Lambert Advisory

Memorandum

To:	Dr. Alvin Jackson, City of Hallandale Beach CRA
From:	Eric Liff, Lambert Advisory
Date:	April 20, 2012
Subject:	Foster Community Center – Economic Impact Assessment

Lambert Advisory has completed an economic impact assessment associated with the construction of the Foster Community Center in Hallandale Beach, FL. The analysis herein provides a summary of key assumptions, methodologies, and findings of the economic impacts. The analysis also provides a measurement of the tangible direct and indirect economic contributions that will be derived from the construction and operation of the facility within Broward County and, to the extent possible, the City of Hallandale Beach. Accordingly, the analysis is based upon a one-year construction budget for Recreational Design Construction (RDC), the Prime Contractor for the facility's development and specifically measures the impact resulting impact from the sub-contracting work to nine companies located in Hallandale Beach. These companies represent A/C contractors, electrical contractors, painters, concrete and other construction related businesses.

The information Lambert Advisory was provided with for the economic impact assessment includes: 1.) Revised Contract Amount to be allocated to the subcontracting entities and totaling $624,733; 2.) Monthly Utilization Report for December 2011 and January 2012 highlighting the description of work and amount to subcontractor for the specific period; and, 3.) the number of on-site laborers utilized within the two months provided including a breakdown of Hallandale Beach laborers, Other Broward laborers and Other (non Broward) laborers. In terms of labor, the monthly reports indicate an average 12 to 14 Hallandale laborers, 0 Other Broward laborers and 12 Other (non Broward) laborers. Therefore, for this analysis, we assume 26 total laborers will be accounted as full time equivalent annual jobs associated with subcontracting work. Considering the limited data, our analysis has been prepared to reflect the economic impact on an order-of-magnitude basis; therefore, the assumptions set forth herein are subject to change and these changes may have a measurable impact on the findings herein. Furthermore, Lambert cannot attest to the accuracy of the data provided by third-party sources, as we have not independently verified this information; nor, can Lambert Advisory attest to the fact that the economic contributions stated herein will actually be achieved.

There are several input-output models commonly used by economists to estimate indirect and induced economic impacts. Because of the difficulty of measuring these effects, nearly all models have limitations. However, economists generally agree that the models can provide an approximate measure of the indirect and induced spending, jobs, and personal income generated by a given amount of direct spending in a particular geographic area. To calculate the multiplier effects of the construction of Foster Community Center, Lambert Advisory used an input-output model developed by IMPLAN, one of the most recognized economic impact modeling systems in the US providing complete and extremely detailed Social Accounting Matrices (SAM) and Multiplier Models of local economies. IMPLAN is an economic input-output model originally created for the U.S. Department of Agriculture (Forest Services), in conjunction with FEMA to assist in land management planning. In 1988, the University of Minnesota offered the IMPLAN software, data, and technical support to non-Forest Service users and is considered to be one of the most recognized economic impact modeling systems in the US.

The IMPLAN model organizes the economy into more than 500 separate industries and has comprehensive data on every area of the United States. Lambert Advisory utilized construction and labor information associated with Foster Community Center for direct input into the IMPLAN Version 3.0 (released in November 2009). The IMPLAN model is based on incorporating regional purchase coefficients, which measure trade flows, i.e., the proportion of local demand purchased from local producers. Simulation models, like the ones used here, have been used to examine regional economic impacts associated with a variety of economic events such as the relocation or expansion of an economic enterprise, an exogenous migration of population, and the expenditures by out-of-town visitors. The most defined geographic area for which IMPLAN produces the input/output factors is at the County level. Therefore, the estimates herein are for Broward County, a considerable portion of which is estimated to be captured within the City of Hallandale Beach.

These models explicitly recognize the inter-industry (or "supply chain") linkages among industries, as well as the consumer spending induced by changes in local labor income. As a firm or industry experiences an increase in the demand for its product or services, it in turn needs goods and services from suppliers, and it must increase its purchases from other firms in the economy. The effect on regional production resulting from successive rounds of inter-industry linkages is called the *indirect effect*. The resulting increases in regional production also lead to expansions in employment and labor income, and the increases in labor income lead to increases in household spending, further expanding sales and production throughout the regional economy (the *induced effect*).

The successive waves of production, spending and more production result in economic multiplier effects. Each successive wave of impact is smaller than the previous one, but the cumulative increase in regional production, income and employment is larger than the initial (or "direct") increase in production, income and employment.

The size of the economic multiplier impacts depends on a number of factors including: a) the amount of initial spending that is directed to firms located within a region; and b) the tendency of firms and individuals to purchase goods and services from local suppliers rather than from external suppliers. These factors have been considered in the development of the models used in this study.[1] As a result of the direct and indirect economic impacts generated by the Foster Community Center construction throughout the local area, Broward County and the State of Florida benefit from increased tax collections (or fiscal impacts). Based on the estimates of direct spending, the resulting tax collections have been calculated for State and Broward County. Importantly, the economic benefits estimated herein represent one time (non-recurring) impacts that will not exist after construction is completed.

Figure 1 below, provides the total annual (non-recurring) economic activity associated with the development of Foster Community Center which includes activity from Hallandale Beach laborers, Other Broward and Other non-Broward laborers. As such, there is a direct economic output of $624,733 and an additional $438,420 in indirect/induced economic output in Broward County (or, a total 1.7 multiplier effect from direct to indirect/induced demand). In terms of value added to the local economy, the total development is estimated to have a direct value added impact of $293,562 and an additional $268,622 from flow through benefits, for a total of $562,184 in value added impact to Broward County. In terms of employment, the development of Foster Community Center is estimated to support 29 new jobs, of which 26 are a direct result of the development of Foster Community Center.

[1] The Minnesota IMPLAN Group, Inc. (MIG) provides the software and basic data needed to construct the economic multiplier model.

Figure 1: Foster Community Center – Total Development Impacts
Source: IMPLAN; Lambert Advisory

	Employment	Labor Income	Value Added	Output
Direct	26	$260,852	$293,562	$624,733
Indirect	1.2	$63,286	$94,541	$162,660
Induced	2.2	$93,766	$174,082	$275,760
Total Effect	29.4	$417,904	$562,184	$1,063,153

Figure 2 below, provides the total annual (non-recurring) economic activity associated with the development of Foster Community Center which includes activity from Hallandale Beach laborers only. In this case, the total direct expenditure $624,733 as summarized above is adjusted by reducing the estimated proportionate share of non Hallandale Beach labor income. Therefore, as shown below, the adjusted direct expenditure is $504,702 and an additional $354,186 in indirect/induced economic output in Broward County (or, a total 1.7 multiplier effect from direct to indirect/induced demand). In terms of value added to the local economy, the total development is estimated to have a direct value added impact of $237,159 and an additional $217,012 from flow through benefits, for a total of $454,171 in value added impact to Broward County. In terms of employment, the development of Foster Community Center is estimated to support 16.7 new jobs, of which 14 are a direct result of Hallandale Beach laborers utilized for the development of Foster Community Center.

Figure 2: Foster Community Center – Development Impacts (adjusted for Hallandale Beach laborers only)
Source: IMPLAN; Lambert Advisory

	Employment	Labor Income	Value Added	Output
Direct	14	$210,734	$237,159	$504,702
Indirect	0.9	$51,127	$76,376	$131,400
Induced	1.8	$75,751	$140,635	$222,778
Total Effect	16.7	$337,611	$454,171	$858,888

Based upon the analysis set forth herein, the proposed Foster Community Center development plan clearly has a positive economic impact on both the City of Hallandale Beach and Broward County.

Please let me know if you have any questions and we appreciate the opportunity to provide the City of Hallandale Beach CRA with economic advisory services.