

### C. Proposed use will be of sufficient economic benefit

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## Executive Summary

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PacifiClean Environmental, LLC, proposes to construct and operate an organic processing facility known as the Elk Heights Integrated Organics Processing Facility Project on private land in Kittitas County, Washington. The facility is being developed on over 120 acres of land to provide organic materials processing for the Puget Sound region and small and large communities in Kittitas, Yakima, and surrounding counties. A primary objective of the project is to assist the region in significantly increasing the diversion of materials from landfills through source-separated organics processing. Construction of the project is expected to occur over an 8-year construction window with most of the construction assumed to occur in four phases during years 1, 3, 6 and 8. Commercial operation is expected to commence after completion of the construction of each phase. Operational capacity is expected to increase after construction of each phase until full capacity is reached at the end of the 8-year construction window. A summary of the total estimated capital costs for the project is provided in Table ES-1.

TABLE ES-1  
Estimated Capital Costs of the Proposed Elk Heights Integrated Organics Processing Facility, 2012 Million Dollars

	Total Capital Cost	Total Materials Expenditure	Total Construction Payroll
Out of County	—	\$0	\$0
In-County (local)	—	\$28	\$7
<b>Total</b>	<b>\$35</b>	<b>\$28</b>	<b>\$7</b>

Source: PacifiClean, 2012.

This report provides a screening-level economic analysis of the project's impacts on Kittitas County and a regional economic analysis of the project's benefits to the county. The amounts shown are based on current estimates and are subject to change as the project definition evolves.

The annual capital costs for years 1, 3, 6 and 8 are estimated to be \$16 million, \$8 million, \$5.5 million, and \$5.5 million, respectively. Because the values for annual construction expenditures are within the range represented by the first and 6<sup>th</sup> (or 8<sup>th</sup>) year of the project construction window, the analysis presented in this report is based on two of the four years; years 1 and 8. As such, the construction phase impacts of the project are presented as a range of values with the impacts during year 8 providing the lower estimate and those during year 1 providing the upper estimate of the range.

Although operational capacity is expected to increase after construction of each phase until full capacity is reached at the end of the 8-year construction window, the operation phase impacts of the project are evaluated only at full project operational capacity.

***Property and Sales Tax Effects***

Kittitas County will benefit from substantial property and sales taxes collected during construction and operation of the project.

The total value of goods and services that will be purchased locally (within Kittitas County) during the 8-year construction window is estimated to be \$28 million. The total value of local purchases during years 1 and 8 are estimated to be \$6.4 million and \$4.4 million, respectively. The total value of goods and services that will be purchased locally during operation is estimated to be \$3,500,000 per year. Table ES-2 shows the resulting sales tax revenue in Kittitas County during construction and operation of the project, estimated to be \$1.1 million during construction and \$0.3 million annually during operations.

TABLE ES-2  
**Estimated Annual Sales Tax Revenue on Goods and Services During Construction and Operation, 2012 Dollars**

	Construction	Operations
State	\$286,000 - \$832,000	\$228,000
County	\$66,000 - \$192,000	\$53,000
Total Annual Sales Tax Revenue from Project	\$352,000 - \$1,024,000	\$280,000
Percent Increase in County Sales Tax Revenues*	1.7% - 5.0%	0.5%

\*Kittitas County fiscal year (FY) 2011–12 amended budget sales taxes were \$3,805,000.

Source: CH2M HILL, 2012; Kittitas County, 2012a.

In addition to the sales tax revenue generated during construction and operation, the project will also provide property tax revenues. The property tax rate is assumed to be \$8.245368 per \$1,000 of assessed value (Kittitas County, 2012b). Of the total annual property tax revenues of approximately \$289,000 generated by the project, approximately \$36,000 would go to the County while the remaining \$253,000 would go to the various taxing districts within the county. The annual property tax revenues generated during project operation represent about 4.4 percent of the total FY 2012 County property tax revenues. Table ES-3 shows the distribution of the estimated annual property tax revenue between the various taxing districts in Kittitas County.

TABLE ES-3  
**Estimated Annual Property Tax Revenue During Operation, 2012 Dollars**

Taxing Districts	Operation (assuming \$36M capital cost)
State (Public Schools)	\$78,000
County Funds	\$36,000

County Road District No. 1	\$31,000
School District No. 400 Thorp M&O Levy	\$92,000
Fire District #1	\$38,000
Hospital District #1	\$11,000
Cemetery District No. 1	\$2,000
Total Annual Property Tax Revenue from Project	\$289,000
Percent Increase in County Property Tax Revenues*	4.4%

\* Kittitas County FY 2011–12 amended budget property taxes were \$6,550,858.

Note: Numbers may not add up as a result of rounding.

Source: CH2M HILL, 2012; Kittitas County, 2012b.

### ***Regional Income Effects***

During the project construction phase, it is estimated that between \$5,170,000 and \$15,040,000 per year in income will be directly generated in Kittitas County during year 8 and year 1 from construction spending, respectively. In addition, it is estimated that another \$2,024,000 in secondary (indirect<sup>1</sup> and induced<sup>2</sup>) income will be generated annually for the County during year 1. Similarly, during operations, the annual operations and maintenance expenditures of \$5,215,000 will generate approximately \$898,000 in secondary income for the County. Table ES-4 provides an overall summary of project effects on income in the county.

TABLE ES-4  
Summary of Annual Income Impacts, Kittitas County, 2012 Dollars

	Construction	Operations
Direct Income	\$5,170,000 - \$15,040,000	\$5,215,000
Indirect Income	\$602,000 - \$1,790,000	\$753,000
Induced Income	\$80,000 - \$234,000	\$146,000
<b>Total Income</b>	<b>\$5,852,000 - \$17,064,000</b>	<b>\$6,114,000</b>
<b>Income Multiplier</b>	<b>1.1</b>	<b>1.2</b>

Notes:

Numbers may not add as a result of rounding.

Income estimates are in 2012 dollars.

<sup>1</sup> Indirect project impacts on the economy include income and employment impacts that result when entities that receive direct purchases from a project in turn purchase goods and services from their own suppliers and additional rounds of expenditures from suppliers continue to occur.

<sup>2</sup> Induced project impacts on the economy include income and employment impacts from employees directly or indirectly receiving income from the project and respending the income within the economy.

## *Employment Effects*

As shown in Table ES-5, the direct average direct employment in Kittitas County during years 1 and 8 of the construction window is estimated to be between 41 and 120 full-time equivalent (FTE).<sup>3</sup> Secondary (indirect and induced) employment in the County is estimated to be between 14 and 47 FTEs during years 1 and 8. In total, it is estimated that between 55 and 167 FTEs will be generated during 8<sup>th</sup> year when construction expenditures are the lowest and the 1<sup>st</sup> year when the construction related expenditures are the highest.

In addition to the direct employment of 35 staff, the operational phase of the project is estimated to result in secondary employment within Kittitas County of 10 FTE permanent jobs, resulting in a total of 45 long-term jobs in the county.

The employment multiplier associated with construction employment is calculated to be between 1.3 and 1.4. This means that for every one construction job provided by the project, between 0.3 and 0.4 FTE will be created in a support capacity. Similarly, the annual operation of the project will generate 45 long-term jobs in the county, with an employment multiplier of 1.3, or for every permanent job created by the project there will be just about 0.3 FTE in support services.

TABLE ES-5  
Summary of Annual Employment Impacts, Kittitas County

	Construction	Operations
Direct Employment	41 - 120	35
Indirect Employment	12 - 40	6
Induced Employment	2 - 7	4
<b>Total Employment</b>	<b>55 - 167</b>	<b>45</b>
<b>Employment Multiplier</b>	<b>1.3 – 1.4</b>	<b>1.3</b>

Notes:

Numbers may not add as a result of rounding.

Employment estimates are in FTE.

**The full report is in the Appendix.**

<sup>3</sup> Data are calculated on an average annual basis.