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Town of Amherst Industrial Development Agency Economic and Fiscal Impact

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Prepared for:
Amherst IDA

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Summary

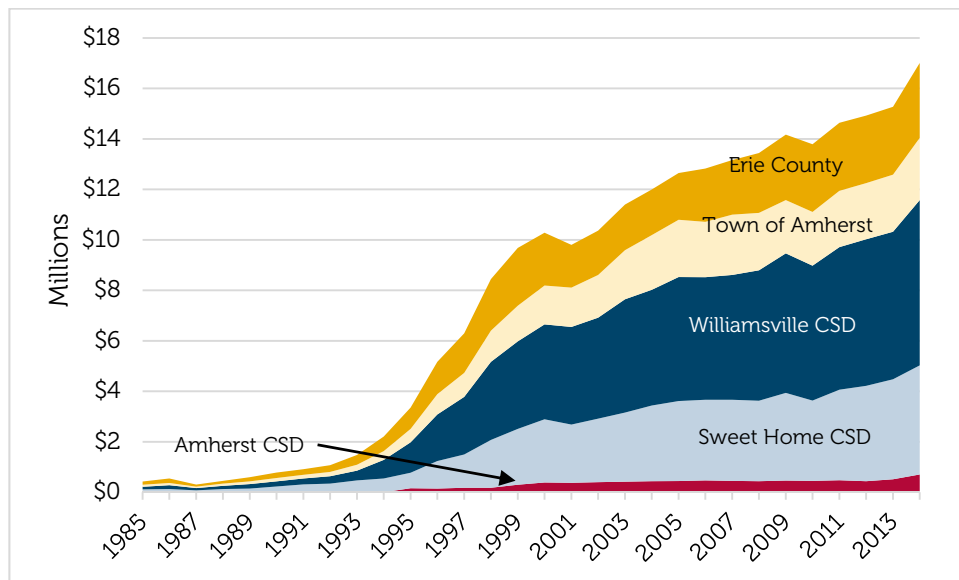
CGR was engaged by the Amherst Industrial Development Agency (AIDA) to quantify the benefits the community has experienced through the business growth fostered by the IDA. Since the 1970s the Town of Amherst has grown dramatically, becoming a regional center of commerce and employment for the Buffalo metro. Amherst's success can be attributed to the confluence of many factors including an excellent location, an efficient transportation infrastructure, a large and diverse housing stock, and a broad range of government services. The Amherst IDA has been effective in highlighting these features to prospective and expanding businesses and using incentives to encourage them to locate within the Town. The business expansion spurred by the IDA has increased the tax base and expanded employment opportunities within the Town and the region as a whole.

Revenue to Municipal Service Providers

Through the use of payments in-lieu-of-taxes (PILOTs) and other financial incentives Amherst IDA has encouraged investment in the Town of Amherst. These investments have increased the commercial and industrial tax base, resulting in substantial property tax and PILOT revenue. This revenue has enabled the local municipalities to provide services to their citizens and helped make Amherst a vibrant part of the Buffalo metro.

This benefit has been substantial and is increasing. Using data provided by Amherst IDA, CGR calculates that the property tax revenues to Erie County, the Town of Amherst and three school districts (Amherst, Sweet Home and Williamsville) totaled \$237.5 million dollars (\$2014) from 1985 to 2014 AIDA projects.

Figure 1 – Amherst IDA Project Property Tax Revenue
(figures in 2014 dollars)



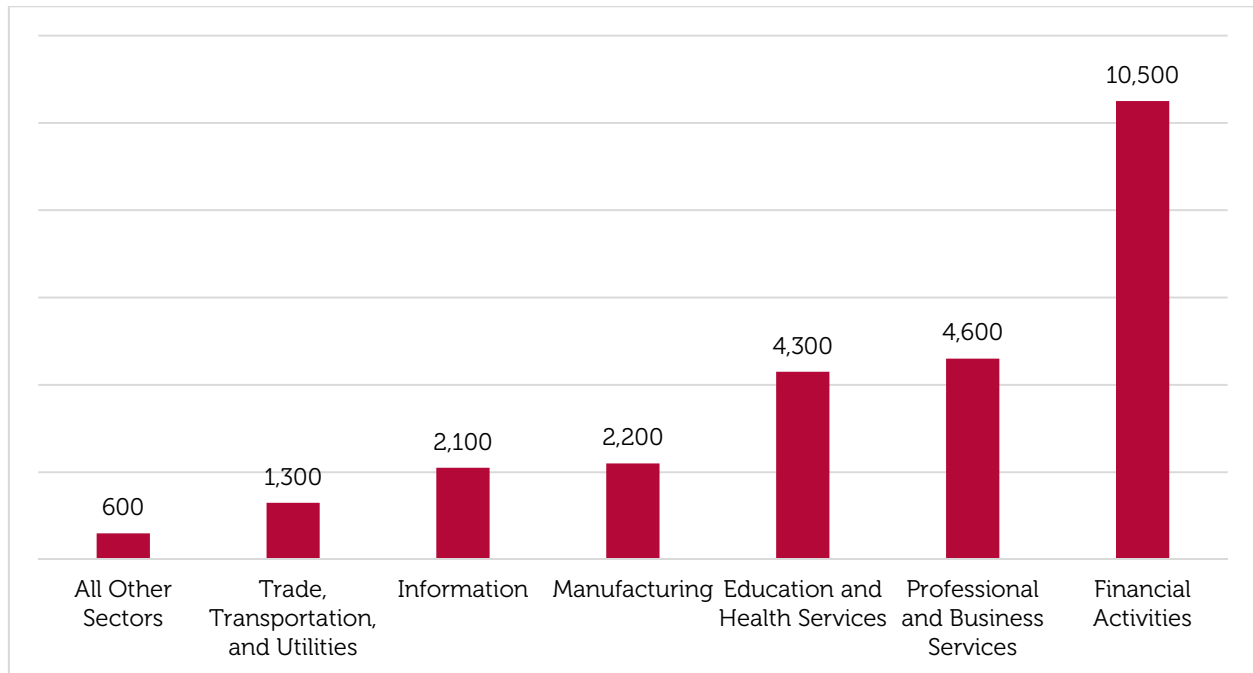
The property tax revenue from companies assisted by AIDA made up about 9% of the Town of Amherst's general fund's real property tax and PILOT revenue total in 2014. The sum is enough to cover the salaries of the Town of Amherst's Supervisor, Legislative Board, Municipal Court, Finance, Purchasing and Assessment employees and about 150 teachers in the Amherst, Sweet Home and Williamsville school districts.

Encouraging a Diversified Economy

The Amherst IDA has played a central role in making Amherst the location of choice for new and expanding business ventures in the Buffalo metropolitan area. Some of the employers now located in Amherst relocated from other locations in the region. Positive community characteristics, a superb transportation infrastructure and top quality sites and buildings helped retain firms and activities that might otherwise have moved to expanding metros like Charlotte, Tampa, or Austin.

The actions taken by Amherst IDA has benefitted companies from a variety of sectors. These companies have brought jobs into the community. The Town of Amherst 2012 Comprehensive Plan Review Report notes that employment levels in the town have increased at a rate that outpaced earlier projections. Although many factors contribute to this outcome, the work of the Amherst IDA in support of business expansion and attraction is certainly one. As of 2014 companies who are currently receiving assistance or who have received it in the past employ 26,000 people. These jobs are foremost in the financial services sector with professional and business service, and education and health service sectors following.

Figure 2 – Amherst IDA Jobs by Sector



Depending on the share of the core economic activity and related spillover employment and income deemed new to the Buffalo metro, net new jobs attributable to the Amherst IDA could be as high as 48,000 with the added payroll ranging from \$1.9 to \$2.5 billion.

Acknowledging that some portion of the job creation reported in Amherst may have occurred elsewhere in the Buffalo metro in the absence of development incentives from AIDA, our estimate of the spillover impact is presented as a range. At the high end we credit AIDA with 75% of the spillover employment; at the low end, we credit AIDA with 25% of the spillover employment.

Not only has the work of the IDA improved the well-being of workers and their families, this level of economic activity generates substantial tax revenue. We estimate that total is between \$75 to \$92 million in income tax revenue to New York State and \$59 to \$76 million in sales tax revenue at the state and local levels.

The companies aided by Amherst IDA will generate about \$17 million in property tax revenue upon expiration of PILOTs.

The Town of Amherst has become a major center for commerce in Erie County and the Buffalo metro area. This success is in no small part attributable to the activity of the Amherst Industrial Development Agency.

Acknowledgements

CGR would like to thank the staff at Amherst IDA for their help in gathering data. David Mingoia, Deputy Director, and Laure Manuszewski, Director of Administrative Services, were invaluable resources for project details.

Staff Team

Kent Gardner, Ph.D., Chief Economist, provided oversight and input to methodological process, advised the study team and reviewed impact results.

Mike Silva, Data Analyst, organized and analyzed data, helped define consistent methodology, and contributed to drafting portions of the report.

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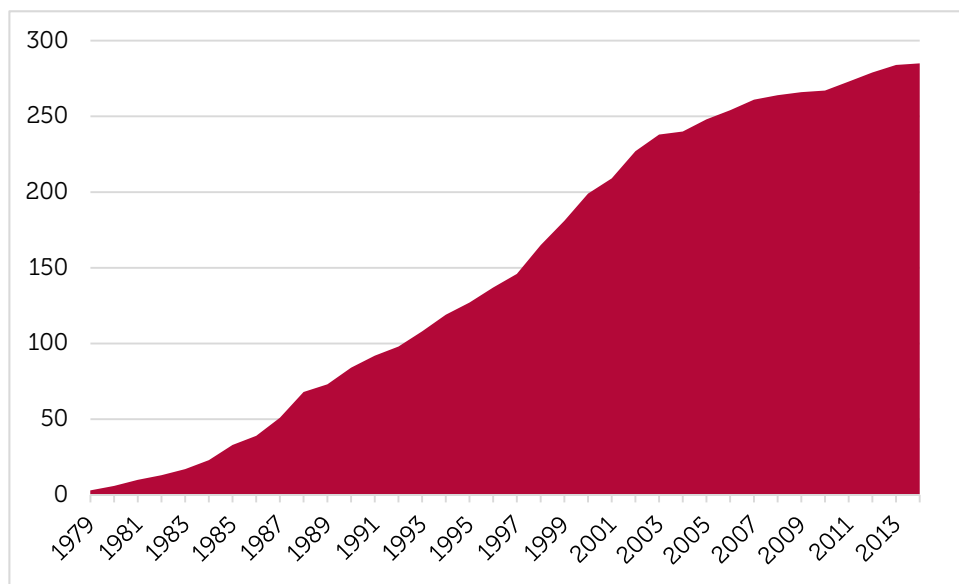
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Introduction

In 1969, legislation enacted by the NYS Legislature provided for the creation of local industrial development agencies. IDAs were designed and empowered to encourage economic development in specific localities. To improve economic conditions in their respective areas, IDAs work to attract, retain and expand businesses within their jurisdictions through the provision of financial incentives to private entities.

The Amherst IDA (AIDA) was established in 1973. The IDA is not a Town of Amherst department. It does not receive any financial assistance from the Town to sustain its operations.

Figure 3 – Cumulative Number of AIDA Projects



From 1979 to 2012 Amherst IDA managed \$2.5 billion of financing. These incentives have attracted and kept jobs in the region which has increased the well-being of workers and their families. This report quantifies the benefits provided by this public benefit corporation.

Amherst IDA Impacts

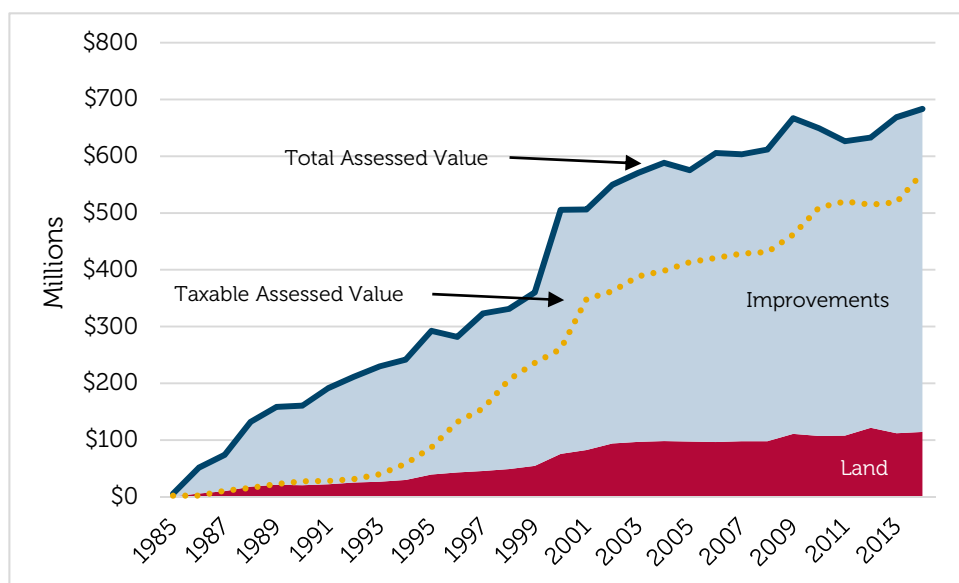
Property Tax Benefits

IDAs are legally empowered to buy, sell or lease property and to provide tax exempt financing for approved projects. Real property owned or controlled by IDAs is exempt from property and mortgage recording taxes, and the value of these exemptions can

be passed through to assisted businesses. While IDA properties are tax exempt, businesses occupying IDA-owned properties typically make payments in-lieu-of-taxes (PILOTs) that are shared with the affected local governments.

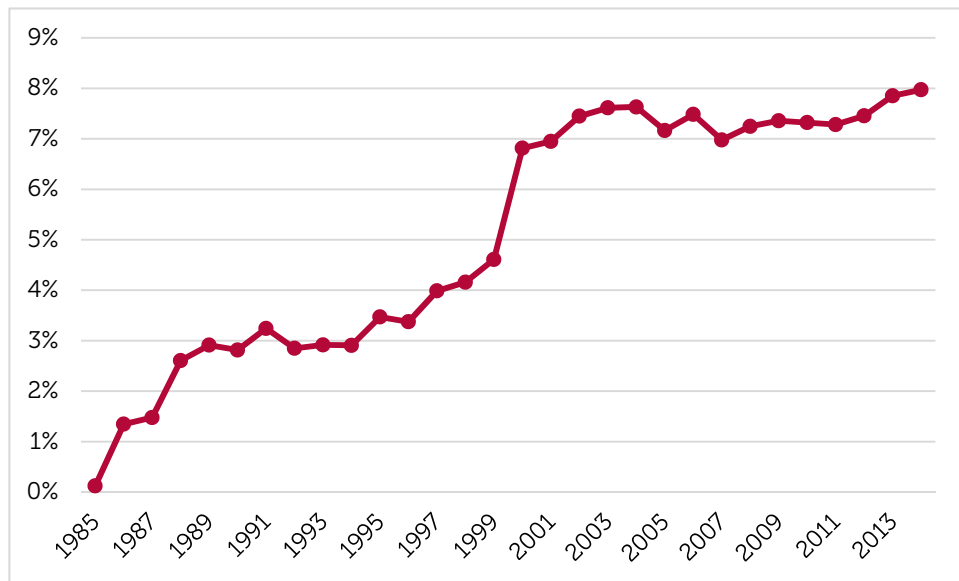
Amherst IDA has used these incentives to attract projects and spur development. This increases value of the property and enlarges the property tax base. They have attracted companies which have made substantial improvements to the acquired properties. These values are depicted in Figure 4 below. In 2014 the total improvements associated with AIDA projects total roughly \$570 million.

Figure 4 – Total Property Tax Base Increases in the Town of Amherst
(figures in 2014 dollars)



As the total assessed value of the Amherst IDA's projects grows, so does its share of the townwide total assessed value as shown in figure 5. In 2014, Amherst IDA projects make up about 8% of the town's property tax base.

Figure 5 – Amherst IDA Project's Total Assessed Value as a Share of the Town of Amherst's Total



However not all of the assessed value is fully taxed. As previously explained, AIDA develops a PILOT agreement and exempts part assessed value. This incentive is made to induce companies to investment in the property which increase the total assessed value. Once the PILOT expires the property will be taxed at the full value. The portion of the total assessed value minus these incentives is the taxable assessed value (dotted yellow line in figure 4 and 6).

Figure 6 – Taxable Property Tax Base Increases in the Town of Amherst (figures in 2014 dollars)

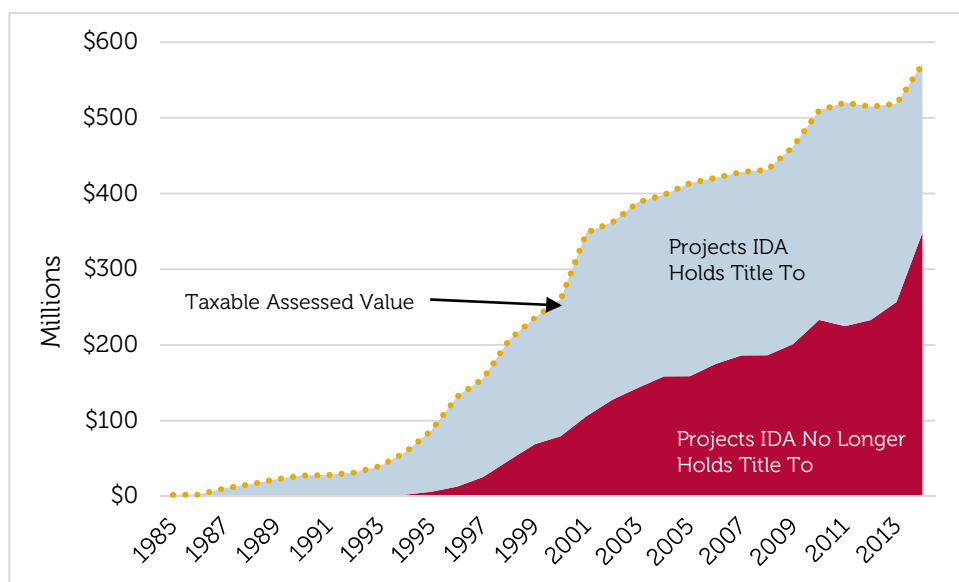
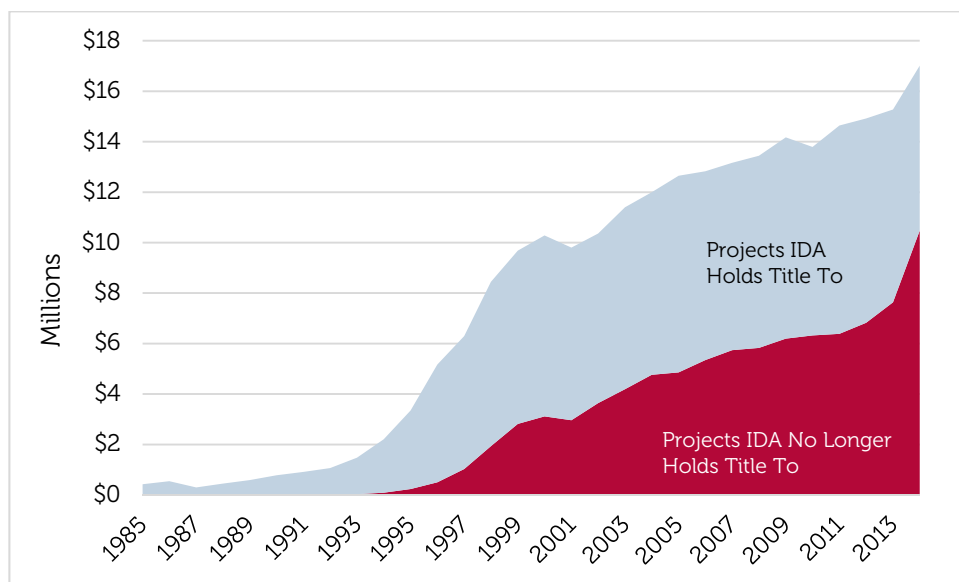


Figure 6 looks at the taxable assessed value and breaks it out by the projects AIDA currently holds title to and those they no longer hold title to. The taxable assessed value of all AIDA projects (past and present) in 2014 totals \$570 million.¹

This property tax base increase translates into revenues for taxing jurisdictions. AIDA provides property tax revenue benefits to Erie County, the Town of Amherst and three school districts: Amherst, Sweet Home and Williamsville. The \$570 million in taxable assessed value translates into roughly \$17 million in property tax revenue for all taxing authorities (i.e. \$2.5 to Town of Amherst, \$2.9 to Erie County, etc.). Roughly \$10 million come from projects no longer owned by the IDA and the remaining 7 million from properties still owned by AIDA.

Figure 7 – Total Property Tax Revenues by Year
(figures in 2014 dollars)



When looking from 1985 to 2014, AIDA projects have generated about 237 million dollars² for the county, town and school districts. About \$90 million came from projects that the AIDA no longer holds title to.

If we assume that these investments did not occur and these properties were left as unimproved land the property tax collected by all jurisdictions from 1985 to 2014 would sum to \$62 million. Thus the actions of Amherst IDA have generated an additional \$176 million over the thirty years. The following table breaks out these property tax by taxing jurisdictions:

¹ It is purely coincidental that this matches as the improvements to land.

² Figures are in constant 2014 dollars

Table 1 – Amherst IDA Project Property Tax Revenue 1985-2014
(figures in millions of 2014 dollars)

	Unimproved Land	Projects IDA No Longer Holds Title To	Projects IDA Holds Title To	Total Projects	Difference
Erie County	\$12.1	\$16.2	\$28.1	\$44.3	\$32.3
Town of Amherst	\$9.9	\$14.4	\$23.5	\$37.9	\$28.0
Amherst CSD	\$3.5	\$2.2	\$5.6	\$7.8	\$4.3
Sweet Home CSD	\$16.2	\$25.6	\$32.2	\$57.8	\$41.6
Williamsville CSD	\$20.3	\$32.5	\$57.2	\$89.7	\$69.3
Total	\$62.0	\$90.9	\$146.5	\$237.5	\$175.5

Note that CGR's estimate of the change in land value is based on the assessed value of land for properties with structures. The "land portion" of the assessment is necessarily improved land, which is more valuable than land without infrastructure. The key economic impact question—"What would have happened in the absence of the studied activity?"—is always challenging to define and measure. If the alternative to AIDA-spurred development would be farming, then the comparison should be between land without improvements and our approach would understate the impact of the IDA's involvement.

Over the thirty years detailed in the table above the Town of Amherst has collected about \$37.9 million in property tax revenue. \$14.4 million came from projects that the AIDA no longer holds title to.

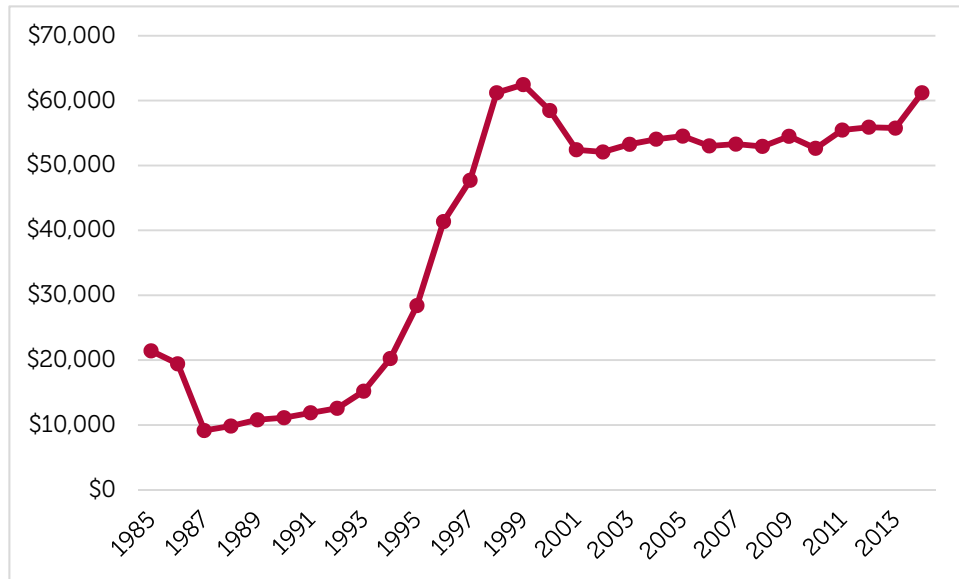
To put these figures into context, in 2014 property tax revenues from companies "touched" by AIDA (those who received or are currently receiving AIDA assistance) make up about 9% of real property tax and PILOT revenue received by the Town of Amherst. The revenue generated is enough to cover the salaries of the Town of Amherst's Supervisor, Legislative Board, Municipal Court, Finance, Purchasing and Assessment employees.

The school districts are the largest beneficiaries of Amherst IDA's actions, collecting in total \$155.3 million over the 30 years. \$60.3 million came from former AIDA projects. The 2014 property tax revenues are sufficient to cover the salaries of about 150 teachers in the Amherst, Sweet Home and Williamsville school districts.

When looking at the benefit on a per company basis we see that it has risen substantially as seen in the figure below. This is because IDA owned properties return to the tax rolls at the end of a PILOT agreement which is a tremendous source of property tax revenue for these local municipalities. In 2014 a company touched by

Amherst IDA generates on average over \$60,000. The investments made by Amherst IDA will continue to benefit the governments it serves.

Figure 8 – Total Property Tax Revenue per Project
(figures in 2014 dollars)



Economic Benefits

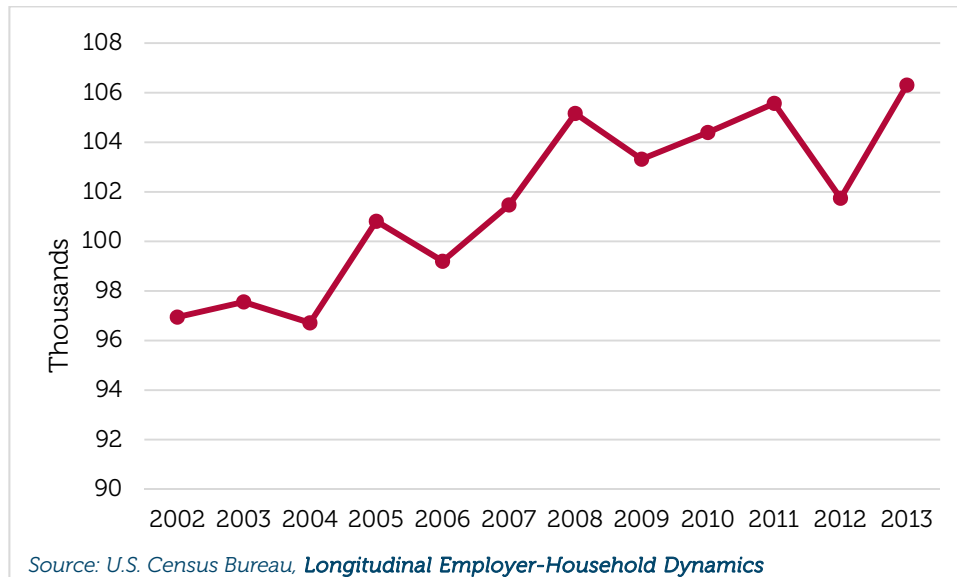
Property tax revenues are not the only benefit that Amherst IDA provides. By attracting, retaining and spurring expansion of existing business the Amherst IDA provides economic benefits to the region.

These economic benefits are measured by the number of jobs and labor income produced. These jobs result in the income tax revenue to the state and sales tax revenue to the state and local governments.

Economic Context

Before presenting the economic benefits some context is in order. The Town of Amherst has done a wonderful job attracting companies and has become a regional center of commerce. According to the U.S. Census Bureau's Longitudinal Employer-Household Dynamics data, the number of jobs in the Town of Amherst from 2002 to 2013 increased by 10%. Over this time period, Amherst, on average, added roughly 825 jobs each year.

Figure 9 – Employment Located in the Town of Amherst



In 2013 (latest available data), employment in the Town of Amherst was estimated around 106,000 which is about 19% of all the jobs in the Buffalo metro.

Table 2 – Top 10 Cities/Towns in Buffalo Metro by 2013 Employment

	Number of Jobs	Share of Buffalo Metro
Buffalo city	142,000	26%
Amherst town	106,000	19%
Cheektowaga town	51,000	9%
Tonawanda town	32,000	6%
Hamburg town	22,000	4%
West Seneca town	21,000	4%
Niagara Falls city	19,000	3%
Lancaster town	19,000	3%
Orchard Park town	17,000	3%
Clarence town	14,000	3%

Source: U.S. Census Bureau, *Longitudinal Employer-Household Dynamics*

Jobs and Payroll

Direct Effects

Amherst IDA provided data on over 370 companies they directly helped in the past or are currently assisting. Our best estimate suggests that these companies employ about 26,000 people. This is roughly 4% of all jobs in the Buffalo MSA and over a quarter of the estimated 100,000 jobs in the Town, reinforcing the role that the IDA has played in

the development of Amherst's business sector. Over 10,000 of these jobs were in the finance sector; another 9,000 were in the professional and business services, and education and health services sectors. The following table summarizes the employment levels of these firms broken out by sector:

Table 3 – Employment of Firms Helped by Amherst IDA by Sector

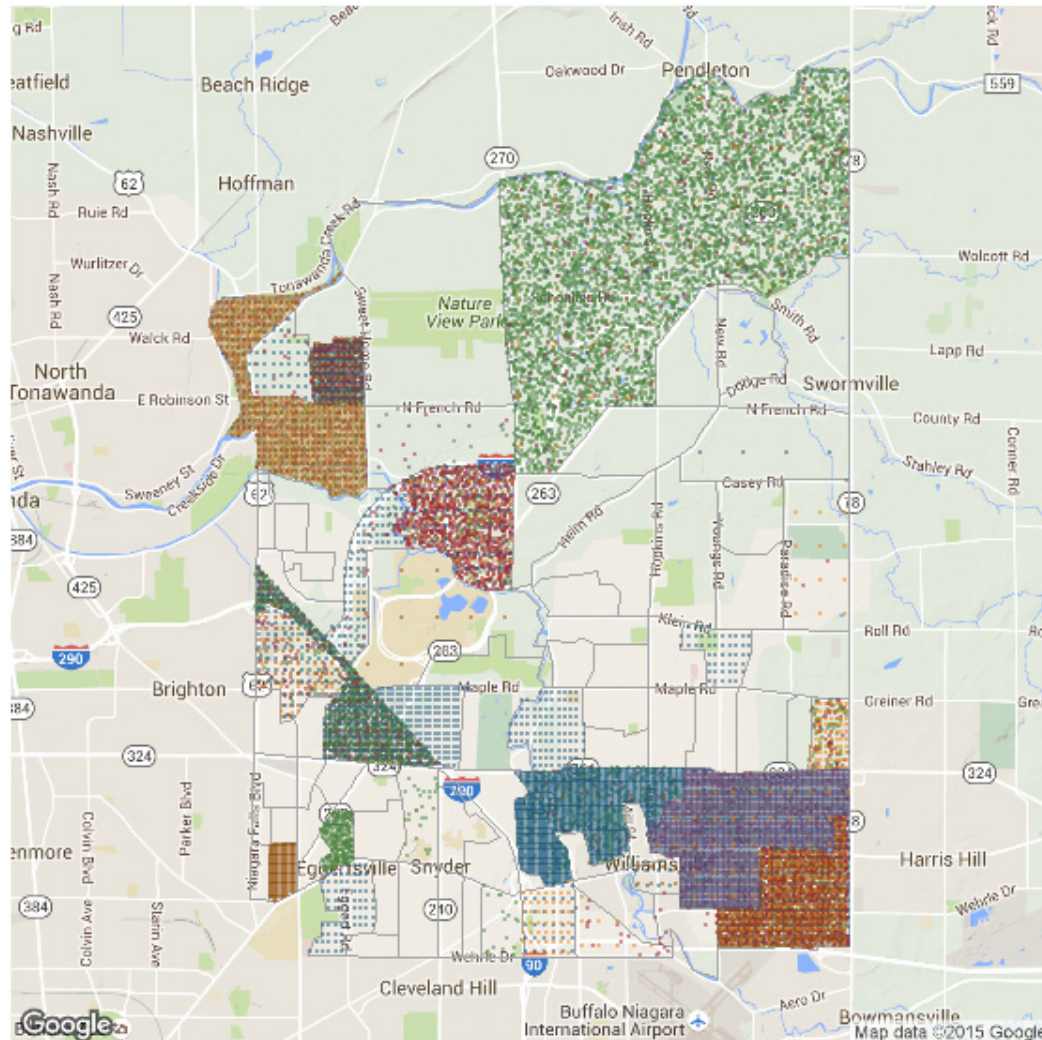
	Total Employment
Natural Resources, Mining and Construction	200
Manufacturing	2,200
Trade, Transportation, and Utilities	1,300
Information	2,100
Financial Activities	10,500
Professional and Business Services	4,600
Education and Health Services	4,300
Leisure and Hospitality	100
Other Services	300
Government	< 100
Total	25,600

Note: Total may not sum due to rounding

Source: Amherst IDA

These jobs are spread throughout the various parts of the Town of Amherst. CGR took the employment by location data provided by AIDA and mapped it into census blocks. We can observe the jobs by sector of the companies assisted or receiving assistance throughout the Town of Amherst.

Figure 10 – Amherst IDA Jobs by Sector
(one dot = one job)



CGR modeled the economic impact of the Amherst IDA using these data. CGR employed IMPLAN, a regional input-output modeling system, to estimate the labor income and spillover economic impact at the Buffalo metro level. IMPLAN is widely acknowledged to be a credible tool for estimating economic activity.

The IMPLAN database, created by MIG, Inc., consists of two major parts: 1) a national-level technology matrix and 2) estimates of sectorial activity for final demand, final payments, industry output and employment for each county in the U.S. along with state and national totals. Data are updated annually. IMPLAN estimates the direct, indirect and induced impacts of economic change through the use of multipliers, and

estimates the impact of an increase in demand in a particular sector on 440 different industries/sectors of the local economy.

Labor income was estimated using IMPLAN multipliers. Total labor income of the 26,000 jobs is estimated at about \$1.6 billion annually. This is about 3% of the Buffalo MSA's total income. Average wage for these jobs is estimated at just under \$65,000 a year. Table 4 summarizes estimated income by sector:

Table 4 – Payroll of Firms Helped by Amherst IDA by Sector
(figures in millions)

	Payroll
Natural Resources, Mining and Construction	\$13
Manufacturing	\$179
Trade, Transportation, and Utilities	\$75
Information	\$119
Financial Activities	\$745
Professional and Business Services	\$276
Education and Health Services	\$225
Leisure and Hospitality	\$3
Other Services	\$7
Government	\$2
Total	\$1,644

Spillover Effects

The economic impact extends beyond these direct effects. The companies helped will make purchases from local suppliers and their employees will spend their paychecks. This spending will generate jobs as the money flows through the economy. In economic impact terms these effects are referred to as indirect—economic activity spurred by the firm's supply chain—and induced—economic activity stimulated by the consumption of employees.

For the sake of simplicity, we refer to these multiplier effects jointly as the "spillover" effect. These were also estimated using IMPLAN.

The Town of Amherst and AIDA have played a critical role in preserving and expanding the Buffalo metropolitan economy. Some of the economic activity that occurred in Amherst may have occurred elsewhere in the Buffalo area instead of Amherst had the AIDA not been as responsive and professional in addressing the needs of expanding or relocating firms. Although we credit AIDA with all of the direct impacts, the "spillover" impacts from job creation or retention are less certain. Consequently we present our findings under the following "high" and "low" scenarios:

- 25% of the spillover effect is new to the region
- 75% of the spillover effect is new to the region

CGR estimates around 22,000 additional jobs in the Buffalo metro could be attributable to spillover from companies helped by the Amherst IDA. The spillover impact estimates are summarized in the following table.

Table 5 – Estimated Spillover Employment by Sector

	25% Spillover	75% Spillover
Natural Resources, Mining and Construction	<100	200
Manufacturing	1,000	2,900
Trade, Transportation, and Utilities	300	800
Information	700	2,200
Financial Activities	3,800	11,300
Professional and Business Services	1,000	3,000
Education and Health Services	700	2,000
Leisure and Hospitality	< 100	< 100
Other Services	< 100	200
Government	< 100	< 100
Total	7,500	22,400

Note: Total may not sum due to rounding

We note that the “receiving sectors” for spillover jobs will not necessarily be the same as the sector that spurred the spillover. Manufacturing employment spillover will include jobs in service, retail, finance and so on.

CGR estimates up to an additional \$840 million in income to the region is attributable to spillover effects each year. Table 6 summarizes these payroll estimates:

Table 6 – Estimated Annual Spillover Payroll by Sector
(figures in millions)

Sector	25% Spillover	75% Spillover
Natural Resources, Mining and Construction	\$1	\$4
Manufacturing	\$78	\$233
Trade, Transportation, and Utilities	\$6	\$18
Information	\$25	\$74
Financial Activities	\$137	\$412
Professional and Business Services	\$22	\$67
Education and Health Services	\$10	\$31
Leisure and Hospitality	< \$1	< \$1
Other Services	< \$1	\$2
Government	< \$1	< \$1
Total	\$281	\$842

Note: Total may not sum due to rounding

Total Employment and Payroll

The Town of Amherst IDA's actions results in thirty-three to forty-eight thousand jobs in the Buffalo metro. That is 5% to 7% of all jobs in the Buffalo metro. These jobs generate between \$1.9 to \$2.5 billion dollars of income to workers in the Buffalo metro, or 4% to 5% of the region's income. These figures are summarized in the following two tables:

Table 7 – Estimated Total Employment

	25% Spillover	75% Spillover
Direct Jobs	25,600	25,600
Spillover Jobs	7,500	22,400
Total Jobs	33,100	48,000

Table 8 – Estimated Total Payroll
(figures in billions)

	25% Spillover	75% Spillover
Direct Payroll	1.6	1.6
Spillover Payroll	0.3	0.8
Total Payroll	1.9	2.5

Income Tax

CGR employed New York State Department of Taxation statistics on effective income tax rates localized to the Buffalo metro in estimating the amount of income tax would be generated. We estimate that between 75 and 92 million dollars of income tax revenue is generated in the region for New York State annually as a result of the Amherst IDA's actions.

Table 9 – Estimated Annual Income Tax Revenue
(figures in millions)

	25%	75%
	Spillover	Spillover
Direct Income Tax	\$66	\$66
Spillover Income Tax	\$9	\$26
Total Income Tax	\$75	\$92

Sales Tax

According to the New York State Department of Taxation there were \$17.3 billion of sales taxable purchases in the Buffalo metro. This is 35% of the estimated \$49 billion of income in the region. Applying this 35% to the payroll estimates and a sales tax rate of 8.75% we estimate the following annual sales tax totals:

Table 10 – Estimated Annual Sales Tax on Payroll Spending
(figures in millions)

	25%	75%
	Spillover	Spillover
Direct Sales Tax	\$50	\$50
Spillover Sales Tax	\$9	\$26
Total Sales Tax	\$59	\$76

Conclusion

The Amherst IDA was established as a public benefit corporations. Over the last thirty years it has provided \$237.5 million in property tax revenues to local governments. This enables them to provide services to the residents and school children in the area. The impact of the Amherst IDA stretches beyond the Town of Amherst. Amherst IDA has also brought the following economic benefits to the region:

- Between 33-48,000 jobs;
- \$1.9 to \$2.5 billion in payroll annually;

- \$75 to \$92 million in income tax revenue annually;
- \$59 to \$76 million in sales tax revenue to the state and local governments annually.