The Economic and Fiscal Impacts of the Redevelopment of 750 Governor Lea Road

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Submitted to Harvey Hanna & Associates, Inc.



ESI ECONSULT SOLUTIONS INC.
economics | strategy | insight

1435 WALNUT STREET, 4TH FLOOR | PHILADELPHIA, PA 19102
215-717-2777 | ECONSULTSOLUTIONS.COM

Executive Summary

Harvey Hanna and Associates Inc. (HHA, also known as "Harvey Hanna") proposes to develop a 305,000 square foot distribution and logistics facility in New Castle County, Delaware. The purpose of this report is to evaluate the economic and fiscal impact that the development will generate within the State of Delaware, New Castle County, and the geographic area of the Colonial School District. The findings from this report are intended to enhance the public discussion about the proposal by articulating important economic and fiscal considerations by which the proposed development should be evaluated.

The proposed redevelopment will make more productive use of a certified brownfield site located at 750 Governor Lea Road, combining two parcels that have been used for various industrial purposes over the past number of decades. HHA's proposed redevelopment of the site will bring hundreds of jobs to the community and increase state and local tax revenues.

In terms of economic activity, the proposed development will generate new jobs, first during the construction period and later during its operations as a distribution and logistics facility. ESI uses standard input-output modeling techniques and conservative assumptions about economic activity levels to estimate total jobs, employee compensation earnings and overall economic impact from the redevelopment. Tax revenue impacts are also projected, considering the various sources of additional tax revenue that will be brought to the state and local community during construction and beyond.

The proposed redevelopment of 750 Governor Lea Road will have the following projected economic impacts:

- Construction expenditures are projected to be $36.6 million, all to occur in a single year of construction.
- Construction spending will support the creation of 380 temporary jobs in New Castle County, 72 percent of which will be in the construction industry. The remaining 28 percent represents indirect or induced employment distributed across different sectors outside of the construction industry, such as in healthcare, transportation, and retail.
- Construction is projected to generate $1.7 million to the State of Delaware in personal income and business tax revenues.
- At full occupancy, the planned facility will produce $27.0 million annually in economic impact for the county and support more than 180 permanent jobs in logistics, distribution, engineering, technology, transportation, and an array of support industries and services.
- Tax revenue attendant to full occupancy is projected to be $761,000 annually in State personal income and business taxes. Additionally, the redevelopment is expected to generate $289,000 in new property taxes to the Colonial School District and New Castle County.

These economic metrics are further summarized in Figure ES.1 for the State of Delaware, which will be expanded upon in depth through this report.

Figure ES.1: Summary of Economic Impacts from 750 Governor Lea Road Redevelopment within the State of Delaware

	One-Time Economic Impact from Construction	Annual Impact from Ongoing Operations
Total Output ($M)	$60.7	$27.0
Employment Supported (FTE)	380	180
Employee Compensation ($M)	$23.4	$10.7
Total State Tax Revenues ($M)	$1.7	$0.8

Econsult Solutions, Inc. (2024), IMPLAN (2022), State of Delaware CAFR (2023)

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1. Introduction

1.1. Purpose of the Report

This report was commissioned by Harvey Hanna and Associates, Inc. (HHA) to articulate and quantify the potential economic and fiscal impacts produced by the development of a new distribution and logistics facility, located at 750 Governor Lea Road in New Castle County, Delaware. The proposed redevelopment of the site will bring economic activity and jobs to nearby Delaware City, remediating and bringing into productive use the current property, which is currently underutilized and a certified brownfield site. This distribution and logistics facility will generate significant tax revenues for the State of Delaware, New Castle County, and the Colonial School District. These overall impacts will arise from both the project's construction phase and from future distributions and facility operations at the property.

1.2. Development of 750 Governor Lea Road

The proposed development envisions a 305,000 square foot distribution and logistics facility on an 18.5-acre site, currently zoned for the intended use. This redevelopment will combine two parcels, 720 and 750 Governor Lea Road, which have a history of industrial uses dating back decades, including manufacturing for various chemicals. In its current state, the majority of the land is undeveloped, with the exception of two small buildings utilized by previous occupants. Both buildings will be demolished in advance of building construction.

Figure 1.1: Aerial View of 720-750 Governor Lea Road, 2024



Source: Harvey Hanna & Associates, 2024

This redevelopment aligns well with the goals of the New Castle County 2050 Comprehensive Plan and developing market factors, with the distribution and logistics industry identified as an emerging sector. Historically, large distribution companies opted to occupy space in neighboring states with more population density and industrial infrastructure, but supply has become constrained in New Jersey and Pennsylvania, leading to increased demand in northern New Castle County.[1] HHA's upcoming distribution and logistics facility will contribute toward the region's ability to meet that demand.

The land has a history of industrial use and is a certified brownfield site. With a Certificate of Completion of Remedy secured in 2013 and an EPA report in 2021 indicating that none of the contaminants of concern (COCs) were detected during groundwater sampling, the current project aims to make productive use of the land that is notably more environmentally conscious than previous uses.

In recognition of the project bringing this site back into productive use and creating opportunities for new business and jobs, the State of Delaware's Division of Small Business awarded HHA a $1 million Site Readiness Grant in January 2023. This award is providing funding for activities necessary to prepare for the project, including design, engineering, and site work.

[1] New Castle County 2050 Comprehensive Plan, July 2022

Altogether, the redevelopment of this site will restore jobs to the area, activate the area with new economic stimulus, and take advantage of a remediated, certified brownfield site. The site plan has been approved and finalized internally by the HHA team.

1.3. Demographics of the Surrounding Community

The proposed redevelopment will take place in New Castle County, DE, north of Delaware City, and the Chesapeake and Delaware Canal, and within the Colonial School District. For the purpose of this study, demographic data will be examined for both New Castle County and the geographic are of the Colonial School District, the latter of which provides a more precise picture of the community surrounding HHA's future distribution and logistics facility. The total population of New Castle County was 578,300 as of 2023, which is expected to grow by about 10,000 persons in the next five years. The median income over the same period is expected to increase from $76,900 to $87,900, along with a similar development in home value (Figure 1.2). Of the 278,400 jobs in the county, 74,900 are located in the Colonial School District geographic area, where 53.2 percent of workers earn less than $40,000 per year (Figure 1.3).

Figure 1.2: Population Summary of New Castle County

	2023	2028[2]	% Change
Total Population	578,300	586,900	1.5%
Households	224,400	230,700	2.7%
Average Household Size	2.51	2.47	-1.6%
Housing Units	238,600	245,300	2.8%
Owner Occupied Housing Units	*151,300*	*156,300*	*3.2%*
Renter Occupied Housing Units	*73,100*	*74,400*	*1.7%*
Vacant Housing Units	*14,200*	*14,600*	*3.0%*
Median Household Income (2023 dollars)	$76,900	$87,900	12.5%
Median Home Value (2023 dollars)	$344,400	$390,200	11.8%

Source: ESRI Business Analyst (2023)

[2] These are projections calculated by ESRI Business Analyst. These estimates do not take into account the proposed development of the 750 Governor Lea Road facility; therefore, it is possible that the redevelopment may enhance the median household income and median home value further.

Figure 1.3: Employment Summary

	Colonial School District	New Castle County
Total Employment	74,900	278,400
Number of Residents Employed in Area	11,400	183,700
Earning less than $3,300 per month (%)	53.2%	44.5%
Earning more than $3,300 per month (%)	46.8%	55.5%

Source*: U.S. Census Bureau, On the Map Application (2021)*

New Castle County is a growing hub for logistics, as Amazon and others have built multiple facilities in the area adjacent to I-95 and two major ports. As this industry/sector has grown, almost 30 percent of residents who also work within the bounds of the Colonial School District are employed in the transportation sector. Of those residents who find employment outside the geographic area of the Colonial School District, 20 percent are employed in this sector.[3] Most of the logistics boom in New Castle County has taken place outside of the school district, so more jobs in the area could improve the labor force efficiency and wages.

According to the U.S. Bureau of Labor Statistics, the average salary for Transportation and Material Moving occupations in Delaware is about$47,000 per year, while most residents employed within the Colonial School District geographic area earn less, as demonstrated by Figure 1.3.[4] An additional distribution and logistics facility would increase labor demand in the local market, which could put an upward force on wages. These more attractive employment opportunities will retain more residents working in the industry who find employment elsewhere and improve earnings of local workers.

1.4. About the Harvey Hanna & Associates

Harvey Hanna and Associates (HHA) is a commercial real estate redevelopment firm headquartered in New Castle County, Delaware that owns, develops, and manages approximately 4 million square feet of commercial, hospitality, and industrial assets in the Mid-Atlantic region. HHA currently has multiple projects in their portfolio to highlight various stages of development, all with a common core theme: building thoughtfully vibrant communities.

Formed in 1997, the HHA of today has evolved through a series of family-owned and operated businesses over several generations. Initially in the waste management industry, they translated their expertise and business acumen to commercial and industrial real estate and have grown HHA to be one of the area's more prominent real estate developers. Harvey Hanna takes an active approach to community involvement and support. HHA has a strong philanthropic heritage of supporting local charities and non-profit organizations over three generations, including its 2009 creation of the

[3] U.S. Census Bureau, OnTheMap Application, https://onthemap.ces.census.gov
[4] Delaware - May 2023 OEWS State Occupational Employment and Wage Estimates (bls.gov)

Delaware KIDS (Kids In Distressed Situations) Fund/Sam's Fund for KIDS, which provides financial, food security, winter apparel, and mental health resources for at-risk youth in Delaware.

1.5. Organization of this Report

HHA commissioned Econsult Solutions, Inc. (ESI) to complete an analysis of the potential economic impacts of the 750 Governor Lea Road development. The purpose of this analysis is to estimate the direct economic footprint and the spillover activity related to construction of the redevelopment and future ongoing operations. In addition, this report describes the many ways in which the redevelopment supports and enriches the Delaware economy. The paper is organized as follows:

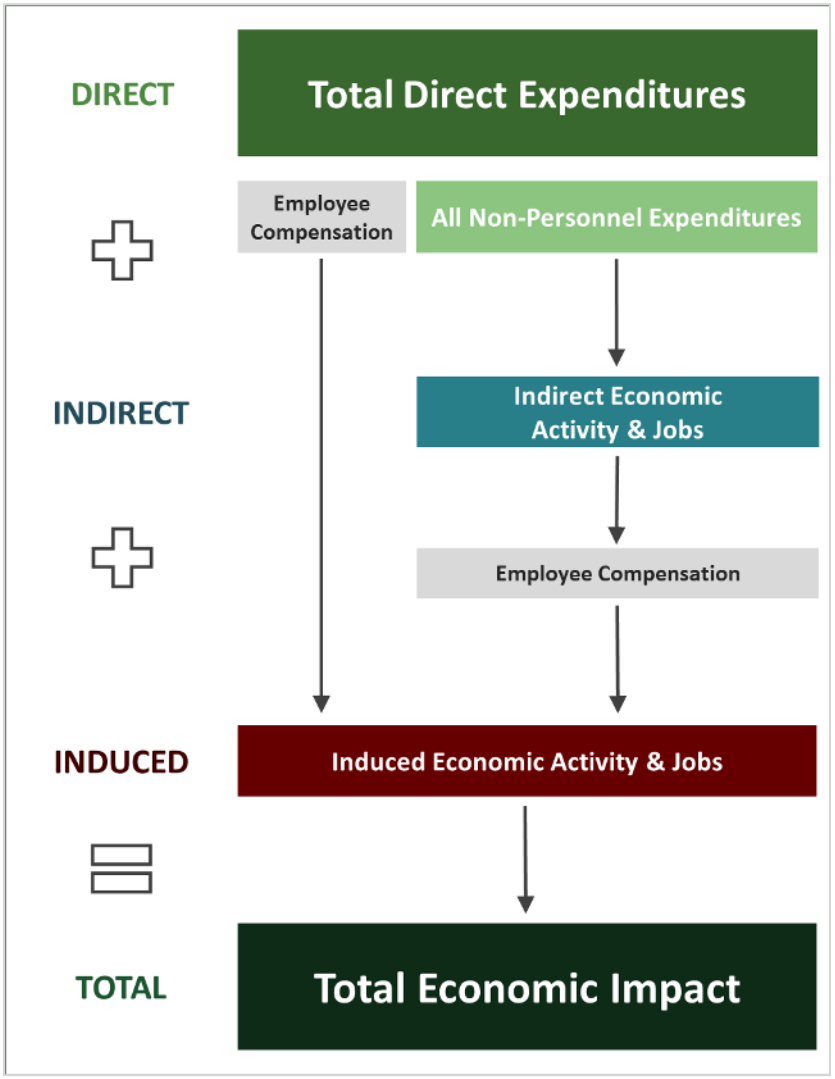
- **Chapter 2: Potential Impact from Upfront Construction** quantifies the impact of capital investment made by HHA, including an analysis of the impact made to the construction sector as well as other industries that benefit economically from the activity.
- **Chapter 3: Potential Economic Impact from Operations** quantifies the potential impact of the annual operations supported by the site once at full occupancy. This is calculated using operational estimates based on employment. This also considers the potential additional property tax revenue that will be generated for relevant jurisdictions.
- **Chapter 4: Regional Vitality and Competitiveness** examines the ways that the redevelopment of the site will support the county and state's broader plan for the region and will contribute to its growing economy.

1.6. Methodology and Scope

Within this report, ESI employs industry-standard modeling techniques to estimate the direct economic activity generated by the distribution and logistics facility within New Castle County and Delaware. Those direct impacts are then translated into total economic output, employment, associated earnings, and tax revenue impact using industry-standard input-output modeling. The appendix to this report describes the approach and methodology in detail.

Data inputs on operating activity and capital investments were provided by HHA. ESI verified and supplemented these data with other public data sources and assumptions as needed. For each input, the most recent and appropriate dataset is used to show the annual economic impact from the operating activity expected to be generated from the construction and operations of the distribution and logistics facility.

Figure 1.4: Economic Impact Methodology



Source: Econsult Solutions, Inc. (2024)

Economic impact results are calculated for New Castle County and the State of Delaware. Key outputs for each geography include total economic output, employment supported, and earnings supported.

Tax revenue impacts are expressed for New Castle County and for the State of Delaware. Fiscal modeling accounts for which types of economic activity are and are not subject to taxation specific to the taxing jurisdiction. The redevelopment's economic activity also generates taxable activity (for example, jobs and retail development) for the State of Delaware, as well as county governments, and other nearby state governments. These amounts are smaller and more diffuse than those calculated for the County and State and are excluded from this analysis to be conservative.

2. Potential Impact from Upfront Construction

The distribution and logistics facility development will represent a boost to the local and state economies. Direct construction activity will employ construction workers and professional service providers for the development period; those workers in turn will spend a portion of their salaries and wages within the local and state economies. This construction activity also will catalyze the procurement of a wide range of goods and services—translating into new economic opportunities for local and state vendors.

Construction of the redevelopment is projected to produce an economic impact of $60.7 million in New Castle County, supporting a total of 380 temporary jobs and generating $2.2 million in County tax revenues over the construction period.

2.1. Direct Capital Investment

Harvey Hanna will invest approximately $37.3 million for the Governor Lea Road development (Figure 2.1). The redevelopment into a multimodal distribution and logistics center will provide a one-time boost in economic impact to the local and state economy. The redevelopment brings into productive use a certified brownfield site that has housed industrial activities for decades. In its place, Harvey Hanna plans to construct a logistics and distribution facility.

Figure 2.1: Estimated Construction Budget

Use Type	Total Construction Expenditures	Modeled Portion	Modeled Expenditures
Hard and Soft Costs ($M)	$36.6	100%	$36.6
Permits and Fees ($M) [5]	$0.2	0%	$0.0
Other	$0.5	0%	$0.0
Total ($M)	$37.3		$36.6

Source: Harvey Hanna and Associates (2024)

Based on the project's costs and time frame, the construction is estimated to support approximately 283 direct FTE jobs over the construction period. [6] Employment directly supported by the development will predominantly be construction jobs, in addition to some employment in the architecture and engineering services associated with development of the site.

2.2. One-Time Potential Economic Impact from Capital Investments

The upfront construction of the redevelopment will generate a significant one-time cumulative impact on the city and state economies. Within New Castle County, construction of the distribution and logistics

[5] While permits and fees are excluded from the input-output model as the spending does not circulate through the economy, the funds are relevant for local fiscal impacts, as the expenditures are directed to local government entities.
[6] Throughout the report, number of jobs reflects full time employment equivalents (FTEs).

facility is projected to produce a total of $60.7 million in one-time cumulative economic impact from capital investments, supporting 380 jobs and $23.4 million in employee compensation during the period of construction. Within the state, construction from the redevelopment will produce $61.3 million in one-time cumulative economic impact from capital investments, supporting 390 jobs and nearly $23.5 million in employee compensation.

Figure 2.2: Potential One-Time Economic Impact from Construction of the Logistics and Distribution Center

	New Castle County	Delaware
Direct Output ($M)	$36.6	$36.6
Indirect and Induced Output ($M)	$24.1	$24.7
Total Output ($M)	**$60.7**	**$61.3**
Employment Supported (FTE)	**380**	**390**
Employee Compensation ($M)	**$23.4**	**$23.5**

Source: Econsult Solutions, Inc. (2024), IMPLAN (2022)

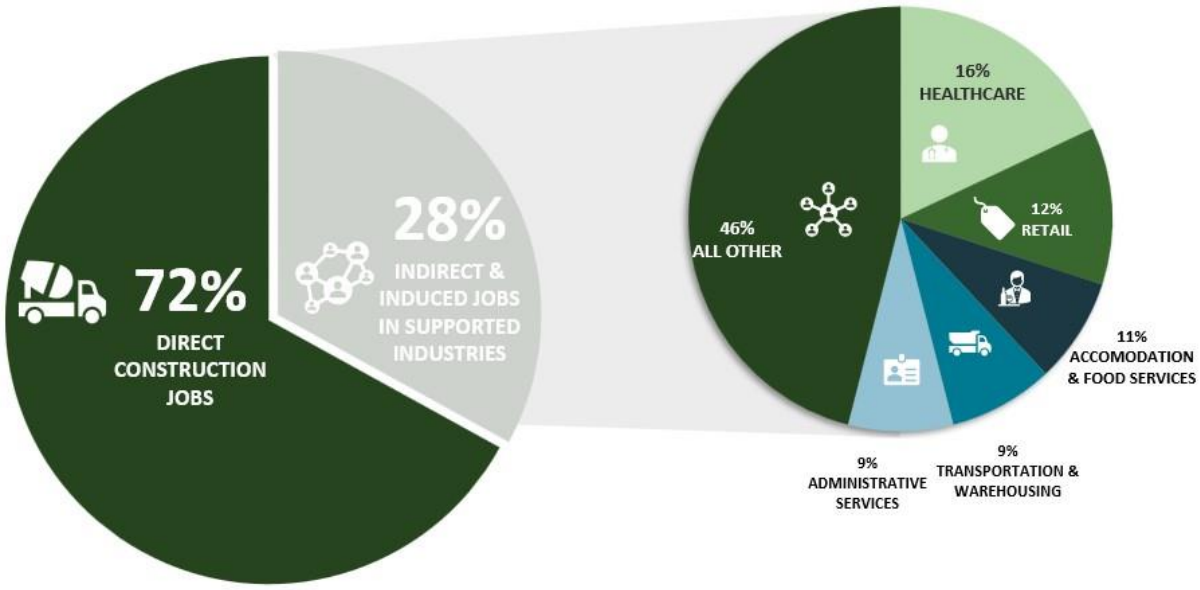
2.3. Industry Distribution of Construction Impact

The economic impact associated with the upfront capital investment will affect a diverse range of industries far beyond the construction sector. While the construction industry is the largest individual beneficiary from these investments, other industries including healthcare, retail, accommodation and food services, transportation and administrative services will also see significant benefits from the indirect (supply chain) and induced (employee compensation) impacts of the capital activity.

For example, the retail industry is supported when a general contractor purchases paint and other materials from a hardware store. Additionally, the accommodations and food sectors are supported when construction workers spend their earnings on groceries.

The figure below shows the proportion of the total employment associated with the development's capital investment that accrues in and beyond the construction activity within the county. In New Castle County, approximately 28 percent of the total employment supported by capital investments is indirect or induced employment distributed across different sectors outside of the construction industry, such as in healthcare, transportation, and retail.

Figure 2.3: Industry Distribution of Employment Generated from Upfront Construction of the Distribution and Logistics Center



Source: Econsult Solutions, Inc. (2024), IMPLAN (2022)

2.4. Potential Fiscal Impact

The site's direct development expenditures will produce significant personal income and business tax revenues. The indirect and induced economic activity associated with construction will also generate significant tax revenues in personal income and business tax categories. Upon completion, the redevelopment's cumulative capital investments will have generated approximately $1.7 million in tax revenues to the State during construction.

Figure 2.4: Potential One-time Tax Revenue Impact from Construction of the Distribution Facility

	Delaware
Income ($M)	$0.7
Business ($M)	$1.1
Total Tax Revenues ($M)[7]	$1.7

Source: Econsult Solutions, Inc. (2024), IMPLAN (2022), State of Delaware CAFR (2023

In addition to the $1.7 million the capital expenditures will generate in tax revenues to the State, $0.2 million will be generated for the New Castle County through building permits and fees.

[7] Discrepancy in the sum of table values occurs due to rounding.

3. Potential Economic Impact from Operations

After the development at 750 Governor Road is complete, the site will have an ongoing operational footprint within New Castle County that will represent a significant amount of economic activity within the city and state economies. Employees will spend a portion of their salaries and wages within the local and state economies, and ongoing operations also require the procurement of various goods and services, which translates into new economic opportunities for local and state vendors representing a wide variety of industries.

Upon the anticipated completion of the redevelopment and at full build-out, ongoing operations at 750 Governor Road are projected to produce approximately $27.0 million annually in New Castle, which will support 180 full time jobs in the county, including about 130 direct jobs. Potential tax revenue generated by these ongoing operations to the State of Delaware is estimated to be $0.8 million annually. Expected increase in property assessment value will also generate increased tax revenue for New Castle County and the Colonial School District, projected at a cumulative $289,000 annual increase.

3.1. Economic Footprint of 750 Governor Lea Road Upon Completion

Upon completion of the construction, the redevelopment will consist of roughly 305,000 square feet of logistics and distribution space, that supply the needs of individuals and corporations across the county and state. At full operation, the redevelopment site will utilize the new infrastructure as a hub of commodity storage and redistribution for the county and region. The economic impact from the development's annual operations is estimated by using industry-standard assumptions of square footage per employee depending on use. The distribution and logistics center is estimated to directly support approximately 130 Full-Time Equivalent jobs on site when operations are at full capacity (see Figure 3.1).

Figure 3.1: Estimated Employment from the Proposed Development

Area (sq. feet)	Building Area per Employee (sq. feet)	Estimated On-Site Employees
305,000	2,400	127

Source: U.S. Energy Administration (2022), Harvey Hanna and Associates (2024)

3.2. Potential Annual Economic Impact from Operations

Ongoing operations produce favorable spillover effects in the local economy, as salaries and wages are circulated back into the local economy through household spending, and as procurement of various goods and services represent economic opportunities for a wide range of local vendors. Upon full operations, the direct expenditures associated with ongoing operations of the redevelopment are estimated to be $14.0 million annually. This would generate a total economic impact of $27.0 million in annual economic activity (direct and indirect impact) in New Castle County and a total economic impact of $27.2 million more broadly in the State of Delaware. The direct, indirect, and induced activities from

the redevelopment's ongoing operations also support a total of 180 full-time-equivalent (FTE) jobs and nearly $10.7 million in employee compensation in New Castle County.

Figure 3.2: Potential Annual Economic Impact from Operations

	New Castle County	Delaware
Direct Output ($M)	$14.0	$14.0
Indirect and Induced Output ($M)	$13.0	$13.2
Total Output ($M)	**$27.0**	**$27.2**
Employment Supported (FTE)	**180**	**190**
Employee Compensation ($M)	**$10.7**	**$10.8**

Source: Econsult Solutions, Inc. (2024), IMPLAN (2022)

3.3. Potential Tax Revenue Impact

The new facility's operations will also generate county and State tax revenues. These estimates are based on full occupancy and stabilization of the site, which means that tax revenues are projected after the site is fully functional. The economic impacts from its operations will grow the tax base by supporting taxable economic activity through the procurement of goods and services and employee spending. It is estimated that the total economic impact from the facility's operations will generate approximately $307,000 in wage tax revenues and $454,000 in business tax revenues, cumulating in tax revenues of approximately $761,000 to the State of Delaware annually (see Figure 3.3).

Figure 3.3: Annual Tax Revenue Generated from Operations within Delaware at Full Occupancy

	Delaware
Income	$307,000
Business	$454,000
Total Tax Revenues	$761,000

Source: Econsult Solutions, Inc. (2024), IMPLAN (2022), State of Delaware CAFR (2023)

Redevelopment of the 750 Governor Lea Road site and the ensuing operations of the new logistics and distribution center will also raise the assessed value of the site, creating new property tax revenues for New Castle County and the Colonial School District, which has a relatively limited tax base compared to neighboring districts. An estimated property assessment value of $9.8 million is used for the purpose of this analysis to project the anticipated increase in property tax.[8]

Currently, the two parcels at 720 and 750 Governor Road generate about $16,000 in Property Taxes for the County and School District (see Figure 3.4). At full occupancy, future real estate taxes generated are projected to increase to about $289,000 annually, including nearly $208,000 to Colonial School District

[8] Tax assessment estimate provided by HHA, extrapolated from the assessment of another comparable Delaware property in the company's portfolio.

and $81,000 to New Castle County. The increased real estate tax generated equals an estimated increase of almost 1,800 percent from current tax expenditures.

Figure 3.4: Estimated Annual Property Tax Revenues Generated from the Proposed Site at Full Occupancy

	Tax Rates (per $100)	Current Annual Property Tax	Potential Property Tax	Projected Increase in Property Tax
New Castle County Taxes				
County Property Tax	0.8054	$4,200	$78,900	$74,700
Crossing Guard Tax	0.01812	$100	$1,800	$1,700
Park Tax	0.05	$260	$4,900	$4,640
Colonial School District Taxes				
School Tax - Colonial District	2.066	$10,770	$202,500	$191,700
NCC Vocational	0.174	$900	$17,100	$16,200
Total		**$16,230**	**$305,200**	**$289,100**

Source: Econsult Solutions, Inc. (2024), New Castle County Assessment (2024), Harvey Hanna and Associates (2024)

4. Regional Vitality and Competitiveness

In addition to the quantifiable economic benefits and the community-focused local benefits, a redevelopment project is also evaluated based on its contribution to a region's overall competitiveness. As regional competitiveness has shifted, it is important to examine how the distribution and logistics facility at 750 Governor Lea Road will be additive to the region's existing ecosystem.

The remainder of this section will discuss the State's priorities for development in the context of increasing regional competitiveness, as well as the factors that have led to the increased demand in development in the region.

4.1. The Logistics and Distribution Center's Contribution to Overall Regional Competitiveness

In the late 19th Century, New Castle County experienced rapid industrialization, with the construction of the Philadelphia, Wilmington & Baltimore Railroad in 1837, triggering an explosion of industry in the northern part of the county.[9] By the late 1800s, New Castle County had become a hub for heavy industry, thanks to its strategic location and access to transportation networks. New Castle County has continued to evolve economically; while heavy industry has declined, the county has diversified its economy, focusing on sectors such as healthcare, finance, education, and technology.

New Castle County's Comprehensive Plan seeks to position the County to capitalize on economic and market trends and catalyze significant development and growth.[10] Some of the plan's core themes include sustainable growth, creating vibrant and thriving communities, and engagement of the diversity of its residents. From a population standpoint, New Castle County's population is aging and diversifying, with the overall growth rate slowing. There is a need to attract reinvestment to the area, and new employment opportunities in high-demand sectors, as the facility at 750 Governor Lea Road provides, seek to effectuate such change.

This region is identified in the New Castle County Comprehensive plan as most suitable for logistics development. Until recently, large distribution companies opted to find warehousing space in nearby New Jersey and Pennsylvania, where there was more population density and industrial infrastructure. As those areas have filled, developers began looking to Delaware, especially in northern New Castle County. As such, the New Castle County Comprehensive Plan identifies this sector as one of the County's emerging industries, with demand still outpacing supply. One of the county's strategies is to promote business clusters by focusing resources and policies toward retaining and growing businesses in this industry. Currently, over 6 million square feet of industrial, distribution, and logistics space are active in New Castle. Moreso, almost 1 million square feet of additional development has been proposed across the county (see figure 4.1 below).

[9] New Castle County, Delaware, The Encyclopedia of Greater Philadelphia
[10] New Castle County 2050 Comprehensive Plan, July 2022

The establishment of a significant development such as this distribution facility can often catalyze a ripple effect of development within the County. Beyond its immediate purpose of storage and distribution, the new facility can attract ancillary businesses seeking proximity to logistical hubs, such as suppliers, manufacturers, and retailers. This influx of commercial activity stimulates job creation, fostering a vibrant workforce and enhancing local prosperity. Moreover, increased demand for goods and services in the area can spur the development of supporting infrastructure, including transportation networks and utilities, further solidifying the region's appeal.

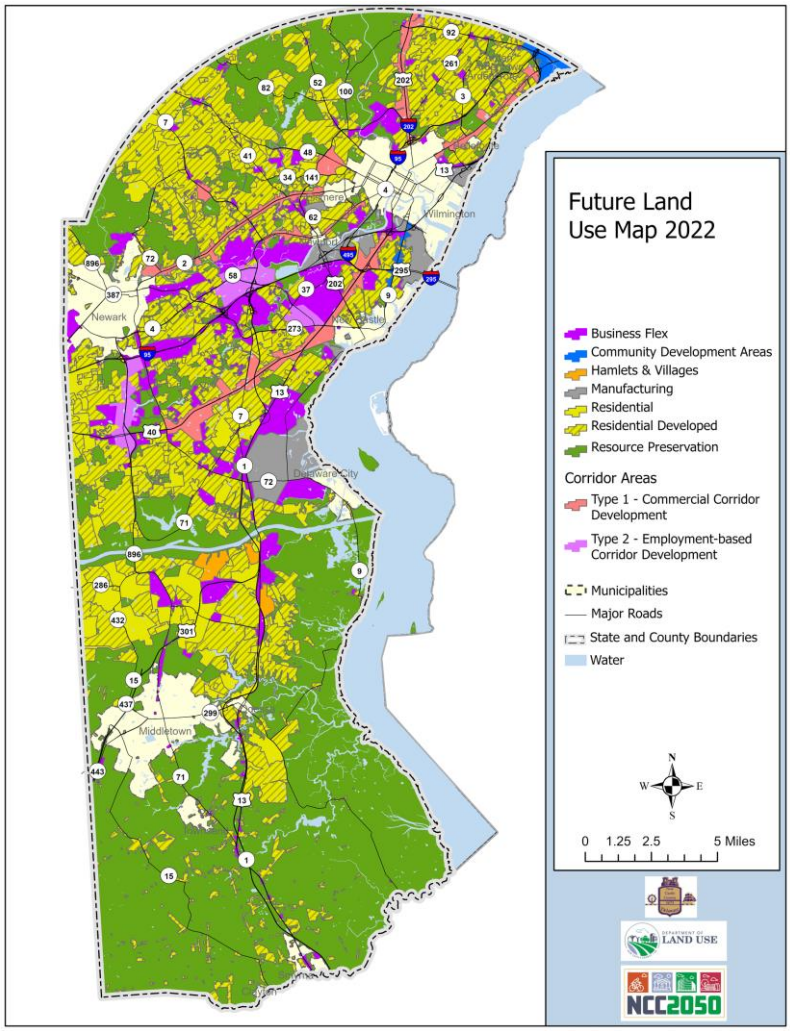
Figure 4.1: Pipeline of Industrial Construction Across the County

Property Address	Building Status	Total Available Space (SF)	Use	Distance from Site
0 Christiana Rd (A)	Proposed	225,680	Industrial	6.3
0 Christiana Rd (B)	Proposed	611,520	Industrial	6.3
4060 N Dupont Hwy	Proposed	13,440	Industrial/ Distribution	11.2
361 Lisa Dr	Proposed	125,000	Proposed	6.5
Total		**975,640**		

Source: CoStar (2024)

There are roughly 74,700 acres of protected lands in New Castle County, about 27 percent of the total land area. There are large portions of undeveloped and under protected lands, particularly to the south of the County. Appropriate zoning will be crucial to ensure continued industrial development in New Castle. The figure below shows the current land use map of New Castle County.

Figure 4.2: Future Land Use Map, 2022



Source: New Castle County 2050 Comprehensive Plan

4.2. Contributing to the Local Community

Just as a distribution center in New Castle County will bring demand for more workers from various education levels, it will more acutely bring this dynamic to the immediate area north of Delaware City and the Colonial School District geographic area. New opportunities will arise for a wide range of occupations, which may be appealing to local residents seeking local, stable source of income. Commuters that look for work elsewhere outside of the county and state will have the opportunity to work closer to where they reside. The demand for workers will increase wages for existing employees in the industry beyond this new facility, as well. **According to research by the US Chamber of Commerce, the development of a new distribution center creates an increase in the salaries and wages of workers in the industry so substantial that, in an Metropolitan Statistical Area (MSA) of over 5 million people**

such as the Philadelphia-Camden-Wilmington area, workers in relevant positions can expect an added $1.19 per hour, notably in positions that typically do not require a college education.[11]

As discussed in Section 3.3 above, there are significant implications for the tax revenue associated with the new development at 750 Governor Lea Road. An important beneficiary of new tax revenues is the Colonial School District, which has a relatively low tax base compared to neighboring districts. The development of the Governor Lea Road facility generates initial tax revenue through the development activities of the project, but long term, the increased value of the property will increase the property taxes, giving the school district and county more resources to fulfill their goals and commitments to supporting the public. The project will enhance the district's property tax revenue, contributing to its financial stability and supporting the essential educational infrastructure and services.

[11] https://www.uschamber.com/assets/documents/2022_Fulfillment_Center_Report.pdf

A Appendix: Economic Impact Methodology

Economic Impact Methodology

Overview

Economic impact estimates are generated by utilizing input-output models to translate an initial amount of direct economic activity into the total amount of economic activity that it supports, which includes multiple waves of spillover impacts generated by spending on goods and services and by spending of labor income by employees. This section summarizes the methodologies and tools used to construct, use, and interpret the input-output models needed to estimate this project's economic impact.

Input-Output Model Theory

In an inter-connected economy, every dollar spent generates two spillover impacts:

- First, a portion of that expenditure which goes to the purchase of goods and services gets circulated back into an economy when those goods and services are purchased from local vendors. This is the "indirect effect," and reflects the fact that local purchases of goods and services support local vendors, who in turn require additional purchasing with their own set of vendors.
- Second, a portion of that expenditure which goes to labor income gets circulated back into an economy when those employees spend some of their earnings on various goods and services. This is the "induced effect," and reflects the fact that some of those goods and services will be purchased from local vendors, further stimulating a local economy.

The role of input-output models is to determine the linkages across industries in order to model out the magnitude and composition of spillover impact to all industries of a dollar spent in any one industry. Thus, the total economic impact is the sum of its own direct economic footprint plus the indirect and induced effects generated by that direct footprint.

Input-Output Model Mechanics

To model the impacts resulting from the direct expenditures, Econsult Solutions, Inc. developed a customized economic impact model using the IMPLAN input/output modeling system. IMPLAN represents an industry standard approach to assess the economic and job creation impacts of economic development projects, the creation of new businesses, and public policy changes within its surrounding area. IMPLAN has developed a social accounting matrix (SAM) that accounts for the flow of commodities through economics. From this matrix, IMPLAN also determines the regional purchase coefficient (RPC), the proportion of local supply that satisfies local demand. These values not only establish the types of goods and services supported by an industry or institution, but also the level in which they are acquired locally. This assessment determines the multiplier basis for the local and regional models created in the IMPLAN modeling system. IMPLAN takes the multipliers and divides them into 536 industry categories in accordance with the North American Industrial Classification System (NAICS) codes.

The IMPLAN modeling system also allows for customization of its inputs which alters multiplier outputs. Where necessary, certain institutions may have different levels of demand for commodities. When this

occurs, an “analysis-by-parts” (ABP) approach is taken. This allows the user to model the impacts of direct economic activity related to an institution or industry with greater accuracy. Where inputs are unknown, IMPLAN is able to estimate other inputs based on the level of employment, earnings, or output by an industry or institution.

Employment and Wages Supported

IMPLAN generates job estimates based on the term “job-years”, or how many jobs will be supported each year. For instance, if a construction project takes two years, and IMPLAN estimates there are 100 employees, or more correctly “job-years” supported, over two years, that represents 50 annual jobs. Additionally, these can be a mix of a full and part-time employment. Consequently, job creation could feature more part-time jobs than full-time jobs. To account for this, IMPLAN has a multiplier to convert annual jobs to full-time equivalent jobs.

Income to direct, indirect, and induced jobs is calculated as employee compensation. This includes wage and salary, all benefits (e.g., health, retirement) and payroll taxes (both sides of social security, unemployment taxes, etc.). Therefore, IMPLAN’s measure of income estimates gross pay opposed to just strictly wages.

Tax Revenue Impact

The economic impacts in turn produce one-time or ongoing increases in various tax bases, which yield temporary or permanent increases in various tax revenues. To estimate these increases, Econsult Solutions, Inc. created a tax revenue impact model to translate total economic impacts into their commensurate tax revenue gains. These tax revenue gains only account for a subset of the total tax revenue generation that an institution or industry may have on the economy. Furthermore, where institutions are tax exempt, only the tax revenue generation from supported indirect and induced industries is accounted for.

B Appendix: About Econsult Solutions, Inc.

This report was produced by Econsult Solutions, Inc. (ESI). ESI provides businesses and public policy makers with consulting and thought leadership services in urban economics, real estate, transportation, public infrastructure, economic development, public policy and finance, strategic planning, as well as expert witness services for litigation support.

ESI combines robust quantitative analysis with trusted expert insights to create sustainable solutions. The firm works collaboratively with its clients, and draws in expertise, when necessary, from our network of experts and partners across industries, regions, and management practices. Based in Philadelphia, the firm supports clients nationwide.

ESI ECONSULT SOLUTIONS INC.

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1435 WALNUT STREET, 4TH FLOOR, PHILADELPHIA, PA 19102

ECONSULTSOLUTIONS.COM | 215-717-2777