

Economic Impact Analysis of New Hill Development Corporation BEACON's Kitchen

Economic impact analysis used in this report relies on IMPLAN (Impact analysis for PLANning), a commercial input-output model. IMPLAN produces industry-specific economic multipliers that show how new firm spending affects the local economy. The total economic impact consists of three parts: a “direct effect,” “an indirect effect,” and an “induced effect.” The “direct effect” measures firm-related employment and economic activity in the region. Employment and expenditures connected to New Hill Development Corporation BEACON's Kitchen cause a “ripple effect” on the local economy when money is re-spent. For example, regional businesses furnish supplies and services to tenant businesses. These businesses spend a portion of their sales revenues on their supplies and services from other regional firms who, in turn, purchase a portion of their supplies and services from other regional firms. This cascading sequence of spending continues until the subsequent rounds of spending dissipate due to leakages in the form of spending outside the region. The cumulative effect of these initial expenditures on region firms goods and services and cascading rounds of inter-industry purchases is referred to as the “indirect effect.” The final component of total impact (the “induced effect” or “induced impact”) is attributable to the spending of households. For example, the tenant firms pay their employees for their services. The households of these workers then purchase goods and services from regional firms who in turn receive a portion of their labor, material and public service inputs from within the region. Again leakages occur at each round due to purchases outside the region. The “induced effect” is the sum of the impacts associated with these household purchases.

The impact analysis is conducted using IMPLAN Pro of software. The study region consists of the City of Charlottesville and Albemarle County. Economic impacts are evaluated within IMPLAN using four different measures: (a) total industrial output, (b) labor income, (c) employment, and (e) estimated local tax revenues. Total industry output is the total value of industry production during a period. It measures sales of intermediate inputs for use in production as well as sales of products to final consumers. Labor income represents flows to workers and business owners in the form of employee compensation and proprietary income. Employment is measured in terms of person-years of employment. A person-year of employment is a job of one year in duration. Employment includes full-time and part-time employment as well as the self-employed and is measured by place of work.

New Hill Development Corporation provided key input data for economic impact modeling. This information included:

- ***Construction and equipment spending for the renovated and equipped facility.*** The former expenditures (estimated at \$1.5 million) were entered into the IMPLAN model as construction sales for IMPLAN Sector "Maintenance and repair construction of nonresidential structures. The latter (\$600,000) were entered as margins (trade markup factors) for IMPLAN Sector "Wholesale trade." The percentage of direct spending resulting in sales to regional businesses was estimated using IMPLAN regional purchase coefficients, meaning that part of the sales occurs outside the region and do not contribute to economic impacts.
- ***BEACON Kitchen employment and payroll.*** Employment and payroll projections were for the first and fifth year of operations were used to estimate annual economic impacts when the facility opens. During the first year, the facility is estimated to create 19 total jobs.

Four of these jobs will be New Hill Development employees involved in administration and operation of the facility with average wages of \$50,480. These figures were entered as IMPLAN inputs for employment and labor compensation for the IMPLAN "Office administrative services" sector. The other 15 jobs will be connected to tenant businesses established in the food and beverage manufacturing industries offering average wages of \$44,500. This was estimated by aggregating numerous food and beverage industries into a new custom "food and beverage manufacturing" sector using the IMPLAN "Aggregation Builder" feature. Employment and payroll were entered for this in year five, an estimated 13 New Hill Development workers will be employed, and 77 jobs will be connected to tenant businesses established in the food and beverage manufacturing industry. Real average wages and salaries are assumed to be the same as the first year.

TABLE 1. Construction and Equipment Spending Economic Impacts

Impact Type	Employment	Labor Income	Output
Direct Effect	8	\$438,829	\$1,303,732
Indirect Effect	2	\$104,383	\$298,099
Induced Effect	2	\$88,165	\$281,087
Total Effect	12	\$631,377	\$1,882,917

Source: Weldon Cooper Center for Public Service based on IMPLAN

TABLE 2. First Year of Operations Economic Impacts

Impact Type	Employment	Labor Income	Output
Direct Effect	19	\$869,420	\$8,007,697
Indirect Effect	10	\$511,873	\$1,407,056
Induced Effect	5	\$223,074	\$711,430
Total Effect	34	\$1,604,367	\$10,126,183

Source: Weldon Cooper Center for Public Service based on IMPLAN

TABLE 3. Fifth Year of Operations Economic Impacts

Impact Type	Employment	Labor Income	Output
Direct Effect	90	\$4,041,052	\$40,183,867
Indirect Effect	51	\$2,572,814	\$7,069,618
Induced Effect	24	\$1,068,243	\$3,406,825
Total Effect	164	\$7,682,108	\$50,660,309

Source: Weldon Cooper Center for Public Service based on IMPLAN

TABLE 4. Local Tax Revenue Impacts

Construction and Equipment Spending	\$26,634
First Year of Operations	\$447,128
Fifth Year of Operations	\$2,271,093

Source: Weldon Cooper Center for Public Service based on IMPLAN

NOTE: Local government tax revenues were estimated at 43% of total state and local tax revenue impacts. This assumption is based on Virginia local government share of total state and local tax revenues from the U.S. Census Bureau, 2019 Annual Surveys of State and Local Government Finances.