

# THE ECONOMIC IMPACT OF THE DEVELOPMENT ACTIVITIES OF THE BARBERTON COMMUNITY DEVELOPMENT CORPORATION AND BARBERTON COMMUNITY FOUNDATION PROGRAM RELATED INVESTMENT PARTNERSHIP

Prepared for:

Barberton Community Development Corporation  
542 W. Tuscarawas Avenue  
Barberton, Ohio 44203

March 19, 2010

**Impact**DataSource

Economic Consulting, Research & Analysis

4709 Cap Rock Drive  
Austin, Texas 78735  
P: 512 892.0205  
F: 512 892.2569

[www.impactdatasource.com](http://www.impactdatasource.com)



# TABLE OF CONTENTS

<b>Executive Summary</b> .....	3
<b>Project Summary</b>	
Introduction.....	5
<b>Analysis of Economic Impact</b>	
Construction Impacts.....	6
Economic Impacts from Projects Supported by BCDC.....	7
Taxable Sales.....	7
Property on Local Tax Rolls.....	8
<b>Analysis of Fiscal Impact</b>	
Income Tax Collections.....	9
Sales Tax Collections.....	9
Property Tax Collections.....	10
Total Fiscal Impact for Local Taxing Districts.....	11
<b>Conclusions</b>	
Return on the Community's Investment.....	12
Conclusions and Perspective.....	13
<b>Methodology</b>	
Conduct of the Analysis.....	14
About Impact DataSource.....	15
<b>Appendix A</b>	
Data & Rates.....	16
<b>Appendix B</b>	
Economic Development Projects.....	19



# EXECUTIVE SUMMARY

## Introduction

This report presents the results of an economic impact analysis performed by Impact DataSource, an Austin, Texas economic consulting, research and analysis firm. This report estimates the annual economic and fiscal impacts that resulted from projects financed with funds provided by the Barberton Community Foundation (BCF) Program Related Investment (PRI) program partnership with the Barberton Community Development Corporation (BCDC). The report summarizes the 2009 annual impacts for all BCDC and BCF projects from 1998 through 2009.

The Barberton Community Development Corporation's primary purpose is to create jobs, develop the tax base and provide incentives for business development. Through 2009, BCDC and the Barberton Community Foundation provided loans totaling over \$9 million to 17 businesses expanding or locating in the Barberton area. This report summarizes the economic and fiscal impacts produced by BCF investments in BCDC projects loan recipients for the State of Ohio, City of Barberton, Summit County and other local taxing districts for the year 2009.

## Economic Impact Summary

A total of 728 direct jobs were created by these firms. These direct workers, as well as indirect workers in spin-off jobs have a significant impact on the local economy. The table below provides a summary of jobs created or supported in the Barberton area and associated earnings for these workers as a result of the efforts of BCDC and BCF.

Annual Employment & Earnings				
	Construction	Direct	Indirect & Induced	Total
Jobs created or supported	126	728	551	1,406
Earnings	\$5,514,000	\$25,330,000	\$18,125,576	\$48,969,576

The construction activity generated taxable sales from the purchase of materials as well as spending by workers. Permanent direct, indirect & induced workers were also projected to produce local taxable sales for the community. The table below summarizes the total local taxable sales resulting from the 17 economic development projects under review.

Summary of Annual Taxable Sales			
	During		Total
	Construction	Permanent	
Local Taxable Sales	\$4,025,220	\$12,167,561	\$16,192,781

Finally, the businesses added industrial and commercial property to the tax rolls during the period. Additionally, a portion of new workers built new homes to be added to local tax rolls.

Summary of Total Taxable Property Added to Tax Rolls			
	Industrial / Commercial Property	Residential Property	Total
Taxable Value of Property	\$18,560,000	\$2,303,005	\$20,863,005



# EXECUTIVE SUMMARY

## Fiscal Impact Summary

The economic impacts described on the previous page were translated into fiscal impacts for the City of Barberton, Summit County and other local taxing districts. The 17 projects funded by the Barberton Community Foundation generated more than \$4.8 million in additional tax revenue for these local taxing districts. The additional revenue is summarized in the table below.

Total Additional Revenue				
	<i>Income Tax Collections</i>	<i>Sales Tax Collections</i>	<i>Property Tax Collections</i>	<i>Total</i>
State of Ohio		\$2,390,057		\$2,390,057
City of Barberton	\$979,392		\$68,636	\$1,048,027
Summit County		\$217,278	\$221,194	\$438,472
Barberton CSD			\$699,408	\$699,408
Barberton Public Library			\$21,659	\$21,659
Transit		\$217,278		\$217,278
<b>Total</b>	<b>\$979,392</b>	<b>\$2,824,612</b>	<b>\$1,010,897</b>	<b>\$4,814,901</b>

## Foundation's Return on Investment

The Barberton Community Foundation's investment in local businesses generates a rate of return of 52% for the community's taxing districts. The Foundation invested over \$9 million in BCDC client businesses who generated over \$4.8 million in tax revenues for the community.

Estimated Rate of Return on the Foundation's Investment in Economic Development during 2009	
Total funds invested on behalf of the Barberton Community Foundation	\$9,222,000
Total Annual Additional Revenue for Taxing Districts	\$4,814,901
<b>Annual rate of return on investment</b>	<b>52%</b>

The investment of over \$9 million generated a 52% annual rate of return for taxing districts in the Barberton area. This return is in addition to the principle and interest payments the Foundation receives from the businesses on these loans. Although the terms of each loan varies, on average, these loans charge 5% interest, amortized over 15 years with a 5 year term.



# PROJECT SUMMARY

## INTRODUCTION

This report presents the results of an economic impact analysis performed by Impact DataSource, an Austin, Texas economic consulting, research and analysis firm. This report estimates the annual economic and fiscal impacts that resulted from projects financed with funds provided by the Barberton Community Foundation (BCF) Program Related Investment (PRI) program partnership with the Barberton Community Development Corporation (BCDC). The report summarizes the 2009 annual impacts for all BCDC and BCF projects from 1998 through 2009.

The Barberton Community Development Corporation' primary purpose is to create jobs, develop the tax base and provide incentives for business development. Through 2009, BCDC and the Barberton Community Foundation provided loans totaling approximately \$9 million to businesses expanding or locating in the Barberton area. This report summarizes the economic and fiscal impacts produced by BCF investments in BCDC projects loan recipients for the City of Barberton, Summit County and other local taxing districts.



# ANALYSIS OF ECONOMIC IMPACT

## CONSTRUCTION IMPACTS

The Barberton Community Development Corporation assisted in the recruitment or retention of 17 economic development projects through 2009. Of the 17 projects, 14 included construction or renovation budgets for facilities in Barberton. This construction spending had a significant economic impact on the Barberton area. The construction spending was used to purchase materials from local suppliers as well as to support local construction jobs and subsequent local construction worker spending.

The 14 projects represent a total of \$13.8 million construction spending which resulted in approximately \$2.5 million of construction spending on materials and \$1.5 million of construction worker spending.

Taxable Spending from Construction	
<b>Total Construction Spending</b>	<b>\$13,785,000</b>
<b><u>Construction Spending on Materials</u></b>	
% of construction costs for materials	50%
% of construction materials purchased locally	45%
Average construction period (years)	1.25
<b>Total Local Taxable Construction Materials Purchased</b>	<b>\$2,481,300</b>
<b><u>Construction Worker Spending</u></b>	
% of construction costs for labor	50%
% of construction worker salary on taxable items	35%
% of construction worker salary spent locally	80%
Average construction period (years)	1.25
<b>Total Local Taxable Construction Worker Spending</b>	<b>\$1,543,920</b>
<b>Total Local Taxable Spending from Construction</b>	<b>\$4,025,220</b>

Additionally, the construction spending supported an estimated 126 jobs in the area.

Construction Jobs Supported	
<b><u>Construction Employment</u></b>	
% of construction costs for labor	50%
Average construction period (years)	1.25
Average construction worker salary	\$43,628
<b>Total Construction Jobs Support</b>	<b>126</b>



# ANALYSIS OF ECONOMIC IMPACT

## ECONOMIC IMPACTS FROM PROJECTS SUPPORTED BY THE EDC

The Barberton Community Development Corporation's support of 17 projects through 2009 results in a significant on-going economic impact on the area. The table below summarizes the economic impact on employment and earnings in the Barberton area.

Summary of Economic Impact on Employment & Earnings			
	Direct	Indirect & Induced	Total
Employment	728	551	1,279
Earnings	\$25,330,000	\$18,125,576	\$43,455,576

## TAXABLE SALES

In addition, to these employment and income impacts, the area will benefit from sales and spending impacts as well as taxable property on local tax rolls. The table below estimate sales and spending generated by these economic development projects.

Taxable Spending from New Workers	
<b>Total Earnings</b>	<b>\$43,455,576</b>
<b><u>New Worker Spending</u></b>	
% of worker spending on taxable items	35%
% of worker spending spent locally	80%
<b>Total Local Taxable New Worker Spending</b>	<b>\$12,167,561</b>

Total Taxable Spending	
<b><u>Taxable Spending</u></b>	
Total Local Taxable Spending from Construction	\$4,025,220
Total Local Taxable New Worker Spending	\$12,167,561
<b>Total Local Taxable Spending</b>	<b>\$16,192,781</b>



# ANALYSIS OF ECONOMIC IMPACT

## PROPERTY ON LOCAL TAX ROLLS

The economic development projects support a significant amount of commercial and residential property in the Barberton area.

Property Added to Tax Rolls	
<b><u>New Residential Property</u></b>	
Number of new workers	1,279
% of new workers who moved to the area	10%
% of relocating workers who built a home	10%
<b>Total Number of Homes Built for New Workers</b>	<b>13</b>
<b><u>Market Value of New Residential Property</u></b>	
Number of new homes built	13
Average value of new home	\$180,000
<b>Total New Residential Property Added to Tax Rolls</b>	<b>\$2,303,005</b>
<b>Total New Commercial/Industrial Property Added to Tax Rolls</b>	<b>\$18,560,000</b>

The next section translates the above economic impacts into additional revenues for local taxing districts.



# ANALYSIS OF FISCAL IMPACT

## INCOME TAX COLLECTIONS

The City of Barberton receives income tax from construction workers as well as new permanent jobs.

Income Tax Collections		
<b><u>Income</u></b>		
Total Construction Worker Earnings		\$5,514,000
Total Permanent Worker Earnings		\$43,455,576
<b>Total Income</b>		<b>\$48,969,576</b>
<b><u>Income Tax Collections</u></b>	<b><u>Income Tax Rate</u></b>	<b><u>Collections</u></b>
City of Barberton	2.00%	\$979,392
<b>Total Income Tax Collections</b>		<b>\$979,392</b>

## SALES TAX COLLECTIONS

The State of Ohio, Summit County and the Transit Authority receive sales tax as a result of the economic development projects in Barberton.

Sales Tax Collections		
<b><u>Taxable Sales</u></b>		
Total Local Taxable Spending		\$16,192,781
<b><u>Sales Tax Collections</u></b>	<b><u>Sales Tax Rate</u></b>	<b><u>Collections</u></b>
State of Ohio	5.50%	\$2,390,057
Summit County	0.50%	\$217,278
Transit	0.50%	\$217,278
<b>Total Sales Tax Collections</b>		<b>\$2,824,612</b>



# ANALYSIS OF FISCAL IMPACT

## PROPERTY TAX COLLECTIONS

Property taxing districts in the City of Barberton also receive benefits from the property supported by the 17 economic development projects assisted by BCDC.

Property Tax Collections		
<b><u>Residential Property:</u></b>		
Market Value of Residential Property		\$2,303,005
<b><i>Effective Residential</i></b>		
<b><u>Residential Property Taxes Collected</u></b>	<b><i>Property Tax Rate</i></b>	<b><i>Collections</i></b>
City of Barberton	\$2.9924	\$6,891
Summit County	\$9.9699	\$22,961
Barberton CSD	\$40.8513	\$94,081
Barberton Public Library	\$0.9646	\$2,221
<b>Total Residential Property Tax Collections</b>		<b>\$126,154</b>
<b><u>Industrial/Commercial Property:</u></b>		
Taxable Value of Commercial/Industrial Property		\$18,560,000
<b><i>Effective Industrial/Commercial</i></b>		
<b><u>Industrial/Comm. Taxes Collected</u></b>	<b><i>Property Tax Rate</i></b>	<b><i>Collections</i></b>
City of Barberton	\$3.3267	\$61,744
Summit County	\$10.6807	\$198,234
Barberton CSD	\$32.6146	\$605,327
Barberton Public Library	\$1.0473	\$19,437
<b>Total Commercial/Industrial Property Tax Collections</b>		<b>\$884,742</b>



## ANALYSIS OF FISCAL IMPACT

### TOTAL FISCAL IMPACT FOR LOCAL TAXING DISTRICTS

The table below summarizes the total annual additional revenue for local taxing districts that result from the 17 economic development projects supported by BCDC.

Total Annual Additional Revenue				
	<i>Income Tax Collections</i>	<i>Sales Tax Collections</i>	<i>Property Tax Collections</i>	<i>Total</i>
State of Ohio		\$2,390,057		\$2,390,057
City of Barberton	\$979,392		\$68,636	\$1,048,027
Summit County		\$217,278	\$221,194	\$438,472
Barberton CSD			\$699,408	\$699,408
Barberton Public Library			\$21,659	\$21,659
Transit		\$217,278		\$217,278
<b>Total</b>	<b>\$979,392</b>	<b>\$2,824,612</b>	<b>\$1,010,897</b>	<b>\$4,814,901</b>



# CONCLUSIONS

## RETURN ON THE FOUNDATION'S INVESTMENT

In partnership with the Barberton Community Development Corporation, the Barberton Community Foundation (BCF) Program Related Investment (PRI) program provided funding of over \$9 million in investments in firms locating or expanding in the Barberton area.

The \$9,222,000 in loans to businesses generated 1,406 direct and indirect jobs, \$49 million in new salaries for these workers, \$16 million in local taxable sales. In addition, the loans resulted in \$18.6 million of additional commercial and industrial property added to local tax rolls. Further, it is projected that \$2.3 million of additional residential property was added to local tax rolls.

Further, this economic activity is estimated to have generated income, sales and property tax revenue for the State of Ohio, City of Barberton, Summit County and other local taxing districts amounting to \$4.8 million during 2009.

Estimated Rate of Return on the Community's Investment in Economic Development through 2009	
<b>Total funds invested on behalf of the Barberton Community Foundation</b>	<b>\$9,222,000</b>
<b><u>Total Annual Revenue</u></b>	
Income Tax Collections	\$979,392
Sales Tax Collections	\$2,824,612
Property Tax Collections	\$1,010,897
<b>Total Annual Revenue</b>	<b>\$4,814,901</b>
<b>Annual rate of return on investment</b>	<b>52%</b>

The investment of just over \$9 million generated a 52% annual rate of return for taxing districts in the Barberton area. This return is in addition to the principle and interest payments the Foundation receives from the businesses on these loans. Although the terms of each loan varies, on average, these loans charge 5% interest, amortized over 15 years with a 5 year term.



# CONCLUSIONS

## CONCLUSIONS AND PERSPECTIVE

Some conclusions can be drawn by Impact DataSource from this and other studies that it conducts for economic development organizations. These conclusions or observations include the following:

The creation of new taxes generated by BCDC-assisted projects are examples of what a focused economic development effort can accomplish for the benefit of a community and such new taxes and other public revenues are significant.

The job growth and increased tax revenues can be accomplished with a relative inexpensive investment in economic development activities.

Impact DataSource does not suggest that the BCDC or the Foundation caused all of the investments and growth presented in this report. BCDC and the Foundation provided these businesses and organizations with loans and a range of services -- some more than others.

However, Impact DataSource believes that such one-stop center for economic development services is critical to a community's economic growth and many of these investments may not have occurred without the efforts of the Barberton Community Development Corporation and the Barberton Community Foundation.

### CONDUCT OF THE ANALYSIS

This analysis was conducted by Impact DataSource and completed using firm data, rates and information gathered by the Barberton Community Development Corporation. In addition, the model uses certain estimates and assumptions. Using this information, Impact DataSource estimated the annual economic impact from the economic development projects supported by BCDC and BCF through 2009.

The economic impact as calculated in this report can be categorized into two main types of impacts. First, the direct economic impacts are defined as those that result directly from a project. These impacts are the direct expenditures by the firm. Second, this economic impact analysis calculates the indirect and induced impacts that result from the project. Indirect jobs and salaries are supported in new or existing area firms, such as maintenance companies and service firms, that may supply goods and services to the firm. In addition, induced jobs and salaries are created in new or existing local businesses, such as retail stores, gas stations, banks, restaurants, and service companies that may supply goods and services to workers and their families.

To estimate the indirect and induced economic impact of these projects and the employees on the area, regional economic multipliers were used. Regional economic multipliers are included in the US Department of Commerce's Regional Input-Output Modeling System (RIMS II).

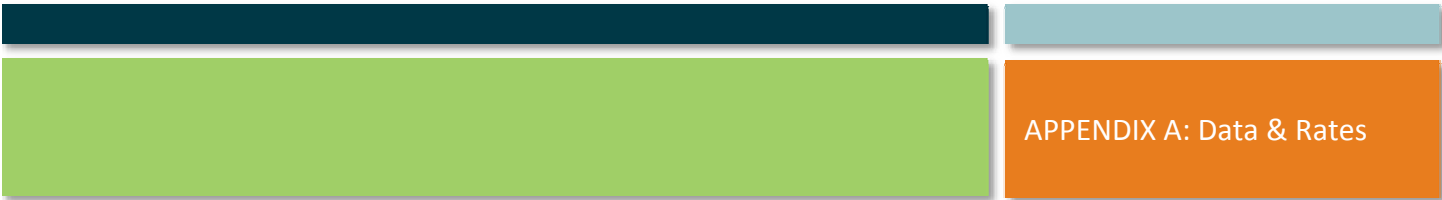
Two types of regional economic multipliers were used in this analysis: an earnings multiplier and an employment multiplier. An employment multiplier was used to estimate the number of indirect and induced jobs supported in the area. An earnings multiplier was used to estimate the amount of salaries to be paid to workers in these new indirect and induced jobs. These multipliers show the estimated number of indirect and induced jobs supported for every one direct job at the firm and the amount of salaries paid to these workers for every dollar paid to a direct worker at the firm. The multipliers used in the analysis were specific to each firm and industry, and are provided in Appendix B.

## ABOUT IMPACT DATASOURCE

Impact DataSource is a 16 year-old Austin economic consulting, research and analysis firm. The firm has conducted over 2,500 economic impact analyses of numerous projects across the country. In addition, the firm has developed economic impact analysis computer programs for several clients, including the New Mexico Economic Development Department.

Paul Scheuren performed this economic impact analysis. He is an economist and has a Master of Arts degree in Economics from Clemson University and a Bachelor of Business Administration from Temple University.

Data used in the analysis, along with schedules of the results of calculations, are on the following pages.



APPENDIX A: Data & Rates



# APPENDIX A

## Sales Tax Rates

State of Ohio sales tax rate	5.5%
Summit County sales tax rate	0.5%
Transit sales tax rate	0.5%

## Full Property Tax Rates

	Residential/ Agriculture	Commercial/ Industrial
City of Barberton	4.2500	4.2500
Summit County	14.1600	13.6449
Barberton CSD	58.0200	41.6661
Barberton Public Library	1.3700	1.3379

## Effective Property Tax Rates

	Residential/ Agriculture	Commercial/ Industrial
City of Barberton	2.9924	3.3267
Summit County	9.9699	10.6807
Barberton CSD	40.8513	32.6146
Barberton Public Library	0.9646	1.0473

## Income Tax Rates

City of Barberton income tax rate	2%
-----------------------------------	----

## Construction Assumptions

Percent of construction costs for labor	50%
Percent of construction costs for materials	50%
Estimated percent of construction materials that were purchased in the Barberton area	45%
Estimated average construction period, in years	1.25
Estimated construction workers annual salaries	\$43,628
Estimated percent of a typical construction worker's salary spent locally	80%
Estimated percent of a typical construction worker's salary spent on taxable goods and services	35%

 **APPENDIX A****Local Spending Assumptions**

Estimated percent of a typical worker's salary spent locally	80%
Estimated percent of a typical worker's salary spent on taxable goods and services	35%

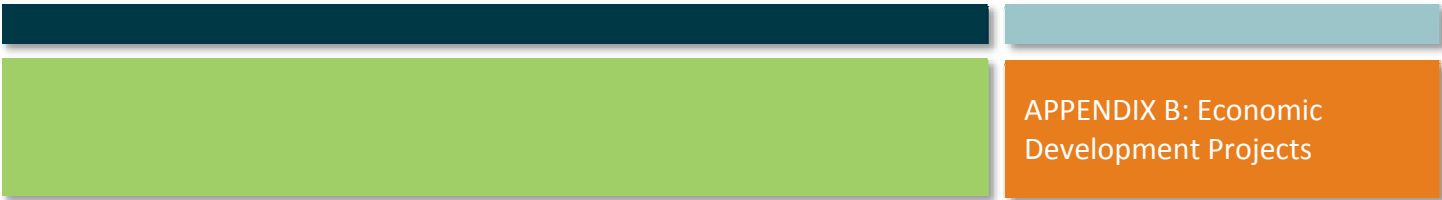
**Residential Property Assumptions**

Estimated percent of new workers moving to the Barberton area from somewhere else	10.0%
Estimated percent of these new workers who built a new home or required that new rental property be built for them	10.0%
Estimated market value of new residences to be built for some new workers who move to the area	\$180,000

**Employment and Earnings Multipliers**

Output	0.2514
Employment	0.9277
Earnings	\$0.4364

*This analysis uses the above multipliers to project the indirect and induced benefits in the community as a result of the direct economic activity. The output multiplier shows the amount of indirect output for each dollar of direct output. The employment multiplier shows the number of spin-off jobs that will be created from each direct job. Similarly, the earnings multiplier estimates the salaries and wages to be paid to workers in these spin-off jobs for each \$1 paid to direct workers.*



APPENDIX B: Economic  
Development Projects



## APPENDIX B

### BCDC & BCF Loans & Investments by Project

Project	Loan	Acquisition/Land	Construction	Equipment	Other	Total Investment
Project 1	\$550,000	\$725,000				\$725,000
Project 2	\$200,000	\$100,000	\$600,000			\$700,000
Project 3	\$600,000	\$362,500	\$362,500			\$725,000
Project 4	\$400,000	\$150,000	\$950,000			\$1,100,000
Project 5	\$500,000	\$60,000	\$540,000			\$600,000
Project 6	\$40,000		\$40,000		\$360,000	\$400,000
Project 7	\$612,000	\$765,000				\$765,000
Project 8	\$750,000		\$2,937,500	\$1,062,500		\$4,000,000
Project 9	\$500,000		\$650,000			\$650,000
Project 10	\$500,000		\$500,000		\$500,000	\$1,000,000
Project 11	\$1,200,000		\$1,500,000			\$1,500,000
Project 11	\$600,000					\$0
Project 12	\$750,000	\$90,000	\$1,160,000			\$1,250,000
Project 13	\$120,000		\$870,000			\$870,000
Project 14	\$225,000		\$225,000	\$600,000		\$825,000
Project 15	\$1,400,000		\$3,000,000			\$3,000,000
Project 16	\$275,000		\$450,000			\$450,000
<b>Total</b>	<b>\$9,222,000</b>	<b>\$2,252,500</b>	<b>\$13,785,000</b>	<b>\$1,662,500</b>	<b>\$860,000</b>	<b>\$18,560,000</b>

### Direct & Indirect Employment and Earnings by Project

Project	Direct Jobs	Indirect Jobs	Total Jobs	Direct Earnings	Indirect Earnings	Total Earnings
Project 1	75	85	160	\$2,250,000	\$2,179,744	\$4,429,744
Project 2	113	99	212	\$5,085,000	\$3,690,566	\$8,775,566
Project 3	90	56	146	\$4,500,000	\$2,299,050	\$6,799,050
Project 4	15	17	32	\$675,000	\$653,923	\$1,328,923
Project 5	12	17	29	\$540,000	\$567,243	\$1,107,243
Project 6	10	3	13	\$150,000	\$119,745	\$269,745
Project 7	20	23	43	\$800,000	\$939,420	\$1,739,420
Project 8	20	18	38	\$1,000,000	\$697,800	\$1,697,800
Project 9	22	19	41	\$990,000	\$690,822	\$1,680,822
Project 10	200	75	275	\$4,000,000	\$2,165,700	\$6,165,700
Project 11	60	70	130	\$1,500,000	\$1,761,413	\$3,261,413
Project 12	20	18	38	\$900,000	\$628,020	\$1,528,020
Project 13	20	11	31	\$1,000,000	\$444,675	\$1,444,675
Project 14	1	1	2	\$40,000	\$46,971	\$86,971
Project 15	40	25	65	\$1,400,000	\$715,260	\$2,115,260
Project 16	10	15	25	\$500,000	\$525,225	\$1,025,225
<b>Total</b>	<b>728</b>	<b>551</b>	<b>1,279</b>	<b>\$25,330,000</b>	<b>\$18,125,576</b>	<b>\$43,455,576</b>

### Multipliers Used in the Analysis

Project	Industry Description	Employment Multiplier	Earnings Multiplier
Project 1	Printing	1.130	0.969
Project 2	Roofing	0.872	0.726
Project 3	Service/Sales	0.618	0.511
Project 4	Printing	1.130	0.969
Project 5	Heavy Manufacturing	1.450	1.050
Project 6	Restaurant	0.331	0.798
Project 7	Manufacturing	1.168	1.174
Project 8	Warehouse/Distribution	0.885	0.698
Project 9	Warehouse/Distribution	0.885	0.698
Project 10	Retail	0.375	0.541
Project 11	Light Industrial	1.168	1.174
Project 12	Warehouse/Distribution	0.885	0.698
Project 13	Medical Office	0.558	0.445
Project 14	Manufacturing	1.168	1.174
Project 15	Service/Process	0.618	0.511
Project 16	Heavy Manufacturing	1.450	1.050
<b>Total</b>			