

TechWorks Campus/Waterloo, IA Application for Iowa Reinvestment District
List of Attachments

Section C Attachments – Economic Impact

- C.1 A Report of the Economic & Fiscal Impact of the TechWorks Campus Reinvestment District in Waterloo, IA, Provided by Impact DataSource, LLC
- C.2 ESRI Market Demographics and Market Reach

A REPORT OF THE ECONOMIC & FISCAL IMPACT OF THE TECHWORKS CAMPUS REINVESTMENT DISTRICT IN WATERLOO, IOWA

December 3, 2014

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PURPOSE & LIMITATIONS

This report presents the results of an analysis undertaken by Impact DataSource, an Austin, TX based economic consulting firm. The report relied on estimates, assumptions, and other information developed by Vandewalle & Associates and from Impact DataSource's independent research effort.

The analysis relies on prospective estimates of business activity that may not be realized. Impact DataSource made reasonable efforts to ensure that the project-specific information used in this analysis reflects realistic estimates of future activity.

No warranty or representation is made by Impact DataSource that any of the estimates or results contained in this study will actually be achieved.

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Executive Summary

The TechWorks Campus Reinvestment District is a planned development in Waterloo, Iowa that represents a unique, super-regional destination that is expected to attract visitors, workers, business growth, and result in new local and state tax revenues. The individual development components are described in detail in the main section of this report but include light manufacturing and research space, a hotel, museum, multiple restaurants, and commercial/retail space. In total, \$69.1 million will be invested to develop more than 380,000 square feet of new space.

This analysis describes in detail the projected economic impact created by the TechWorks Campus Reinvestment District and translates these economic impacts in to additional tax revenues for the state and other local taxing districts.

The economic impact of the TechWorks Campus Reinvestment District on the State of Iowa is shown in the next table. At full build-out, the project is expected to create a total of 562 jobs in the state, \$19.0 million in annual workers' earnings, \$64.1 million in annual economic output or sales for businesses in the state and increase the state's gross area product by \$35.1 million.

Table 1. Total Economic Impact in Iowa

	Employment	Workers' Earnings	Economic Output	Value Added
11 Agriculture, Forestry, Fishing & Hunting	1.7	\$66,141	\$475,693	\$143,498
21 Mining, Quarrying, and Oil and Gas Extraction	0.1	\$4,354	\$19,342	\$9,651
22 Utilities	2.3	\$206,527	\$982,965	\$638,593
23 Construction	3.4	\$144,249	\$388,292	\$194,521
31-33 Manufacturing	75.8	\$3,931,314	\$17,940,313	\$7,292,507
42 Wholesale Trade	8.6	\$490,512	\$1,584,535	\$1,069,263
44-45 Retail Trade	28.8	\$711,905	\$2,119,324	\$1,387,059
48-49 Transportation & Warehousing	9.7	\$439,610	\$1,265,568	\$695,367
51 Information	6.6	\$305,297	\$1,346,516	\$721,176
52 Finance and Insurance	15.1	\$802,902	\$3,015,941	\$1,845,234
53 Real Estate and Rental & Leasing	14.2	\$160,802	\$3,175,883	\$2,304,961
54 Professional, Scientific, & Technical Services	85.2	\$4,931,653	\$11,635,875	\$6,730,480
55 Management of Companies & Enterprises	3.5	\$246,213	\$626,776	\$389,489
56 Administrative & Support & Waste Mgmt	74.7	\$1,626,661	\$4,530,237	\$2,880,783
61 Educational Services	5.0	\$114,856	\$288,175	\$164,077
62 Health Care & Social Assistance	20.2	\$856,894	\$1,867,524	\$1,148,717
71 Arts, Entertainment, & Recreation	12.2	\$273,406	\$629,566	\$384,932
721 Accommodation	73.7	\$1,539,064	\$5,179,739	\$3,352,678
722 Food services and drinking places	106.5	\$1,691,339	\$5,439,218	\$2,829,844
81 Other Services	12.8	\$433,836	\$1,610,905	\$907,127
Households	2.1	\$24,763	\$0	\$24,764
Total	562.1	\$19,002,297	\$64,122,387	\$35,114,724

A majority of the impacts summarized above the state will be concentrated in the City of Waterloo, the location of all of the direct economic activity as detailed in the report. Additionally, an analysis of the economic impact in the Waterloo-Cedar Falls MSA reveals a majority of the statewide impact will be concentrated in the immediate area.

In fact, the direct economic output accounts for \$37.0 million of the \$64.1 million in total annual economic output or sales. Accordingly, new or existing businesses will see an increase in demand for their services by approximately \$27.1 million. The project will contribute to the wider economic development strategy of Waterloo and the Cedar Valley Region by building on the technology/manufacturing cluster, attracting national and international visitors to the John Deere Museum and by drawing local and statewide visitors to the new retail shopping, dining and accommodations.

Additionally, the TechWorks Campus Reinvestment District will support and compliment other developments occurring in the downtown area with in the tax increment financing district. Specifically, more than 360 new residential apartment units are planned nearby along with 500,000 square feet of additional commercial/office and hotel space.

The TechWorks Campus Reinvestment District will have a substantial impact on two main industry sectors; the manufacturing and research sectors ("31-33 Manufacturing" and "54 Professional, Scientific, & Technical Services"). The project is estimated to support an increase in the gross state product of the manufacturing industry of \$7.3 million. Similarly, the gross state product of the research sector will increase by \$6.7 million.

The District will generate revenues for the state and some local taxing districts, a summary of which is provided below. The source of specific revenue sources are provided in greater detail for each taxing district in the main report. Overall, the State will receive approximately \$43,337,400 in revenues over the 20-year period and the District will generate \$59,053,100 in total including local taxing districts.

Table 2. Tax Revenues to be Collected Over the First 20 Years

	Revenues	Present Value*
State of Iowa	\$43,337,422	\$25,768,779
City of Waterloo	\$13,685,047	\$7,940,251
Local Debt Levies not Subject to TIF	\$2,030,667	\$1,173,463
Total	\$59,053,136	\$34,882,493

* The Present Value of Revenues expresses the future stream of revenue received over several years as a single value in today's dollars. Today's dollar and a dollar to be received at differing times in the future are not comparable because of the time value of money. The time value of money is the interest rate or each taxing entity's discount rate. This analysis uses a discount rate of 5% to make the dollars comparable.

Introduction

This economic and fiscal impact analysis estimates the impact that the proposed TechWorks Campus Reinvestment District (the "District") will have on Waterloo, the region and state of Iowa.

Description of the District

As described in the application for the Iowa Reinvestment Act, the District will capture over \$69.1 million of new investment in three project areas that will together provide a unique, super-regional destination that will attract visitors, workers, business growth, and result in new local and state tax revenues. The dynamic nature of the TechWorks Campus, because of its multiple uses and overlapping partnerships, will transform vacant and underperforming property into a center of unique, new amenities for all classes of visitors. The proposed business-class hotel, industrial incubator, private sector lab and manufacturing Makerspace, and John Deere Tractor & Engine Museum, retail, and Marina are amenities that do not currently exist in Waterloo, the region, or the state of Iowa in this form.

The TechWorks Campus Reinvestment District includes three project areas as described below.

Project #1 includes Tech 1 & 2 and the museum.

Tech 1 - TechWorks' Corporate Training / Light Manufacturing / Industrial Incubator

Tech 2 - Green Hotel / R&D / Office / Two Restaurants

Museum - John Deere Tractor & Engine Museum

Project #2 includes two outlots composed restaurant and retail that are complementary to Project #1.

Outlot #1 - Midscale Restaurant

Outlot #2 - Commercial/Office

Project #3 includes a marina for boat storage, boat sales, fuel sales, and a riverfront restaurant.

Marina/Commercial Space

River House Restaurant

The District is intended contribute to the wider economic development strategy of Waterloo and the Cedar Valley Region by building on the technology/manufacturing cluster, attracting national and international visitors to the John Deere Museum and by drawing local and statewide visitors to the new retail shopping, dining and accommodations.

Additionally, the new manufacturing and office space as well as the restaurant and retail development will support and compliment other developments occurring in the downtown area with in the tax increment financing district. Specifically, more than 360 new residential apartment units are planned nearby along with 500,000 square feet of additional commercial/office and hotel space.

A summary of the capital investments in the district is provided on the next page.

Summary of Capital Investments in the District

According to the development schedule provided to Impact DataSource by Vandewalle & Associates, in all the capital investments in the District will total \$69.1 million, creating 385,640 square feet in new space. The table below provides more detail on the capital investment by component. Additionally, the appendix presents a detailed timeline of when the investments will be made and the space will come in to use. Generally speaking, most of the development is expected to occur from 2015 through 2018.

Table 3. Capital Investments in the District

	Square Feet	Amount
<u>Tech 1*</u>		
Light Industrial	25,940	\$1,297,000
Light Industrial	25,940	\$1,945,500
Light Industrial	25,940	\$2,594,000
R&D	25,940	\$2,204,900
R&D	25,940	\$2,204,900
Business Incubation	25,940	\$2,204,900
<u>Subtotal Hard Costs</u>	<u>155,640</u>	<u>\$12,451,200</u>
<u>Tech 2*</u>		
Green Hotel/Office	156,990	\$27,473,250
Restaurant, Full Service	8,290	\$1,450,750
Restaurant, Limited Service	1,720	\$301,000
<u>Subtotal Hard Costs</u>	<u>167,000</u>	<u>\$29,225,000</u>
<u>John Deere Museum*</u>		
Museum	<u>25,000</u>	<u>\$2,500,000</u>
<u>Outlots #1 & #2</u>		
Restaurant	5,000	\$400,000
Commercial/Office	16,000	\$1,280,000
<u>Subtotal Hard Costs</u>	<u>21,000</u>	<u>\$1,680,000</u>
<u>TechWorks Marina</u>		
Marine Service & Sales	13,000	\$1,950,000
Restaurant	4,000	\$400,000
<u>Subtotal Hard Costs</u>	<u>17,000</u>	<u>\$2,350,000</u>
<u>Total Hard Costs</u>	<u>385,640</u>	<u>\$48,206,200</u>
<u>Total Soft Costs</u>		<u>\$20,917,800</u>
<u>Grand Total Capital Investment</u>		<u>\$69,124,000</u>

* Net leaseable square footage, all others represent gross square footage.

ECONOMIC IMPACT

The development of the District's individual project components will support temporary economic impacts during construction in the form of construction employment, workers' earnings, and economic output in the city, region, and state. The tenants locating in the District's new facilities and space will create on-going economic impacts in the form of permanent employment, workers' earnings, and economic output in the city, region, and state.

Temporary Employment Estimates

The temporary employment estimates related to the construction expenditures are based on assumptions used by Vandewalle & Associates. Impact DataSource believes these estimates reasonable, if not conservative and utilizes these estimates in the analysis. Specifically, the temporary construction employment count is on an estimated 25% of the hard costs being attributed to labor

costs, with an average cost of \$45,000 per worker. Using this simple approach yields 268 construction job-years supported during the development of the District. In the interest maintaining conservative employment estimates, Impact DataSource disregards any spin-off impact or indirect and induced effects related to the temporary construction activity.

The temporary construction activity will support economic output or sales for local construction firms, contractors, architects, and others. As described above, the activity will support 268 construction job-years and a total of \$12.1 million in workers' earnings.

Permanent Employment Estimates

The direct economic impacts during operation will occur locally, in downtown Waterloo, but spin-off activity in the form of indirect and induced impacts will ripple throughout the county, region, and state. The economic impacts resulting from on-going activity are estimated based on (1) direct employment estimates of tenants in the District and (2) the RIMS II economic impact model produced by the Bureau of Economic Analysis. A discussion of the direct employment estimates is provided next.

The employment created in the District serves as the basis for the permanent economic impact calculations. The employment estimates described below reflect information about prospective tenants and industry benchmarks for employment per square foot as provided by Vandewalle & Associates. According to Vandewalle & Associates, "the permanent job estimates are derived from a combination of tenant interviews about their projected staffing needs, as well as industry benchmarks for jobs square feet. Usable square footages assume 80% of gross floor area for leasable/tax generation purposes. The above figures are strictly proprietary, and represent the estimated supportable capacity of the proposed floor plans. Actual Employment of specialty businesses categories at full build-out may vary." Impact DataSource reviewed the ratios and assumptions and we believe they are reasonable.

Table 4. Project Component Employment Estimate

	Total Usable Square Feet	Square Feet Per Employee	Direct Employees Industry Definition
<u>Tech 1</u>			
Light Industrial	20,752	1,200	17.3 Miscellaneous manufacturing
Light Industrial	20,752	1,200	17.3 Miscellaneous manufacturing
Light Industrial	20,752	1,200	17.3 Miscellaneous manufacturing
R&D	20,752	750	27.7 Scientific research and development services
R&D	20,752	750	27.7 Scientific research and development services
Business Incubation	20,752	1,000	20.8 Scientific research and development services
<u>Tech 2</u>			
Office	15,800	500	31.6 Business support services
Restaurant, Bar, Banquet & Catering	10,010	200	50.1 Food services and drinking places
Green Hotel	141,190	2,000	70.6 Hotels and motels, including casino hotels
<u>John Deere Museum</u>			
Museum	12,000	1,250	9.6 Museums, historical sites, zoos, and parks
<u>Outlots #1 & #2</u>			
Restaurant	5,600	200	28.0 Food services and drinking places
Commercial/Office	12,800	600	21.3 Business support services
<u>TechWorks Marina</u>			
Marine Retail & Service	2,400	550	4.4 Personal goods repair and maintenance
Showroom & Boat Sales	8,000	1,500	5.3 Retail trade
Restaurant	3,200	200	16.0 Food services and drinking places
		<u>Total</u>	<u>365.0</u>

The total employment impact, including direct, indirect, and induced employment, is estimated using RIMS II multipliers from the Bureau of Economic analysis. To estimate the spin-off economic activity that ripples through the wider economy as a result of the economic activity occurring in the District, Impact DataSource applies industry and region-specific economic impact multipliers. The

industry associated with the activity is indicated in the table above. A summary of the total employment impact at full build-out is shown on the next page for the state and region. Generally speaking, the total impact at the state level is larger because it encompasses a larger area and can therefore include impacts for a larger number of downstream businesses.

Table 5. Total Employment Impact Estimate in the Waterloo-Cedar Falls, IA MSA

	Direct Employment	Employment Multiplier	Total Employment
Business support services	52.9	1.3072	69.2
Food services and drinking places	94.1	1.2144	114.3
Hotels and motels, including casino hotels	70.6	1.2959	91.5
Miscellaneous manufacturing	51.9	1.7852	92.7
Museums, historical sites, zoos, and parks	9.6	1.3073	12.6
Personal goods repair and maintenance	4.4	1.7957	7.9
Retail trade	5.3	1.3211	7.0
Scientific research and development services	76.2	1.9447	148.2
<u>Total</u>	<u>365.0</u>		<u>543.4</u>

Waterloo-Cedar Falls, IA MSA includes Black Hawk County, Bremer County, and Grundy County

Table 6. Total Employment Impact Estimate in the State

	Direct Employment	Employment Multiplier	Total Employment
Business support services	52.9	1.3553	71.7
Food services and drinking places	94.1	1.2775	120.2
Hotels and motels, including casino hotels	70.6	1.3268	93.7
Miscellaneous manufacturing	51.9	2.0931	108.6
Museums, historical sites, zoos, and parks	9.6	1.3258	12.7
Personal goods repair and maintenance	4.4	1.7139	7.5
Retail trade	5.3	1.3722	7.3
Scientific research and development services	76.2	1.8419	140.4
<u>Total</u>	<u>365.0</u>		<u>562.1</u>

Impact DataSource used the RIMS II model and the direct employment impacts to estimate the increase in economic output, workers earnings, and value added.

Based on the initial direct employment impact, the RIMS II model can be used to estimate the direct, indirect and induced impacts on economic output, value added, earnings and employment in a given region. Economic output is gross output and is the sum of the intermediate inputs and final use. This is a duplicative total in that goods and services will be counted multiple times if they are used in the production of other goods and services. Value added is defined as the value of gross output less intermediate inputs. Workers' earnings or earnings consist of wages and salaries, employer provided benefits and proprietors' income. Employment consists of a count of jobs that include both full-time and part-time workers.

Table 7. Total Economic Impact Estimate in the State

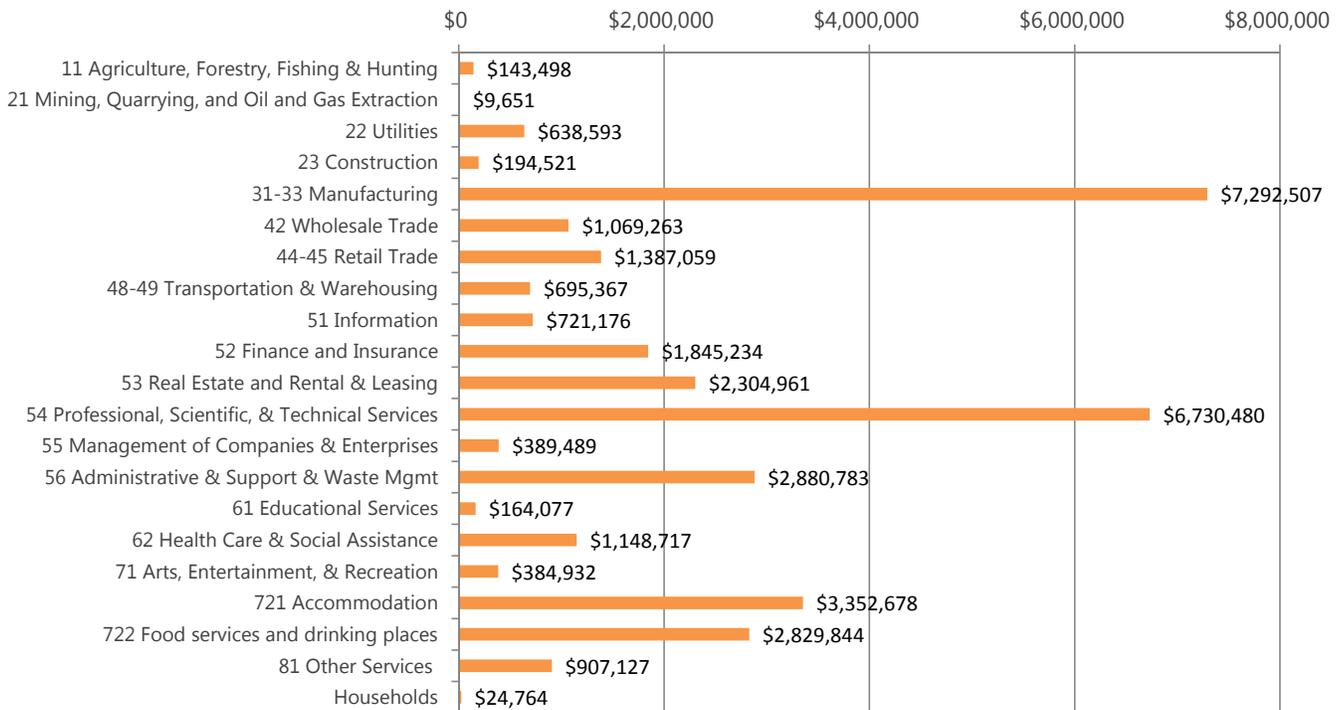
	Direct	Indirect & Induced	Total
Employment	365.0	197.1	562.1
Workers' Earnings	\$11,890,704	\$7,111,593	\$19,002,297
Economic Output	\$36,957,779	\$27,164,608	\$64,122,387
Value Added			\$35,114,724

The economic impact of all District activities at full build-out is shown on the next page by industry sector for the state of Iowa. As expected, the most impacted sectors include "31-33 Manufacturing" and "54 Professional, Scientific, & Technical Services". All impacts are shown in current 2014 dollars.

Table 8. Total Economic Impact in Iowa

	Employment	Workers' Earnings	Economic Output	Value Added
11 Agriculture, Forestry, Fishing & Hunting	1.7	\$66,141	\$475,693	\$143,498
21 Mining, Quarrying, and Oil and Gas Extraction	0.1	\$4,354	\$19,342	\$9,651
22 Utilities	2.3	\$206,527	\$982,965	\$638,593
23 Construction	3.4	\$144,249	\$388,292	\$194,521
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721 Accommodation	73.7	\$1,539,064	\$5,179,739	\$3,352,678
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81 Other Services	12.8	\$433,836	\$1,610,905	\$907,127
Households	2.1	\$24,763	\$0	\$24,764
Total	562.1	\$19,002,297	\$64,122,387	\$35,114,724

Figure 1. Value Added By Industry



Taxable Sales and Taxable Hotel Room Sales at the District

Vandewalle & Associates provided some additional estimates of taxable sales and taxable hotel room sales in the District. A summary of these estimates and the assumptions used by Vandewalle & Associates is shown next.

Table 9. Summary of Taxable Sales and Taxable Room Sales at the District

	Amount
Taxable Sales	\$15,299,846
Taxable Hotel Room Sales	\$5,694,000
Total	\$20,993,846

Table 10. Taxable Sales at the District - Sales per Square Feet Assumptions

	Retail Square Footage	Sales Per Square Foot	Taxable Sales
<u>Tech 2</u>			
Full Service Restaurant #1 - Food	3,810	\$500	\$1,905,000
Full Service Restaurant #1 - Bar	1,540	\$800	\$1,232,000
Limited Service Restaurant #2	1,720	\$350	\$602,000
Campus- related Catering - Restaurant #1	2,940	\$300	\$882,000
<u>Outlots #1 & #2</u>			
Restaurant	5,000	\$500	\$2,500,000
Commercial/Office	16,000	\$250	\$4,000,000
<u>TechWorks Marina</u>			
Marine Retail & Service	3,000	\$100	\$300,000
Showroom & Boat Sales	10,000	\$150	\$1,500,000
Restaurant	4,000	\$200	\$800,000
		<u>Subtotal</u>	<u>\$13,721,000</u>

Table 11. Taxable Sales and Taxable Room Sales at the District - Assumptions

	Taxable Sales
<u>Tech 2</u>	
Green Hotel Room Service	\$135,096
Rooms	156
Average Sales Per Room per Year*	\$866
Green Hotel Room	\$5,694,000
Rooms	156
Average Sales Per Room per Night	80%
Average Daily Room Rate**	\$125
In-house Catering (within Hotel from Restaurant #1)	\$1,443,750
Seating capacity	275
Average Sales per Seat	\$35
Bookings per week	3
Occupied weeks per year	50
	<u>Subtotal</u> \$7,272,846

* National average expenditure on room service per room per year. Source: PKF Hospitality Research, 2012, as quoted in The Business Journal, July 20, 2013.

** A \$10/night room rate increase incorporated into tax calculations in 2020, after expected market stabilization.

The taxable sales will ramp up as specific spaces come in to use from the period of 2016 through 2022. The appendix provides more detail on this timeline.

Fiscal Impact Overview

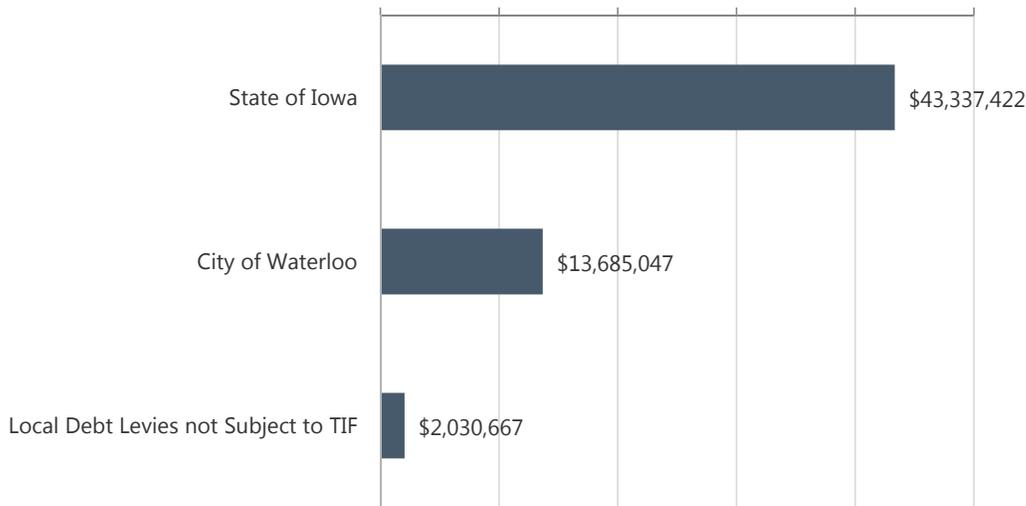
The District will generate revenues for the state and some local taxing districts, a summary of which is provided below. The source of specific revenue sources are provided in greater detail for each taxing district on subsequent pages. Overall, the State will receive approximately \$43,337,400 in revenues over the 20-year period and the District will generate \$59,053,100 in total including local taxing districts.

Table 12. Tax Revenues to be Collected Over the First 20 Years

	Revenues	Present Value*
State of Iowa	\$43,337,422	\$25,768,779
City of Waterloo	\$13,685,047	\$7,940,251
Local Debt Levies not Subject to TIF	\$2,030,667	\$1,173,463
Total	\$59,053,136	\$34,882,493

* The Present Value of Revenues expresses the future stream of revenue received over several years as a single value in today's dollars. Today's dollar and a dollar to be received at differing times in the future are not comparable because of the time value of money. The time value of money is the interest rate or each taxing entity's discount rate. This analysis uses a discount rate of 5% to make the dollars comparable.

Figure 2. Tax Revenues Over the First 20 Years



It is expected that most of the jobs created in the District will be filled by existing Iowa residents and therefore the District will have a negligible effect on statewide costs to provide services to new residents. Accordingly, no additional costs were estimated for to be incurred by the State of Iowa. The City of Waterloo may face an increase the demand for municipal services as result of the District and other associated economic development in the city. Impact DataSource did not estimate any increase in costs associated with the District.

The economic impacts described above were translated into additional tax revenues for the State of Iowa and local taxing districts. Impact DataSource estimates (1) the property taxes to be generated by the new capital investments in the District, (2) sales and hotel taxes resulting from new businesses in the District, (3) sales taxes resulting from new workers spending a portion of their earnings in the area, and (4) personal and corporate income taxes paid to the State of Iowa.

Property taxes are estimated based on the expected taxable value of the new capital investments in the District. This property is located in the city's tax increment financing (TIF) district and therefore nearly all local taxes are contributed to the city's TIF. This analysis assumes taxable value added to tax rolls will equal 50% of the hard construction cost investment made in the District.

The general retail sales and hotel sales summarized above for the District will be subject to state and city sales taxes. Impact DataSource estimates additional sales taxes to be generated by new workers spending 30% of their gross earnings on taxable items and 35% of this spending occurring in the city.

Finally, personal and corporate income taxes are estimated using effective tax rates estimated using state tax corporate and personal income collections and gross area product. These effective personal and corporate income tax rates are applied to the value added estimated in the economic impact section. In this way Impact DataSource estimates the increase in personal and corporate income taxes associated with the increase in statewide economic activity.

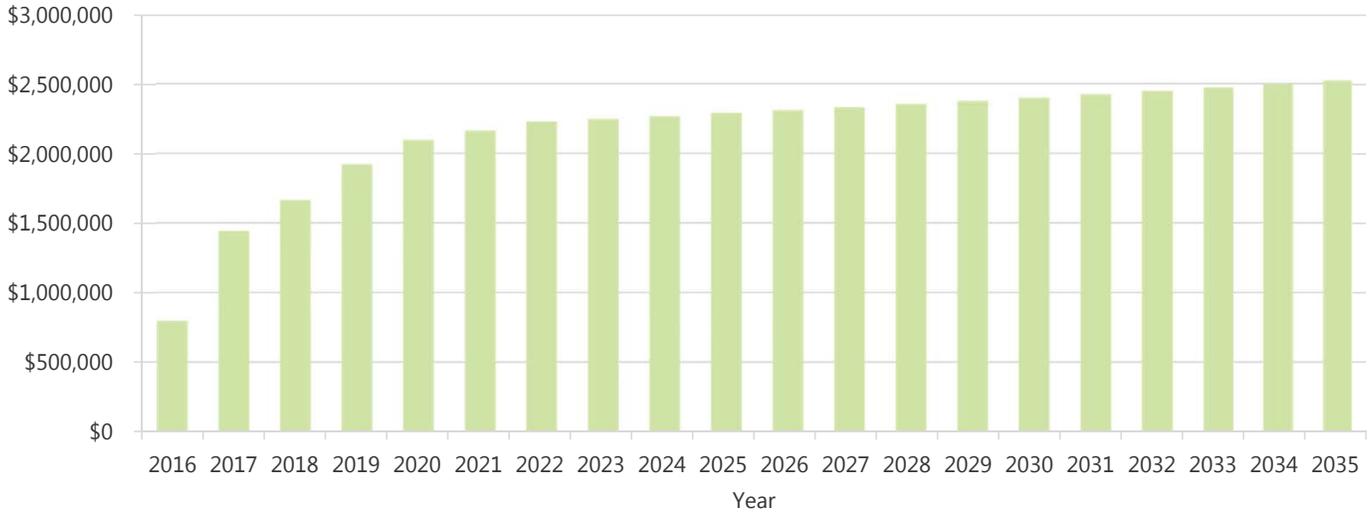
State of Iowa

The table below displays the estimated additional revenues to be received by the State over the first 20 years. Appendix C contains the year-by-year calculations.

Table 13. State of Iowa: Revenues Over the First 20 Years

	Amount
Sales Taxes	\$19,265,489
Hotel Room Taxes	\$6,058,416
Corporate Income Taxes	\$1,453,477
Personal Income Taxes	\$16,560,040
<u>Total Revenues</u>	<u>\$43,337,422</u>
<i>Present Value (5% discount rate)</i>	<i>\$25,768,779</i>

Figure 3. Annual Revenues for the State of Iowa



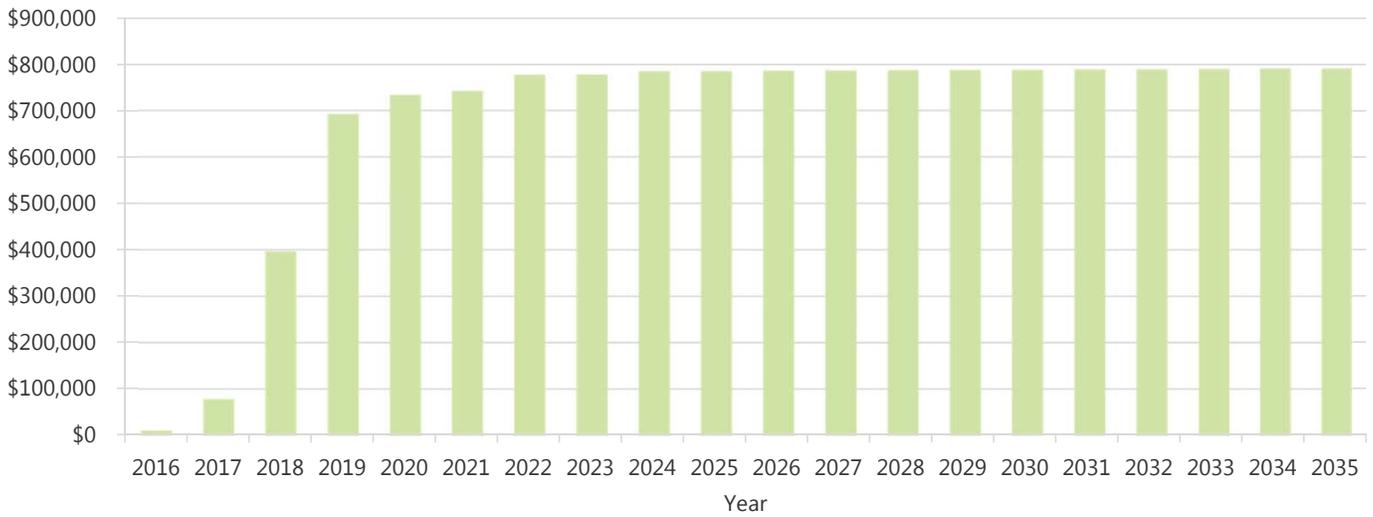
City of Waterloo

The table below displays the estimated additional revenues to be received by the City over the first 20 years. Appendix C contains the year-by-year calculations.

Table 14. City of Waterloo: Revenues Over the First 20 Years

	Amount
Sales Taxes	\$3,210,915
Property Taxes - TIF	\$10,474,132
Building Permits and Fees	\$0
<u>Total Revenues</u>	<u>\$13,685,047</u>
<i>Present Value (5% discount rate)</i>	<i>\$7,940,251</i>

Figure 4. Annual Revenues for the City of Waterloo



Overview of Methodology

This report presents the results of an analysis undertaken by Impact DataSource, an Austin, TX based economic consulting firm. The report relied on estimates, assumptions, and other information developed by Vandewalle & Associates and from Impact DataSource's independent research effort.

The economic impact as calculated in this report can be categorized into two main types of impacts. First, the direct economic impacts are the jobs and payroll directly created by District businesses. Second, this economic impact analysis calculates the indirect and induced impacts that result from the District. Indirect jobs and salaries are created in new or existing area firms, such as maintenance companies and service firms, that may supply goods and services for the Project. 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 new workers and their families.

Regional Input-Output Modeling System (RIMS II)

The economic impact estimates in this report are based on the Regional Input-Output Modeling System (RIMS II), a widely used regional input-output model developed by the U. S. Department of Commerce, Bureau of Economic Analysis. The RIMS II model is a standard tool used to estimate regional economic impacts. The economic impacts estimated using the RIMS II model are generally recognized as reasonable and plausible assuming the data input into the model is accurate or based on reasonable assumptions. The RIMS II model is described in basic detail below.

Generally speaking, input-output modeling attempts to estimate the changes that occur in all industries based on a change in the demand for the output of an industry. An input-output model allows an analyst to identify the subsequent changes occurring in various industries within a regional economy in order to estimate the total impact on the economy. Total economic impact is the sum of three components: (1) direct, (2) indirect, and (3) induced impacts.

If the demand for the output of an industry, measured by industry sales or revenue, increases by \$1.0 million, total regional output increases by \$1.0 million. This initial change in output is called the change in direct economic output and also referred to as the direct expenditure effect. The change in total economic output in the region resulting from the initial change does not stop with the change in direct economic output. Businesses in a variety of industries within the region will be called upon to increase their production to meet the needs of the industry where the initial increase in demand occurs. Further, other suppliers must also increase production to meet the needs of the group of initial supplier firms to the industry. This increase in expenditures by regional suppliers is considered the indirect economic impact of the initial \$1.0 million in sales, and is classified as indirect expenditures of the total economic impact or the change in indirect economic output.

The total economic impact of the \$1.0 million in sales includes one more component, the induced impact. All economic activity, whether direct or indirect, that results from the initial increase in demand of \$1.0 million, requires workers, and these workers must be paid for their labor. This means that part of the direct and indirect expenditures is actually in the form of wages and salaries paid to workers in the various affected industries. These wages and salaries will in turn be spent in part on goods and services produced locally in the region. This spending is another part of the regional economic impacts referred to as induced impacts and is classified as induced expenditures or the change in induced economic output.

Based on the initial direct impact, the RIMS II model can be used to estimate the direct, indirect and induced impacts on economic output, value added, earnings and employment in a given region. Economic output is gross output and is the sum of the intermediate inputs and final use. This is a duplicative total in that goods and services will be counted multiple times if they are used in the production of other goods and services. Value added is defined as the value of gross output less intermediate inputs. Workers' earnings or earnings consist of wages and salaries, employer provided benefits and proprietors' income. Employment consists of a count of jobs that include both full-time and part-time workers.

The RIMS II model is based on regional multipliers, which are summary measures of economic impacts generated from changes in direct expenditures, earnings, or employment. Multipliers show the overall impact to a regional economy resulting from a change in demand in a particular industry. Multipliers can vary widely by region. Multipliers are higher for regions with a diverse industry mix. Industries that buy most of their materials from outside the state or region tend to have lower multipliers. Multipliers tend to be higher for industries located in larger areas because more of the spending by the industry stays within the area.

The RIMS II model generates six types of multipliers for more than 400 industrial sectors for any region in the United States. The multipliers include four “final-demand” multipliers and two “direct-effect” multipliers. Final demand multipliers indicate the impact of changes in final demand for the output of a particular regional industry on total regional output, earnings, employment and value added. Direct-effect multipliers indicate the impact of changes in regional earnings or employment within a particular industry on total employment or earnings within a region.

Final-demand output multipliers indicate the total regional output (direct, indirect and induced expenditures) that results from an increase in direct expenditures for a good produced by a particular regional industry. For example, if an industry in a particular region is said to have a final demand output multiplier of 2, this tells us that a \$1 increase in final demand for the good produced by that industry results in a \$2 increase in total output or expenditures within the regional economy. Final-demand earnings multipliers indicate the impact of an increase in final demand for the good of a particular regional industry on the total earned income of households within the region. Final-demand employment multipliers indicate the increase in total regional employment that results from a \$1.0 million increase in final demand for the good produced by a particular regional industry. Final-demand value-added multipliers indicate the increase in total regional value added that results from a \$1.0 million increase in final demand for the good produced by a particular regional industry. Direct-effect earnings multipliers indicate the impact of a \$1 change in earnings within a particular regional industry on total earnings in all industries within a region. Direct-effect employment multipliers indicate the impact of a change in employment in a particular regional industry on total employment in all industries within a region.

Theoretically, changes in final demand drive the total change in economic output, earnings, and employment. However, these multiplier relationships can be used to estimate impacts in other ways if only limited information is known about a project. For example, the multiplier relationships can be used to estimate the increase in direct economic output based on a given level of employment in a specific industry.

Additional Notes on RIMS II

RIMS II multipliers are based on the average relationships between the inputs and outputs produced in a local economy. The multipliers are a useful tool for studying the potential impacts of changes in economic activity. However, the relative simplicity of input-output multipliers comes at the cost of several limiting assumptions.

- Firms have no supply constraints—Input-output based multipliers assume that industries can increase their demand for inputs and labor as needed to meet additional demand.
- Firms have fixed patterns of purchases—Input-output based multipliers assume that an industry must double its inputs to double its output.
- Firms use local inputs when they are available—The method used by RIMS II to develop regional multipliers assumes that firms will purchase inputs from firms in the region before using imports.

RIMS II, like all input-output models, is a “static equilibrium” model. This means that there is no specific time dimension associated with the results using the model. For the RIMS II model, it is customary to assume that the impacts occur in one year because the model is based on annual data.

The fiscal impacts calculated in this report are detailed in Appendix C and were described in the text of the report.

About Impact DataSource

Impact DataSource is an Austin economic consulting, research, and analysis firm founded in 1993. The firm has conducted over 2,500 economic impact analyses of firms, projects, and activities in most industry groups in Texas and more than 30 other states.

In addition, Impact DataSource has prepared and customized more than 50 economic impact models for its clients to perform their own analyses of economic development projects. These clients include the New Mexico Economic Development Department and the Metro Orlando (Florida) Economic Development Commission.

The New Mexico Department of Economic Development uses Impact DataSource's computer model to project the economic impact of new or expanding firms in the state, including costs and benefits for the State of New Mexico, as well as each local taxing district. The model also analyzes the amount of eligible state and local incentives and calculates a rate of return and payback period for these incentives.

Appendix A

Data and Rates

Tax Rates & Other Assumptions

Income tax rates		
Effective Corporate Income Tax Rate as a percent of Gross State Product		0.17%
2011 Iowa Gross State Product (millions)	\$149,987.2	
2011 Iowa Corporate Income Tax Collections (millions)	\$250.3	
Effective Personal Income Tax Rate as a percent of Gross State Product		1.90%
2011 Iowa Gross State Product (millions)	\$149,987.2	
2011 Iowa Corporate Income Tax Collections (millions)	\$2,851.4	
Sales tax rates		
State of Iowa		6.00%
City of Waterloo		1.00%
Property tax rates, per \$1,000 of valuation		
City of Waterloo - TIF Rate		34.0170
Debt Service Levies		6.5950
Total Rate		40.6120
Hotel room tax rates		
State of Iowa		5.00%
Percent of taxable shopping by a typical new worker that will be in the City		35.0%
Percent of the gross salaries that new workers will spend on taxable goods and services		30.0%
Discount rate for calculating the present value of costs and benefits		5.0%
Expected average annual inflation rate		3.0%

Project Investments

The Project's capital investment each year

Year	Construction Expenditure	Tech 1 Expenditure*	Property on Tax Rolls**
2016	\$2,594,000	\$2,594,000	\$0
2017	\$20,355,000	\$3,242,500	\$0
2018	\$21,627,200	\$6,614,700	\$8,556,250
2019	\$1,280,000		\$16,062,500
2020	\$0		\$16,702,500
2021	\$1,950,000		\$16,702,500
2022	\$0		\$17,677,500
2023	\$400,000		\$17,677,500
2024	\$0		\$17,877,500
2025	\$0		\$17,877,500
2026	\$0		\$17,877,500
2027	\$0		\$17,877,500
2028	\$0		\$17,877,500
2029	\$0		\$17,877,500
2030	\$0		\$17,877,500
2031	\$0		\$17,877,500
2032	\$0		\$17,877,500
2033	\$0		\$17,877,500
2034	\$0		\$17,877,500
2035	\$0		\$17,877,500
Total	\$48,206,200	\$12,451,200	

* Tech 1 building will be exempt from property taxes.

** Assumes 50% of the construction expenditure will be taxable.

Building permits and fees to be paid to the City during construction, if applicable

Year	Total City Building Permits and Fees
2016	\$0
2017	\$0
2018	\$0
2019	\$0
2020	\$0
2021	\$0
2022	\$0
2023	\$0
2024	\$0
2025	\$0

Activities During the Project's Operations

Number of new full-time jobs to be added in the community each year

Year	New employees to be hired each year
2016	213.8
2017	104.2
2018	21.3
2019	0.0
2020	9.7
2021	0.0
2022	16.0
2023	0.0
2024	0.0
2025	0.0
Total	365.0

Average annual salaries of new employees each year

Year	Average Annual Salaries
2016	\$34,380
2017	\$35,068
2018	\$35,769
2019	\$36,484
2020	\$37,214
2021	\$37,958
2022	\$38,717
2023	\$39,492
2024	\$40,282
2025	\$41,087

The District's estimated taxable sales and hotel taxable sales

Year	Hotel Room Taxable Sales	General Taxable Sales
2016	\$5,694,000	\$0
2017	\$5,694,000	\$6,199,846
2018	\$5,694,000	\$8,699,846
2019	\$5,694,000	\$12,699,846
2020	\$6,149,520	\$14,499,846
2021	\$6,149,520	\$15,299,846
2022	\$6,149,520	\$15,299,846
2023	\$6,149,520	\$15,299,846
2024	\$6,149,520	\$15,299,846
2025	\$6,149,520	\$15,299,846

Appendix B

Economic Impact Calculations

Number of jobs added and worker salaries to be paid each year in the Waterloo-Cedar Falls, IA MSA

Year	Direct Jobs	Indirect Jobs	Total Jobs	Direct Salaries	Indirect Salaries	Total Salaries
2016	213.8	105.0	318.8	\$7,350,444	\$3,980,265	\$11,330,709
2017	104.2	51.2	155.4	\$11,151,497	\$6,038,536	\$17,190,033
2018	21.3	10.5	31.8	\$12,136,405	\$6,571,863	\$18,708,268
2019	0.0	0.0	0.0	\$12,379,134	\$6,703,301	\$19,082,435
2020	9.7	4.8	14.5	\$12,987,692	\$7,032,835	\$20,020,527
2021	0.0	0.0	0.0	\$13,247,446	\$7,173,492	\$20,420,938
2022	16.0	7.9	23.9	\$14,131,874	\$7,652,410	\$21,784,284
2023	0.0	0.0	0.0	\$14,414,512	\$7,805,458	\$22,219,970
2024	0.0	0.0	0.0	\$14,702,802	\$7,961,567	\$22,664,369
2025	0.0	0.0	0.0	\$14,996,858	\$8,120,799	\$23,117,657
2026	0.0	0.0	0.0	\$15,296,795	\$8,283,214	\$23,580,009
2027	0.0	0.0	0.0	\$15,602,731	\$8,448,879	\$24,051,610
2028	0.0	0.0	0.0	\$15,914,786	\$8,617,857	\$24,532,643
2029	0.0	0.0	0.0	\$16,233,082	\$8,790,214	\$25,023,296
2030	0.0	0.0	0.0	\$16,557,743	\$8,966,018	\$25,523,761
2031	0.0	0.0	0.0	\$16,888,898	\$9,145,338	\$26,034,236
2032	0.0	0.0	0.0	\$17,226,676	\$9,328,245	\$26,554,921
2033	0.0	0.0	0.0	\$17,571,209	\$9,514,810	\$27,086,019
2034	0.0	0.0	0.0	\$17,922,634	\$9,705,106	\$27,627,740
2035	0.0	0.0	0.0	\$18,281,086	\$9,899,208	\$28,180,294
Total	365.0	179.4	544.4	\$294,994,304	\$159,739,415	\$454,733,719

Number of jobs added each year and worker salaries to be paid in the State

Year	Direct Jobs	Indirect Jobs	Total Jobs	Direct Salaries	Indirect Salaries	Total Salaries
2016	213.8	115.9	329.7	\$7,350,444	\$4,394,930	\$11,745,374
2017	104.2	56.5	160.7	\$11,151,497	\$6,667,631	\$17,819,128
2018	21.3	11.6	32.9	\$12,136,405	\$7,256,520	\$19,392,925
2019	0.0	0.0	0.0	\$12,379,134	\$7,401,651	\$19,780,785
2020	9.7	5.3	15.0	\$12,987,692	\$7,765,516	\$20,753,208
2021	0.0	0.0	0.0	\$13,247,446	\$7,920,827	\$21,168,273
2022	16.0	8.7	24.7	\$14,131,874	\$8,449,638	\$22,581,512
2023	0.0	0.0	0.0	\$14,414,512	\$8,618,631	\$23,033,143
2024	0.0	0.0	0.0	\$14,702,802	\$8,791,004	\$23,493,806
2025	0.0	0.0	0.0	\$14,996,858	\$8,966,824	\$23,963,682
2026	0.0	0.0	0.0	\$15,296,795	\$9,146,160	\$24,442,955
2027	0.0	0.0	0.0	\$15,602,731	\$9,329,083	\$24,931,814
2028	0.0	0.0	0.0	\$15,914,786	\$9,515,665	\$25,430,451
2029	0.0	0.0	0.0	\$16,233,082	\$9,705,979	\$25,939,061
2030	0.0	0.0	0.0	\$16,557,743	\$9,900,098	\$26,457,841
2031	0.0	0.0	0.0	\$16,888,898	\$10,098,100	\$26,986,998
2032	0.0	0.0	0.0	\$17,226,676	\$10,300,062	\$27,526,738
2033	0.0	0.0	0.0	\$17,571,209	\$10,506,063	\$28,077,272
2034	0.0	0.0	0.0	\$17,922,634	\$10,716,185	\$28,638,819
2035	0.0	0.0	0.0	\$18,281,086	\$10,930,508	\$29,211,594
Total	365.0	198.0	563.0	\$294,994,304	\$176,381,075	\$471,375,379

Local taxable spending on which sales taxes will be collected

Year	Direct and Indirect Workers' Spending	Taxable Sales in the District	Total
2016	\$1,233,264	\$0	\$1,233,264
2017	\$1,871,008	\$6,199,846	\$8,070,854
2018	\$2,036,257	\$8,699,846	\$10,736,103
2019	\$2,076,982	\$12,699,846	\$14,776,828
2020	\$2,179,087	\$14,499,846	\$16,678,933
2021	\$2,222,669	\$15,299,846	\$17,522,515
2022	\$2,371,059	\$15,299,846	\$17,670,905
2023	\$2,418,480	\$15,299,846	\$17,718,326
2024	\$2,466,850	\$15,299,846	\$17,766,696
2025	\$2,516,187	\$15,299,846	\$17,816,033
2026	\$2,566,510	\$15,299,846	\$17,866,356
2027	\$2,617,840	\$15,299,846	\$17,917,686
2028	\$2,670,197	\$15,299,846	\$17,970,043
2029	\$2,723,601	\$15,299,846	\$18,023,447
2030	\$2,778,073	\$15,299,846	\$18,077,919
2031	\$2,833,635	\$15,299,846	\$18,133,481
2032	\$2,890,307	\$15,299,846	\$18,190,153
2033	\$2,948,114	\$15,299,846	\$18,247,960
2034	\$3,007,076	\$15,299,846	\$18,306,922
2035	\$3,067,217	\$15,299,846	\$18,367,063
Total	\$49,494,415	\$271,597,074	\$321,091,489

Hotel room sales

Year	Hotel Room Sales
2016	\$5,694,000
2017	\$5,694,000
2018	\$5,694,000
2019	\$5,694,000
2020	\$6,149,520
2021	\$6,149,520
2022	\$6,149,520
2023	\$6,149,520
2024	\$6,149,520
2025	\$6,149,520
2026	\$6,149,520
2027	\$6,149,520
2028	\$6,149,520
2029	\$6,149,520
2030	\$6,149,520
2031	\$6,149,520
2032	\$6,149,520
2033	\$6,149,520
2034	\$6,149,520
2035	\$6,149,520
Total	\$121,168,320

Taxable value of the Project's property on local tax rolls

Year	Total Taxable Property
2016	\$0
2017	\$0
2018	\$8,556,250
2019	\$16,062,500
2020	\$16,702,500
2021	\$16,702,500
2022	\$17,677,500
2023	\$17,677,500
2024	\$17,877,500
2025	\$17,877,500
2026	\$17,877,500
2027	\$17,877,500
2028	\$17,877,500
2029	\$17,877,500
2030	\$17,877,500
2031	\$17,877,500
2032	\$17,877,500
2033	\$17,877,500
2034	\$17,877,500
2035	\$17,877,500

Appendix C

Fiscal Impact Calculations

Fiscal Impact: State of Iowa

Sales Tax Collections On

Year	Direct & Indirect Workers' Spending	Taxable Sales at the District	Total
2016	\$73,996	\$0	\$73,996
2017	\$112,261	\$371,991	\$484,251
2018	\$122,175	\$521,991	\$644,166
2019	\$124,619	\$761,991	\$886,610
2020	\$130,745	\$869,991	\$1,000,736
2021	\$133,360	\$917,991	\$1,051,351
2022	\$142,264	\$917,991	\$1,060,254
2023	\$145,109	\$917,991	\$1,063,100
2024	\$148,011	\$917,991	\$1,066,002
2025	\$150,971	\$917,991	\$1,068,962
2026	\$153,991	\$917,991	\$1,071,981
2027	\$157,070	\$917,991	\$1,075,061
2028	\$160,212	\$917,991	\$1,078,203
2029	\$163,416	\$917,991	\$1,081,407
2030	\$166,684	\$917,991	\$1,084,675
2031	\$170,018	\$917,991	\$1,088,009
2032	\$173,418	\$917,991	\$1,091,409
2033	\$176,887	\$917,991	\$1,094,878
2034	\$180,425	\$917,991	\$1,098,415
2035	\$184,033	\$917,991	\$1,102,024
Total	\$2,969,665	\$16,295,824	\$19,265,489

Fiscal Impact: State of Iowa

Hotel Room Tax Collections

Year	Hotel Room Taxes
2016	\$284,700
2017	\$284,700
2018	\$284,700
2019	\$284,700
2020	\$307,476
2021	\$307,476
2022	\$307,476
2023	\$307,476
2024	\$307,476
2025	\$307,476
2026	\$307,476
2027	\$307,476
2028	\$307,476
2029	\$307,476
2030	\$307,476
2031	\$307,476
2032	\$307,476
2033	\$307,476
2034	\$307,476
2035	\$307,476
Total	\$6,058,416

Fiscal Impact: State of Iowa

Corporate and Personal Income Taxes

Year	Corporate Income Taxes	Personal Income Taxes	Total
2016	\$36,217	\$412,631	\$448,847
2017	\$54,945	\$626,010	\$680,954
2018	\$59,798	\$681,299	\$741,097
2019	\$60,994	\$694,925	\$755,919
2020	\$63,992	\$729,088	\$793,080
2021	\$65,272	\$743,669	\$808,941
2022	\$69,630	\$793,318	\$862,948
2023	\$71,022	\$809,185	\$880,207
2024	\$72,443	\$825,368	\$897,811
2025	\$73,892	\$841,876	\$915,767
2026	\$75,369	\$858,713	\$934,083
2027	\$76,877	\$875,888	\$952,764
2028	\$78,414	\$893,405	\$971,820
2029	\$79,983	\$911,273	\$991,256
2030	\$81,582	\$929,499	\$1,011,081
2031	\$83,214	\$948,089	\$1,031,303
2032	\$84,878	\$967,051	\$1,051,929
2033	\$86,576	\$986,392	\$1,072,967
2034	\$88,307	\$1,006,120	\$1,094,427
2035	\$90,073	\$1,026,242	\$1,116,315
Total	\$1,453,477	\$16,560,040	\$18,013,517

Fiscal Impact: State of Iowa

Total Benefits

Year	Benefits	Cumulative Net Benefits
2016	\$807,543	\$807,543
2017	\$1,449,906	\$2,257,449
2018	\$1,669,963	\$3,927,412
2019	\$1,927,228	\$5,854,640
2020	\$2,101,292	\$7,955,932
2021	\$2,167,768	\$10,123,700
2022	\$2,230,678	\$12,354,378
2023	\$2,250,783	\$14,605,161
2024	\$2,271,289	\$16,876,450
2025	\$2,292,205	\$19,168,655
2026	\$2,313,540	\$21,482,195
2027	\$2,335,302	\$23,817,497
2028	\$2,357,498	\$26,174,995
2029	\$2,380,139	\$28,555,134
2030	\$2,403,232	\$30,958,366
2031	\$2,426,788	\$33,385,154
2032	\$2,450,814	\$35,835,968
2033	\$2,475,321	\$38,311,289
2034	\$2,500,318	\$40,811,607
2035	\$2,525,815	\$43,337,422
Total	\$43,337,422	

Fiscal Impact: City of Waterloo

Sales Tax Collections On

Year	Direct & Indirect Workers' Spending	Taxable Sales at the District	Total
2016	\$12,333	\$0	\$12,333
2017	\$18,710	\$61,998	\$80,709
2018	\$20,363	\$86,998	\$107,361
2019	\$20,770	\$126,998	\$147,768
2020	\$21,791	\$144,998	\$166,789
2021	\$22,227	\$152,998	\$175,225
2022	\$23,711	\$152,998	\$176,709
2023	\$24,185	\$152,998	\$177,183
2024	\$24,668	\$152,998	\$177,667
2025	\$25,162	\$152,998	\$178,160
2026	\$25,665	\$152,998	\$178,664
2027	\$26,178	\$152,998	\$179,177
2028	\$26,702	\$152,998	\$179,700
2029	\$27,236	\$152,998	\$180,234
2030	\$27,781	\$152,998	\$180,779
2031	\$28,336	\$152,998	\$181,335
2032	\$28,903	\$152,998	\$181,902
2033	\$29,481	\$152,998	\$182,480
2034	\$30,071	\$152,998	\$183,069
2035	\$30,672	\$152,998	\$183,671
Total	\$494,944	\$2,715,971	\$3,210,915

Fiscal Impact: City of Waterloo

Property Tax Collections on District Property for TIF

Year	TIF Property Taxes Collected
2016	\$0
2017	\$0
2018	\$291,058
2019	\$546,398
2020	\$568,169
2021	\$568,169
2022	\$601,336
2023	\$601,336
2024	\$608,139
2025	\$608,139
2026	\$608,139
2027	\$608,139
2028	\$608,139
2029	\$608,139
2030	\$608,139
2031	\$608,139
2032	\$608,139
2033	\$608,139
2034	\$608,139
2035	\$608,139
Total	\$10,474,132

Fiscal Impact: City of Waterloo

Building Permits and Fees

Year	Building Permits and Fees
2016	\$0
2017	\$0
2018	\$0
2019	\$0
2020	\$0
2021	\$0
2022	\$0
2023	\$0
2024	\$0
2025	\$0
2026	\$0
2027	\$0
2028	\$0
2029	\$0
2030	\$0
2031	\$0
2032	\$0
2033	\$0
2034	\$0
2035	\$0
Total	\$0

Fiscal Impact: City of Waterloo

Total Benefits

Year	Benefits	Cumulative Net Benefits
2016	\$12,333	\$12,333
2017	\$80,709	\$93,041
2018	\$398,419	\$491,460
2019	\$694,166	\$1,185,627
2020	\$734,958	\$1,920,585
2021	\$743,394	\$2,663,979
2022	\$778,045	\$3,442,023
2023	\$778,519	\$4,220,542
2024	\$785,806	\$5,006,348
2025	\$786,299	\$5,792,647
2026	\$786,802	\$6,579,450
2027	\$787,316	\$7,366,766
2028	\$787,839	\$8,154,605
2029	\$788,373	\$8,942,978
2030	\$788,918	\$9,731,896
2031	\$789,474	\$10,521,370
2032	\$790,040	\$11,311,411
2033	\$790,619	\$12,102,029
2034	\$791,208	\$12,893,237
2035	\$791,810	\$13,685,047
Total	\$13,685,047	

Fiscal Impact: Local Debt Levies not Subject to TIF

Property Tax Collections

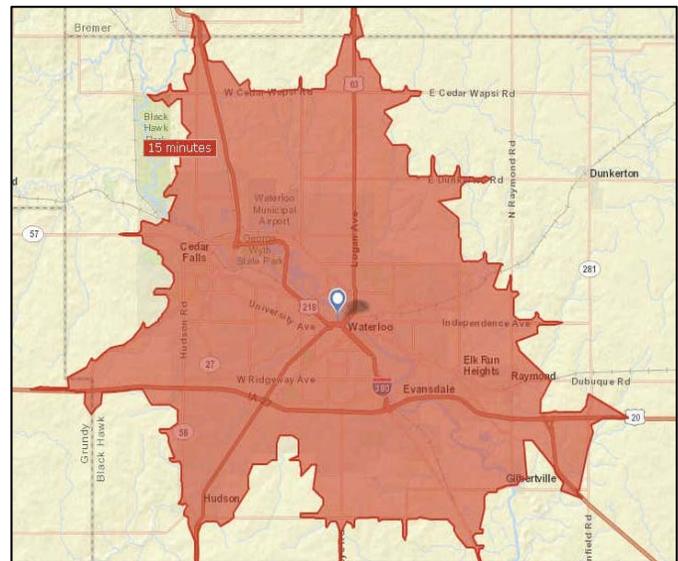
Year	Debt Levy Taxes Collected
2016	\$0
2017	\$0
2018	\$56,429
2019	\$105,933
2020	\$110,153
2021	\$110,153
2022	\$116,584
2023	\$116,584
2024	\$117,903
2025	\$117,903
2026	\$117,903
2027	\$117,903
2028	\$117,903
2029	\$117,903
2030	\$117,903
2031	\$117,903
2032	\$117,903
2033	\$117,903
2034	\$117,903
2035	\$117,903
Total	\$2,030,667

Market Areas of Substantial Benefit

Primary Market Impact Areas (Downtown and MSA)

The primary market areas served by the District are Downtown Waterloo and the larger metropolitan area. Broadly defined as a 15-minute drive from the site, this area covers 118,109 people who are the most likely to already be familiar with the location and visit the district simply by virtue of proximity. With a lower median age (34.3) than the state and region, activities taking place within the District that complement and enhance those found elsewhere in the immediate vicinity, such as downtown shopping, dining and nightlife, will offer the most appeal to younger urban visitors while providing more variety to residents of adjacent neighborhoods. While repeat visitors to the District are more likely in this market area, trip durations will also tend to be shorter and they will spend less money on average per trip.

The 15-minute radius captures other important constituencies that are key partners or will likely be repeat visitors to TechWorks for business meetings or workshops: the residents and workforce from the City of Cedar Falls, the University of Northern Iowa, and visitors travelling through Waterloo Regional Airport.



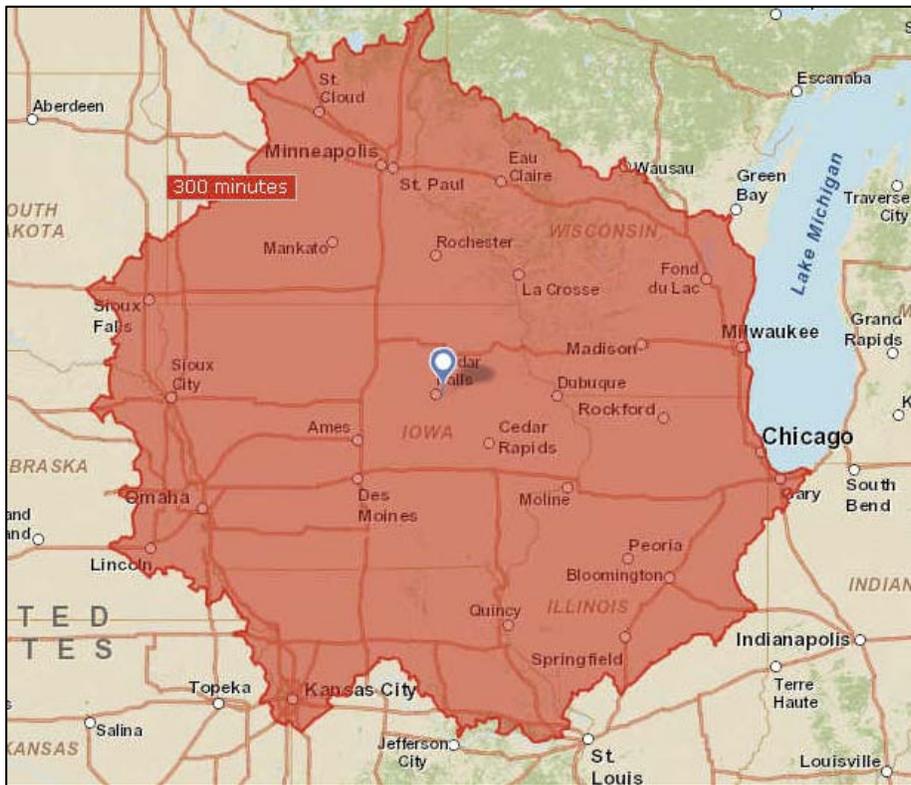
Secondary Market Impact Area (State of Iowa)

The secondary market is defined as the state of Iowa, with a total population of 3,085,316. The “destination” appeal of the site is likely to draw visitors from throughout the state, whether for tourism, state-wide advanced manufacturing workshops or industry meetings and research, with the goal of providing enough retail and service options to encourage longer and more frequent visits. The state also features a higher average household income than the primary market area (\$60,914), representing nearly \$6,000 more in discretionary spending. The District is within a two-hour drive for most of Iowa’s major metros – Iowa City is 82 miles away, Ames 99 miles, Des Moines 112 miles and Davenport 136 miles – each with their own urban amenities, so the most unique aspects of the site will be the primary factor in attracting these visitors.

Rural residents will no doubt recognize Waterloo as a major advanced manufacturing center for John Deere, and many state residents are anticipating the opening of the John Deere Tractor & Engine Museum. The District’s programming is intended to capture visitors from the statewide market to not only visit the museum, but to combine their visits with other tourism destinations in Waterloo such as the Grout Museum, Waterloo Arts Center, shopping, and dining. The Marina District will be a hub for upscale boat sales and service, and a draw for recreational boaters seeking an urban docking slip for a day or an entire season. Business visitors will come from around the state for meetings, research programs, and manufacturing skills outreach training at the Iowa Advanced Manufacturing Center.

Tertiary/Reach Market Area (5-hour drive time)

The Tertiary or Reach Market Area for the project is defined by a five-hour drive time distance around the site. This area stretches into seven different states and encompasses several major metropolitan areas including Chicago, Milwaukee, the Twin Cities, and Kansas City. The area has a population of over 29 million so capturing even a small share of this market will help generate ancillary spending at local hotels, restaurants, and retailers. Marketing Waterloo and TechWorks specifically as an innovation hub with a diverse mix of commercial, retail and dining operations in the heart of the downtown will appeal to a wide cross-section of business travelers, convention and event planners, as well as tourists and long-haul traffic passing through the Waterloo area. The income generated by the reach market is perhaps most valuable in that it captures entirely new spending, rather than redirecting money that may have been spent on comparable goods and services elsewhere in the region or state.



Tertiary Market Area – 5 hour Drive Time

Market Area Profiles

Table 3 provides some basic demographic and economic data for each of the three market areas. Examining this data offers some insight into the differences between the market areas and how variances in age, purchasing power and family composition may affect visitation to the District.

Table 3

	Primary Market Area	Secondary Market Area	Tertiary Market Area	Market Implications
2012 Total Population	118,109	3,085,316	29,086,303	
Income Profile, 2012				
Average HH Income	\$53,868	\$60,914	\$69,788	Visitors from the larger market areas (state and region) will likely spend more on dining and entertainment, though the primary market will generate the most return visits. The tertiary market is the most likely to generate trips requiring a hotel stay.
Less than \$35,000	42.3%	35.9%	32.2%	
\$35,000-\$49,999	16.0%	16.3%	14.4%	
\$50,000-\$74,999	19.6%	20.4%	19.7%	
\$75,000-\$99,999	9.9%	12.0%	12.7%	
\$100,000 or more	12.2%	15.4%	20.8%	
Age Profile, 2012				
Children 14 and under	18.1%	19.6%	20.0%	The MSA trends younger than the state and region, but has fewer young children and persons of working age (24-64).
Percent Over 18	78.5%	76.5%	75.5%	
Percent 24-64	48.6%	51.0%	53.1%	
Percent Over 65	14.2%	15.3%	13.1%	
Median Age	34.3	38.4	36.8	
Household and Family Size Indicators, 2010				
Average Family Size	2.92	2.97	3.12	The larger market areas have more families with children, while the local area is more likely to have singles or childless couples.
1-person households	29.7%	28.4%	27.8%	
2-person households	35.9%	36.5%	33.1%	
3+ person households	34.4%	35.1%	39.1%	
% households married w/ kids	16.8%	20.9%	22.1%	
Housing Profile, 2012				
Owner Occupied Housing Units	61.7%	65.3%	61.5%	The primary market features more renters and fewer vacant units than the state and region, implying a more stable housing market but lower purchasing power (e.g. homeownership).
Renter Occupied Housing Units	32.1%	26.1%	29.9%	
Vacant Housing Units	6.2%	8.7%	8.6%	

Source: ESRI Business Analyst