
Annual Fiscal Impacts	York County	Commonwealth	Local Jurisdictions & School Districts	Total
Income Tax	-	\$4,218,418	-	\$4,218,418
Local Earned Income Tax	-	-	\$464,026	\$464,026
Local Services Tax	-	-	\$126,553	\$126,553
Real Property Tax	\$2,477,590	-	\$20,542,162	\$23,019,752
Direct Sales Tax	-	\$3,624,662	-	\$3,624,662
Indirect Sales Tax	-	\$1,750,810	-	\$1,750,810
Corporate Franchise Tax	-	\$426,431	-	\$426,431
Total	\$2,477,590	\$10,020,321	\$21,132,741	\$33,630,652

Source: York County Planning Commission using rates from 2009 Plan

8.5 Summary

As can be seen, the projected 2.5 million sq. ft. of new office and retail space is expected to have positive economic and fiscal impact both during initial construction and as part of annual operations. The economic impacts, as measured in jobs, payroll, material purchases, and consumer expenditures, are projected to be greater as part of the initial construction phase, while the fiscal impact will generate more revenue from taxes as part of annual operations.

Based on build-out potential, retail is projected to account for 80% of the total increase in square footage. This is due to the demands generated from increased population as measured in number of households. It can be surmised that those municipalities with higher population densities and adequate infrastructure to support additional retail square footage will see the most financial returns, both initially and overtime through local service taxes and real property taxes.