

**Exhibit H:**

*Economic Impact Analysis: Iowa Reinvestment District – City of  
Muscatine*

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## **Overview of Findings**

*This is an evaluation of the potential regional and statewide economic impacts that would be expected from the Muscatine Iowa Redevelopment District (IRD) proposal to site a new hotel, convention center, and parking facility in downtown Muscatine. The analysis relied solely on the IRD pre-proposal and communications with the project's consultants for the primary economic inputs into this analysis.*

### **Findings Summary**

*On a regional basis where Muscatine County is considered the primary region of economic impact, this project, provided the assumptions in the IDB hold, could generate, in its third year of operation, a total of*

- *98 total jobs in Muscatine County*
- *With \$2.56 million in labor income*

*Local government gross tax collections associated with the project, from new visitor spending in the region, and from the spending of the stimulated jobs would produce*

- *\$847,789 in property, hotel / motel, and local option sales taxes*
- *However, \$495,865 of those tax collections would not be available for general fund uses by local governments as they would be used as a reimbursement to the developers to finance the project*

*It was determined that owing to Muscatine's location on the Iowa border, 50 percent of all net new visitorship could be considered out of state visitors, and therefore, net gains to the state of Iowa as a whole, and 50 percent would be composed of visitors from Iowa who would have otherwise made purchases in the state nonetheless.*

*Accordingly, this project would produce*

- *49 net new state jobs*
- *With \$1.2775 million in labor income*

*Gross state government tax collections associated with this net boost in state employment would be*

- *\$ 268,486 in new state tax collections,*
- *Of which, \$243,190 were from general and selective sales taxes*

## Introduction

This report assesses the economic and fiscal impact of City of Muscatine's Iowa Reinvestment District (IRD) proposal, to include considerations of primary and ancillary gains to the region. The proposed development within the IRD will be a new, upscale hotel with spa facilities, a conference center and catering services in a nearby renovated building, and the addition of a parking facility. The information for conducting this assessment was provided by the City of Muscatine's pre-proposal, from a conversation with the investors, and from Scottford Hospitality, the firm that produced the pro forma estimates in the IRD pre-proposal.

This evaluation takes at face value the assumptions contained in the pre-proposal, and economic impact evaluations should not be interpreted as a justification for a project, *a priori*; rather, economic impact evaluations represent projections of potential regional gains should the assumptions and assertions in the proposal in fact materialize. Accordingly, the economic and fiscal impact summary means that *if* economic development occurs as described in the project, *then* the modeling system deployed anticipates sets of accumulating economic and fiscal consequences given the value of the development and the overall structure of the regional economy.

## General Methods of Analysis

The value of new economic activity in a region is determined through the use of an input-output (IO) model of the regional economy. This analysis uses both IO data for Muscatine County, as modified for this evaluation, and an IO software program from IMPLAN, Inc. IMPLAN is one of the nation's oldest suppliers of state and sub-state data on industrial activity, and their data are used widely by academic researchers and regional economists.

IO models contain county-level estimates of all inter-industrial and inter-institutional economic transactions in a county. They have estimates of the value of all transactions and the number of workers in high industrial detail, which allows for econometric estimation of the probability that inputs will be purchased from area suppliers and that households will buy goods and services from the local markets. These estimates allow for a determination of a "multiplier effect" to be associated with the expansion of production (usually sales), in a particular segment of the economy. These multiplied through effects constitute the initial regional economic value of what has been produced or developed. If these values represent net new productivity for the regional economy, then the values can be deemed "economic impacts."

Impact analysis is normally confined to the actual operation in question, not the temporary boost to a region's economy as a consequence of the actual construction of the enterprise(s). This analysis estimates the economic outcomes to be expected from the finished facilities in their third full year of operation.

A note of analytic distinction and interpretive caution: It has become a practice in recent years for some economic development projects to be evaluated considering a 10 or even a 20 year time horizon – that the sum of economic activity and the sum of the fiscal consequences are linearly forecasted and presented, sometimes

discounted for inflation and sometimes not, to reflect aggregated present values of future tax revenue or economic activity streams in an effort to demonstrate the long term worth of a project. This practice is distorting, methodologically suspect, and it is not utilized in this report nor should it be in general practice. And even if estimates of that type are compiled carefully and with due respect to appropriate rates of discounting for inflation, etc., those summed values should never be expressed as multi-year grand totals: they should only be expressed as an annual average over the measured time frame so as to eliminate distortion and to express economic and fiscal activity in the same ways that they are quantified by government agencies, private firms, and households; that is, annually. Governments have annual budgets, markets produce annual sales, households file annual taxes, and firms and city governments produce end of year annual reports. This analysis looks at an initial period of anticipated stability for this project, the third year of operation, and declares the annual value of the project to the regional economy and to local government fiscal accounts in that year. To project, 10 or 20 years is not only speculative, it is fraught with uncertainty, and it is a practice that academic regional scientists dismiss as an evaluative, marketing, and increasingly, a political fad.

Future outcomes can be properly anticipated and compared with input-output studies. As a standard evaluative practice, it is reasonable to produce sensitivity analyses for both the economic and fiscal outcomes of a project in, say, five or 10 years given different assumptions. For example, developers might have compiled a pro forma in their feasibility analysis that showed slow growth, medium growth (usually the consensus conclusion for the project), and a more rapid growth scenario. With those assumptions built-in, an impact analyst could then provide single year economic impacts of the third years (low, medium, and high growth), the fifth year (low, medium, and high growth), and the tenth (again with low, medium, and high growth assumptions). This common type of analysis for business decision making would demonstrate the range of possible outcomes from the different growth assumptions and what the worth of those outcomes would be at three future intervals. Sensitivity table values are used to exemplify the range of future outcomes, and to a lesser degree, the risk of slow growth and the potential gains of more rapid than expected growth should either eventuate.

This IRD did not produce data that allowed for sensitivity analysis of the growth assumptions; hence, the impact analysis is limited to a declaration of local and state economic and fiscal worth in the third year of operation.

### **Initial Tables for Economic Analysis**

Table 1 details the initial expected value of economic production in the third year of operation. All of these data come from the IRD pre-proposal or from the consulting firm assisting the city and the developers. The hotel is separated into hotel plus estimated sundry expenditures, with the spa / recreation facilities functionally separated as it is anticipated to have sales to area residents. Conference center activities were also combined with catering activities as they were compatible in the

modeling structure. And finally, the parking facility will require employees and is estimated to produce revenues off of sales to the general public. In all, the project will initially support 32 jobs, and all of the workers in all of the components will earn, collectively, \$1.0393 million in labor income, which is composed of wages, salaries, and employer-provided benefits. Average earnings per worker associated directly with the project would be \$32,478.

**Table 1**

**Year-Three Economic Values**

Categories	Estimated Output (Sales)	Payroll	Jobs
Hotel (+ Sundry Expenditures)	\$ 3,065,314	\$ 591,000	21*
Spa	\$ 230,700	\$ 206,500	5
Conference Center / Catering	\$ 575,913	\$ 171,000	4
Parking Facility	\$ 302,500	\$ 70,800	2
<b>Total</b>	<b>\$ 4,174,427</b>	<b>\$ 1,039,300</b>	<b>32</b>

Sources. Output data from IRD pre-proposal; payroll and jobs data from Scottford Hospitality.

\*Hotel jobs were stated on a full time equivalency basis by the consultant.

Estimated area economic impacts for the hotel facility depend on assumptions by the project sponsors as to whether the hotel will in fact create net new visitorship to the region versus shifting hotel / motel spending from other existing facilities in the community. This is a legitimate question, as area occupancy rates were reported to be less than 50 percent, which in and of itself does not indicate a shortage of available rooms. However, this facility is located in downtown Muscatine, not the periphery as is the case with all other competition, it is a full-service and upscale facility, and it has amenities the other facilities cannot match. Consequently, the proponents assert the following assumptions that suppose the facility will in fact result in net new visitorship to the community with a minimum of shifting from the other facilities (see Table 2).

**Table 2**

**Economic Impact Assumptions According to the IDB:**

1. Muscatine County base motel / hotel market remains at 46 percent occupancy even with the new hotel -- that there is no shifting away from existing hotels. Accordingly, all base market gains to the new facility are due to simple expansion in regional capacity and quality. Notwithstanding excess area hotel capacity, as indicated by the comparatively low area occupancy rate, this facility will at least attract a visitorship base equal to all existing accommodations' weighted average.
2. This facility will attract 50 percent of the corporate market, which mostly if not entirely reflects import substitutes from out-of-region venues.

3. This facility will stem 20 percent of all other hotel / motel leakage from the community.

These three base assumptions conclude that hotel activity will represent nearly all net new visitorship to the region and that there will be no or negligible shifting from existing hotel / motel operations in the community.

Neither the pro forma nor the IRD pre-proposal provide comparable net new business assumptions to apply to the spa activities associated with the hotel, the convention and catering activities, and the parking activities. It is reasonable to assume that demand for use of the spa would be disproportionately local except for the hotel visitors; therefore, this would not be net new spending in the region. It is also reasonable to conclude that area convention and meeting space will have been enhanced, but that there will be some shifting of meetings away from existing venues. Similarly, it would also be reasonable that the vast preponderance of the parking, besides that required for the hotel, would be local visitors and downtown workers more so than tourists. Accordingly, for economic impact determination purposes, and without additional evidentiary guidance, spa sales were determined to be zero-percent external, convention and catering 50 percent new business to the region, and parking 25 percent new business to the region. These fractions will be applied later in the determination of net economic impacts as well as net localized fiscal gains.

### **Understanding and Interpreting Economic Contribution Tables**

The regional economic contribution of the Muscatine IDB project was estimated using an input-output model of the Muscatine County economy. In the subsequent tables there will be four types of economic outcomes described. The first is industrial output, which is the value of production over the course of a year. For all of the activities analyzed, the data in Table 1 are used as the output values of the respective projects in the third year of operation. Value added is the next indicator, and it is composed of the wages and salaries paid to workers, their benefits, returns to management paid to proprietors, investment incomes, and all indirect taxes that are part of the production process. Value added is the same thing as Gross Domestic Product (GDP), which is the preferred measure of economic activity on an annual basis for regions, the state, and the nation. Labor income is a subset of value added. It is composed of wages and salaries, employee benefits, plus proprietors' incomes. The last economic outcome is jobs. Jobs include both full-time and part-time workers, and there are always more jobs in an economy than employed persons as many people hold more than one job. In the modeling process, jobs are the annualized job value for a particular industry. So, if an organization seasonally hires 100 persons for a short period of employment, that value might be reduced to 10 jobs or even fewer on an annualized basis for the purposes of modeling. There are four levels of economic activity reported, as well. Direct activities refer to the actual industry or industries that we are initially measuring. Indirect activity measures the sum of regionally-supplied inputs required by the direct firms. When workers in the direct firms and the indirect firms convert their incomes into

household spending, they induce a final round of economic activity to meet household needs. The sum of direct, indirect, and induced activity constitutes the total economic activity or contribution associated with a particular type of industrial evaluation.

An economic impact declaration often is a subset of the total economic contribution that is measured because we must account for the increment to regional productivity that occurs after factoring for all net shifts in the study territory. In this study, 100 percent of hotel activity is economic impact, zero-percent of spa activity, 50 percent of convention & catering activity, and 25 percent of parking activity are deemed net regional productivity gains. Finally, the modeling system describes the whole Muscatine County economy; hence, the economic outcomes are county-wide, although it can be assumed that the vast majority of economic impacts from the IRD project will be localized in the city of Muscatine.

### The Economic Effects

There are two sets of tables presented. The first describe the total multiplied through value of the project without declaring net new regional productivity. These tables initially describe the total, multiplied-through worth of the entire project within the regional economy and are labeled “economic contribution.” The second set of tables applies the previously-mentioned apportioning factors to estimate the net new productivity or impacts the project might generate in the area

### Economic Contributions

Separate economic contribution estimates were made for each distinct IRD activity. The first table is the proposed hotel. It will be described in detail to assist readers in learning how to interpret the individual elements. For the remaining tables in this section, only the total values will be summarized in the text.

Table 3 describes the value of the hotel to the regional economy. In year three it is anticipated to have \$3.065 million in annual sales, which will result in \$591,000 in labor incomes to 21 jobs. The hotel will require \$673,575 in regionally-supplied outputs, which in turn will support the equivalent of 5.6 jobs in the supplying sectors receiving \$240,259 in labor incomes. When the hotel workers and the supplying sector workers convert their incomes into household spending, they in turn induce \$303,558 in additional regional output, which will pay \$96,197 in labor income to another 2.7 jobs to provide those services. Summed, the hotel in its third year of operation will contribute \$4.042 million in total economic output, \$2.11 million in value added (or regional GDP), and \$927,457 in labor income to 29.3 job holders. After accounting for all multiplied-through effects, the average labor income value per job is \$31,654.

Table 3

Regional Economic Contribution of Hotel Operations				
Impact Type	Jobs	Labor Income	Value Added	Output
Direct			1,511,517	3,065,314

	21.0	591,000		
Indirect	5.6	240,259	406,718	673,575
Induced	2.7	96,197	193,601	303,558
Total	29.3	\$ 927,457	\$ 2,111,836	\$ 4,042,447

Table 4 summarizes all activity associated with the spa and recreation center. In total, it is expected, after all multiplied-through effects, to account for \$329,861 in regional output, of which \$270,118 is value added, and \$237,676 is labor income to 5.9 total job holders.

**Table 4**

<b>Regional Economic Contribution of Spa Operations</b>				
<b>Impact Type</b>	<b>Jobs</b>	<b>Labor Income</b>	<b>Value Added</b>	<b>Output</b>
Direct	5.0	206,500	206,500	230,700
Indirect	0.1	6,653	14,266	21,780
Induced	0.7	24,523	49,352	77,381
Total	5.9	\$ 237,676	\$ 270,118	\$ 329,861

Table 5 estimates the regional economic contribution of the conference and catering additions. In all, these enhanced services would, when multiplied through to account for area linkages, produce \$817,390 in economic output, \$348,995 in area value added, and \$258,537 in labor income to 6.2 jobs.

**Table 5**

<b>Regional Economic Contribution of Conference Center and Catering Operations</b>				
<b>Impact Type</b>	<b>Jobs</b>	<b>Labor Income</b>	<b>Value Added</b>	<b>Output</b>
Direct	4.0	171,000	200,683	575,913
Indirect	1.4	60,725	94,349	156,862
Induced	0.8	26,812	53,964	84,614
Total	6.2	\$ 258,537	\$ 348,995	\$ 817,390

Finally, Table 6 summarizes the worth of the parking facility. In its third year of operation, the facility, after taking into account all multiplied-through consequences,

would produce \$427,755 in contributed output, \$182,261 in value added, of which \$131,429 would be labor income to 3.1 total area jobs.

**Table 6**

<b>Regional Economic Contribution of the Parking Facility</b>				
<b>Impact Type</b>	<b>Jobs</b>	<b>Labor Income</b>	<b>Value Added</b>	<b>Output</b>
Direct	1.9	84,645	102,579	302,500
Indirect	0.9	33,109	52,157	82,095
Induced	0.4	13,675	27,525	43,160
<b>Total</b>	<b>3.1</b>	<b>\$ 131,429</b>	<b>\$ 182,261</b>	<b>\$ 427,755</b>

**Economic Impact Determination: Region**

Table 7 is the sum of the previous four tables. It tells us the total initial worth of these firms to the regional economy. In all, in the third year of operation, the hotel, spa, conference center, and the parking facility would account for \$5.62 million in regional output, \$2.913 million in area value added (or GDP), and \$1.56 million in labor income to 44.6 jobs.

**Table 7**

<b>Regional Economic Contribution of All IRD Activities</b>				
<b>Impact Type</b>	<b>Jobs</b>	<b>Labor Income</b>	<b>Value Added</b>	<b>Output</b>
Direct	31.9	1,053,145	2,021,279	4,174,427
Indirect	8.1	340,746	567,490	934,312
Induced	4.7	161,208	324,442	508,713
<b>Total</b>	<b>44.6</b>	<b>\$ 1,555,099</b>	<b>\$ 2,913,211</b>	<b>\$ 5,617,452</b>

But it is not the case that all of this is net new regional productivity. It was assumed by this analyst or from data in the IRD pre-proposal that 100 percent of the hotel, zero percent of the spa, 50 percent of convention and catering activity, and 25 percent of the parking facility represented net new regional productivity. Given those assumptions, the estimated total economic impact of the Muscatine IRD project from the initial investment is found in Table 8 where we see that \$4.56 million in additional regional output, \$2.33 million in area value added, and \$1.09 million in labor income to 33.2 workers represent net area economic gains.

**Table 8**

**Regional Economic Impact of All IRD Activities**

<b>Impact Type</b>	<b>Jobs</b>	<b>Labor Income</b>	<b>Value Added</b>	<b>Output</b>
Direct	23.5	697,661	1,637,503	3,428,896
Indirect	6.6	278,899	466,932	772,530
Induced	3.2	113,022	227,464	356,655
<b>Total</b>	<b>33.2</b>	<b>\$ 1,089,582</b>	<b>\$ 2,331,899</b>	<b>\$ 4,558,080</b>

We need, however, to add the impact of the new visitors' spending to these totals. Table 9 shows the occupancy assumptions for each type of increment to hotel visitorship. Those persons multiplied times the estimated total room nights contained within the IRD yielded 25,896 total room nights and 36,744 total visitors for the third year of operation.

**Table 9**

<b>Type of Visitor</b>	<b>Assumed Persons Per Room Night?*</b>	<b>X Total Room Nights for 103 room facility</b>	<b>= Total Persons for Regional Sales Estimates</b>
Hotel base	<b>1.5</b>	17,294	25,941
New corporate visitors	<b>1</b>	4,200	4,200
Stemmed hotel / motel leakage	<b>1.5</b>	4,402	6,603
<b>Total</b>		<b>25,896</b>	<b>36,744</b>

\*Expected nightly occupancy levels provided by Scottford Hospitality.

Next, Table 10 contains estimates of average spending by business and convention meeting attendees per day, and those values multiplied times 36,744 total visitors amounted to expected regional spending of \$4.13 million. These values by category were also entered into the IO model of the region to produce estimates of expected economic impacts from visitor spending.

**Table 10**

<b>Expected Hotel Visitor Spending Per Day</b>	
Restaurant	\$ 51.40
Entertainment / Recreation	7.61
Retail	20.94
Auto Rental / Other Transport Costs	13.33
Other Services	19.04
<b>Total</b>	<b>\$ 112.32</b>

<b>Expected Total Hotel Visitor Spending</b>	
Restaurant	1,888,587
Entertainment / Recreation	279,791

Retail	769,424
Auto Rental / Other Transport Costs	489,634
Other Services	699,477
Total	\$ 4,126,913

Per day estimates reflect mid-sized city averages from recently published convention studies in the Midwest.

Visitor spending economic impacts are contained in Table 11. Readers will immediately notice that the amount of direct output in the Muscatine County region of \$3.37 million is substantially less than the actual amount estimated to be spent of \$4.17 million. That is because retail sales in IO models are treated differently than other transactions in that the cost of goods sold is subtracted from the cash register price: retail goods' values in the economy have already been accounted for in the manufacturing sectors, the sectors that transport them, and in the wholesale sectors that distributed them. A retailer merely conveys the product to the consumer and adds no other value to it. That said, hotel visitor spending in the regional economy is a substantial addition to net regional productivity. In all, the hotel visitors would support another \$4.45 million in regional output, \$2.38 million in value added, and \$1.466 million in labor income to 65.1 jobholders after all multiplied-through consequences are considered.

**Table 11**

**Regional Economic Impact of New Visitor Spending**

Impact Type	Jobs	Labor Income	Value Added	Output
Direct	56.1	1,101,004	1,709,383	3,372,376
Indirect	4.8	\$212,318	\$362,378	\$602,206
Induced	4.3	\$152,204	\$306,345	\$480,354
Total	65.1	\$ 1,465,526	\$ 2,378,106	\$ 4,454,936

Finally, Table 12 summarizes total economic impacts expected from this project provided the initial assumptions in the IRD hold and visitor spending align with Table 10. Combined project operations plus new visitor spending would support \$9.01 million in regional output, \$4.71 million in value added (or regional GDP), and 98.3 jobs would earn \$2.56 million in labor income.

**Table 12**

**Regional Economic Impact of All IRD Investment Activities and New Visitor Spending**

Impact Type	Jobs	Labor Income	Value Added	Output
Direct	79.6	1,798,665	3,346,886	6,801,272
Indirect	11.4	491,217	829,310	1,374,736

Induced	7.5	265,226	533,809	837,009
Total	98.3	\$ 2,555,108	\$ 4,710,005	\$ 9,013,016

### Economic Determination: State of Iowa

It stands to reason that a healthy fraction of the visitorship to Muscatine would come from Iowa business travelers, Iowa tourists, and other Iowa residents. Accordingly, their spending in Muscatine versus, say, the Quad Cities or some other Iowa community does not represent net new productivity to the state. But this facility and the city of Muscatine are located on the Illinois border, and it is also reasonable to assume that Illinois or other non-Iowa residents have roughly the same probability of making either tourism or business trips to Muscatine. There is no information in the pro forma or the remaining IRD pre-proposal that establishes a state of residence baseline for historical visitors to the community or business visitors. Absent such a baseline, it is prudent, if not generous, to conclude that 50 percent of the information in Table 12 could potentially be net new productivity for the state of Iowa because the visitors came from some other state and would not have come to Iowa “but-for” the presence of the proposed facilities. Assuming such, net economic impact gains to the state of Iowa would be:

- \$4.56 million in total industrial output;
- \$2.355 million in value added (or state GDP);
- \$1.2775 million in labor income, and
- 49 jobs.

### Estimated Fiscal Impacts

Fiscal impacts accumulate primarily to the region of economic impact; in this instance, they would accrue to Muscatine County and the city. Like economic impacts, fiscal impacts reflect the expected local taxes that would be generated from the new business activity, the new visitors, and from the multiplied-through gains to employment in the region.

#### Local Government Fiscal Value of the IRD

In year three of the project, the IRD indicated taxable valuations for property taxes purposes of \$13.074 million from the project. The consolidated tax rate for all taxing jurisdictions in Muscatine (city, county, school district, plus other districts) for the most recent fiscal year was \$40.04201 per \$1,000 of taxable valuation. Summed, all of the facilities would contribute \$495,865 in total local property taxes. As this district is in an urban renewal area, all of these tax collections minus general obligation debt service costs and a small portion of school levies are only available for use in the IRD, and not available to fund local government general governmental activities. The operation of the IRD would produce \$206,928 in hotel/motel taxes in

year three, and all associated sales subject to local option sales taxes would generate \$7,093. Total local tax collections from these operations would be \$709,886.

**Table 13**

**Year-Three Local Tax Collections**

Primary Tax Collections From Properties or Activities	Estimated Taxable Valuation*	Property Tax (All Local Taxing Jurisdictions)**	Hotel / Motel Tax	Local Option Sales Tax***
<i>Local Rates:</i>		<i>0.04004201</i>	<i>0.07</i>	<i>0.01</i>
Hotel operations	8,690,510	330,586	206,928	
Hotel sundries				1,092
Spa sales				242
Conference center	1,267,580	48,219		4,904
Additional catering				855
Parking facility	3,116,300	117,060		
	\$		\$	
<b>Total Local</b>	<b>13,074,390</b>	<b>\$ 495,865</b>	<b>206,928</b>	<b>\$ 7,093</b>

\* Year 3 taxable valuations represent a 5 percent reduction in initial taxable valuations due to normal depreciation using Iowa Department of Revenue taxable depreciation estimates tables for hotels and related facilities.

\*\* Consolidated property tax rate for the community of Muscatine 2013/2014 is assumed constant through the third year.

\*\*\* An equivalent amount of SILO taxes for school districts would also be collected by the state of Iowa, but those funds are redistributed on an equalized per-pupil basis, and do not necessarily reflect the taxes collected in a specific region – SILO taxes are a component of state government fiscal impacts.

**Visitorship Local Fiscal Impacts**

As the hotel is estimated to attract net new visitors to the region, the overall spending by those visitors in the regional economy on dining, drinking, transportation, and other retail goods and services would also represent new local tax collections. Table 14 contains the same information as Table 10 above, but also contains the fraction of those sales that are considered likely taxable by the local governments in Muscatine County. All of the restaurant and entertainment expenses would be considered subject to local option sales tax, just 50 percent of the retail sales are considered taxable, with the remainder assumed to be gasoline purchases, which are not taxable locally. The visitor spending tables assume transportation rental, taxi service purchases, or other public transportation costs, the taxability of which at the local level is generally zero or near zero. Finally, it is assumed that all other services are 50 percent taxable. In all, then, visitors associated with boosted hotel stays in the region would support an additional \$29,028 in local option taxes.

**Table 14**

**Hotel Visitor Spending Local Tax Collections**

Activity	Amount Spent	Percent of Spending Taxable	Local Option Sales Taxes
Restaurant	1,888,587	100%	18,886
Entertainment / Recreation	279,791	100%	2,798
Retail	769,424	50%	3,847
Auto Rental / Other Transport Costs	489,634	unk	unk
Other Services	699,477	50%	3,497
Total	\$ 4,126,913		\$ 29,028

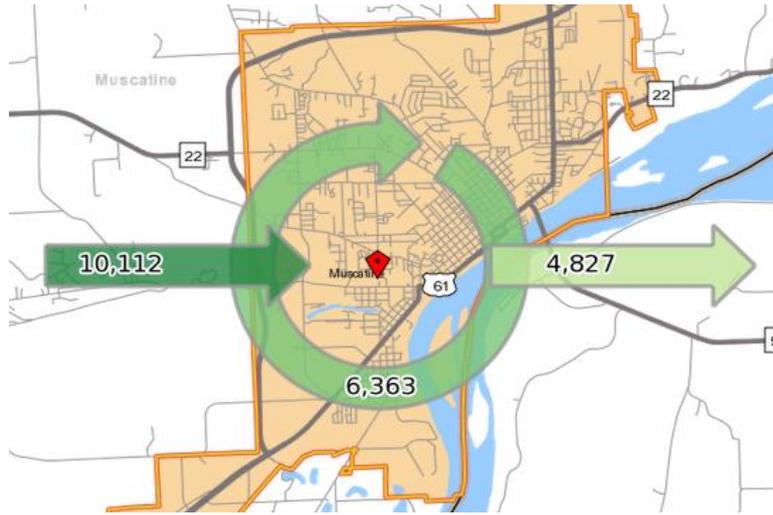
**Stimulated Employment Local Fiscal Impacts**

Estimating the localized fiscal value of net new regional employment requires several steps. It has already been determined that there will be over 98 jobs and \$2.56 million in labor income generated from all of the economic activity assumed to take place in the Muscatine IRD (see Table 12Table 8). However, not all of those job holders will reside either in the city of Muscatine or in the county. Some will reside in adjacent counties; there will be, therefore, fiscal leakages to those counties.

Figure 1 below demonstrates the flow of employment in the region. These job flow estimates come from the Census Bureau's Local Employment Dynamics data base. For Muscatine County, there were 21,815 payroll jobs of all kinds in 2011. Muscatine residents, however, held just 55.7 percent of those jobs (12,155), and 40 (8,333) percent of Muscatine County residents who had jobs worked outside of the county. For the city of Muscatine, the figures are starkly different. Of the 16,475 payroll jobs in the community, fewer than 39 percent (6,363) are held by Muscatine city residents; 61 percent are held by non-city residents. And like the county, 43 percent of Muscatine city residents (4,827) held jobs outside of the city. The point to this is that no matter how many jobs are estimated to be created in the county impact model summary, there are strong and historically determined probabilities that those jobs will be filled by persons from outside of Muscatine city and Muscatine County.

## Payroll Employment Dynamics, 2011

### City of Muscatine



### Muscatine County

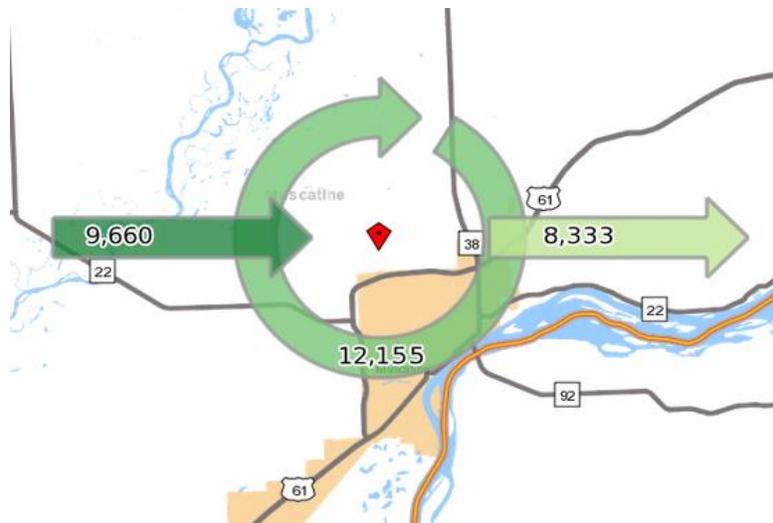


Figure 1

Table 15 uses the information contained in Figure 1 to estimate the likelihood that a jobholder associated with the Muscatine IRD will in fact live in Muscatine or in Muscatine County. Relying on historical patterns of employment in the region, and adjusting for the average earnings of all jobs created in Table 12 relative to the county average and the area's unemployment rate as compared to the state's, 42 job holders would be expected to live in Muscatine, another 9 in the remainder of the county, and as many as 47 would be expected to in-commute from neighboring counties. Muscatine's close proximity to Louisa, Cedar, and Scott Counties in Iowa and to Rock Island and Mercer Counties in Illinois presupposes significant employment and fiscal effects leakage.

Table 15

Probable Residence of New Job Holders	Jobs
City of Muscatine	42
Rest of Muscatine County	9
Outside of Muscatine County	47

Table 16 details the expected local tax collections to be generated from the job growth. Muscatine County overall would gain \$56,659, with the vast majority of those collections accruing to Muscatine city. Leakages to other Iowa and Illinois counties would amount to \$52,216 if those communities average taxing characteristics mirrored those of Muscatine and Muscatine County.

Table 16

**Expected Local Fiscal Impacts From Employment Effects**

		Muscatine County	Leakages to Other Counties*
Property taxes	\$	53,098	48,934
Local option sales taxes	\$	3,561	3,282
<b>Total</b>	<b>\$</b>	<b>56,659</b>	<b>52,216</b>

\*Journey to work data from the Census Bureau suggest the vast majority of these fiscal leakages will nonetheless accrue to Iowa counties.

Table 17 summarizes the total local level fiscal impacts to be estimated from this development. The IRD project would yield \$709,886 in property, hotel / motel, and local option sales taxes, but the vast majority of those taxes would not be available for general fund uses by local governments as they are in fact used to finance this project. Hotel visitors would be expected to contribute \$29,028 in area local option sales taxes, and the employment effects of the project would generate \$108,875 in local taxes, although a portion of those taxes would leak to other, nearby Iowa counties and to the state of Illinois. In all, the economic impacts of the IRD project would generate \$847,789 in local government tax collections in year three of the project, but less than half of those revenues would be available for use for general local government spending.

Table 17

**Summary of Local Fiscal Impacts By Source**

	Property	Hotel / Motel	Local Option Sales Taxes	Total
IRD Project		206,928	7,093	

	495,865		709,886
Hotel Visitors		29,028	29,028
Employment			
Effects*	102,032	6,843	108,875
		\$	\$
Total	\$597,897	206,928	42,964 \$847,789

### Statewide Fiscal Impacts

State government accounts would gain from the overall operation of the facility. Readers will remember that state economic impacts were declared to be 50 percent of the values in Table 12, and as a consequence, one-half of all of the categories of hotel-related visitorship and supported employment was gauged to be net new business activity to the state of Iowa owing to Muscatine’s border location. Table 18 produces the likely general and selective sales taxes that would have been generated from the hotel activities, hotel visitorship, and all Iowa employment supported by those two dimensions. In all, this economic activity would generate \$268,486 in additional revenues for the state of Iowa.

Table 18

### State Fiscal Impacts

Activity	General & Selective Sales	Individual Income Taxes*
Hotel, Conference, Center & All Related Activities	\$ 95,182.23	
Hotel Visitor Spending**	\$ 127,480	
All Employment	\$ 20,528	\$ 25,296
<b>Total State Tax Collections</b>	<b>\$ 268,486</b>	

\*80 percent of total income per job was considered subject to Iowa income taxes at an average effective rate of 2.45 percent, based on 2011 average tax payments from the Iowa Department of Revenue and Finance statistical reports

\*\*Includes state taxes on motor fuels

### Conclusions, Cautions, and Comments

This analysis is based on assumptions that all of the stays at the new hotel represent net new business and leisure visitorship to the community. That assumption is not substantiated with secondary data or statistically valid survey data. The assertions of the project principals are based in large part on first-person interviews and from consultant’s estimations. While the area occupancy rates are below 50 percent,

there is broad agreement locally that the amenity value of several of the region's motels is comparatively low, especially when measured against nearby venues. If it is the case that an important local market demand is, in fact, significantly underserved, then the assumptions about new hotel visitorship will hold. If that demand has been over-stated, then it is possible that the rates of economic and fiscal growth anticipate in this report will not materialize to the degree reported. This is an economic and fiscal impact evaluation, not a feasibility study, nor a validation of a feasibility study. One must assume that appropriate due-diligence on the part of the principles supplied the impact analysts with reasonable and defensible estimates.

Using Table 12 as the source, the final statement of regional economic impacts, it was determined that the average job either directly or indirectly stimulated from this project was worth \$25,984 in labor income (remembering that labor income includes all wages, salaries, and employer-paid benefits). The modeling system employed for this study estimates average labor income per job in Muscatine County at \$53,700 per job, so the average job related to this IRD project once all multiplied-through consequences have been tallied provides less than half the average compensation per job as the overall regional average. This is primarily a function of the type of jobs stimulated: while the county has a potent manufacturing base, for example, that compensates the average manufacturing worker at \$82,711 in average labor income per job, tourism-related jobs are in accommodations, dining and drinking establishments, and in retail. Those types of jobs pay substantially less than the area average, and those types of jobs will not generate the kind of multiplied-through regional economic consequences that goods-producing jobs will. Readers are cautioned to not assume that the fiscal gains described in the report represent a type of fiscal profit or "return on investment". All jobholders and the households they support require state and locally-supplied public goods and services. As local and state governments must balance their budgets annually, it is assumed that the median household in terms of household income consumes the median level of public goods. As such, and especially for jobs that compensate significantly below the regional labor income average, it is prudent to assume that there is no net fiscal surplus at the local or state level to be declared once the public service needs of all jobholders' households are tallied

The procedures employed in this analysis focused on isolating net regional economic and gross fiscal receipts as well as net statewide economic gains in those categories. If the assumptions utilized in this analysis in fact hold, this project will produce a discernible economic impact for the regional economy, around half of which would be expected to accrue to the state as a whole.