

# AN ECONOMIC DEVELOPMENT REPORT CARD FOR YAKIMA COUNTY

## Final Report

### Prepared for:

Yakima County Development Association

July 2013



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# I. INTRODUCTION

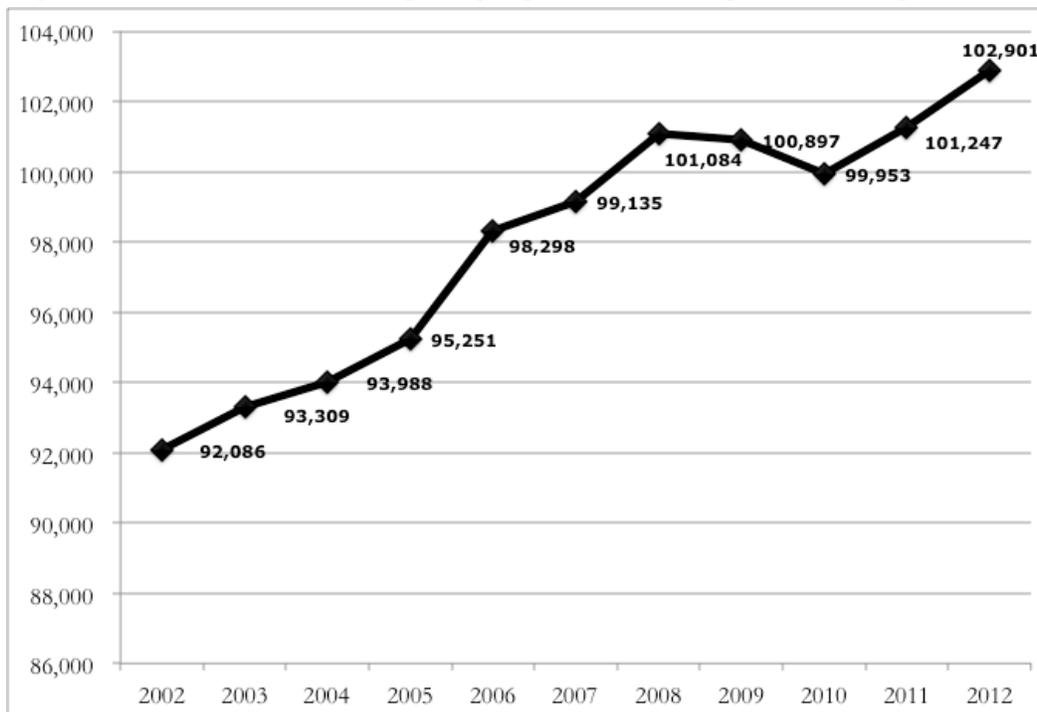
The Yakima County Development Association (YCDA) has provided business development services and economic development programs since 1985. This 2013 *Report Card* highlights business development and expansion achievements of the organization over the past five years as well as since its inception. The report covers the economic benefits of new job growth fostered by YCDA – demonstrating the substantial return on investment from on-going economic development activities and concluding with a discussion of economic growth expected with planned efforts by the YCDA over the next five years.<sup>i</sup>

## ECONOMIC BENCHMARKS FOR YAKIMA COUNTY

Traditionally, Yakima County’s economy has been resource-dependent. Because of this, the economy has struggled to match the level of economic growth and job quality experienced in areas of Washington state. Several important benchmarks are presented below to provide a context for the analysis of recent YCDA business attraction achievements.

The Yakima County economy is estimated to have produced nearly \$14.8 billion in gross domestic product in 2011. As of 2012, an estimated 102,900 workers are employed within Yakima County, with strong, consistent job growth experienced during the last couple of years, rebounding from the Great Recession. Yakima County’s unemployment rate had fallen from 9.6% in 2002 to an historic low of 6.3% as of 2007. With the Great Recession, unemployment climbed back to 9.9% before falling a bit in 2012.

**Figure 1. Yakima County Employment Trend (2002-2012)**



Source: Washington State Employment Security Department.

Approximately 1,130 jobs were lost during the Great Recession. Over the last couple of years, 2,950 jobs were created in Yakima County, with agriculture & mining driving the majority of job gains. Sectors that are still declining include utilities, wholesale trade, management of companies,

healthcare & social assistance, other services, and government. Agriculture & mining, retail trade, transportation & warehousing, professional & technical, and education services appear to have been unaffected by the Great Recession.

**Figure 2. Yakima County Employment by Industry Sector (2007 – 2012)**

<b>Employment Sector</b>	<b># of Jobs</b>						<b>Change 2007-2012</b>	
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>Percent</b>	<b>Actual</b>
Agriculture & Mining	22,065	23,628	24,699	23,876	25,127	27,533	24.78%	5,468
Utilities	202	204	193	186	163	159	-21.12%	-43
Construction	3,666	3,668	3,047	2,734	2,557	2,581	-29.59%	-1,085
Manufacturing	8,739	8,446	7,545	7,470	7,869	7,688	-12.02%	-1,051
Wholesale Trade	4,398	4,205	4,227	4,074	3,945	3,929	-10.67%	-469
Retail trade	9,536	9,540	9,612	9,857	9,967	9,905	3.87%	369
Transportation & Warehousing	2,660	2,759	2,799	2,798	2,836	2,866	7.73%	206
Information	886	871	824	750	817	800	-9.68%	-86
Finance & Insurance	1,738	1,708	1,669	1,586	1,544	1,556	-10.47%	-182
Real estate & Rental	896	851	804	781	779	782	-12.76%	-114
Professional & Technical	1,566	1,612	1,616	1,616	1,654	1,720	9.87%	155
Management of Companies	526	491	498	489	548	544	3.42%	18
Administrative & Waste Services	2,170	1,840	1,636	1,665	1,754	1,666	-23.23%	-504
Educational Services	840	851	850	894	905	898	6.94%	58
Health Care & Social Assistance	12,248	12,828	12,993	13,002	12,934	12,823	4.69%	575
Arts, Entertainment, & Recreation	1,136	1,052	1,014	1,012	1,040	1,122	-1.23%	-14
Accommodation & Food Services	5,614	5,835	5,594	5,532	5,523	5,580	-0.60%	-34
Other services	3,402	3,534	4,066	4,502	4,378	4,024	18.27%	622
Government	16,847	17,163	17,211	17,129	16,907	16,725	-0.72%	-122
<b>All Sectors</b>	<b>99,135</b>	<b>101,084</b>	<b>100,897</b>	<b>99,953</b>	<b>101,247</b>	<b>102,901</b>	<b>3.80%</b>	<b>3,766</b>

Source: Washington State Employment Security Department.

Annual average wage per job slightly rose from \$29,700 in 2007 to \$31,800 in 2011 – reflecting a modest gain of 7%. Highest paying sectors include utilities, management of companies, finance & insurance, and wholesale trade.

Taxable retail sales were \$2.8 billion in 2007 and rose to \$3.0 billion in 2012 – accounting for an overall increase of 6%.

## II. ECONOMIC BENEFITS OF YCDA EFFORTS

This section of the report discusses the economic benefits occurring within the Yakima County economy attributable to YCDA efforts. The analysis focuses first on efforts over the last five years then the benefits that have occurred since the inception of YCDA. The final part of the economic benefit analysis provides specific estimates of four high profile companies assisted by YCDA.

### ECONOMIC BENEFITS OF LAST FIVE YEARS

During the past five years, YCDA has materially assisted 12 firms to locate or expand in Yakima County. These firms have made investments in facilities and equipment totaling \$82.2 million, directly creating 435 new jobs. These jobs pay an estimated \$12.7 million annually in wages and salaries.

#### Business Assisted by YCDA Over Last 5 Years

Company	Expansion/ Recruitment	Capital Investment			Jobs	Estimated Payroll
		Total	New Bldg.	Taxable		
Pacific Steel	Expansion	\$1,700,000	\$1,700,000	\$1,700,000	8	\$224,640
Italstone	Recruitment	\$700,000	\$700,000	\$0	5	\$135,200
Adventurer RV	Recruitment	\$4,000,000	\$0	\$0	50	\$1,352,000
Yakima Craft Brewing	Expansion	\$500,000	\$0	\$0	2	\$81,100
Liberty Bottles	Expansion	\$4,000,000	\$0	\$0	30	\$936,000
Paragon Films	Recruitment	\$20,000,000	\$1,500,000	\$1,500,000	50	\$1,664,000
Bale Breaker Brewing Co.	Expansion	\$3,000,000	\$2,500,000	\$2,500,000	5	\$124,800
Arvato Digital Services	Recruitment	\$1,000,000	\$0	\$1,000,000	150	\$3,879,200
Printing Press/Peninsula	Expansion	\$20,000,000	\$0	\$0	25	\$1,040,000
Amtech Corporation	Expansion	\$4,500,000	\$0	\$0	40	\$1,248,000
Biotwine (2nd expansion)	Expansion	\$750,000	\$750,000	\$750,000	50	\$1,456,000
Darigold (planned)	Expansion	\$22,000,000	\$6,000,000	\$6,000,000	20	\$560,000
Investments 2008-2013		\$82,150,000	\$13,150,000	\$13,450,000	435	\$12,700,940
Investments Prior to 2008		\$309,500,000	\$213,950,000	\$80,250,000	2,382	\$79,200,160

Source: YDCA

These 435 direct jobs represent about 12% of the net job growth indicated for Yakima County over the last five years. Even more significant is the fact that most of the investments are manufacturers; a sector that lost 1,050 local jobs over the same time frame. Without YCDA's efforts, the manufacturing sector could have registered even greater losses. The companies assisted range widely in size – from less than 5 to 150 employees and with direct investments ranging from \$500,000 to \$22.0 million.

Of the \$82.2 million of capital investment, \$13.2 million was new building construction. Most of the firms assisted qualified for a sales tax exemption either on new equipment, building, or both. The State offers manufacturers a sales tax exemption on equipment. It has also offered a tax exemption on building construction in rural areas until recently. As a result \$13.5 million of the total \$82.2 million capital investment was subject to state and local sales tax.

The following discussion details the direct and multiplier benefits of this business growth to Yakima County economy over the last five years.

### **Construction Phase**

The investments made by new and expanding firms assisted by YCDA over the last five years total approximately \$82.2 million in building construction and new equipment. While all of the building construction occurs locally, equipment is typically purchased from outside the region. As noted above, \$13.2 million was attributable to new building construction.

The \$13.2 million stimulates \$6.0 million in additional related business revenue, including revenues from local employee spending. The total increase in local construction related business revenue is approximately \$19.1 million, spread over the last five years.

**Figure 3. Construction Phase Economic Contribution (2008-2013)**

<b>Impact Category</b>	<b>Economic Benefits of Construction</b>		
	<b>Direct</b>	<b>Indirect</b>	<b>Total</b>
Capital Investment	\$82,150,000	–	–
New Building	\$13,150,000	\$5,950,000	\$19,100,000
Construction Jobs	140	50	190
Construction Payroll	\$7,140,000	\$2,070,000	\$9,210,000
Average Wage	\$51,000	\$41,400	\$48,500

Source: Cascade Planning Group – based upon IMPLAN Input-Output model for Yakima County.

During this time, construction and equipment procurement activity generated 140 person-years of employment directly, and an additional 50 indirect and induced jobs due to the economic multiplier effects. This employment generated a total of \$9.2 million in construction related wage income. The average construction wage for industrial & commercial buildings is \$51,000, well above the average salary of \$31,800 per year in Yakima County.

### **Annual Business Operations**

On-going economic benefits can be considered in terms of business income, taxable sales, property values, employment and personal income, and state/local taxes.

**Business Income.** The 12 firms assisted by YCDA over the last five years are estimated to have increased their output in Yakima County by an estimated \$167.9 million. This is essentially the increased business sales activity directly attributable to new firm locations and expansions.

These firms and their employees also purchase goods and services from other businesses in the county. This additional activity represents the indirect multiplier (or spin-off) effect.<sup>11</sup> The dollar volume of the indirect business activity is estimated to be \$68.8 million annually.

As noted in the earlier section, Yakima County is estimated to have a total industry output (or GDP) of about \$14.8 billion. In effect, the companies assisted by YCDA in the past five years have added nearly \$236.7 million directly and indirectly, or close to a 2% of total county-wide output.

**Taxable Sales & Property Values.** An estimated 25% (or \$3.2 million) of employee payroll is spent on local taxable goods and services. Employees also spend a portion of their income on housing. This analysis assumes employees spend one-third of their income on housing, which is

estimated at a net present property value of \$58.3 million; based upon an average interest rate of 6% and assumed 30 year financing period.

**Employment & Income.** As noted above, the 12 businesses included in this analysis directly employ about 435 workers. These workers are estimated to receive about \$12.7 million in wages annually (not including benefits), for an average wage of about \$29,200 per year. This is slightly below the estimated average wage of \$31,800 for all employment in Yakima County.

This economic activity is estimated to support an additional 475 jobs throughout the economy countywide. The total employment impact from YCDA business attraction efforts is 910 jobs, or 24% of the countywide job growth. Total annual wages, including economic multiplier effects, are estimated at \$23.6 million.

**Figure 4. Annual Operational Economic Contributions (Last Five Years)**

Impact Category	Annual Economic Benefits		
	Direct	Indirect	Total
Business Revenues	\$167,900,000	\$68,800,000	\$236,700,000
Number of Jobs	435	475	910
Total Payroll	\$12,701,000	\$10,899,000	\$23,600,000
– Average Wage	\$29,200	\$22,900	\$25,900
Taxable Retail Purchases	\$3,200,000		
Supported Housing Values	\$58,300,000		

Source: Cascade Planning Group – based upon IMPLAN Input-Output model for Yakima County.

**Tax Benefits.** In addition to the private sector economic benefits, the expanded business activity also generates increased taxes for state and local government.

YCDA business attraction efforts have directly resulted in \$80.2 million of business capital investment. In addition, income spent on housing from the newly hired employees equates to an estimated \$58.3 million in property values. Taken together, these activities support approximately \$1.6 million in property tax revenues to state and local government. *Note:* The estimated property tax represents the first year of when the assets are fully valued. Company assets such as equipment typically depreciate over time. Factors such as reinvestment or economic declines can greatly affect the long-term value of the property. Due to the complexity of tracking the change in value over time, this analysis only provides an estimate of the initial collected property taxes.

Retail spending by employees also generates sales taxes. As noted above, an estimated \$3.2 million is spent annually at local retail stores by employees associated with the new and expanded firms. This retail spending is estimated to generate \$51,200 per year for local governments and \$208,000 annually to the state – for a combined total of \$259,200 in annual state and local sales tax revenue. Another \$1.1 million in one-time sales taxes from the \$13.5 million taxable capital investments generated for local and state governments.

**Figure 5. 5 Year Fiscal Benefits from YCDA Business Development Activities**

<b>Tax Generated</b>	<b>Construction</b>	<b>Operations</b>
<b>Property Taxes:</b>		
Business Capital Investment		\$82,150,000
Employee Housing Values		\$58,300,000
Supported Assessed Value		\$140,450,000
Average Property Tax Rate		\$11.78
Property Taxes		\$1,654,501
<b>Retail Sales Tax:</b>		
Sales Taxable Capital Investment	\$13,450,000	
Employee Taxable Retail Purchases		\$3,200,000
Sales Tax Rate	8.1%	8.1%
State & Local Sales Taxes	\$1,089,450	\$259,200

Source: Cascade Planning Group.

### ECONOMIC BENEFITS SINCE 1988

Since 1988, YCDA has materially assisted 43 firms to locate or expand in Yakima County. These firms have made investments in facilities and equipment totaling \$391.7 million and directly creating 2,852 new jobs. These 2,817 direct jobs represent 6.3% of the net job growth within Yakima County from 1988-2013. Workers earn an estimated \$91.9 million annually in wages and salaries.

**Figure 6. Business Assisted by YCDA Since 1988**

<b>Company</b>	<b>Expansion/ Recruitment</b>	<b>Capital Investment</b>			<b>Jobs</b>	<b>Estimated Payroll</b>
		<b>Total</b>	<b>New Bldg.</b>	<b>Taxable</b>		
Seneca	New	\$6,000,000	\$3,000,000	\$6,000,000	85	\$2,800,000
Can-Am Millwork	New	\$15,000,000	\$15,000,000	\$10,200,000	160	\$4,992,000
John I Haas	Expand	\$12,500,000	\$10,000,000	\$10,000,000	35	\$1,456,000
Darigold	New	\$35,000,000	\$20,000,000	\$35,000,000	137	\$5,984,160
Ljute Industries/Irwin R&D	Expand	\$250,000	\$0	\$0	3	\$93,600
Marq Packaging	Expand	\$250,000	\$250,000	\$0	5	\$135,200
Biotwine	Expand	\$1,000,000	\$1,000,000	\$0	20	\$499,200
Del Monte/Silgan	Expand	\$12,000,000	\$12,000,000	\$0	75	\$2,028,000
Graham Packaging	New	\$20,000,000	\$20,000,000	\$0	80	\$2,995,200
Macro Plastics	New	\$12,000,000	\$12,000,000	\$0	40	\$1,164,800
HD Fowler	Expand	\$750,000	\$750,000	\$750,000	5	\$124,800
Weaver Flower	Expand	\$1,000,000	\$1,000,000	\$1,000,000	40	\$915,200
Can-am Sun Steel	Expand	\$9,500,000	\$9,500,000	\$3,000,000	65	\$1,757,600
Yakima Chief	Expand	\$12,000,000	\$4,000,000	\$0	25	\$676,000
Cascade Quality Molding	Expand	\$1,250,000	\$1,250,000	\$0	5	\$124,800
DRR Fruit	New	\$2,750,000	\$750,000	\$0	20	\$457,600
Northwest Horticulture (Etera)	New	\$10,000,000	\$10,000,000	\$8,000,000	110	\$3,203,200
Tube Art	New	\$4,000,000	\$0	\$1,500,000	50	\$1,872,000
Columbia Redi-Mix	Expand	\$1,300,000	\$0	\$0	0	\$0
Yakama Forest Products	Expand	\$35,000,000	tribal - 0 -	\$0	130	\$4,056,000
Valley Processing	Expand	\$4,500,000	\$0	\$0	15	\$374,400
Wal-Mart	New	\$42,000,000	\$42,000,000	\$0	600	\$23,712,000
Yakima Herald Republic	Expand	\$5,000,000	\$5,000,000	\$0	0	\$0

Company	Expansion/ Recruitment	Capital Investment			Jobs	Estimated Payroll
		Total	New Bldg.	Taxable		
Dion Bilt	Expand	\$250,000	\$250,000	\$0	5	\$135,200
Cub Crafters	Expand	\$3,000,000	\$0	\$0	100	\$3,920,000
Thermoforming Systems	Expand	\$3,200,000	\$3,200,000	\$0	60	\$1,747,200
Ace Hardware	Expand	\$40,000,000	\$40,000,000	\$0	0	\$0
Direct TV	New	\$5,000,000	\$0	\$1,300,000	6	\$249,600
CanAm Steel (2nd expansion)	Expand	\$3,000,000	\$3,000,000	\$0	30	\$811,200
Jeld-Wen /Mikron/Quanex	Expand	\$1,000,000	\$0	\$0	45	\$1,216,800
Costco	New	\$3,500,000	\$0	\$3,500,000	200	\$5,824,000
Pacific Steel	Expand	\$1,700,000	\$1,700,000	\$1,700,000	8	\$224,640
Italstone	New	\$700,000	\$700,000	\$0	5	\$135,200
Adventurer RV	New	\$4,000,000	\$0	\$0	110	\$2,974,400
Yakima Craft Brewing	Expand	\$500,000	\$0	\$0	3	\$81,100
Liberty Bottles	Expand	\$4,000,000	\$0	\$0	30	\$936,000
Paragon Films	New	\$20,000,000	\$1,500,000	\$1,500,000	50	\$1,664,000
Bale Breaker Brewing Co.	Expand	\$3,000,000	\$2,500,000	\$2,500,000	5	\$124,800
Arvato Digital Services	New	\$1,000,000	\$0	\$1,000,000	150	\$3,588,000
Darigold	Expand	\$22,000,000	\$6,000,000	\$6,000,000	25	\$1,040,000
Printing Press/Peninsula	Expand	\$27,500,000	\$0	\$0	60	\$1,900,000
Amtech Corporation	Expand	\$4,500,000	\$0	\$0	200	\$5,408,000
Biotwine (2nd expansion)	Expand	\$750,000	\$750,000	\$750,000	20	\$499,200
All Investments		\$391,650,000	\$227,100,000	\$93,700,000	2,817	\$91,901,100

Source: YDCA

Of the \$391.7 million of capital investment, \$227.1 million was new building construction. Again most of the firms assisted qualified for sales tax exemption either on new equipment, building, or both. As a result \$93.7 million of the total \$391.7 million capital investment was subject to state and local sales tax.

The following discussion details the direct and multiplier benefits of this business growth for Yakima County's economy since 1988.

### **Construction Phase**

The investments made by new and expanding firms assisted by YCDA since 1988 total approximately \$391.7 million in building construction and new equipment. While all of the building construction occurs locally, equipment is typically purchased from outside the region. As noted above, \$227.1 million was attributable to new building construction.

The \$227.1 million stimulates \$102.2 million in additional related business revenue, including revenues from local employee spending. The total increase in local construction related business revenue about \$329.3 million, spread over the last 27 years.

**Figure 7. Construction Phase Economic Contribution (Since 1988)**

<b>Economic Benefits of Construction</b>			
<b>Impact Category</b>	<b>Direct</b>	<b>Indirect</b>	<b>Total</b>
Capital Investment	\$391,650,000	–	–
New Building	\$227,100,000	\$102,200,000	\$329,300,000
Construction Jobs	2,360	900	3,260
Construction Payroll	\$120,360,000	\$34,900,000	\$155,260,000
Average Wage	\$51,000	\$38,800	\$47,600

Source: Cascade Planning Group – based upon IMPLAN Input-Output model for Yakima County.

During this time, construction and equipment procurement activity generated 2,360 person-years of employment directly, and an additional 900 indirect and induced jobs due to economic multiplier effects. This employment generated a total of \$155.3 million (in current economic values) in construction related wage income.

### **Annual Business Operations**

On-going economic benefits can be considered in terms of business income, taxable sales, property values, employment and personal incomes, and state/local taxes.

**Business Income.** The 43 firms assisted by YCDA since 1988 are estimated to have increased their output in Yakima County by an estimated \$372.6 million. This is essentially the increased business sales activity directly attributable to new firm locations and expansions.

These firms and their employees also purchase goods and services from other businesses in the county. This additional activity represents the indirect multiplier (or spin-off) effect.<sup>iii</sup> The dollar volume of the indirect business activity is estimated to be \$160.2 million annually.

As noted in the earlier section, Yakima County is estimated to have a total industry output (or GDP) of about \$14.8 billion. In effect, the companies assisted by YCDA since 1988 have added \$532.8 million directly and indirectly, or close to a 4% of total county-wide output.

**Taxable Sales & Property Values.** An estimated 25% (or \$23.0 million) of employee payroll is spent on local taxable goods and services. Employees also spend a portion of their income on housing. This analysis assumes employees spend one-third of their income on housing, which is estimated at a net present property value of \$421.5 million.

**Employment & Income.** As noted above, the 43 businesses included in this analysis directly employ 2,817 workers. These workers are estimated to receive about \$91.9 million in wages annually (not including benefits), for an average wage of about \$32,600 per year. This is slightly above the estimated average wage of \$31,800 for all employment in Yakima County.

This economic activity is estimated to support an additional 3,013 jobs throughout the economy countywide. The total employment impact from YCDA business attraction efforts is 5,830 jobs, or 13% of the countywide job growth. Total annual wages, including economic multiplier effects, are estimated at \$159.0 million.

**Figure 8. Annual Operational Economic Contributions (Since 1988)**

Impact Category	Annual Economic Benefits		
	Direct	Indirect	Total
Business Revenues	\$372,600,000	\$160,200,000	\$532,800,000
Number of Jobs	2,817	3,013	5,830
Total Payroll	\$91,901,000	\$67,099,000	\$159,000,000
– Average Wage	\$32,600	\$22,300	\$27,300
Taxable Retail Purchases	\$23,000,000		
Supported Housing Values	\$421,500,000		

Source: Cascade Planning Group – based upon IMPLAN Input-Output model for Yakima County.

**Tax Benefits.** In addition to the private sector economic benefits, the expanded business activity also generates increased taxes for state and local government.

YCDA business attraction efforts have directly resulted in \$391.7 million of business capital investment. In addition, income spent on housing from the newly hired employees equates to an estimated \$813.2 million in property values. Taken together, these activities support approximately \$9.6 million in property tax revenues to state and local government.

Retail spending by employees also generates sales taxes. As noted above, an estimated \$23.0 million is spent annually at local retail stores by employees associated with the new and expanded firms. This retail spending is estimated to generate \$368,000 per year for local governments and \$1,495,000 annually to the state – for a combined total of \$1,863,000 in annual state and local sales tax revenue. Another \$7.6 million in one-time sales taxes from the capital investments is generated for local and state governments.

**Fiscal Benefits from YCDA Business Development (Since 1988)**

Tax Generated	Construction	Operations
<b>Property Taxes:</b>		
Business Capital Investment		\$391,650,000
Employee Housing Values		\$421,500,000
Supported Assessed Value		\$813,150,000
Average Property Tax Rate		\$11.78
Property Taxes		\$9,578,907
<b>Retail Sales Tax:</b>		
Sales Taxable Capital Investment	\$93,700,000	
Employee Taxable Retail Purchases		\$23,000,000
Sales Tax Rate	8.1%	8.1%
State & Local Sales Taxes	\$7,589,700	\$1,863,000

Source: Cascade Planning Group.

**PROFILE OF ECONOMIC BENEFITS FOR 4 COMPANIES**

Since 1988, YCDA has materially assisted 43 firms to locate or expand in Yakima County. This section profiles the contributions of four specific companies. Collectively, these four firms have made investments in facilities and equipment totaling \$67.5 million, directly creating 1,150 new jobs. The workers earn an estimated \$38.1 million annually in wages and salaries.

**Figure 9. Four Businesses Assisted by YCDA**

<b>Company</b>	<b>Capital Investment</b>			<b>Jobs</b>	<b>Payroll</b>
	<b>Total</b>	<b>New Bldg.</b>	<b>Taxable</b>		
Amtech Corporation	\$4,500,000	\$0	\$0	200	\$5,408,000
Wal-Mart	\$42,000,000	\$42,000,000	\$0	600	\$23,712,000
Arvato Digital Services	\$1,000,000	\$0	\$1,000,000	150	\$3,588,000
Paragon Films	\$20,000,000	\$1,500,000	\$1,500,000	200	\$5,408,000
Collective Total	\$67,500,000	\$43,500,000	\$2,500,000	1,150	\$38,116,000

Source: YDCA

Of the \$67.5 million of capital investment, \$43.5 million was new building construction. Most of the firms assisted qualified for sales tax exemption either on new equipment, building, or both. As a result \$2.5 million of the total \$67.5 million capital investment was subject to state and local sales tax.

The following discussion details the direct and multiplier benefits of these four businesses to Yakima County's economy.

### ***Amtech Corporation***

**Construction Phase.** Amtech invested approximately \$4.5 million in their facility. While none of this investment was new building construction, it is a positive sign of their commitment to Yakima County's economy; especially given the severe global economic recession.

**Annual Business Income.** Amtech produces an estimated \$242.7 million of output in Yakima County. Amtech and their employees also purchase goods and services from other businesses in the county. This additional activity represents the indirect multiplier (or spin-off) effect.<sup>iv</sup> The dollar volume of the indirect business activity is estimated to be \$114.1 million annually.

**Annual Taxable Sales & Property Values.** An estimated \$1.4 million of employee payroll is spent on local taxable goods and services. Employees also spend a portion of their income on housing. This analysis assumes employees spend one-third of their income on housing, which is estimated at a net present property value of \$24.8 million.

**Annual Employment & Income.** Amtech directly employs 200 workers. These workers are estimated to receive about \$5.4 million in wages annually (not including benefits), for an average wage of about \$27,000 per year.

This economic activity is estimated to support an additional 620 jobs throughout the economy countywide. The total employment impact is 820 jobs. Total annual wages, including economic multiplier effects, are estimated at \$25.9 million.

**Figure 10. Annual Operational Economic Contributions of Amtech**

Impact Category	Annual Economic Benefits		
	Direct	Indirect	Total
Business Revenues	\$242,700,000	\$114,100,000	\$356,800,000
Number of Jobs	200	620	820
Total Payroll	\$5,408,000	\$20,492,000	\$25,900,000
– Average Wage	\$27,000	\$33,100	\$31,600
Taxable Retail Purchases	\$1,400,000		
Supported Housing Values	\$24,800,000		

Source: Cascade Planning Group – based upon IMPLAN Input-Output model for Yakima County.

**Tax Benefits.** In addition to the private sector economic benefits, the expanded business activity also generates increased taxes for state and local government.

Amtech directly invested \$4.5 million in business capital. In addition, income spent on housing from employees equates to an estimated \$24.8 million in property values. Taken together, these activities support approximately \$345,150 in property tax revenues to state and local government.

Retail spending by employees also generates sales taxes. As noted above, an estimated \$1.4 million is spent annually at local retail stores. This retail spending is estimated to generate \$22,400 per year for local governments and \$91,000 annually to the state – for a combined total of \$113,400 in annual state and local sales tax revenue. Amtech owed no sales tax as they received the exemption on their entire \$4.5 million investment.

**Figure 11. Fiscal Benefits Associated with Amtech**

Tax Generated	Construction	Operations
<b>Property Taxes:</b>		
Business Capital Investment		\$4,500,000
Employee Housing Values		\$24,800,000
Supported Assessed Value		\$29,300,000
Average Property Tax Rate		\$11.78
Property Taxes		\$345,154
<b>Retail Sales Tax:</b>		
Business Capital Investment	\$0	
Employee Taxable Retail Purchases		\$1,400,000
Sales Tax Rate	8.1%	8.1%
State & Local Sales Taxes	\$0	\$113,400

Source: Cascade Planning Group.

### **Wal-Mart**

**Construction Phase.** Investments made by Wal-Mart total approximately \$42.0 million in building construction. Wal-Mart’s investment stimulated \$18.9 million in additional related business revenue, including revenues from local employee spending. The total increase in local construction related business revenue about \$60.9 million.

**Figure 12. Construction Phase Economic Contribution of Wal-Mart**

Impact Category	Economic Benefits of Construction		
	Direct	Indirect	Total
Capital Investment	\$42,000,000	–	–
New Building	\$42,000,000	\$18,900,000	\$60,900,000
Construction Jobs	440	170	610
Construction Payroll	\$22,440,000	\$6,510,000	\$28,950,000
Average Wage	\$51,000	\$38,300	\$47,500

Source: Cascade Planning Group – based upon IMPLAN Input-Output model for Yakima County.

Construction and equipment procurement activity generated 440 jobs directly, and an additional 170 indirect and induced jobs due to economic multiplier effects. This employment generated a total of \$29.0 million (in current economic values) in construction related wage income.

**Annual Business Income.** Wal-Mart produces an estimated \$98.4 million of output in Yakima County. Wal-Mart and their employees also purchase goods and services from other businesses in the county. This additional activity represents the indirect multiplier (or spin-off) effect.<sup>v</sup> The dollar volume of the indirect business activity is estimated to be \$37.4 million annually.

**Annual Taxable Sales & Property Values.** An estimated \$5.9 million of employee payroll is spent on local taxable goods and services. Employees also spend a portion of their income on housing. This analysis assumes employees spend one-third of their income on housing, which is estimated at a net present property value of \$108.8 million.

**Annual Employment & Income.** Wal-Mart directly employs 600 workers. These workers are estimated to receive about \$23.7 million in wages annually (not including benefits), for an average wage of about \$39,500 per year.

This economic activity is estimated to support an additional 340 jobs throughout the economy countywide. The total employment impact is 940 jobs. Total annual wages, including economic multiplier effects, are estimated at \$32.5 million.

**Figure 13. Annual Operational Economic Contributions of Wal-Mart**

Impact Category	Annual Economic Benefits		
	Direct	Indirect	Total
Business Revenues	\$98,400,000	\$37,400,000	\$135,800,000
Number of Jobs	600	340	940
Total Payroll	\$23,712,000	\$8,788,000	\$32,500,000
– Average Wage	\$39,500	\$25,800	\$34,600
Taxable Retail Purchases	\$5,900,000		
Supported Housing Values	\$108,800,000		

Source: Cascade Planning Group – based upon IMPLAN Input-Output model for Yakima County.

**Tax Benefits.** In addition to the private sector economic benefits, the expanded business activity also generates increased taxes for state and local government.

Wal-Mart directly invested \$42.0 million in business capital. In addition, income spent on housing from employees equates to an estimated \$108.8 million in property values. Taken together, these activities support approximately \$1.8 million in property tax revenues to state and local government.

Retail spending by employees also generates sales taxes. As noted above, an estimated \$5.9 million is spent annually at local retail stores. This retail spending is estimated to generate \$94,400 per year for local governments and \$383,500 annually to the state – for a combined total of \$477,900 in annual state and local sales tax revenue. Wal-Mart owed no sales tax as they received the exemption on their entire \$42 million investment

**Figure 14. Fiscal Benefits Associated with Wal-Mart**

<b>Tax Generated</b>	<b>Construction</b>	<b>Operations</b>
<b>Property Taxes:</b>		
Business Capital Investment		\$42,000,000
Employee Housing Values		\$108,800,000
Supported Assessed Value		\$150,800,000
Average Property Tax Rate		\$11.78
Property Taxes		\$1,776,424
<b>Retail Sales Tax:</b>		
Business Capital Investment	\$0	
Employee Taxable Retail Purchases		\$5,900,000
Sales Tax Rate	8.1%	8.1%
State & Local Sales Taxes	\$0	\$477,900

Source: Cascade Planning Group.

### **Arvato**

**Construction Phase.** Arvato invested approximately \$1.0 million in their facility. While none of this investment was new building construction, it is a positive sign of their commitment to the Yakima County economy; especially given the severe global economic recession.

**Annual Business Income.** Arvato produces an estimated \$8.6 million of output in Yakima County. Arvato and their employees also purchase goods and services from other businesses in the county. This additional activity represents the indirect multiplier (or spin-off) effect.<sup>vi</sup> The dollar volume of the indirect business activity is estimated to be \$5.0 million annually.

**Annual Taxable Sales & Property Values.** An estimated \$0.9 million of employee payroll is spent on local taxable goods and services. Employees also spend a portion of their income on housing. This analysis assumes employees spend one-third of their income on housing, which is estimated at a net present property value of \$16.5 million.

**Annual Employment & Income.** Arvato directly employs 150 workers. These workers are estimated to receive about \$3.6 million in wages annually (not including benefits), for an average wage of about \$23,900 per year.

This economic activity is estimated to support an additional 50 jobs throughout the economy countywide. The total employment impact is 200 jobs. Total annual wages, including economic multiplier effects, are estimated at \$4.8 million.

**Figure 15. Annual Operational Economic Contributions of Arvato**

Impact Category	Annual Economic Benefits		
	Direct	Indirect	Total
Business Revenues	\$8,600,000	\$5,000,000	\$13,600,000
Number of Jobs	150	50	200
Total Payroll	\$3,588,000	\$1,212,000	\$4,800,000
– Average Wage	\$23,900	\$24,200	\$24,000
Taxable Retail Purchases	\$900,000		
Supported Housing Values	\$16,500,000		

Source: Cascade Planning Group – based upon IMPLAN Input-Output model for Yakima County.

**Tax Benefits.** In addition to the private sector economic benefits, the expanded business activity also generates increased taxes for state and local government.

Arvato directly invested \$1.0 million in business capital. In addition, income spent on housing from employees equates to an estimated \$16.5 million in property values. Taken together, these activities support approximately \$206,150 in property tax revenues to state and local government.

Retail spending by employees also generates sales taxes. As noted above, an estimated \$1.0 million is spent annually at local retail stores. This retail spending is estimated to generate \$16,000 per year for local governments and \$65,000 annually to the state – for a combined total of \$81,000 in annual state and local sales tax revenue. Another \$81,000 in one-time sales taxes from the capital investments is generated for local and state governments.

**Figure 16. Fiscal Benefits Associated with Arvato**

Tax Generated	Construction	Operations
<b>Property Taxes:</b>		
Business Capital Investment		\$1,000,000
Employee Housing Values		\$16,500,000
Supported Assessed Value		\$17,500,000
Average Property Tax Rate		\$11.78
Property Taxes		\$206,150
<b>Retail Sales Tax:</b>		
Business Capital Investment	\$1,000,000	
Employee Taxable Retail Purchases		\$1,000,000
Sales Tax Rate	8.1%	8.1%
State & Local Sales Taxes	\$81,000	\$81,000

Source: Cascade Planning Group.

### **Paragon Films**

**Construction Phase.** Investments made by Paragon Films total approximately \$20.0 million in building construction and new equipment. The realized local portion is estimated at about \$1.5 million (in current economic values). This in turn stimulated \$0.7 million in additional related business revenue, including revenues from local employee spending. The total increase in local construction related business revenue approximately \$2.2 million.

**Figure 17. Construction Phase Economic Contribution of Paragon Films**

Impact Category	Economic Benefits of Construction		
	Direct	Indirect	Total
Capital Investment	\$20,000,000	–	–
New Building	\$1,500,000	\$700,000	\$2,200,000
Construction Jobs	20	10	30
Construction Payroll	\$1,020,000	\$300,000	\$1,320,000
Average Wage	\$51,000	\$30,000	\$44,000

Source: Cascade Planning Group – based upon IMPLAN Input-Output model for Yakima County.

Construction and equipment procurement activity generated 20 jobs directly, and an additional 10 indirect and induced jobs due to economic multiplier effects. This employment generated a total of \$1.3 million (in current economic values) in construction related wage income.

**Annual Business Income.** Paragon Films produces an estimated \$242.7 million of output in Yakima County. Paragon Films and their employees also purchase goods and services from other businesses in the county. This additional activity represents the indirect multiplier (or spin-off) effect.<sup>vii</sup> The dollar volume of the indirect business activity is estimated to be \$114.1 million annually.

**Annual Taxable Sales & Property Values.** An estimated \$1.4 million of employee payroll is spent on local taxable goods and services. Employees also spend a portion of their income on housing. This analysis assumes employees spend one-third of their income on housing, which is estimated at a net present property value of \$24.8 million.

**Annual Employment & Income.** Paragon Films directly employs 200 workers. These workers are estimated to receive about \$5.4 million in wages annually (not including benefits), for an average wage of about \$27,000 per year.

This economic activity is estimated to support an additional 620 jobs throughout the economy countywide. The total employment impact is 820 jobs. Total annual wages, including economic multiplier effects, are estimated at \$25.9 million.

**Figure 18. Annual Operational Economic Contributions of Paragon Films**

Impact Category	Annual Economic Benefits		
	Direct	Indirect	Total
Business Revenues	\$242,700,000	\$114,100,000	\$356,800,000
Number of Jobs	200	620	820
Total Payroll	\$5,408,000	\$20,492,000	\$25,900,000
– Average Wage	\$27,000	\$33,100	\$31,600
Taxable Retail Purchases	\$1,400,000		
Supported Housing Values	\$24,800,000		

Source: Cascade Planning Group – based upon IMPLAN Input-Output model for Yakima County.

**Tax Benefits.** In addition to the private sector economic benefits, the expanded business activity also generates increased taxes for state and local government.

Paragon Films directly invested \$20.0 million in business capital. In addition, income spent on housing from employees equates to an estimated \$24.8 million in property values. Taken together, these activities support approximately \$527,700 in property tax revenues to state and local government.

Retail spending by employees also generates sales taxes. As noted above, an estimated \$1.4 million is spent annually at local retail stores. This retail spending is estimated to generate \$22,400 per year for local governments and \$91,000 annually to the state – for a combined total of \$113,400 in annual state and local sales tax revenue. Another \$121,500 in one-time sales taxes from the capital investments is generated for local and state governments.

**Figure 19. Fiscal Benefits Associated with Paragon Films**

<b>Tax Generated</b>	<b>Construction</b>	<b>Operations</b>
<b>Property Taxes:</b>		
Business Capital Investment		\$20,000,000
Employee Housing Values		\$24,800,000
Supported Assessed Value		\$44,800,000
Average Property Tax Rate		\$11.78
Property Taxes		\$527,744
<b>Retail Sales Tax:</b>		
Business Capital Investment	\$1,500,000	
Employee Taxable Retail Purchases		\$1,400,000
Sales Tax Rate	8.1%	8.1%
State & Local Sales Taxes	\$121,500	\$113,400

Source: Cascade Planning Group.

### III. RETURN ON INVESTMENT

In summary, the business development efforts of YCDA over the last five years have generated an annual increase of \$236.7 million in new economic activity in Yakima County. This dollar value encompasses annual tax revenues of \$1.9 million, increased sales for local retail and service businesses of \$3.2 million per year, other household income of \$20.4 million, and other business income of \$211.2 million per year.

Over the entire 27-year existence, YCDA have lead to \$532.8 million of economic activity comprising \$11.4 million in selected tax revenues, \$23.0 million of local retail and service purchases, \$136.0 million of other household income, and \$362.4 million of other business income.

**ROI Assessment.** This local economic benefit can be viewed as the return on investment (ROI) of YCDA programs and activities. YCDA currently operates on a budget of about \$500,000 per year; the longer-term annual budget has been more in the range of \$300,000

Comparing the five-year YCDA investment against the annual economic returns the local communities receive, the return on investment is about \$95 dollars for every dollar spent by YCDA for economic development in Yakima County. This return recurs every year as long as companies assisted retain an active presence locally. The cumulative effect clearly represents an investment with profound long-term benefits for the people and communities of Yakima County.

#### Return on Investment (ROI)

Investments & Benefits	5 YR Estimate	27 YR Estimate
<b>Investment:</b>		
YCDA Operating Budget	\$2,500,000	\$8,300,000
<b>Current Annual Economic Benefits:</b>		
Selected Tax Revenues	\$1,913,701	\$11,441,907
Retail & Services Spending	\$3,200,000	\$23,000,000
Other Labor Income*	\$20,400,000	\$136,000,000
Other Industry Output**	\$211,186,299	\$362,358,093
<b>Total</b>	<b>\$236,700,000</b>	<b>\$532,800,000</b>
Annual Return on Investment per Dollar	\$95	\$64

\* Includes the portion of labor income not spent on retail goods and services.

\*\*Includes the portion of Industry Output not paid out as labor income or taxes.

Source: Cascade Planning Group.

## END NOTES

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<sup>i</sup> Information for this report has been compiled from sources generally deemed to be reliable. However, the accuracy of information is not guaranteed and is subject to change without notice.

The findings and conclusions contained in this 2013 economic development report card are those of the authors. They should not be construed as representing the opinion of any other party prior to their approval – whether in whole or in part.

<sup>ii</sup> Multiplier effects with this analysis include what are technically termed as indirect effects (from added business spending) and induced effects (from added household spending).

<sup>iii</sup> Multiplier effects with this analysis include what are technically termed as indirect effects (from added business spending) and induced effects (from added household spending).

<sup>iv</sup> Multiplier effects with this analysis include what are technically termed as indirect effects (from added business spending) and induced effects (from added household spending).

<sup>v</sup> Multiplier effects with this analysis include what are technically termed as indirect effects (from added business spending) and induced effects (from added household spending).

<sup>vi</sup> Multiplier effects with this analysis include what are technically termed as indirect effects (from added business spending) and induced effects (from added household spending).

<sup>vii</sup> Multiplier effects with this analysis include what are technically termed as indirect effects (from added business spending) and induced effects (from added household spending).