

WELCOME

AED PRESENTS:
Calculating
Economic Impacts



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APPLIED ECONOMICS

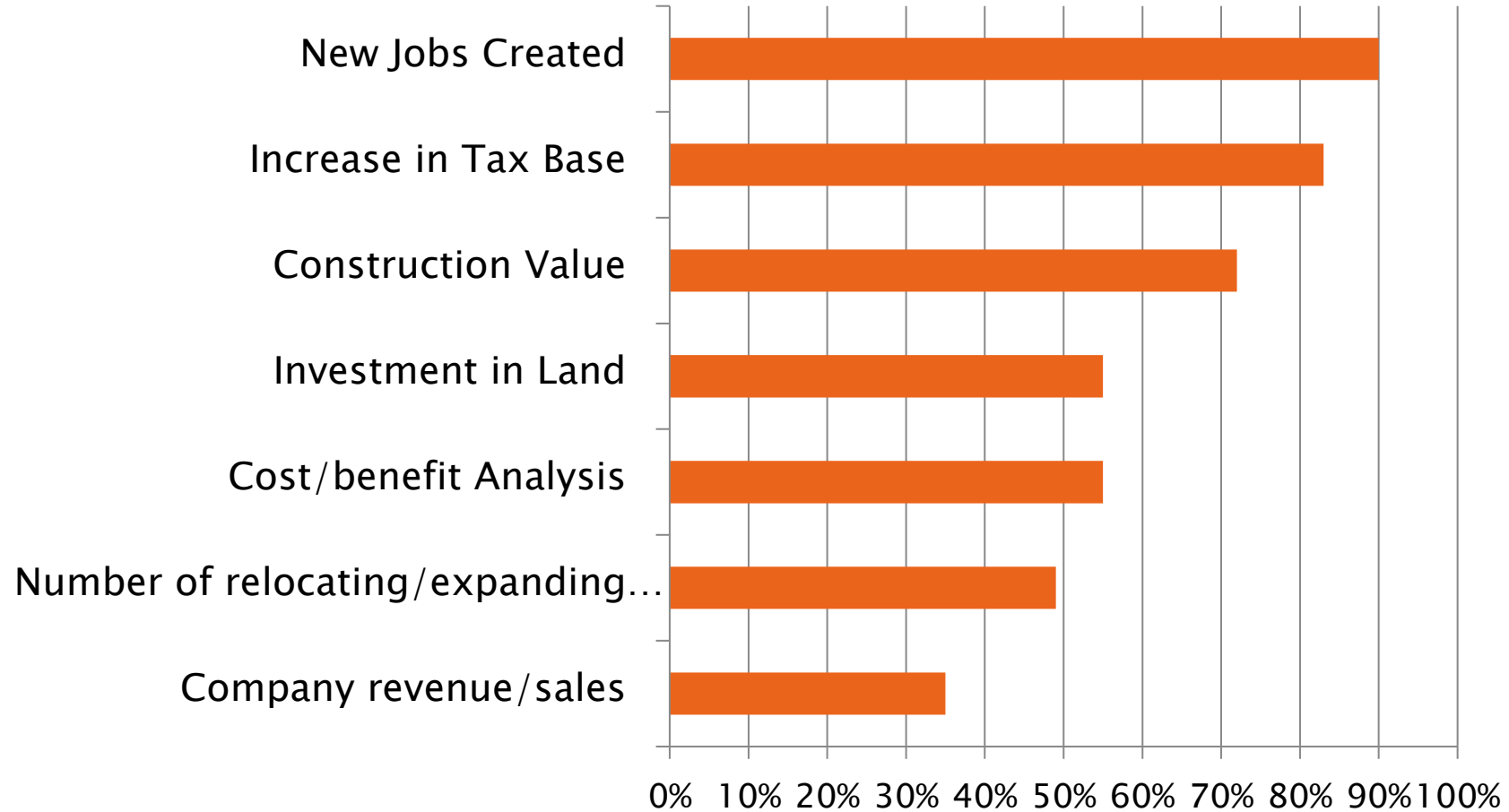
Sarah Murley, Co-Founder



Measuring Economic Impacts

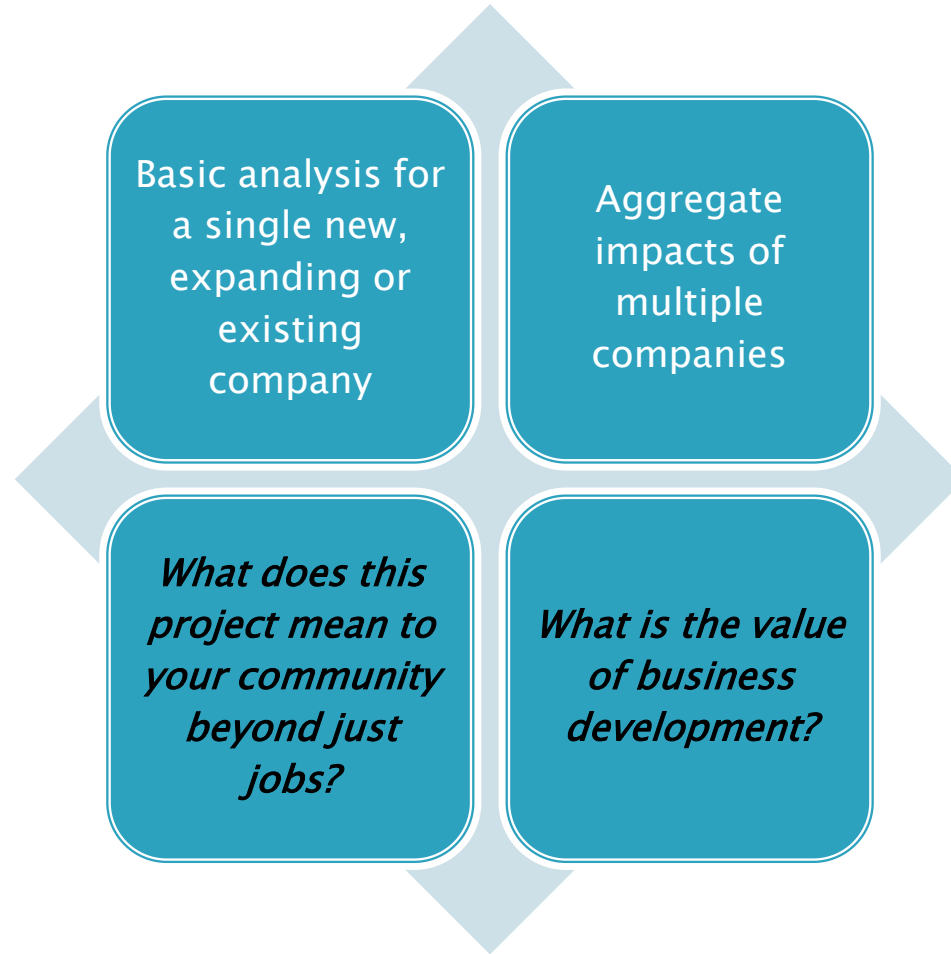
Albuquerque Economic Development
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How Do Local Governments Evaluate Projects?



Source: ICMA Economic Development Survey.

Economic Impact Applications in Economic Development



Why Do Economic Impact Analysis?

Public Relations or Informational

- Impacts of an existing or planned project
- Build local support for new company, justify incentives
- Pursue grant funding
- Support business retention for at-risk company

Return on Investment

- Abatements will be naturally timed to align with revenues
- Other incentives may align with conditions that are not directly related to revenue generation such as number of jobs created

Economic Impacts Can Also Be Applied to ED Organizations



Economic impacts are changes in the level of economic activity in a given area in terms of:

Business Output

- Most comprehensive measure of economic activity and generates largest numbers
Output or gross revenues = wages + supplies + profits

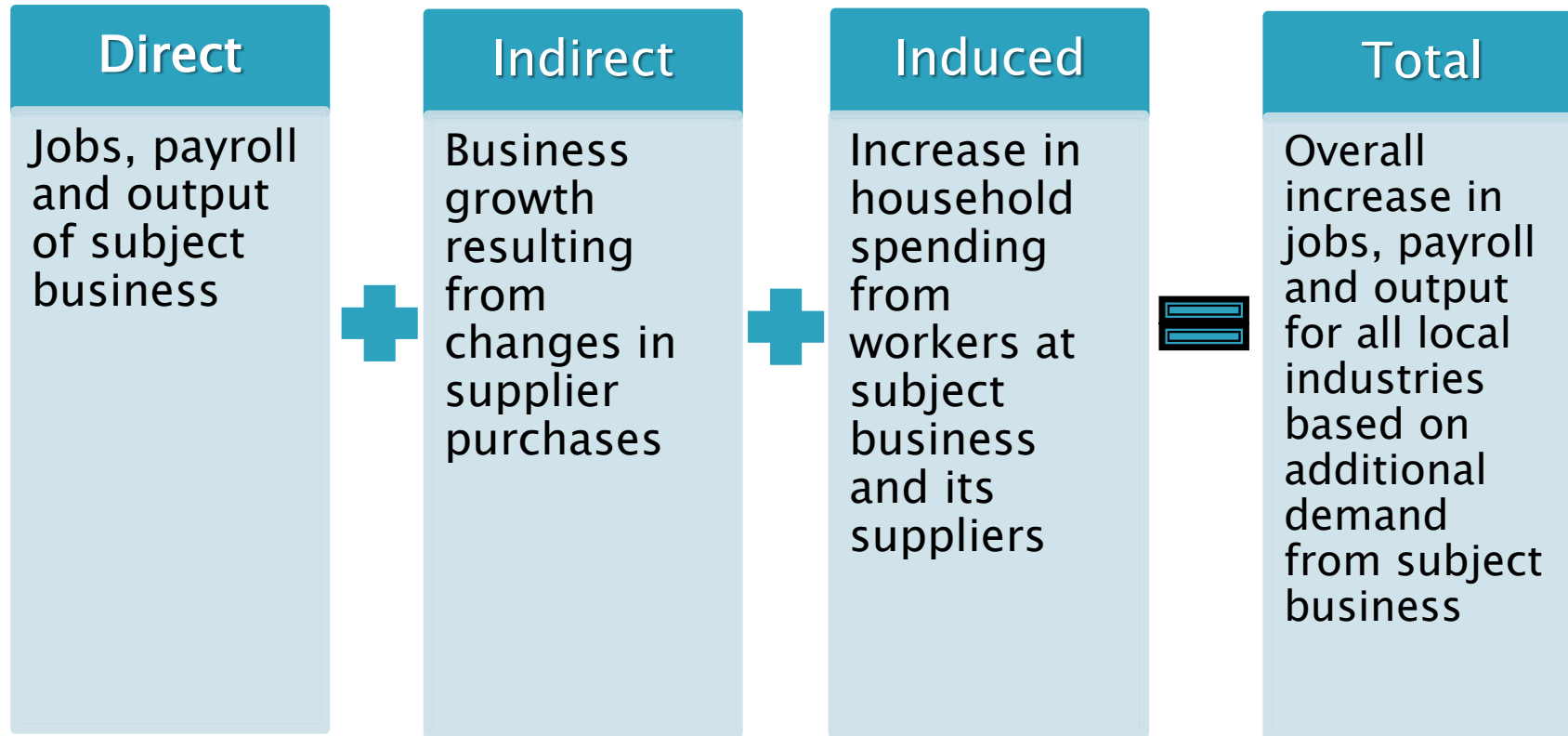
Labor Income

- Employee wages and proprietor income
- For labor income to benefit the local economy, most workers should live in study area

Jobs

- Easiest measure to understand, but does not reflect quality of jobs and cannot be compared to public revenues or costs

Economic Multiplier Effects

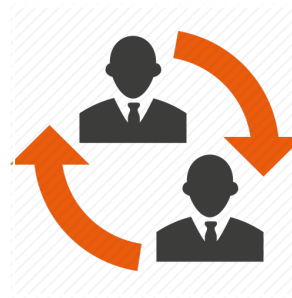


Multiplier Guidelines



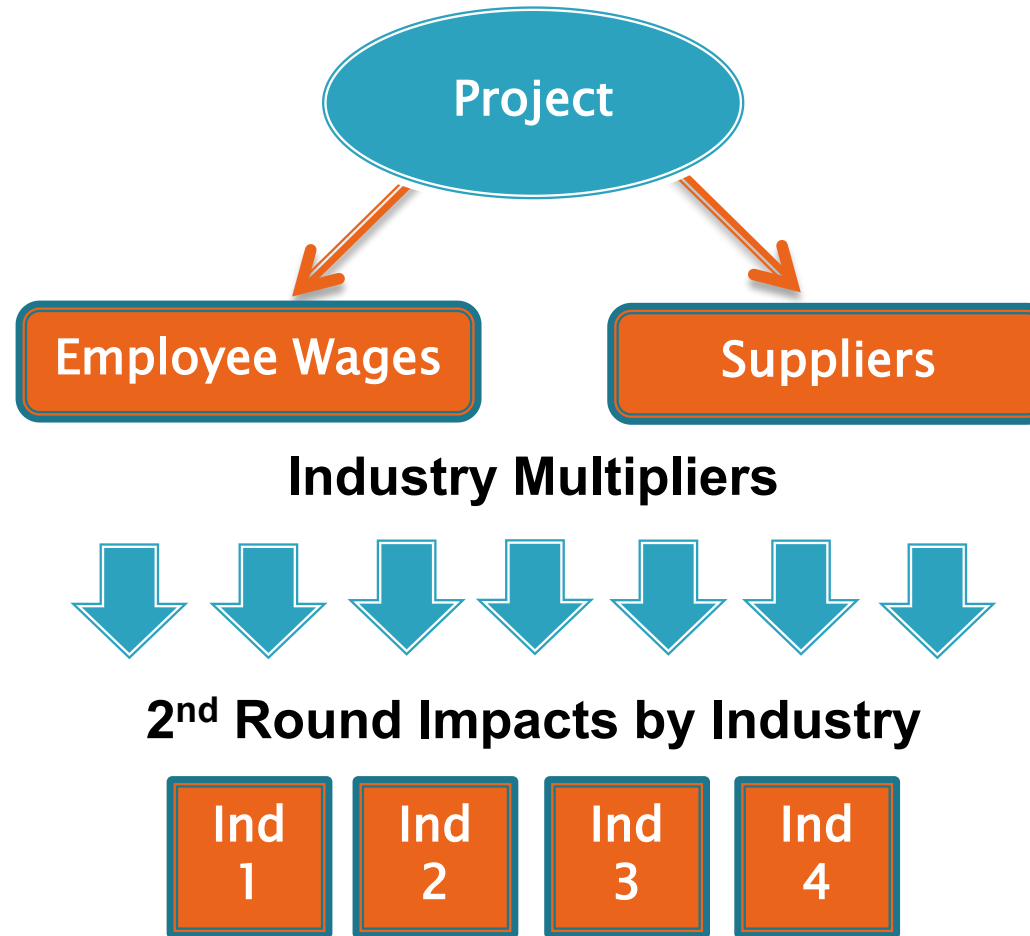
Multipliers usually range
between 1 and 3

No “universal” multiplier
–varies by industry and location
–different for jobs, income, output



The greater the interaction
between industries in an area, the
more local spending will occur

Detailed Supplier Impacts



How Economic Developers Can Maximize Multiplier Effects



- Keep as much wealth as possible from wages and business expenses in your region



- Talk to companies to help match their needs to local suppliers
- Understand what drives business decisions for companies and how suppliers are chosen



- Know your partners (training provider, real estate brokers, utilities, banks, etc.)

Revenue/Fiscal Impacts

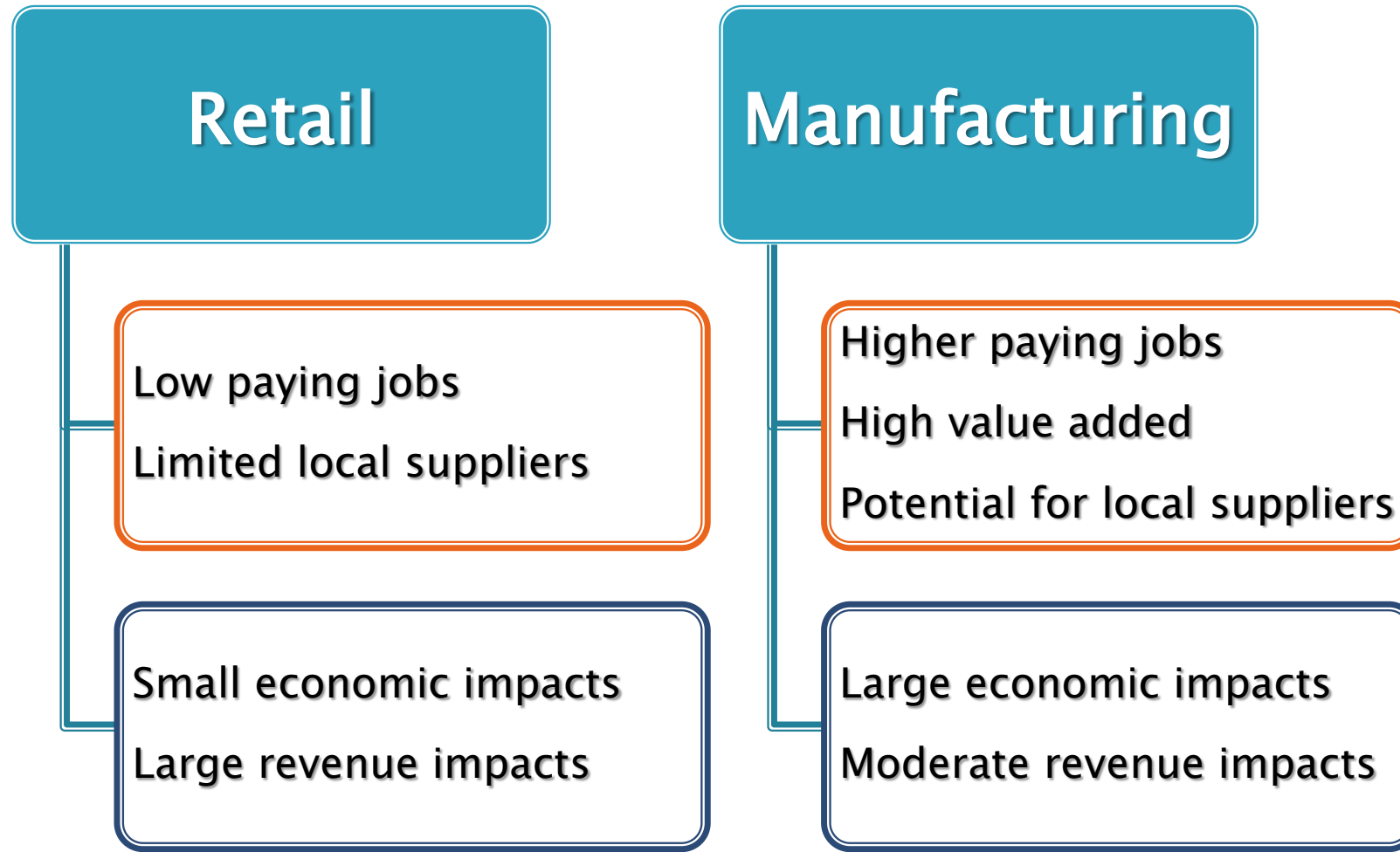
Generally includes major tax revenues (gross receipts, property, income)

Tax revenues generated by the company and by employees

Economic impacts show value to private sector while revenue impacts show the value to public sector

Revenue impacts appropriate for measuring ROI for incentives or ED program

Revenue vs. Economic Impacts



What Characteristics of Companies Create Greater Impacts



Economic Impacts

- Higher average wages
- Industries that are complimentary to existing supplier base and capital – intensive
- Companies located in more diverse economic regions



Revenue Impacts

- Higher average wages
- Larger capital investment (building or equipment)
- Taxable sales or purchases
- Higher percent of employees living in region



Stan Sluder, Market President





Mindy Koch, NM CS Site Manager





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John Jacobs, CEO

Q&A



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