

Scenario 1 with Client Data

Project Type: Business Retention & Expansion
Industry: Entertainment
Prepared By: Tomball EDC

Purpose & Limitations

This report presents the results of an economic and fiscal analysis undertaken by Tomball EDC using Impact DashBoard, a customized web application developed by Impact DataSource, LLC.

Impact DashBoard utilizes estimates, assumptions, and other information developed by Impact DataSource from its independent research effort detailed in a custom user guide prepared for Tomball EDC.

This report, generated by the Impact DashBoard application, has been prepared by Tomball EDC to assist economic development stakeholders in making an evaluation of the economic and fiscal impact of business activity in the community. This report does not purport to contain all of the information that may be needed to conclude such an evaluation. This report is based on a variety of assumptions and contains forward-looking statements concerning the results of operations of the subject firm. Tomball EDC made reasonable efforts to ensure that the project-specific data entered into Impact DashBoard reflects realistic estimates of future activity. Estimates of future activity involve known and unknown risks and uncertainties that could cause actual results, performance, or events to differ materially from those expressed or implied in this report.

Tomball EDC and Impact DataSource make no representation or warranty as to the accuracy or completeness of the information contained herein, and expressly disclaim any and all liability based on or relating to any information contained in, or errors or omissions from, this information or based on or relating to the use of this information.

Introduction

This report presents the results of an economic impact analysis performed using Impact DashBoard, a model developed by Impact DataSource. The report estimates the impact that a potential project will have on the local economy and estimates the costs and benefits for local taxing districts over a 10-year period.

Existing & Expanded Operations

The Project under analysis represents the expansion of an existing business. The table below illustrates the economic impact over the next 10 years including both the current and expanded operations.

ECONOMIC IMPACT OF CURRENT & EXPANDED OPERATIONS OVER 10 YEARS IN CITY OF TOMBALL			
	CURRENT OPERATIONS	EXPANSION	CURRENT & EXPANDED OPERATIONS
JOBS			
Direct	2.0	2.5	4.5
Spin-off	0	0.4	0.4
Jobs Total	2.0	2.9	4.9
SALARIES			
Direct	\$1,094,972	\$1,071,626	\$2,166,598
Spin-off	\$0	\$394,237	\$394,237
Salaries Total	\$1,094,972	\$1,465,862	\$2,560,835

The table below summarizes the fiscal impact, the net benefits for local taxing districts, over the next 10 years including both the current and expanded operations.

FISCAL IMPACT OF CURRENT & EXPANDED OPERATIONS OVER 10 YEARS			
NET BENEFITS			
	CURRENT OPERATIONS	EXPANSION	CURRENT & EXPANDED OPERATIONS
City of Tomball	\$155,320	\$75,288	\$230,608
Harris County	\$178,075	\$38,541	\$216,616
Tomball ISD	\$544,381	\$33,919	\$578,300
Lone Star College	\$54,990	\$9,474	\$64,464
Port of Houston	\$2,933	\$505	\$3,439
Harris County ESD #8	\$45,903	\$7,908	\$53,811
Harris County Hospital District	\$73,301	\$12,628	\$85,930
Harris County Department of Education	\$2,453	\$423	\$2,876
Harris County Flood Control	\$15,868	\$2,734	\$18,602
	\$1,073,225	\$181,420	\$1,254,645

The remainder of this report will focus on only the economic and fiscal impact associated with the expansion.

Economic Impact Overview

The table below summarizes the economic impact of the project over the first 10 years in terms of job creation, salaries paid to workers, and taxable sales.

SUMMARY OF ECONOMIC IMPACT OVER 10 YEARS IN CITY OF TOMBALL			
IMPACT	DIRECT	SPIN-OFF	TOTAL
Jobs	2.5	0.4	2.9
Annual Salaries/Wages at Full Ops (Yr 4)	\$119,386	\$43,920	\$163,306
Salaries/Wages over 10 Years	\$1,071,626	\$394,237	\$1,465,862
Taxable Sales/Purchases in City of Tomball	\$834,847	\$4,928	\$839,775

Totals may not sum due to rounding

The Project may result in new residents moving to the community and potentially new residential properties being constructed as summarized below.

SUMMARY OF POPULATION IMPACT OVER 10 YEARS IN CITY OF TOMBALL			
IMPACT	DIRECT	SPIN-OFF	TOTAL
Workers who will move to City of Tomball	0.1	0.0	0.1
New residents in City of Tomball	0.2	0.0	0.2
New residential properties constructed in City of Tomball	0.0	0.0	0.0
New students to attend local school district	0.0	0.0	0.0

Totals may not sum due to rounding

The new taxable property to be supported by the Project over the next 10 years is summarized in the following table.

SUMMARY OF TAXABLE PROPERTY OVER THE FIRST 10 YEARS IN CITY OF TOMBALL							
YR.	NEW RESIDENTIAL PROPERTY	LAND	BUILDINGS...	FF&E	INVENTORIES	NON-RESIDENTIAL PROPERTY	TOTAL PROPERTY
1	\$1,116	\$250,000	\$535,000	\$0	\$0	\$785,000	\$786,116
2	\$1,707	\$255,000	\$545,700	\$0	\$0	\$800,700	\$802,407
3	\$1,741	\$260,100	\$556,614	\$0	\$0	\$816,714	\$818,455
4	\$2,961	\$265,302	\$567,746	\$0	\$0	\$833,048	\$836,009
5	\$3,020	\$270,608	\$579,101	\$0	\$0	\$849,709	\$852,729
6	\$3,080	\$276,020	\$590,683	\$0	\$0	\$866,703	\$869,784
7	\$3,142	\$281,541	\$602,497	\$0	\$0	\$884,037	\$887,179
8	\$3,205	\$287,171	\$614,547	\$0	\$0	\$901,718	\$904,923
9	\$3,269	\$292,915	\$626,838	\$0	\$0	\$919,753	\$923,021
10	\$3,334	\$298,773	\$639,375	\$0	\$0	\$938,148	\$941,482

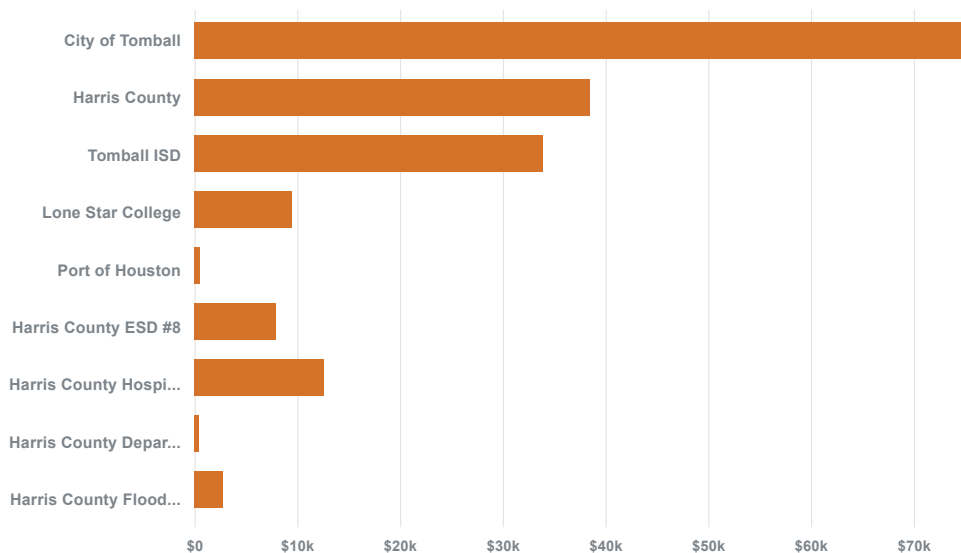
Fiscal Impact Overview

The Project will generate additional benefits and costs, a summary of which is provided below. The source of specific benefits and costs are provided in greater detail for each taxing district on subsequent pages.

FISCAL NET BENEFITS OVER THE NEXT 10 YEARS				
	BENEFITS	COSTS	NET BENEFITS	PRESENT VALUE*
City of Tomball	\$99,648	(\$24,360)	\$75,288	\$58,183
Harris County	\$42,176	(\$3,635)	\$38,541	\$29,550
Tomball ISD	\$91,954	(\$58,035)	\$33,919	\$25,983
Lone Star College	\$9,474	\$0	\$9,474	\$7,252
Port of Houston	\$505	\$0	\$505	\$387
Harris County ESD #8	\$7,908	\$0	\$7,908	\$6,054
Harris County Hospital District	\$12,628	\$0	\$12,628	\$9,667
Harris County Department of Education	\$423	\$0	\$423	\$324
Harris County Flood Control	\$2,734	\$0	\$2,734	\$2,093
Total	\$267,450	(\$86,030)	\$181,420	\$139,493

*The Present Value of Net Benefits expresses the future stream of net benefits 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 5.0% to make the dollars comparable.

Net Benefits Over the Next 10 Years



Public Support Overview

A summary of the total Public Support modeled in this analysis is shown below.

VALUE OF PUBLIC SUPPORT UNDER CONSIDERATION		
	NON-TAX INCENTIVE	TOTAL
City of Tomball	\$26,750	\$26,750
Harris County	\$0	\$0
Tomball ISD	\$0	\$0
Lone Star College	\$0	\$0
Port of Houston	\$0	\$0
Harris County ESD #8	\$0	\$0
Harris County Hospital District	\$0	\$0
Harris County Department of Education	\$0	\$0
Harris County Flood Control	\$0	\$0
Total	\$26,750	\$26,750

City of Tomball Fiscal Impact

The table below displays the estimated additional benefits, costs, and net benefits to be received by City of Tomball over the next 10 years of the Project.

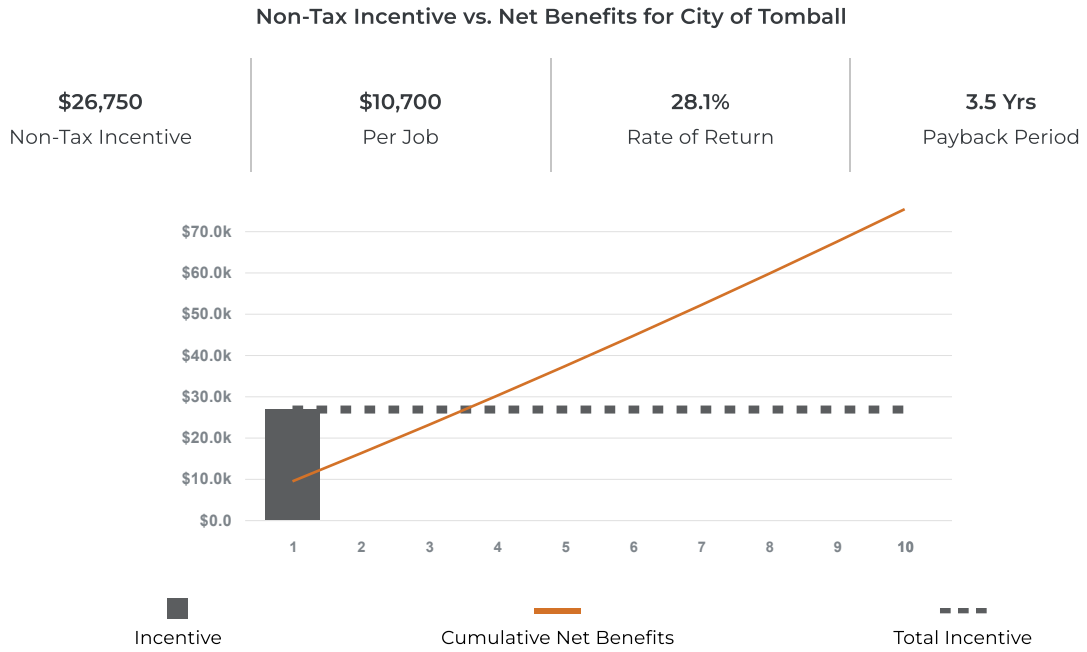
NET BENEFITS OVER 10 YEARS: CITY OF TOMBALL			
BENEFITS	PROJECT	HOUSEHOLDS	TOTAL
Sales Taxes	\$16,429	\$366	\$16,795
Real Property Taxes	\$25,212	\$0	\$25,212
FF&E Property Taxes	\$0	\$0	\$0
Inventory Property Taxes	\$0	\$0	\$0
New Residential Property Taxes	\$0	\$78	\$78
Hotel Occupancy Taxes	\$33,534	\$0	\$33,534
Building Permits and Fees	\$0	\$0	\$0
Utility Revenue	\$14,098	\$1,100	\$15,198
Utility Franchise Fees	\$810	\$63	\$873
Miscellaneous Taxes and User Fees	\$7,382	\$576	\$7,958
Benefits Subtotal	\$97,465	\$2,183	\$99,648
COSTS	PROJECT	HOUSEHOLDS	TOTAL
Cost of Government Services	(\$7,073)	(\$550)	(\$7,623)
Cost of Utility Services	(\$15,527)	(\$1,211)	(\$16,737)
Costs Subtotal	(\$22,599)	(\$1,761)	(\$24,360)
Net Benefits	\$74,865	\$422	\$75,288

Annual Fiscal Net Benefits for City of Tomball



Non-Tax Incentives

The graph below depicts the non-tax incentives modeled in this analysis versus the cumulative net benefits to City of Tomball. The intersection indicates the length of time until the incentives are paid back.



Harris County Fiscal Impact

The table below displays the estimated additional benefits, costs, and net benefits to be received by Harris County over the next 10 years of the Project.

NET BENEFITS OVER 10 YEARS: HARRIS COUNTY			
BENEFITS	PROJECT	HOUSEHOLDS	TOTAL
Real Property Taxes	\$30,090	\$0	\$30,090
FF&E Property Taxes	\$0	\$0	\$0
Inventory Property Taxes	\$0	\$0	\$0
New Residential Property Taxes	\$0	\$732	\$732
Hotel Occupancy Taxes	\$9,581	\$0	\$9,581
Miscellaneous Taxes and User Fees	\$976	\$796	\$1,773
Benefits Subtotal	\$40,648	\$1,528	\$42,176
COSTS	PROJECT	HOUSEHOLDS	TOTAL
Cost of Government Services	(\$2,000)	(\$1,634)	(\$3,635)
Costs Subtotal	(\$2,000)	(\$1,634)	(\$3,635)
Net Benefits	\$38,647	(\$106)	\$38,541

Annual Fiscal Net Benefits for Harris County

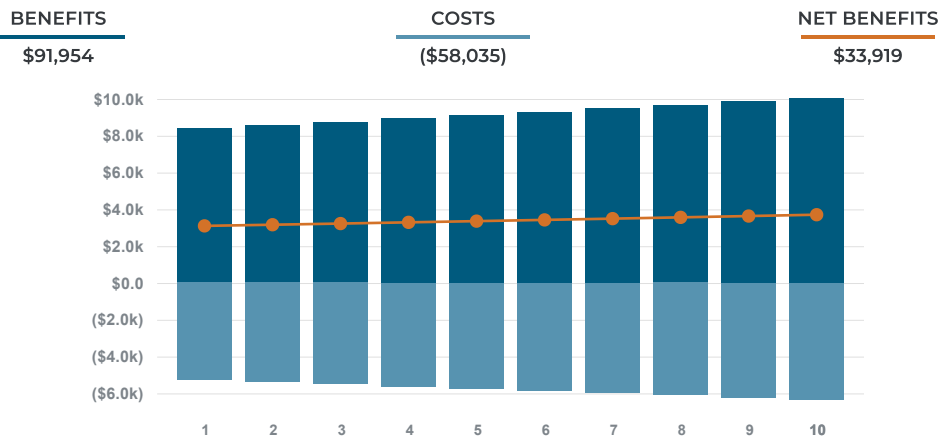


Tomball ISD Fiscal Impact

The table below displays the estimated additional benefits, costs, and net benefits to be received by Tomball ISD over the next 10 years of the Project.

NET BENEFITS OVER 10 YEARS: TOMBALL ISD			
BENEFITS	PROJECT	HOUSEHOLDS	TOTAL
Real Property Taxes	\$91,560	\$0	\$91,560
FF&E Property Taxes	\$0	\$0	\$0
Inventory Property Taxes	\$0	\$0	\$0
New Residential Property Taxes	\$0	\$90	\$90
Addtl. State & Federal School Funding	\$0	\$304	\$304
Benefits Subtotal	\$91,560	\$394	\$91,954
COSTS	PROJECT	HOUSEHOLDS	TOTAL
Cost to Educate New Students	\$0	(\$295)	(\$295)
Reduction in State School Funding	(\$57,683)	(\$57)	(\$57,739)
Costs Subtotal	(\$57,683)	(\$352)	(\$58,035)
Net Benefits	\$33,877	\$42	\$33,919

Annual Fiscal Net Benefits for Tomball ISD

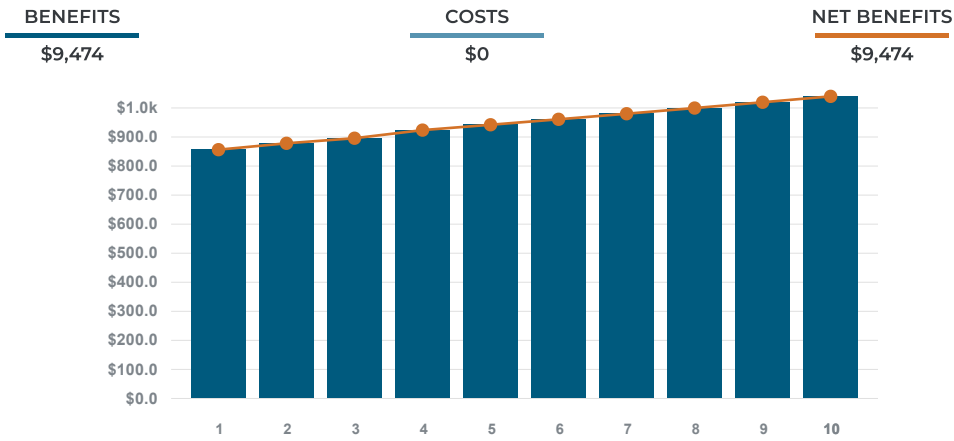


Lone Star College Fiscal Impact

The table below displays the estimated additional benefits, costs, and net benefits to be received by Lone Star College over the next 10 years of the Project.

NET BENEFITS OVER 10 YEARS: LONE STAR COLLEGE			
BENEFITS	PROJECT	HOUSEHOLDS	TOTAL
Real Property Taxes	\$9,249	\$0	\$9,249
FF&E Property Taxes	\$0	\$0	\$0
Inventory Property Taxes	\$0	\$0	\$0
New Residential Property Taxes	\$0	\$225	\$225
Benefits Subtotal	\$9,249	\$225	\$9,474
COSTS	PROJECT	HOUSEHOLDS	TOTAL
None Estimated	\$0	\$0	\$0
Costs Subtotal	\$0	\$0	\$0
Net Benefits	\$9,249	\$225	\$9,474

Annual Fiscal Net Benefits for Lone Star College



Port of Houston Fiscal Impact

The table below displays the estimated additional benefits, costs, and net benefits to be received by Port of Houston over the next 10 years of the Project.

NET BENEFITS OVER 10 YEARS: PORT OF HOUSTON			
BENEFITS	PROJECT	HOUSEHOLDS	TOTAL
Real Property Taxes	\$493	\$0	\$493
FF&E Property Taxes	\$0	\$0	\$0
Inventory Property Taxes	\$0	\$0	\$0
New Residential Property Taxes	\$0	\$12	\$12
Benefits Subtotal	\$493	\$12	\$505
COSTS	PROJECT	HOUSEHOLDS	TOTAL
None Estimated	\$0	\$0	\$0
Costs Subtotal	\$0	\$0	\$0
Net Benefits	\$493	\$12	\$505

Annual Fiscal Net Benefits for Port of Houston



Harris County ESD #8 Fiscal Impact

The table below displays the estimated additional benefits, costs, and net benefits to be received by Harris County ESD #8 over the next 10 years of the Project.

NET BENEFITS OVER 10 YEARS: HARRIS COUNTY ESD #8			
BENEFITS	PROJECT	HOUSEHOLDS	TOTAL
Real Property Taxes	\$7,720	\$0	\$7,720
FF&E Property Taxes	\$0	\$0	\$0
Inventory Property Taxes	\$0	\$0	\$0
New Residential Property Taxes	\$0	\$188	\$188
Benefits Subtotal	\$7,720	\$188	\$7,908
COSTS	PROJECT	HOUSEHOLDS	TOTAL
None Estimated	\$0	\$0	\$0
Costs Subtotal	\$0	\$0	\$0
Net Benefits	\$7,720	\$188	\$7,908

Annual Fiscal Net Benefits for Harris County ESD #8



Harris County Hospital District Fiscal Impact

The table below displays the estimated additional benefits, costs, and net benefits to be received by Harris County Hospital District over the next 10 years of the Project.

NET BENEFITS OVER 10 YEARS: HARRIS COUNTY HOSPITAL DISTRICT			
BENEFITS	PROJECT	HOUSEHOLDS	TOTAL
Real Property Taxes	\$12,329	\$0	\$12,329
FF&E Property Taxes	\$0	\$0	\$0
Inventory Property Taxes	\$0	\$0	\$0
New Residential Property Taxes	\$0	\$300	\$300
Benefits Subtotal	\$12,329	\$300	\$12,628
COSTS	PROJECT	HOUSEHOLDS	TOTAL
None Estimated	\$0	\$0	\$0
Costs Subtotal	\$0	\$0	\$0
Net Benefits	\$12,329	\$300	\$12,628

Annual Fiscal Net Benefits for Harris County Hospital District

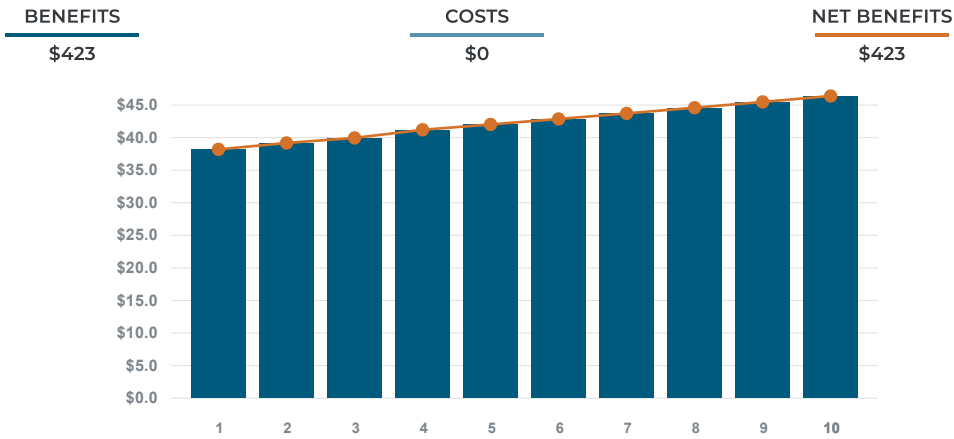


Harris County Department of Education Fiscal Impact

The table below displays the estimated additional benefits, costs, and net benefits to be received by Harris County Department of Education over the next 10 years of the Project.

NET BENEFITS OVER 10 YEARS: HARRIS COUNTY DEPARTMENT OF EDUCATION			
BENEFITS	PROJECT	HOUSEHOLDS	TOTAL
Real Property Taxes	\$413	\$0	\$413
FF&E Property Taxes	\$0	\$0	\$0
Inventory Property Taxes	\$0	\$0	\$0
New Residential Property Taxes	\$0	\$10	\$10
Benefits Subtotal	\$413	\$10	\$423
COSTS	PROJECT	HOUSEHOLDS	TOTAL
None Estimated	\$0	\$0	\$0
Costs Subtotal	\$0	\$0	\$0
Net Benefits	\$413	\$10	\$423

Annual Fiscal Net Benefits for Harris County Department of Education



Harris County Flood Control Fiscal Impact

The table below displays the estimated additional benefits, costs, and net benefits to be received by Harris County Flood Control over the next 10 years of the Project.

NET BENEFITS OVER 10 YEARS: HARRIS COUNTY FLOOD CONTROL			
BENEFITS	PROJECT	HOUSEHOLDS	TOTAL
Real Property Taxes	\$2,669	\$0	\$2,669
FF&E Property Taxes	\$0	\$0	\$0
Inventory Property Taxes	\$0	\$0	\$0
New Residential Property Taxes	\$0	\$65	\$65
Benefits Subtotal	\$2,669	\$65	\$2,734
COSTS	PROJECT	HOUSEHOLDS	TOTAL
None Estimated	\$0	\$0	\$0
Costs Subtotal	\$0	\$0	\$0
Net Benefits	\$2,669	\$65	\$2,734

Annual Fiscal Net Benefits for Harris County Flood Control



Overview of Methodology

The Impact DashBoard model combines project-specific attributes with community data, tax rates, and assumptions to estimate the economic impact of the Project and the fiscal impact for local taxing districts over a 10-year period.

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 the Project. Second, this economic impact analysis calculates the spin-off or indirect and induced impacts that result from the Project. 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.

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. Impact DataSource utilizes adjusted county-level multipliers to estimate the impact occurring at the sub-county level.

Two types of regional economic multipliers were used in this analysis: an employment multiplier and an earnings multiplier. An employment multiplier was used to estimate the number of indirect and induced jobs created or supported in the area. An earnings multiplier was used to estimate the amount of salaries to be paid to workers in these new indirect and induced jobs. The employment multiplier shows the estimated number of total jobs created for each direct job. The earnings multiplier shows the estimated amount of total salaries paid to these workers for every dollar paid to a direct worker. The multipliers used in this analysis are listed below:

713940 FITNESS AND RECREATIONAL SPORTS CENTERS		CITY OF TOMBALL
Employment Multiplier	(Type II Direct Effect)	1.179
Earnings Multiplier	(Type II Direct Effect)	1.3679

Most of the revenues estimated in this study result from calculations relying on (1) attributes of the Project, (2) assumptions to derive the value of associated taxable property or sales, and (3) local tax rates. In some cases, revenues are estimated on a per new household, per new worker, or per new school student basis.

The company or Project developer was not asked, nor could reasonably provide data for calculating some other revenues. For example, while the city will likely receive revenues from fines paid on speeding tickets given to new workers, the company does not know the propensity of its workers to speed. Therefore, some revenues are calculated using an average revenue approach.

This approach uses relies on two assumptions:

1. The taxing entity has two general revenue sources: revenues from residents and revenues from businesses.
2. The taxing entity will collect (a) about the same amount of miscellaneous taxes and user fees from each new household that results from the Project as it currently collects from existing households on average, and (b) the same amount of miscellaneous taxes and user fees from the new business (on a per worker basis) will be collected as it collects from existing businesses.

In the case of the school district, some additional state and federal revenues are estimated on a per new school student basis consistent with historical funding levels.

Additionally, this analysis sought to estimate the additional expenditures faced by local jurisdictions to provide services to new households and new businesses. A marginal cost approach was used to calculate these additional costs.

This approach relies on two assumptions:

1. The taxing entity spends money on services for two general groups: revenues from residents and revenues from businesses.
2. The taxing entity will spend slightly less than its current average cost to provide local government services (police, fire, EMS, etc.) to (a) new residents and (b) businesses on a per worker basis.

In the case of the school district, the marginal cost to educate new students was estimated based on a portion of the school's current expenditures per student and applied to the headcount of new school students resulting from the Project.

Additionally, this analysis seeks to calculate the impact on the school district's finances from the Project by generally, and at a summary level, mimicking the district's school funding formula.

According to the Texas Education Agency, any property added to local tax rolls, and the local taxes that this generates, reduces the amount of state funding equivalent to local taxes collected for maintenance and operations. The school district retains local taxes received for debt services and the corresponding state funding is not reduced. However, according to the Texas Education Agency, the school district will receive state aid for each new child that moves to the District. The additional revenues for the school district are calculated in this analysis.

About Impact DataSource

Established in 1993, Impact DataSource is an Austin, Texas-based economic consulting firm. Impact DataSource provides high-quality economic research, specializing in economic and fiscal impact analyses. The company is highly focused on supporting economic development professionals and organizations through its consulting services and software. Impact DataSource has conducted thousands of economic impact analyses of new businesses, retention and expansion projects, developments, and activities in all industry groups throughout the U.S.

For more information on Impact DataSource, LLC and our product Impact DashBoard, please visit our website www.impactdatasource.com

