

## News Release

September 13, 2007

### Investment in economic development multiplies returns

Two new studies commissioned by the Iowa City Area Development Group report contributors received a greater return than last period on their investment.

Economic Strategy Center, the research and analysis division of National Community Development Services, Inc. (NCDS), compiled the reports for fiscal years 2002-2006 and the year ending June 30, 2007.

Economic Strategy Center Director Juli V. Golemi said the "Return on Investment Benchmarking Analysis" findings verify the important role the economic development organization performs for the communities it serves. "The Iowa City Area Development Group had a direct bearing on the area's economy recruiting new companies and new jobs to the region.

"It's also important for others to understand when a new company locates or an existing company expands and brings new jobs to an area, those 'direct' new jobs create a 'ripple effect' to generate additional 'indirect' and 'induced' new jobs."

Golemi said examples of indirect and induced new jobs might include the banking, retail, food service and tourism industries. "These businesses may add more employees or expand into a new community or more retailers, restaurants and attractions might choose to locate in the area to serve more clients and customers."

For the 2002-2006 period, the benchmark report identified 35 "project wins" including eight business recruitments, 25 business expansions and three company retentions. In FY2007, nine "project wins" were tallied, including four business recruitments and five expansions and retentions.

Golemi said the analysis looks at the number of new and retained jobs and salaries and applies an economic model to determine community-wide benefits.

During the 2002-2006 period, the nonprofit organization helped create 2,322 new direct jobs which translated into \$71.9 million in direct payroll earnings injected into the local economy. Also in that same time period, they helped retain 542 jobs in the local economy which translated into \$24.4 million in retained annual payroll earnings.

In FY2007, 716 new direct jobs were created, which converts into \$26.1 million in direct payroll earnings and 2,452 local jobs were retained through assistance to Whirlpool and LMS North America. Retaining these jobs kept \$90.4 million in payroll earnings in the local area.

The NCDS analysis determined each new and retained job created additional growth through a "multiplier effect." In 2002-2006, the multiplier for new jobs was 1.16, generating 2,693 additional indirect and induced new jobs and \$78.1 million in new payroll earnings.

Also for the previous five-year period, the multiplier for retained jobs was 0.5, totaling 289 jobs and retaining \$8.1 million in payroll earnings.

The FY2007 multiplier for new jobs was 0.5 and 0.5 for retained jobs, resulting in 351 additional indirect and induced new jobs and \$9.7 million in new payroll earnings. Retained jobs for the same period also helped retain an additional 1,260 indirect and induced jobs and \$36.2 million in payroll earnings.

Iowa City Area Development Group President Joe Raso said the reports were especially valuable to mark the organization's progress. "When our volunteer board approached businesses to invest in the organization's operation we were able to tell them how our work might create more business for their company and they listened. Last fall, our organization celebrated the completion of a very successful, five-year, \$4 million investment campaign, *Creating Advantage | Investing for Results*.

"We want to know how effective we are. An annual review informs investors and potential investors of our organization's progress."

Iowa City Area Development Group Board of Directors chair Jeff Disterhoft said the report indicates great staff efficiency. "We're very pleased with the results that clearly demonstrate our organization and staff provide an excellent return on investment. For the 2002-2006 period the average cost per job was \$852, and that's significantly lower than the national average of \$1,600.

"And in FY2007, the local cost per job created was \$776 compared to the national average of \$1,600."

Disterhoft is president and CEO of the University of Iowa Community Credit Union.

Based on the 2002-2006 program expenditures of \$1.9 million, the report identifies an earnings ratio of \$1 to \$76: For every \$1 investors contributed to the organization, \$76 in direct new earnings were produced into the local economy.

The report further identifies FY2007 annual program expenditures of \$555,392 and an earning ratio of \$1 to \$65: For every \$1 investors contributed, \$65 in direct new earnings were produced into the local economy.

Disterhoft added, "It's a great value for our communities and Johnson County."

The reports are available on the Iowa City Area Development Group Web site at <http://www.iowacityareadevelopment.com/Investors/ROI/>

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## **Iowa City Area Development Group**

### **Companies included in the Benchmarking Analysis include:**

#### 2002-2006 New Businesses

Alpla of Iowa – Iowa City

Budcat Creations – Iowa City

Mantz Automation – West Liberty

Maytag/Amana – North Liberty

Owens-Illinois (Graham Packaging) – Iowa City  
 Plastic Products – West Branch  
 Procter & Gamble Distribution Center – West Branch  
 Revenue Cycle Partners – North Liberty

2002-2006 Expansions

Alpla of Iowa – Iowa City  
 Bochner Chocolates – Iowa City  
 Civco Medical – Kalona  
 GEICO – Coralville (2)  
 Graham Packaging (Owens-Illinois) – Iowa City  
 Integrated DNA Technologies – Coralville (4)  
 International Automotive Technologies (formerly Lear) – Iowa City (2)  
 J. M. Swank – North Liberty  
 Loparex – Iowa City (2)  
 Mercer (formerly Mercer Benefits, Seabury & Smith) – Iowa City  
 Oral B (Gillette, now P&G) – Iowa City  
 Procter & Gamble – Iowa City (2)  
 Procter & Gamble – West Branch  
 R.R. Donnelly & Sons (formerly Moore Wallace, Moore North America) – Iowa City  
 Tru-Art/Economy Advertising – Iowa City  
 United Natural Foods (formerly Blooming Prairie)  
 West Music – Coralville

FY2007 New Businesses

Acciona Windpower North America – West Branch  
 Cole’s Quality Foods – North Liberty  
 KemPharm – University of Iowa Technology Innovation Center & North Liberty  
 Prep Sports Online – Iowa City

FY2007 Expansions/Retentions

Alpla of Iowa – Iowa City  
 LMS North America – Coralville  
 Plastic Products – West Branch  
 Procter & Gamble / Duke – West Branch  
 Whirlpool – Amana

**Benchmark Study/Return on Investment**

	2002-2006	2007
Direct new jobs	2,322	716
Direct new payroll earnings	\$71.9 million	\$26.1 million
Indirect & induced jobs	2,693	351
Indirect & induced payroll	\$78 million	\$9.7 million
Economic output (products/goods produced and sold)		
from direct new jobs	\$704 million	\$161.5 million
from indirect & induced new jobs	\$293.9 million	\$35.1 million
Jobs Retained	542	2,452
Direct payroll earnings	\$16.3 million	\$90.4 million
Indirect & induced retained jobs	289	1,260
Indirect & induced retained jobs payroll	\$8 million	\$36.2 million

Multiplier new jobs	2.16	1.5
Multiplier retained jobs	1.5	1.5
New Capital Investment	\$264.8 million	\$71.7 million
Retained Capital Investment	\$27 million	\$14.2 million
Every \$1 invested returned	\$36 direct new payroll earnings	\$47
Every \$1 invested returned	\$76 total new payroll earnings*	\$65
*direct, indirect and induced		
Estimated consumer spending	\$108.3 million	\$26 million
Estimated taxed expenditures	\$38.9 million	\$9.3 million
Estimated state tax revenue**	\$1.9 million	\$467,688

\*\*based on 5 percent sales tax

### **Impact/consequence of each new job to local industries\***

<b>Local Industries</b>	<b>2002-2006</b>	<b>2007</b>
Financial Institutions	\$6,102	\$7,179
Food	\$2,766	\$3,120
Alcoholic beverages	\$216	\$244
Housing	\$6,808	\$7,679
Apparel	\$843	\$951
Vehicle purchases	\$1,479	\$1,669
Healthcare	\$1,362	\$1,536
Entertainment	\$1,145	\$1,292
Personal care products	\$259	\$293
Insurance & pensions	\$2,507	\$2,828
Cash contributions	\$886	\$1,000
Reading	\$65	\$73
Education	\$475	\$536
Tobacco/smoking supplies	\$173	\$195
Miscellaneous	\$389	\$439

\*annual individual expenditures; does not reflect commercial accounts

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