

# THE ECONOMIC IMPACT OF ECONOMIC DEVELOPMENT PROJECTS ANNOUNCED BY THE FORT WORTH CHAMBER OF COMMERCE IN 2011

Prepared for:

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# EXECUTIVE SUMMARY

## Introduction

This report presents the results of an economic impact analysis performed by Impact DataSource, an Austin, Texas economic consulting, research and analysis firm. This report estimates the economic and fiscal impacts of firms assisted by the Fort Worth Chamber of Commerce Economic Development Division (the "Economic Development Division" and the "Division") that announced their intentions to locate or expand in the Fort Worth area during 2011.

## About the Division

The Division works to build economic prosperity for the Fort Worth area. The Division provides information and services promoting the region's benefits to companies at home and around the globe. The Division drives business development, partnering with a network of business leaders, public officials and others to provide an array of service to companies in the following areas:

- Local business development and retention,
- National business recruitment and relocation,
- International business development, and
- Workforce development.

To provide its services, the Division has a staff of six economic developers and others.

During 2011, the Division received \$1 million in funding for its operations from the private sector.

## Companies Assisted and Their Investment in the Community

The Division assisted 15 companies during 2011. These companies plan to invest \$586 million in the community and create 3,458 new jobs.

The firms and their workers will impact the economy of the Fort Worth area through their construction activities -- while they construct new or expanded facilities -- and from their operations.

## Construction Economic Impacts

The construction activities of these companies will have the following economic impact on the Fort Worth area:

Construction Impacts	
<b>Economic output or revenues for local businesses:</b>	
Direct	\$235,000,000
Indirect	\$268,411,125
Total	\$503,411,125
<b>Number of jobs supported each year:</b>	
Direct	2,410
Indirect	2,133
Total	4,543
<b>Workers' salaries:</b>	
Direct	\$235,000,000
Indirect	\$196,236,750
Total	\$431,236,750
Taxable spending in the community for materials and by construction workers	\$123,156,891

## Economic Impact of the Firms' Operations in Their First Full Year of Operations

The firms' full operations will have the following annual economic impacts:

Economic Impact of the Firms in Their First Full Year of Operations	
<b>Economic output or revenues for local businesses:</b>	
Direct	\$576,333,333
Indirect	\$648,375,000
Total	\$1,224,708,333
<b>Jobs created:</b>	
Direct	3,458
Indirect	3,890
Total	7,348
<b>Workers' salaries paid during the period:</b>	
Direct	\$225,219,540
Indirect	\$253,371,983
Total	\$478,591,523
<b>Taxable spending in the community:</b>	
Workers' spending	\$83,753,516
The companies taxable spending	\$198,156,891
Total taxable spending	\$281,910,407
<b>Value of property added to local tax rolls:</b>	
Residential property constructed by new workers moving to the community	\$43,745,492
Commercial and industrial property	\$470,000,000
Total property added to tax rolls	\$513,745,492

**Annual Revenues for Tarrant and Denton Counties and Cities, School Districts and Special Taxing Districts in the County**

The economic impacts of the firms assisted by the Division translate into tax revenues for Tarrant and Denton Counties, the City of Fort Worth and other cities in the county and school districts and special taxing districts. These estimated revenues to be generated by the firms and their workers during construction of their facilities and during the first full year of their new or expanded operations are shown below.

<b>Total Additional Revenues for Local Taxing Districts During Construction and the First Full Year of Operations</b>			
	<b>Sales Taxes</b>	<b>Property Taxes</b>	<b>Total</b>
City of Fort Worth	\$2,819,104	\$1,823,168	\$4,642,272
Tarrant and Denton Counties		\$808,991	\$808,991
Fort Worth ISD		\$5,937,368	\$5,937,368
Northwest ISD		\$879,243	\$879,243
Tarrant County College District		\$765,327	\$765,327
Tarrant County Hospital District		\$1,170,811	\$1,170,811
Tarrant Regional Water District		\$102,749	\$102,749
Fort Worth MTA	\$1,409,552		\$1,409,552
Fort Worth Crime Control District	\$1,409,552		\$1,409,552
<b>Total</b>	<b>\$5,638,208</b>	<b>\$11,487,656</b>	<b>\$17,125,864</b>

The above property taxes reflect collections after some taxes were abated for several of the firms.

**The Community's Return on Investment**

The community's funding for the Division's economic development activities may be considered an investment in economic development and the returns on that investment are, from a local government standpoint, the additional taxes that they receive as a result of the Division's efforts.

The community's funding -- consisting of funding from the private sector provided to the Division -- had the following annual return on investment:

<b>Annual Return on the Community's Investment in the Division in 2011</b>	
The community's investment in the Division	\$1,000,000
Estimated tax revenues generated for local taxing from firms assisted by the Division during the firms' construction activities and during their first year of full operations	\$17,125,864
Cost-benefit ratio	1 to 17.13

As shown above, for every dollar of funding that the community provided to the Division during 2011, the companies assisted by the Division returned \$17.13 to local taxing districts.

Details of this analysis are presented on the following pages, beginning with a discussion of the purpose of this study.



## PURPOSE OF THIS ANALYSIS

### INTRODUCTION

This report presents the results of an economic impact analysis performed by Impact DataSource, an Austin, Texas economic consulting, research and analysis firm. This report estimates the economic and fiscal impacts of firms assisted by the Fort Worth Chamber of Commerce Economic Development Division (the "Economic Development Division" and the "Division") that announced their intentions to locate or expand in the Fort Worth area during 2011.

The Division and its funding are discussed next.



## ABOUT THE ECONOMIC DEVELOPMENT DIVISION AND ITS FUNDING

The Division works to build economic prosperity for the Fort Worth area. The Division provides information and services promoting the region's benefits to companies at home and around the globe. The Division drives business development, partnering with a network of business leaders, public officials and others to provide an array of service to companies in the following areas:

- Local business development and retention,
- National business recruitment and relocation,
- International business development, and
- Workforce development.

To provide its services, the Division has a staff of six economic developers and others.

During 2011, the Division received \$1 million in funding for its operations from private sources.

Some information on the firms assisted by the Division during 2011 is scheduled next.



## FIRMS ASSISTED BY THE DIVISION DURING 2011

The following 15 firms were assisted by the Division and announced their intention to locate or expand in the Fort Worth area -- shown with the size of their new or expanded facility, capital investment and jobs:

Firms Assisted by the Division during 2011			
Company	Size of Facility in Square Feet	Capital Investment	Number of Jobs
Bell Helicopter (HQ)	348,000	\$230,000,000	220
Sleeptronics	179,407	\$3,000,000	125
GE Transportation	900,000	\$100,000,000	750
GE Mining	230,000	\$95,000,000	130
Alcon/Novartis		\$18,000,000	800
Brightpoint	85,000	\$3,000,000	350
NBC-KXAS	70,000	\$16,000,000	120
Frac-Tech	500,000	\$75,000,000	330
CK Technologies	197,000	\$8,000,000	50
Leading Edge	60,000	\$3,000,000	200
Ferris Manufacturing	50,000	\$4,500,000	75
In-N-Out Burger (HQ)	150,000	\$25,000,000	100
Niagara	100,000	\$3,000,000	150
Goodrich	120,000	\$3,000,000	50
CEMCO	180,000	\$1,000,000	8
<b>Total</b>	<b>3,169,407</b>	<b>\$587,500,000</b>	<b>3,458</b>

The economic impacts that will be generated by the above firms are detailed next.



## ECONOMIC IMPACTS

The 15 firms assisted by the Division and the firm's workers and indirect workers will generate impacts for the area (1) during construction of the firms' new or expanded facilities and (2) during the operations of the new or expanding firms.

Likely, the firms' investment may be over multiple years, their new or expanded facilities may take multiple years to construct and jobs announced will likely be created over several years. Therefore, construction impacts, discussed next, and impacts from the operations of new or expanded facilities will take several years.

But this analysis largely assumes that if the announced investments occur and announced jobs are created, the firms' operations will likely have the annual economic impact as projected and generate projected revenues each year for local taxing districts, as projected.

### CONSTRUCTION IMPACTS

The firms assisted by the Division during 2011 will construct facilities and other real property improvements. This construction spending will have significant economic impact on the Fort Worth area. The construction spending includes the purchases of materials from local suppliers, as well as local construction jobs to be created and salaries and related construction worker spending.

#### **Construction Materials to be Purchased Locally**

The construction activities of the firms will generate the following estimated taxable purchases of construction materials:

Local Taxable Purchases of Construction Materials	
Total investments	\$587,500,000
Estimated percent of investment for construction of real property improvements	40%
Estimated construction costs	\$235,000,000
<u>Construction Spending on Materials</u>	
% of construction costs for materials	60%
% of construction materials purchased locally and subject to sales tax	30%
Total local taxable purchases of construction material	\$42,300,000

## Construction Economic Output, Jobs, Salaries and Spending

The construction activities will support the following economic output, construction jobs, salaries and workers' spending:

Construction Economic Output, Jobs, Salaries and Workers' Spending	
<b><u>Economic Output</u></b>	
Direct construction investment/economic output	\$235,000,000
Indirect construction economic output	\$268,411,125
<b>Total economic output generated from construction activities</b>	<b>\$503,411,125</b>
<b><u>Construction Jobs</u></b>	
% of construction costs for labor	40%
Total labor cost	\$235,000,000
Average length of construction period in years	2.5
Estimated average annual construction salaries	\$39,000
Average number of direct construction supported each year	2,410
Number of indirect jobs supported	2,133
<b>Total direct and indirect construction jobs supported each year</b>	<b>4,543</b>
<b><u>Construction Salaries:</u></b>	
Direct construction salaries	\$235,000,000
Indirect construction salaries	\$196,236,750
<b>Total direct and indirect construction salaries</b>	<b>\$431,236,750</b>
<b><u>Construction Worker Spending</u></b>	
% of construction worker salary on taxable items	25%
% of construction worker salary spent locally	75%
<b>Total Local Taxable Construction Worker Spending</b>	<b>\$80,856,891</b>

## Total Taxable Spending During Construction

The construction activities of the firms will generate the following total taxable spending in the area:

Local Taxable Spending During Construction	
Spending for construction materials	\$42,300,000
Construction workers' spending	\$80,856,891
<b>Total Local Taxable Spending from Construction Activities</b>	<b>\$123,156,891</b>

## ANNUAL ECONOMIC IMPACTS FROM THE OPERATIONS OF FIRMS ASSISTED BY THE DIVISION

The operations of the companies assisted by the Division will have a significant economic impact on the Fort Worth area once they begin their new or expanded operations.

The firms announcing new or expanded operations in 2011 will have the estimated following annual revenues or economic output:

Estimated Annual Revenues or Economic Output to be Generated for the Firms and Annual Salaries	
<b><u>Direct Economic Output</u></b>	
Number of direct workers	3,458
Estimated number of workers per \$1 million in revenues	6
Total annual direct economic output to be generated by the firms	\$576,333,333
<b><u>Direct Salaries</u></b>	
Number of direct workers	3,458
Estimated average annual salaries for workers at the firms	\$65,130
Total annual direct salaries to be generated by the firms	\$225,219,540

The table below summarizes the economic output, number jobs and salaries to be created by the companies assisted by the Division during 2011.

Number of Permanent Jobs to be Created by Firms and Annual Salaries to be Paid			
	Direct	Indirect & Induced	Total
Economic output	\$576,333,333	\$648,375,000	\$1,224,708,333
Jobs	3,458	3,890	7,348
Salaries	\$225,219,540	\$253,371,983	\$478,591,523

## TOTAL TAXABLE SALES

In addition to economic output, employment and salaries impacts, the area will benefit from taxable sales and spending and from taxable property added on local tax rolls. The table below summarizes sales and spending to be generated by these companies assisted by the Division during the companies' construction and operations.

Local Taxable Spending	
<b>During Construction:</b>	
Spending for construction materials	\$42,300,000
Construction workers' spending	\$80,856,891
<b>Total Local Taxable Spending from Construction Activities</b>	<b>\$123,156,891</b>
<b>During the Firm's First Year of Full Operations:</b>	
<u>Estimated average annual taxable spending by the firms:</u>	
Average annual taxable spending per firm	\$5,000,000
<b>Total annual taxable spending by the firms</b>	<b>\$75,000,000</b>
<u>Taxable spending by workers:</u>	
Total Workers' Salaries	\$478,591,523
% of worker spending on taxable items	25%
% of worker spending spent locally	70%
<b>Total Local Taxable New Worker Spending</b>	<b>\$83,753,516</b>
<b>Total taxable spending during construction and annual spending during the firms' operations</b>	<b>\$281,910,407</b>

## PROPERTY TO BE ADDED TO LOCAL TAX ROLLS

The firms assisted by the Division will add a significant amount of commercial and residential property to local tax rolls, as shown below:

Property to be Added to Local Tax Rolls	
<b><u>New Residential Property</u></b>	
Number of new workers	7,348
% of new workers who will move to the area	15%
% of relocating workers who will build a new home	30%
Total Number of Homes to be Built for New Workers	331
<b><u>Market Value of New Residential Property</u></b>	
Number of new homes to be built	331
Average taxable value of SF residential property in Tarrant County, September 1, 2011	\$132,293
Total New Residential Property to be Added to Tax Rolls	\$43,745,492
<b><u>Total New Commercial/Industrial Property Added to Tax Rolls:</u></b>	
Total investment	587,500,000
Percent of investment to be added to tax rolls	80%
Commercial property to be added to tax rolls	\$470,000,000
<b>Total Residential and Commercial Property to be Added to Tax Rolls</b>	<b>\$513,745,492</b>

### Property Taxes Abated for the Firms

In order to attract the firms to the Fort Worth area, property tax abatement was offered to the following firms at the following average annual rate for ten years with the exception of Bell Helicopters that received twenty years of tax abatement:

Average Tax Abatement Granted	
Company	Average Percentage
Frac Tech Services	37.500%
Bell Helicopter	60.000%
GE Transportation PHI	60.000%
GE Transportation PH2	60.000%
Alcon	50.000%
KXAS/NBC-5	62.500%
Ferris Mfg.	25.000%
In-N-Out Burgers PHI	40.000%
In-N-Out Burgers PH2	45.000%
In-N-Out Burgers PH3	50.000%

Therefore, the estimated property taxes that will be abated for these firms over ten years and for Bell Helicopter over twenty years are shown below.

Taxes to be Abated			
Company	Abatement Percentage	Average Taxable Value	Taxes to be Abated
		Over Abatement Period	
Frac Tech Services	37.500%	\$30,000,000	\$961,875
Bell Helicopter	60.000%	\$55,200,000	\$3,706,128
GE Transportation PHI	60.000%	\$40,000,000	\$2,685,600
GE Transportation PH2	60.000%	\$38,000,000	\$1,949,400
Alcon	50.000%	\$7,200,000	\$307,800
KXAS/NBC-5	62.500%	\$6,400,000	\$342,000
Ferris Mfg.	25.000%	\$1,800,000	\$38,475
In-N-Out Burgers PHI	40.000%	\$3,333,333	\$114,000
In-N-Out Burgers PH2	45.000%	\$3,333,333	\$128,250
In-N-Out Burgers PH3	50.000%	\$3,333,333	\$142,500
Total taxes to be abated over the abatement period			\$10,376,028

The next section translates the above economic impacts into additional revenues for the City of Fort Worth and other area cities, Tarrant and Denton Counties, area school districts and other local taxing districts.



## REVENUES FOR LOCAL TAXING DISTRICTS

### SALES TAX COLLECTIONS

The City of Fort Worth and area special taxing districts will collect the following sales taxes from the firms and their workers assisted by the Division:

Sales Tax Collections		
<b><u>Taxable Sales in:</u></b>		
City of Fort Worth		\$281,910,407
Fort Worth MTA		\$281,910,407
Fort Worth Crime Control District		\$281,910,407
<b><u>Sales Tax Collections</u></b>	<b><u>Sales Tax Rate</u></b>	<b><u>Collections</u></b>
City of Fort Worth	1.00%	\$2,819,104
Fort Worth MTA	0.50%	\$1,409,552
Fort Worth Crime Control District	0.50%	\$1,409,552
<b>Total Sales Tax Collections</b>		<b>\$5,638,208</b>

## PROPERTY TAX COLLECTIONS

The City of Fort Worth and other area cities, Tarrant and Denton Counties, area school districts and other local taxing districts will collect the following property taxes each year from the commercial, industrial and residential property added to local tax rolls by firms and their workers assisted by the Division:

Annual Property Tax Collections		
<b><u>Residential Property:</u></b>		
Market Value of Residential Property to be Added to Local Tax Rolls		\$43,745,492
	<b>Latest Year</b>	
<b><u>Residential Property Taxes Collected</u></b>	<b>Property Tax Rate</b>	<b>Collections</b>
City of Fort Worth	\$0.8550	\$374,024
Tarrant County	\$0.2640	\$115,488
Fort Worth ISD	\$1.3200	\$505,568
Northwest ISD	\$1.3750	\$74,868
Tarrant County College District	\$0.1490	\$65,168
Tarrant County Hospital District	\$0.2279	\$99,695
Tarrant Regional Water District	\$0.0200	\$8,749
<b>Total Residential Property Tax Collections</b>		<b>\$1,243,559</b>
<b><u>Industrial/Commercial Property:</u></b>		
Taxable Value of Commercial/Industrial Property		\$470,000,000
<b><u>Industrial/Commercial Taxes Collected</u></b>		<b>Collections</b>
City of Fort Worth:		
Collections		\$4,018,500
Estimated taxes abated during the first year of operations		\$2,569,356
Net Collections		\$1,449,144
Tarrant and Denton Counties:		
Collections		\$1,240,800
Taxes abated during the year		\$547,297
Net Collections		\$693,503
Fort Worth ISD		\$5,431,800
Northwest ISD		\$804,375
Tarrant County College District		\$700,159
Tarrant County Hospital District		\$1,071,116
Tarrant Regional Water District		\$94,000
<b>Total Net Commercial/Industrial Property Tax Collections</b>		<b>\$10,244,097</b>
<b>Total Net Property Taxes Collected:</b>		
City of Fort Worth		\$1,823,168
Tarrant and Denton Counties		\$808,991
Fort Worth ISD		\$5,937,368
Northwest ISD		\$879,243
Tarrant County College District		\$765,327
Tarrant County Hospital District		\$1,170,811
Tarrant Regional Water District		\$102,749
<b>Total Residential and Net Commercial Property Tax Collections</b>		<b>\$11,487,656</b>

## TOTAL REVENUES FOR LOCAL TAXING DISTRICTS TO BE GENERATED BY THE FIRMS AND WORKERS

### Total Revenues for Local Taxing Districts

The City of Fort Worth and other area cities, Tarrant and Denton Counties, area school districts and other local taxing districts will collect the following sales and property taxes during construction and each year from the firms and their workers assisted by the Division:

Total Revenues for Local Taxing District During Constructions and the First Full Year of Operations	
Sales taxes	\$5,638,208
Property taxes	\$11,487,656
Total Revenues for the Cities, the Counties, School Districts and Other Local Taxing Districts	\$17,125,864

The return on the community's investment in the Division is discussed next.





## RETURN ON THE COMMUNITY'S INVESTMENT IN DIVISION'S OPERATIONS

The community's funding for the Division's economic development activities may be considered an investment in economic development and the returns on that investment are, from a local government standpoint, the additional taxes and other revenues that they receive from Division's efforts.

### Return on the Community's Investment

The community's funding -- consisting of funding from the private sector provided to the Division -- had the following annual return on investment:

Annual Return on the Community's Investment in the Division in 2011	
The community's investment in the Division	\$1,000,000
Estimated net tax revenues generated for local taxing from firms assisted by the Division during the firms' construction activities and during their first year of full operations	\$17,125,864
Cost-benefit ratio	1 to 17.13

As shown above, for every dollar of funding that the community provided to the Division during 2011, the companies assisted by the Division returned \$17.13 to local taxing districts.

Some conclusions on the Division's impact on Fort Worth's economy are offered next.





## CONCLUSIONS

### CONCLUSIONS AND PERSPECTIVE

Some conclusions can be drawn by Impact DataSource from this and other studies that it conducts for economic development organizations. These conclusions or observations include the following:

The creation of new taxes generated by Division-assisted projects are examples of what a focused economic development effort can accomplish for the benefit of a community and such new taxes and other public revenues can be significant.

The job growth and increased tax revenues can be accomplished with a relative inexpensive investment in economic development activities.

Impact DataSource does not suggest that the Division caused all of the investments and growth presented in this report. The Division provided these businesses and organizations with a range of services.

However, Impact DataSource believes that such one-stop center for economic development services is critical to a community's economic growth and many of these investments may not have occurred without the efforts of the Division.



## METHODOLOGY

### HOW THE ANALYSIS WAS CONDUCTED

This analysis was conducted by Impact DataSource and completed using data on firms, rates and information gathered by the Division. In addition, Impact DataSource used certain estimates and assumptions. Using this information, Impact DataSource estimated the economic impact from the firms assisted by the Division during 2011.

The economic impact as calculated in this report can be categorized into two main types of impacts. First, the direct economic impacts are defined as those that result directly from a firm. These impacts are the direct expenditures of the firms, as well as the firms' workers and salaries. Second, this economic impact analysis calculates the indirect and induced impacts that result from the firms. Indirect jobs and salaries are created or supported in new or existing area firms, such as maintenance companies and service firms, that may supply goods and services to the firms. 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 workers and their families.

To estimate the indirect and induced economic impact of these firms and the employees on the area, regional economic multipliers were used. Regional economic multipliers are included in the US Department of Commerce's Regional Input-Output Modeling System (RIMS II).

Three types of regional economic multipliers were used in this analysis: economic output, earnings and jobs multipliers.

An economic output multiplier was used to estimate the economic output or revenues that will be generated in existing or new spin-off businesses created or supported in the area. A jobs multiplier was used to estimate the number of indirect and induced jobs to be created or supported in the community. An earnings multiplier was used to estimate the amount of salaries to be paid to workers in these new indirect and induced jobs. These multipliers show the estimated (1) indirect and induced revenues that will be created and supported in the area for every dollar of revenues at the direct firms. Similarly, a jobs multiplier shows the number of indirect and induced jobs to be created or supported for every one direct job at a firm and the amount of salaries paid to these workers for every dollar paid to a direct worker at the firm.

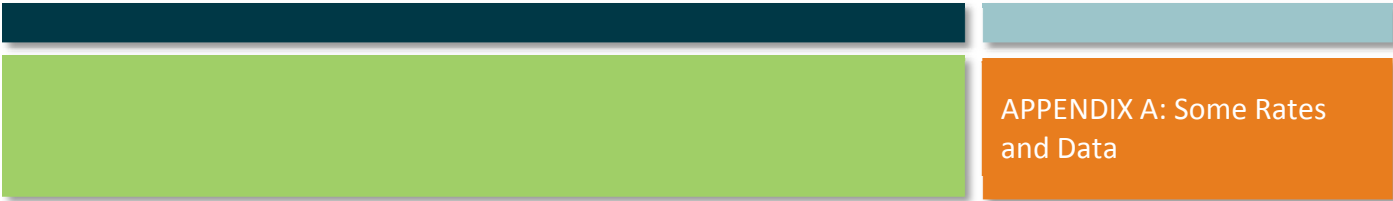
Multipliers used in this analysis are on Appendix A.

### ABOUT IMPACT DATASOURCE

Impact DataSource is an eighteen-year-old Austin economic consulting, research and analysis firm. The firm has conducted economic impact analyses of numerous projects in Texas and 25 other states. In addition, the firm has developed economic impact analysis computer programs for several clients, including the New Mexico Economic Development Department.

The firm's principal, Jerry Walker, performed this economic impact analysis. He is an economist and has Bachelor of Science and Master of Business Administration degrees in accounting and economics from Nicholls State University, Thibodaux, Louisiana.

Some rates and assumptions used in the analysis are on Appendix A that follows on the next page.





## APPENDIX A

### Sales tax rates

City of Fort Worth	1.0%
Fort Worth MTA	0.5%
Fort Worth Crime Control District	0.5%

### Property tax rates, per \$100 of valuation:

City of Fort Worth	\$0.85500
Tarrant County	\$0.26400
Fort Worth ISD	\$1.32000
Tarrant County College District	\$0.14897
Tarrant County Hospital District	\$0.22790
Tarrant Regional Water District	\$0.02000

### Construction Assumptions

Percent of construction costs for labor	40%
Percent of construction costs for materials	60%
Indirect and induced construction multipliers:	
Economic output	1.1422
Jobs	0.8849
Salaries	0.8351
Estimated percent of construction materials that may be subject to sales tax and purchased in the Fort Worth area	30%
Estimated construction workers annual salaries, latest year	\$39,000
Estimated percent of a typical construction worker's salary to be spent locally	70%
Estimated percent of a typical construction worker's salary to be spent on taxable goods and services	25%

**Assumptions for the operations of the firms**

Indirect and induced operations multipliers:	
Economic output	1.1250
Jobs	1.1250
Salaries	1.1250

Estimated average annual salaries of workers at the firms \$40,663

**Local Spending Assumptions**

Estimated percent of a typical worker's salary to be spent on taxable goods and services	25%
Total workers' estimated taxable spending in the area	70%

**Residential Property Assumptions**

Estimated percent of new workers that may move to the Fort Worth area from somewhere else	15.0%
Estimated percent of these new workers who may build a new home or required that new rental property be built for them	30.0%
Estimated taxable value of new residences to be built for some new workers who will move to the area	\$132,293