

Using RIMS and IMPLAN Models for EB-5 Regional Center Cases

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What are RIMS II and IMPLAN?

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- Models used to estimate the economic impacts of a one-time or sustained increase in economic activity in a particular region using economic multipliers based on Input-Output (I-O) tables from the Bureau of Economic Analysis.
- I-O tables show for each industry, the inputs purchased and the outputs sold.
- Multipliers measure the economic impact of a change in final demand (spending or revenues), a change in earnings, or a change in employment on a region's economy.

What Is Needed from Clients?

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- A basic description of the type, scope, location and timing or phases of the project(s).
- Which industries are affected?
- Is the project multi-phased, how long will each phase last?
- What is the geographical region that will be affected by the enterprise; where do the inputs come from?
- What are the changes in final demand (revenues), employment or earnings paid to employees?

What Is Needed from Clients?

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Consider a commercial real estate venture. There may be construction and several different types of businesses that would occupy the commercial space:

- Retail
- Resorts
- Hotels
- Health spas, etc.

What are the changes in final demand, employment or earnings paid to employees?

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- We need the actual or planned income, revenues, and employment of individuals in all phases of the project(s).
- Pro-forma income statements are very useful in this regard.

RIMS II Multiplier Definitions

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Multiplier	Definition
Final-demand output	Total industry output per \$1 change in final demand
Final-demand earnings	Total household earnings per \$1 change in final demand
Final-demand employment	Total number of jobs per \$1 million change in final demand
Final-demand value added	Total value added per \$1 in final demand
Direct-effect earnings	Total household earnings per \$1 initial change in household earnings
Direct-effect employment	Total number of jobs per initial change in jobs

Employment Multipliers: Direct, Indirect and Induced Effects

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- **Direct Effects:**

The change in employment in an industry per million dollars of final demand in that industry.

- **Indirect Effects:**

The response by all local industries caused by inter-industry purchasing per million dollars of final demand from the directly affected industries.

- **Induced Effects:**

Changes in spending from households as income is generated by the direct and indirect effects per million dollars of final demand for a given industry.

Two Types of Multiplier Effects

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- **Direct Effect Employment Multiplier:**
Shows the total number of jobs created per change direct jobs or direct employment
- **Final Demand (Spending) Employment Multiplier:**
Shows the total number of jobs created per \$1 million dollars of final demand spent.

Highest RIMS and IMPLAN Final Demand Multipliers for South Florida



RIMS II MULTIPLIERS		IMPLAN MULTIPLIERS	
Performing arts companies	43.18	Support activities ,agriculture & forestry	62.42
Fitness & recreational sports centers	37.32	Sugarcane and sugar beet farming	50.65
Bowling centers	35.73	Employment services	46.88
Elementary and secondary schools	35.39	Performing arts companies	46.87
Agriculture & forestry support activities	35.17	Community food, housing, & other relief services	44.38
Promoters of performing arts & sports and agents for public figures	34.59	Private elementary & secondary schools	40.97
Child day care services	34.39	Animal production, except cattle, poultry and eggs	39.98
Food services and drinking places	33.68	Investigation and security services	38.46
Car washes	33.27	Nursing and residential care facilities	38.40
Transit & ground passenger transportation	32.61	Retail Stores - Miscellaneous	37.80
Employment services	32.55	Fitness and recreational sports centers	37.62
Independent artists, writers, & performers	31.33	Individual and family services	35.53
Personal care services	31.19	Car washes	35.27

What the Final Demand Multipliers Mean

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- The RIMS employment multiplier for the Performing Arts industry is **43.18**.
- The IMPLAN employment multiplier for the Performing Arts industry is **46.87**.
- Implication:
A \$1,000,000 increase in final demand for performing arts will generate an additional **43** direct, indirect and induced jobs using RIMS and **47** using IMPLAN.

What the Direct Effect Multipliers Mean

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- The IMPLAN Final Demand Employment Multiplier for the Performing Arts industry is **46.87**.
- This is composed of :

Direct Effects	Indirect Effects	Induced Effects	Total Effects	Direct Multiplier
29.90	3.71	13.27	46.87	1.57

- Implication:
Direct, Indirect and Induced jobs add up to the Total Effects of **47.87**.
The Direct jobs (**29.9**) multiplied by the Direct Multiplier (**1.57**) also add up to the Total of **47.87**.

Lowest RIMS and IMPLAN Final Demand Multipliers for South Florida

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RIMS II MULTIPLIERS		IMPLAN MULTIPLIERS	
Heavy duty truck manufacturing	6.09	Heavy duty truck manufacturing	7.11
Petrochemical manufacturing	6.08	Copper rolling, drawing, extruding and alloying	6.94
Nitrogenous fertilizer manufacturing	6.06	Natural gas distribution	6.40
Dog and cat food manufacturing	5.65	Plastics material and resin manufacturing	6.30
Cigarette manufacturing	5.58	Automobile manufacturing	6.02
Plastics material & resin manufacturing	5.52	Other animal food manufacturing	5.70
Distilleries	5.15	Other basic organic chemical manufacturing	5.34
Flavoring syrup & concentrate manufacturing	5.09	Petrochemical manufacturing	4.66
Breweries	5.01	Primary smelting and refining of copper	3.60
Natural gas distribution	4.84	Soybean and other oilseed processing	3.26
Tobacco stemming and redrying	4.57	Fats and oils refining and blending	3.05
Petroleum refineries	4.49	Petroleum refineries	1.85

EB-5 and Regional Centers

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Each year USCIS sets aside 5,000 of the 10,000 EB-5 investor visas for its Pilot Program involving “Regional Centers.”

Two requirements for applicants:

- Demonstrate “qualified investment” is made in a new commercial enterprise within an approved Regional Center.
- Demonstrate 10 or more full time jobs are created, or maintain existing employment if investing in a “troubled business.”

Qualifying Investment & Troubled Business

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Qualifying Investment

- General : \$1,000,000
- Targeted Employment Areas: \$500,000

Troubled Business

- Business in existence for at least 2 years.
- Has lost 20% of net worth over last 12-24 months.

Advantage of Regional Center

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- The 10 jobs required can be measured either “directly or indirectly.”

Targeted Employment Areas:

- Rural Areas: areas not located within an MSA or within a city or town with a population of 20,000 or more; or
- High Unemployment Areas: unemployment rate is 150% of the national average unemployment rate.

Florida Regions Qualifying as Rural Areas in 2010

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Bradford County
Calhoun County
Citrus County
Columbia County
De Soto County
Dixie County
Franklin County
Glades County
Gulf County
Hamilton County
Hardee County
Hendry County
Highlands County
Holmes County

Jackson County
Lafayette County
Levy County
Liberty County
Madison County
Monroe County*
Okeechobee County
Putnam County
Sumter County
Suwannee County
Taylor County
Union County
Walton County
Washington County

High Unemployment Areas

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From 8 CFR 204.6 (i)

- A high unemployment area is designated by a state authority if the unemployment rate is at least 150% of the national rate.
- The Area may include a geographic area or subdivision within an MSA, a city, or town, i.e., can be as small as a Census Tract.

High Unemployment Areas in Florida?

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- The 2009 national unemployment rate was 9.3%.
- If an area had a 2009 annual average rate that was at least 14%: High Unemployment Area.
- Under this provision, three areas in Florida qualify in 2010:

Palm Coast MSA (Flagler County)—14.8 percent

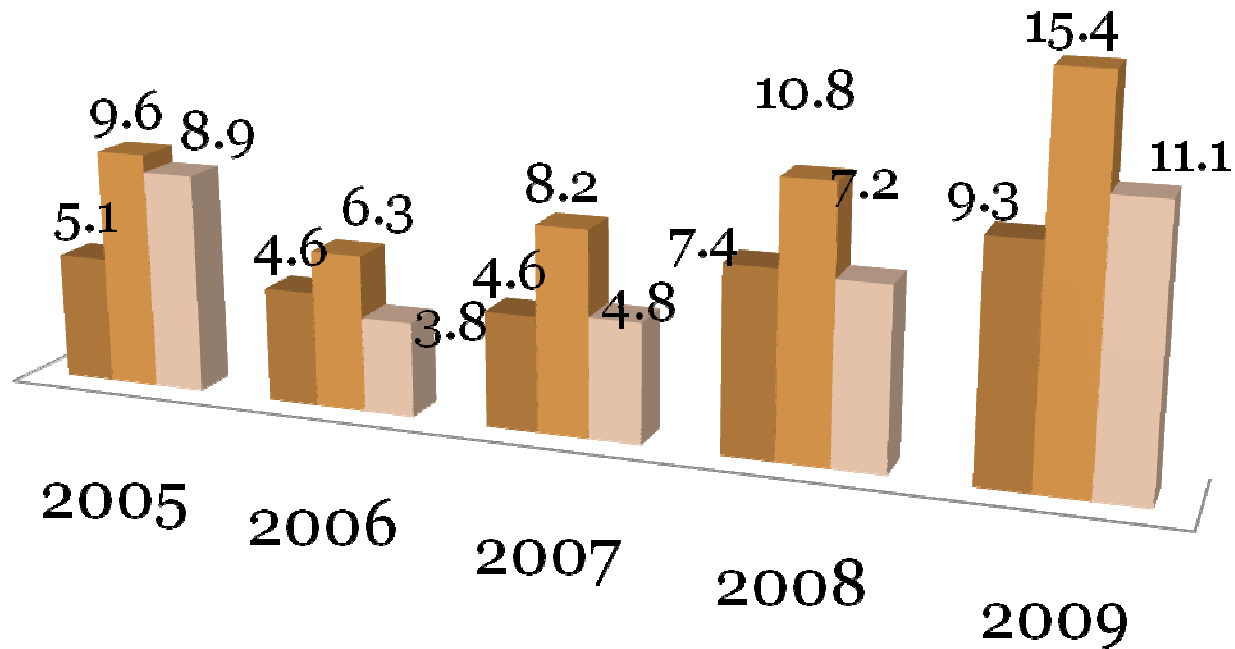
Hialeah City (in Miami-Dade County)—14.6 percent

Fort Pierce City (in St. Lucie County)—15.4 percent

Annual Average Unemployment Rates: 2005-2009

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■ National ■ Fort Pierce ■ Riviera Beach



Who Identifies TEA's for Florida?

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- **The Florida Agency for Workforce Innovation (AWI).**
- **AWI administers the State's Labor Market Statistics program, Unemployment Compensation, Early Learning and various workforce development programs.**

AWI Methodology

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- The AWI derives labor market estimates using Bureau of Labor Statistics (BLS) methods for small geographic areas. i.e., under 25,000 population.
- Unemployment estimates are routinely calculated for cities with populations of at least 25,000.
- Estimates for smaller areas can be calculated by request to AWI.

Smaller Area Requests

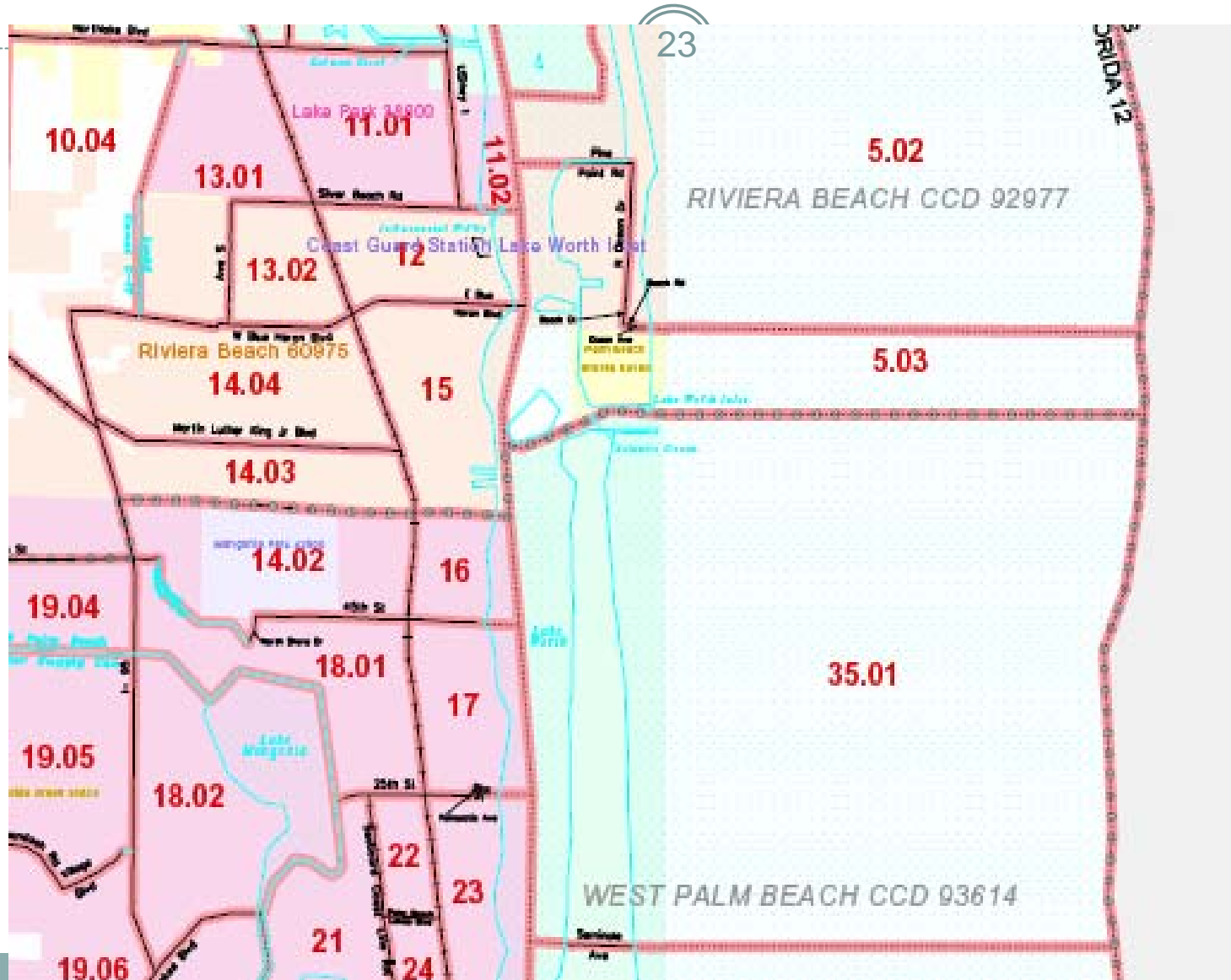
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- Contact Sue Patterson, AWI,
Susanna.Patterson@flaawi.com
- The smallest area they estimate unemployment rates for is a Census tract:

See:

http://ftp2.census.gov/plmap/pl_trt/st12_Florida/

Census Tracts in Riviera Beach, FL



Where Can I Find Unemployment Rates for Florida Cities?

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- Can download city and county data from the AWI Site:

Local Area Unemployment Statistics

<http://labormarketinfo.com/library/laus.htm>

- From the Bureau of Labor Statistics:
<http://data.bls.gov/cgi-bin/dsrv?la>

Where Can I Find the National Unemployment Rate?

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Data are available at the Bureau of Labor Statistics. Annual Data for 2007 became available in March 2008.

<ftp://ftp.bls.gov/pub/special.requests/lf/aat1.txt>

Contact Information

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