Economic Impact Analysis Metrics

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Studies of this type generally treat the event as an investment by an individual, firm, or even a government. That event is expected to generate a return on investment (ROI) an annual basis that is competitive. If the revenue generated cannot exceed the cost + ROI then the investment will likely not be made. Obviously if the investor is a government, the ROI required may be less than for other investors.

The costs usually break into two major areas: site preparation/construction and operations

Site preparation will include any cost for remediation, which will depend on the use of the property and any funding available for from the brownfields program, any demolition costs to clear the site, costs of connections to sewer and water, as well as any connection to the road system required by DelDOT.

Construction, if any, will follow the certification of the site. Of interest are labor cost, supplies and material, cost of any of permits, engineering/architectural services, contracts issued for actual construction, and connection to the power grid and backup power, if required. If the option of build and lease back is employed, the leasing of the facility will be an operating cost.

Outfitting the facility with equipment, office furniture, and other necessities will incur costs as well.

The greatest majority of the costs listed will occur in the early part of the investment and will not carry forward once the initial phase is complete. However, there are likely capital costs from borrowing will extend into the operations period.

Once the facility is opened, the continuing costs will be incurred. These will include staffing costs (e.g., wages, salaries, bonuses, and benefits). Training costs, marketing, and acquisition of IT services are a few of the needed services.

It’s necessary to know the occupation of the employees, whether the employee is full-time/part-time, and their Delaware residence status. Is all of the employment to be on site at day one or does it get phased in over months/years?

The dollar amount of materials, supplies, and services purchased annually from Delaware firms is required.

Also of interest is the amount of property taxes, corporate taxes (including sub-chapter S corporations), gross receipts taxes, and any other state/local taxes or fees.

One area which needs to be added is the cost of any offset that would be required. If it requires any purchase of credits, the installation of additional equipment, or additional remediation beyond that identified above, those costs would have to identified and included in the ROI picture for investor(s).

The following list is just tentative and should be discussed with DNREC for its viability:

1. Detailed list of projects carried on during the year selected as the basis for the analysis with detail of percentage of execution during that year.

2. Site preparation and remediation:

    a. Cost of demolition (if necessary.) If not available, total sq. ft. of the facility targeted for demolition

    b. Cost of remediation, including the value of any brownfield or any other fund used

    c. Cost of providing services (e.g., connection to sewage, water, access roads)

3. Construction following the certification of the site:

    a. Cost of architectural and engineering services, permits, and any other pre-construction services

    b. Number of employees and wage bill, cost of materials used in the construction, value of construction contracts issued, name and location of the construction company

    c. Cost of outfitting the new buildings (e.g., equipment, furniture)

4. Operation of the new facilities:

    a. Number of employees or the occupants of the new facilities and staffing characteristics of those employees: occupation, status (part- or full-time), residence (in or out-of-State), wages and salaries (including bonuses and other benefits), cost of training, etc.

    b. Value of goods and services purchased from companies located within the State of Delaware

    c. Taxes paid for the companies located in the new facilities, including local, county, state, and federal taxes

5. Additional Costs:
    a. Cost of any required offset, credits purchased, additional equipment, additional remediation, etc. (In general any required expenses that could affect the bottom line of the company's ROI could fall in this category)