

Preliminary Project Scenario Analysis

China Hub Tax Credit and Missouri Quality Jobs

ASSUMPTIONS

- Two projects, a Warehouse Facility and Machinery Manufacturing Facility operation, were modeled in St. Louis County for this analysis. Construction starts in 2011 and full operations begin in 2013.
- Warehouse Facility: Assumes one hundred and sixty (160) operational jobs are associated with the Warehouse Facility scenario to model a 400,000 square foot building with \$10.25M in initial capital investment.
 - Based on a review of distribution space around Chicago O'Hare International Airport, an assumption of 400,000 Sq. Ft. represents a mid-to-larger sized facility.
 - The assumption of 160 jobs for a 400,000 Sq. Ft. facility equates to 1 job per 2,500 Sq. Ft., which is based on a review of a 2010 commercial real estate association report and a brief evaluation of recent distribution center announcements throughout the U.S.
- Manufacturing Facility: Assumes forty (40) operational jobs associated with a Machinery Manufacturing Facility with \$4.74M in initial capital investment.
 - Assumption of 40 jobs is based on an analysis of Department of Economic Development project tracking numbers for manufacturing companies over the past five years. A large number of projects allowed for a central tendency of 40 jobs per facility to be developed for modeling purposes.
- Estimated investment amounts were developed using analysis of REMI economic model industry data. However, project-specific investment can vary greatly depending on specific project details and location.
- Scenario results are in present dollar values, assume wage growth based on inflation, and represent cumulative state totals.
- State Incentives: The following state incentives were utilized for the cost factor in each scenario:
 - *China Hub*: Provides 30% or 20% of initial investment back to the company once new operational jobs begin in year 2013. Company receives 6% a year for 5 years up to 30%, or receives 4% each year for 5 years up to 20%.
 - *Missouri Quality Jobs*: Based on average 2010 industry and county wages in St. Louis County, the Warehouse and Machinery Manufacturing scenarios qualify for 3 years of Missouri Quality Jobs (MQJ) incentives. St. Louis County average industry wages of \$49,000 for Warehouse and \$55,000 for Machinery Manufacturing were used to develop incentive estimates, with an annual inflationary increase of 3 percent.

Warehouse Project Scenario (160 Direct Jobs and Initial Capital Investment of \$10.25M)			
10-YR BENEFITS (TO THE ECONOMY)		10-YR COSTS (IN STATE INCENTIVES)	
State New GR*:	\$2,997,516	China Hub (CH 30%):	\$2,803,677 B/C Ratio: 1.07
State GDP**:	\$125,618,208	CH (30%) + MQJ:	\$3,528,348 B/C Ratio: 0.85
D + ID Jobs***:	215	China Hub (CH 20%):	\$1,869,118 B/C Ratio: 1.60
		CH (20%) + MQJ:	\$2,593,789 B/C Ratio: 1.16
15-YR BENEFITS (TO THE ECONOMY)		15-YR COSTS (IN STATE INCENTIVES)	
State New GR*:	\$3,817,347	China Hub (CH 30%):	\$2,803,677 B/C Ratio: 1.36
State GDP**:	\$198,956,103	CH (30%) + MQJ:	\$3,528,348 B/C Ratio: 1.08
D + ID Jobs***:	215	China Hub (CH 20%):	\$1,869,118 B/C Ratio: 2.04
		CH (20%) + MQJ:	\$2,593,789 B/C Ratio: 1.47

Machinery Manufacturing Project Scenario (40 Direct Jobs and Initial Capital Investment of \$4.74M)			
10-YR BENEFITS (TO THE ECONOMY)		10-YR COSTS (IN STATE INCENTIVES)	
State New GR*:	\$1,835,637	China Hub (CH 30%):	\$1,295,449 B/C Ratio: 1.42
State GDP**:	\$79,782,023	CH (30%) + MQJ:	\$1,511,509 B/C Ratio: 1.21
D + ID Jobs***:	75	China Hub (CH 20%):	\$863,633 B/C Ratio: 2.13
		CH (20%) + MQJ:	\$1,079,692 B/C Ratio: 1.70
15-YR BENEFITS (TO THE ECONOMY)		15-YR COSTS (IN STATE INCENTIVES)	
State New GR*:	\$2,695,458	China Hub (CH 30%):	\$1,295,449 B/C Ratio: 2.08
State GDP**:	\$133,973,586	CH (30%) + MQJ:	\$1,511,509 B/C Ratio: 1.78
D + ID Jobs***:	75	China Hub (CH 20%):	\$863,633 B/C Ratio: 3.12
		CH (20%) + MQJ:	\$1,079,692 B/C Ratio: 2.50

*State New General Revenue (GR) represents the cumulative total of new general revenue benefits over the 10 to 15 Yr. periods

**State Gross Domestic Product (GDP) represents the cumulative new economic output in the state over the 10 to 15 Yr. periods

***Direct (D) + Indirect (ID) annual average new jobs created after the facility is placed in operation