

# **Economic and Fiscal Impact of a New Food City on DeKalb County and the State of Alabama**

**April 2022**

**Commissioned by:  
DeKalb County Economic Development Authority**

**Prepared by:  
Center for Business and Economic Research  
Culverhouse College of Business  
The University of Alabama**

**Samuel Addy, Ph.D.**, Associate Dean for Economic Development Outreach & Senior Research Economist  
**Ahmad Ijaz**, Executive Director & Director of Economic Forecasting  
**Kilungu Nzaku, Ph.D.**, Associate Research Economist  
**Morgan Cordle**, Associate Director for Research and Outreach

## Introduction

This report presents the economic and fiscal impacts of both construction and operation phases of a Food City project on DeKalb County and the state of Alabama.

Investment with furniture, fixtures, and equipment (FFE) during the construction phase will total \$15.2 million, which will include: soft costs (\$400,000); demo/site cost (\$3.3 million); Food City building (\$5.2 million); other shops building (\$750,000); and FFE (\$5.5 million). Total investment without FFE and other shops building will be \$8.9 million. The city of Fort Payne will invest \$3.1 million or 20.4 percent of total investment. During its operational phase, the project will employ 140 workers with an annual total payroll of approximately \$2.9 million.

Any economic development project in a specific county, industrial or retail, not only has an economic impact on the county, but the impact also spills over to other counties in the region, therefore, this brief report also estimates the economic impact of the Food City project on Alabama in order to capture the residual economic and fiscal impacts.

The economic and fiscal impacts presented in this report are determined using a model that combines specific economic structure and fiscal components for DeKalb County and Alabama with multipliers from the Regional Input-Output Modeling System (RIMS II), and input-output model developed and maintained by the U.S. Department of Commerce's Bureau of Economic Analysis (BEA).

The economic impact focuses on output, value-added, earnings, and employment. Output refers to total or gross business activity often measured by revenues or sales and includes value-added, which is the contribution to gross domestic product (GDP) or the value of goods and services produced on a value-added basis. Earnings impacts are part of value-added and are the wages and salaries for the projected employment (jobs) impact. The report will also present the impact on state income tax and state and local sales taxes derived from the earnings impact.

It is important to note that not all of the earnings impacts are subject to sales or income tax. Spending on sales taxable items constitute 42.4 percent of total earnings based on consumer expenditure survey data published by U.S. Bureau of Labor Statistics (BLS). State taxable income (net income) is about 65.8 percent of earnings and the applicable tax rate is 5.0 percent. Sales tax rates used are 5.0 percent for DeKalb County and 4.0 percent for the State. Income and sales taxes presented are based on workers' earnings only. No company paid taxes are covered in this report due to data limitations. Therefore, the tax impacts presented in the report are conservative since several categories such as license fees, property taxes, lodging tax, other use taxes, and other tax sources are not estimated, primarily due to data limitations and the scope of this brief report.

## Construction Phase Economic and Fiscal Impacts

To estimate total impacts during the construction phase, construction industry multipliers and a capital expenditure of \$15.2 million, as provided by the DeKalb County Economic Development Authority (EDA), are used.

The total economic impact of the construction phase on DeKalb County economy is over \$21.7 million in economic activity or output, which includes a \$12.6 million contribution to the county's GDP, part of which is \$7.6 million in earnings to households for 169 direct and indirect jobs (Table 1). The 169 total jobs impact includes 122 direct construction jobs and 47 indirect jobs within DeKalb County. The earnings impact during the construction phase will generate about \$129,577 in local (county and cities) sales tax receipts.

The total economic impact of the construction phase on the Alabama economy is over \$32.5 million in economic activity or output, which includes an \$18.1 million contribution to the state GDP, of which about \$12.1 million is earnings to Alabama households for 278 direct and indirect jobs. These 278 total jobs include 146 direct construction jobs and 132 indirect jobs across the state. The earnings impact will generate \$561,431 in tax receipts for the state, of which \$397,418 will be in individual income taxes and \$164,012 in sales taxes.

**Table 1 - Impacts of the Construction Phase**

Construction	Alabama	DeKalb County
<b>Economic Impact</b>		
Direct Employment (Jobs)	146	122
Indirect Employment (Jobs)	132	47
Employment Impact (Jobs)	278	169
Direct Earnings (Wages and Salaries)	\$7,256,428	\$6,051,044
Indirect Earnings (Wages and Salaries)	\$4,831,936	\$1,589,024
Earnings Impact	12,088,185	7,640,145
Direct Jobs Average Earnings	\$49,752	\$49,749
Indirect Jobs Average Earnings	\$36,607	\$33,541
Gross Business Sales	\$32,525,535	\$21,711,465
Contribution to Gross Domestic Product	\$18,146,670	\$12,572,985
<b>Fiscal Impact</b>		
State Sales Tax (4%)	\$164,012	
Local Sales Tax (5%)		\$129,577
State Income Tax (5%)	\$397,418	
Total Taxes	\$561,431	\$129,577

## Operation Phase Economic and Fiscal Impacts

To estimate total annual impacts during the operations phase, food and beverage stores multipliers, an annual payroll of \$2.9 million for 40 direct jobs, as provided by DeKalb County EDA, are used for the analysis.

The total economic impact of the operation phase on DeKalb County economy is over \$3.8 million in economic activity or output, which includes a \$2.5 million contribution to the county's GDP, \$3.7 million of which is earnings to households for 168 direct and indirect jobs (Table 2). These 168 total jobs include 140 direct jobs in the new Food City and 28 indirect jobs. The earnings impact will generate approximately \$62,296 in sales tax across the county.

The total economic impacts of the operation phase on the Alabama economy are about \$5.3 million in economic activity or output, which includes a \$3.3 million contribution to state GDP. Earnings impact to Alabama households is estimated to be over \$4.7 million for 201 direct and indirect jobs. These 201 total jobs include 140 direct jobs in the new Food City establishment and 61 indirect jobs across the state of Alabama. The earnings impacts will generate \$219,770 in state tax receipts. This includes \$155,568 in individual income tax and \$64,202 in state sales taxes.

**Table 2 – Annual Impacts during Operations Phase**

Food and Beverage Stores	Alabama	DeKalb County
<b>Economic Impact</b>		
Direct Employment (Jobs)	140	140
Indirect Employment (Jobs)	61	28
Employment Impact (Jobs)	201	168
Direct Earnings (Wages and Salaries)	\$2,860,000	\$2,860,000
Indirect Earnings (Wages and Salaries)	\$1,871,870	\$813,098
Earnings Impact	\$4,731,870	\$3,673,098
Direct Jobs Average Earnings	\$20,429	\$20,429
Indirect Jobs Average Earnings	\$30,850	\$28,938
Gross Business Sales	\$5,278,416	\$3,848,416
Contribution to Gross Domestic Product	\$3,277,846	\$2,487,342
<b>Fiscal Impact</b>		
State Sales Tax (4%)	\$64,202	
Local Sales Tax (5%)		\$62,296
State Income Tax (5%)	\$155,568	
Total Tax	\$219,770	\$62,296

## Conclusions

The analysis clearly shows the Food City project will have a significant impact on the economy of both DeKalb County and the city of Fort Payne. The project will attract more retailers not only to this specific building but also to the city and provide further economic development opportunities for the region. Since the study only analyzes the fiscal impact on sales and income taxes, the estimates are very conservative; the impact on other taxes is beyond the scope of this analysis.

## Industry Multipliers

### Industry Multipliers for DeKalb County and Alabama

Non-Residential Structures Construction Industry						
	Final Demand				Direct Effect	
Area	Output	Earnings	Employment	Value-added	Earnings	Employment
DeKalb County	1.4331	0.5043	11.1557	0.8299	1.2626	1.3895
Alabama	2.1469	0.7979	18.3397	1.1978	1.6659	1.9050
Food and Beverage Stores Industry						
	Final Demand				Direct Effect	
Area	Output	Earnings	Employment	Value-added	Earnings	Employment
DeKalb County	1.3456	0.3993	16.5736	0.8697	1.2843	1.2007
Alabama	1.8456	0.6228	23.9564	1.1461	1.6545	1.4334

## Definitions

**Direct Employment:** The number of jobs that the project will initially create.

**Indirect Employment:** The number of additional jobs that will be generated in the businesses that supply goods and services to the project as well as other sectors of the economy.

**Employment Impact:** The total number of jobs, direct and indirect, that the project will create.

**Direct Earnings:** Total dollar amount in wages and salaries that will be paid for direct jobs.

**Indirect Earnings:** Total dollar amount in wages and salaries that will be paid for indirect jobs.

**Earnings Impact:** Total dollar sum of direct and indirect earnings.

**Direct Jobs Average Earnings:** Average earnings per direct job.

**Indirect Jobs Average Earnings:** Average earnings per indirect job.

**Gross Business Sales:** Total dollar change in output that occurs in all industries.

**Contribution to Gross Domestic Product:** Contribution to the GDP of the local economy as a result of the activities generated by the project.

**Income Tax:** The income tax revenue that will be generated based on total earnings impact.

**Sales Tax:** The sales tax revenue that will be generated based on total earnings impact.

**Total Tax Revenues:** Total taxes generated (primarily from income and sales taxes).