

Gadsden-Etowah County Industrial Development Authority
Economic Impact of IDA Projects
January, 1985 - May, 2006

SUMMARY

IDA projects...

- **Constitute 27% of the industries in Etowah County and 35% of the industries in Gadsden**
- **Are responsible for increasing the number of industries in the county by 32% since 1984**
- **Account for and support approximately 20% of the county's total current employment**
- **Have helped to decrease the unemployment rate by 76% since 1984**
- **Made a combined capital investment exceeding \$254 million in Etowah County**
- **Generate better than a 9-to-1 annual return on Gadsden's investment in the IDA's budget**

IMPACT

The IDA was credited for helping recruit and/or assisting significantly in the expansion of **54** companies since its inception in January, 1985. This number does not include 18 other IDA projects which located in the Gadsden area but subsequently closed. Existing and recently announced IDA industrial projects constitute 27% of the total industries in Etowah County and 35% of the total industries in the City of Gadsden as of May 2006.

Estimated current jobs in Etowah County created and supported by IDA projects (includes multiplier effect): **9,000**, which is approximately 20% of the county's total employment.

Current and announced jobs by IDA projects for Etowah County residents: **4,702.**

Current and announced jobs by IDA projects inside the City of Gadsden: **2,786.**

Occupational License Fee revenues from IDA projects for the City of Gadsden in 2005: \$966,929, plus OLF amounts paid directly to the city by employment agencies who represent some of these industries. Adding the projected new OLF revenues from IDA projects announced so far in 2005-06, this total increases to at least **\$1,163,614** annually.

Business license fees paid by IDA projects to the City of Gadsden in 2005: **\$133,123.**

Total property tax revenues from IDA projects for the City of Gadsden and the Gadsden City School System in 2005: \$302,503. Adding the projected property tax revenues from recently announced new industries, the total increases to **\$365,532** per year.

Estimated total sales tax revenues generated annually for the City of Gadsden from expenditures due to IDA project payrolls: **\$2,514,980.**

The City of Gadsden allocates \$425,000 per year to the IDA's budget; dividing this amount into the sum of the new municipal revenues described above, shows the city is getting better than a 9-to-1 annual return on investment.

EXPLANATION

Employment figures were supplied by company officials during personal interviews in May 2006. New OLF revenues and business license fees were computed by the City of Gadsden's Revenue Department from the attached list of IDA projects. Some companies use employee leasing services or temporary employment agencies who submit those OLF payments separately to the city, and some of those revenues are not included in the total. Property tax revenues were provided by the Etowah County Department of Revenue.

Economic studies indicate that 20% of a new industrial payroll dollar is spent on taxable sales in a locality. To be conservative, this analysis assumes that half of that amount, or 10%, is spent on taxable sales inside the City of Gadsden.

A dollar, once spent, is re-spent several times in a local economy, effectively multiplying its own economic effect. Government agencies and universities have attempted to definitively establish this multiplier for various geographic areas and segments of the economy. Their studies indicate that multipliers ranging from two to seven are appropriate. This analysis conservatively assumes that an industrial payroll dollar spent on taxable sales in Gadsden will turn over four more times.

These same studies also indicate that one industrial job supports 1.5 to 4.2 additional jobs in a community. To be conservative, this analysis estimates that one industrial job in Etowah County supports two additional jobs in the local economy.

DOCUMENTATION

Since January 1985, the IDA has helped recruit and/or significantly assisted in the expansion of 31 companies which are still in operation in the City of Gadsden:

- Combined capital investment: \$186,693,000
- Total employment as of May 2006: 2,392
- Total annual payroll: \$48,346,450 (does not include temporary employees' pay)
- Total 2005 OLF revenues for the City of Gadsden: \$966,929
- Total 2005 property taxes for the City of Gadsden: \$302,503
- Total 2005 business license fees for the City of Gadsden: \$133,123

So far in 2005-06, the IDA has helped recruit 4 more new industries to the City of Gadsden, which are still under construction,:

- Combined capital investment: \$43,200,000
- Total announced employment: 394
- Total estimated annual payroll: \$9,834,240
- Total projected annual OLF revenues: \$196,685
- Total projected first-year property taxes for the City of Gadsden: \$63,029

The IDA has helped recruit and/or significantly assisted in the expansion of 16 other companies in Etowah County but outside the City of Gadsden:

- Combined capital investment: \$25,073,000
- Total employment as of May 2006: 896
- Total estimated annual payroll: \$18,637,000

Further, because there were no suitable industrial sites in the Gadsden area at that time, the IDA worked with the St. Clair County Economic Development Council and the Birmingham Metropolitan Development Board to recruit Yachio Manufacturing and Saks Distribution to sites just across the county line in Steele. The IDA participated in sales presentations and used private-sector funds to help reduce project expenses and close the deals.

- Total estimated employment of Etowah County residents: 120
- Total estimated annual payroll of Etowah County residents: \$3,000,000

In addition, the IDA's director was co-founder of Alabama's sales team to recruit Honda and chaired its presentations committee. Moreover, the IDA contributed money raised from the local business community to help pay for land options for the Honda plant, and the City of Gadsden committed \$2 million to defray project costs.

- Today, more than 900 Etowah County residents work at Honda
- Their combined annual payroll is approximately \$40 million
- And the company's purchases of goods and services from businesses in Gadsden and Etowah County totaled more than \$15 million in 2005 alone

EXCEPTIONS

This analysis does not include income from:

- Building permit fees
- OLF revenues from plant construction payrolls
- Sales taxes resulting from the spending of these wages
- Sales taxes on the purchases of construction materials and building fixtures
- Sales taxes on the purchases of plant furnishings and consumable supplies
- Use taxes on the purchases of machinery and equipment

If it was feasible to obtain these IDA project revenues, the stated financial impact on the City of Gadsden, and the city's return on investment in the IDA, would be even greater.

Also, the IDA worked on 18 other projects that collectively employed more than 1,300 residents, invested more than \$36 million and paid taxes in the Gadsden area, but which subsequently closed. None of these benefits are included in this analysis.

COMMENTARY

Gadsden was named by the Business and Economic Research Unit at the University of Alabama at Huntsville as the leading "turnaround" area economically among Alabama's ten metropolitan areas since the mid-1980's.

The IDA was named one of the top development groups in the nation by *Site Selection* magazine for its new industry recruitment successes, and won *Business Facilities* magazine's Economic Development Achievement Award. Also, the IDA's program to help existing industries expand was chosen one of the best development projects in the U.S. by the international consulting firm Arthur D. Little, Inc.

The IDA's approach to new industry recruitment is to focus on making presentations, follow-up and deal-closing, rather than on prospect development and marketing. This is possible because of the effectiveness of the Alabama Development Office, the Economic Development Partnership of Alabama, the economic development department of Alabama Power Company, and other groups who provide project opportunities to the IDA.

Successful industrial development requires a cohesive team effort. Gadsden's elected officials, and many city boards, department heads and employees have been instrumental in making these projects happen. Other local and state governmental officials are actively involved. Private-sector companies contribute money to Horizons 2012 (and previously did so to Partnership 2000) that helped close many of these deals. Likewise, local business persons, professionals, educators and civic leaders have volunteered their time and expertise.

The effectiveness of this team effort is best illustrated by a before-and-after comparison. During the ten years preceding the creation of the IDA, according to state records, only 4 new industries located in Etowah County, announcing a total of 145 jobs.

- When the IDA began operating in January 1985, there were 129 industries in Etowah County; as of May 2006 there are 171, an increase of 32%.
- Also when the IDA began, the unemployment rate was 13.6%. As of the most recent report in April 2006 it had dropped to 3.2%, a decrease of 76%, despite the county's largest industry shutting down six years ago. This was lower than both the state and the U.S. rates. Jobs being created by recently announced new industries will serve to reduce Etowah County's unemployment rate even more.

ETOWAH COUNTY ECONOMIC INDICATORS			
	<u>1984</u>	<u>2005</u>	<u>% change</u>
Number of Industries	129	167	+ 29%
Unemployment Rate	13.6%	4.6%	- 66%
Power Meters in Service	41,343	50,209	+ 21%
Average Household Income	\$20,173	\$46,569	+ 131%
Total Retail Sales	\$412,000,000	\$987,300,000	+ 139%

Supportive Information

IDA projects as a percentage of total industries

There were 129 industries in Etowah County in 1984, according to Chamber of Commerce records at that time. As of 2006, there were 167 in the IDA's county industrial database, 86 of which were in the City of Gadsden. Four recent new industries will be added when they begin operation, and are included in computations of "total industries" in this analysis.

Of the 54 IDA projects in operation or under construction, four are not "industries" and three others are located across the county line. So, 47 IDA industrial projects / 171 total industries = **27% in the county**, and 32 IDA industrial projects / 90 total industries = **35% in the city**.

Existing IDA projects in the City of Gadsden

1. Alabama Department of Transportation (*non-industrial*)
 2. Americold Logistics
 3. Averitt Express (*non-industrial*)
 4. Calhoun Asphalt
 5. Custom Panels/Expressions Cabinets
 6. Decatur Plastic Products
 7. Delphi Automotive Systems
 8. Dixie Pacific Manufacturing Company
 9. Equity Group/Keystone Foods
 10. G-N Compaction
 11. Gadsden Fabrication
 12. Jay Mid-South, LLC
 13. Jemison Demsey Metals
 14. Job Corps Center (*non-industrial*)
 15. Leach & Company
 16. MS-2, LLC
 17. NARMCO Group/Prince Metal Stampings
 18. NSS Technologies
 19. NSS Technologies plant #2
 20. Praxair
 21. Putnam Plastics
 22. R.J. Corman
 23. Simmons Sign
 24. SIP of Delaware
 25. Southern Steel Products
 26. Specialty Products
 27. Super Steel South
 28. Tate's Machine Shop
 29. Techtrix
 30. Tennessee Aluminum Processors
 31. Wholesale Kitchens
- (2,392 total current jobs; \$186,693,000 combined investment)**

Recently announced IDA projects in Gadsden

1. Cintas Corporation
2. Pinnacle Enterprises
3. Prince Metal Stampings plant #2
4. Rigid Buildings Systems

(394 total announced jobs; \$43,200,000 combined investment)

Existing IDA projects in Etowah County but outside Gadsden

1. Anchor Machine and Fabrication
2. Browning Enterprises
3. Choice Fabricators
4. Crown Column and Millwork
5. Federal Express (*non-industrial*)
6. Gadsden Tool Company
7. Gadsden Warehousing
8. J&G Technical Services
9. Kentucky Farm Kitchens
10. Millard Refrigerated Services
11. R&L Labels
12. Rainbow Cultured Marble
13. RainGard of Alabama
14. Signode Tool Repair
15. Structural Dimensions
16. Tyson Feed Mill

(896 total current jobs; \$25,073,000 combined investment)

Current and announced jobs by IDA projects for Etowah County residents

2,392 - jobs inside Gadsden
 394 - recently announced jobs in Gadsden
 896 - jobs in the county but outside Gadsden
 120 - Etowah County residents employed at Saks and Yachio
 + 900 - Etowah County residents employed at Honda
4,702

Estimated current jobs created and supported by IDA projects in Etowah County

2,392 - jobs inside Gadsden
 + 896 - jobs in the county but outside Gadsden
 3,288
 - 288 - non-industrial jobs at four companies
 3,000
 x 3 - multiplier of one industrial job supporting two other jobs in the area
9,000

Total current IDA-related jobs in Etowah County as a percentage of total employment:
 9,000 / 45,912 (total county employment as of April 2006) = **approximately 20%**

Gadsden sales tax revenue computation

\$ 48,346,000	- payroll of employees at existing IDA projects in the City of Gadsden
9,834,000	- projected payroll of employees at announced new industries in Gadsden
18,637,000	- payroll of employees at IDA projects in Etowah County outside Gadsden
3,000,000	- payroll of Etowah County residents employed at Saks and Yachio
<u>+ 40,000,000</u>	- payroll of Etowah County residents employed at Honda
\$119,817,000	- total annual payroll resulting from IDA projects
<u>- 9,068,000</u>	- non-industrial payroll at four companies
\$110,749,000	
<u> x 10%</u>	- estimated % of payroll dollars spent on taxable sales inside Gadsden
\$ 11,074,900	
<u> x 5</u>	- multiplier of one new industrial payroll dollar being re-spent four times
\$ 55,374,500	
<u>+ 7,500,000</u>	- approximate amount of Honda's purchases from businesses in Gadsden
\$ 62,874,500	
<u> x 4%</u>	- city sales tax rate
\$ 2,514,980	- estimated annual sales tax revenue

IDA projects that subsequently closed

1. AAA Plumbing Pottery addition	10. Chicago Steel
2. Advance Auto Parts Distribution	11. Data Preparation
3. Alabama Earth Products	12. Jaymar-Ruby/Gadsden Sportswear
4. Alabama Structural Products	13. Jett's Fashions
5. Attalla Casting Company	14. KANS, Inc.
6. BACCA Sportswear	15. Kern's Bakeries
7. Black Creek, Inc.	16. Liberty Trousers
8. Cesco Machining	17. Packaging Integrity
9. Cheerzport, Inc.	18. Schwan's Enterprises

(1,389 total jobs; \$36,737,000 combined investment)

NOTE: It is not possible to compare total employment or manufacturing employment reported in the county in 1984, to the numbers in 2006, for two reasons. First, during this time the Alabama Department of Industrial Relations changed the way these numbers are computed, preventing a true "apples-to-apples" comparison. (However, this did not affect how the unemployment rate is derived.) Second, many industries have been increasing their use of employee leasing services or temporary employment agencies to reduce administrative costs; although these employees work in manufacturing occupations, they are categorized in the services sector of the economy by the U.S. Bureau of Labor Statistics.

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