

Executive Summary: Economic Impact of Investment and Ongoing Operations by Aztek Cove, LLC in East Baton Rouge Parish

Aztek Cove, LLC is constructing a multi-purpose business complex that will include a fine dining restaurant and event center, a breakfast and health foods facility, office spaces, a training center, and a dormitory facility at an estimated cost of almost \$35 million to be developed over a 3-year time frame with the majority of the expenditures being made in the first two years. This multi-purpose business complex, once it is completed, anticipates just under 100 employees with the average salaries ranging from \$36,000 to \$90,000 as of 2023 and with a 40-year business plan. The economic impact of the investment and ongoing activity of this multi-purpose business complex is as follows:

Capital Expenditures of \$35 million with estimated \$23.5 million being in East Baton Rouge Parish

Over this three-year construction period, approximately \$23.5 million will be spent directly in East Baton Rouge Parish. Personal income associated with this construction project over this time period will be just over \$14 million; jobs created and supported will average 100 over the three-year period but with an estimated 128 jobs in the first two years and then 44 jobs in the third year; and governments in East Baton Rouge will gain almost \$2 million in local tax receipts with most of these taxes being sales and use taxes. An estimated \$1.335 million will support the City/Parish and \$572,550 will support the East Baton Rouge Parish School System.

Once constructed the multi-business complex will pay ad valorem taxes approaching over \$600,000 during the first year assuming a 15% assessment and all of the property will be included in the assessment.

Ongoing Operations of Aztek Cove, LLC Business Initiates

This ongoing increase in business activities in Baton Rouge will lead to the following impact on the economy in terms of jobs, earnings, and local tax collections on a yearly basis.

Jobs Created and Supported	258 (including proposed 96 jobs in business)
Personal Earnings	\$10.7 million
Local Tax Receipts	\$695,370 annually

Over ten years the present value of income earned, due to these new business activities in Baton Rouge, will be over \$106 million with local tax collections being almost \$7 million and this does not include the present value of the ad valorem taxes of over \$3.8 million over a ten-year period.

A Forty-Year Business

Businesses do not plan for a ten-year time horizon for its operations. Aztek Cove is considering the next forty years. If successful, the present value of income earned in East Baton Rouge

Parish over the next forty years will be an estimated \$298 million. Parish, school board, and other public bodies in East Baton Rouge will receive the present value of \$19.5 million over the 40-year period. The ad valorem taxes on the property will approach the present value of \$7.6 million with no forecast of any major property upgrades over this time period. All local taxes will approach over the present value of \$27 million over the 40-year time frame.

We focused on estimates for the construction phase, the first year of operations, the next ten years of operations and a forty-year time horizon. We focused on these longer time horizons since we know businesses plan for a much longer term for business activity and so do communities.

Economic Impact of Major Investment and Ongoing Operation by Aztek Cove, LLC in East Baton Rouge Parish

Introduction

Aztek Cove, LLC is constructing in Baton Rouge a multi-purpose business complex that will include a fine dining restaurant and event center, a breakfast and health foods facility, office spaces, a training center, and a dormitory facility at an estimated cost of almost \$35 million to be developed over a 3-year time frame with the majority of the expenditures being made in the first two years. This multi-purpose business complex, once it is completed, anticipates having just under 100 employees with average salaries ranging from \$36,000 to \$90,000 as of 2023.

Aztek Cove, LLC has requested an independent analysis of the economic impact of the proposed investment and continuing operations of this multi-purpose business complex in Baton Rouge. I provide this analysis as an independent economist with a summary of my professional activities in the appendix.

Economic Impact of \$35 Million Investment in East Baton Rouge Parish

Aztek Cove, LLC will spend approximately \$35 million in constructing the multi-purpose business facility and this does not include any dollars spent on the purchase of the property. The facility will be in Baton Rouge, but all of the capital expenditures will not be made in East Baton Rouge Parish. The construction activity will take place in East Baton Rouge Parish; the construction workers and all oversight of the construction activities will be in the parish; however, some of the construction materials will not be produced within East Baton Rouge. No local or state economy can provide all of the equipment and materials necessary to construct any facility. Aztek Cove, LLC anticipates that approximately \$10,000,000 of the capital expenditures will be made in another state. These materials and equipment will be subject to local sales taxes as they are placed on location in East Baton Rouge Parish.

We have the following estimates of the economic impact of the construction activity on the local economy based on the assumption that the construction activity will take place over 36 months: (1) \$10 million investment will be spent within East Baton Rouge Parish in year one; (2) \$10 million investment will be spent in East Baton Rouge Parish in year two; and (3) \$3.6 million will be spent in East Baton Rouge Parish as the various entities finalize their business space and prepare to open for business.

The economic impact on the East Baton Rouge Parish economy is noted in Table 1 in terms of expected construction spending in the parish and the projected economic impacts based on the Regional Input-Output Model as developed by the U.S. Department of Commerce, Bureau of Economic Analysis.

Table 1. Economic Impact of Construction Activity for Multi-Purposed Business Activity Created by Aztek Cove, LLC in East Baton Rouge Parish					
	Construction East Baton Rouge Parish	Overall Economic Activity	Personal Income	Jobs	Local Tax Receipts (including taxes on construction materials paid by Aztek Cove, LLC)
\$23.6 million of Capital Expenditures Spent in East Baton Rouge Parish					
First Year	\$10,578,710	\$17,026,433	\$6,108,147	128	\$837,030
Second Year	\$10,578,710	\$17,026,433	\$6,108,147	128	\$837,030
Third Year	\$3,605,000	\$5,802,248	\$2,081,527	44	\$234,437
Activity over three years	\$24,762,419	\$39,855,113	\$14,297,821	100--average	\$1,908,496

*Estimates by Dr. James A. Richardson

Over this three-year construction period, almost \$25 million will be spent in East Baton Rouge Parish. Personal income in East Baton Rouge Parish related to these investments over this time period will be just over \$14 million; jobs created and supported will average 100 over the three-year period but with an estimated 128 jobs in the first two years and then 44 jobs in the third year; and governments in East Baton Rouge will gain almost \$2 million in local tax receipts with most of these taxes being sales and use taxes. An estimated \$1.335 million will support the City/Parish and \$572,550 will support the East Baton Rouge Parish School System. These tax receipts will only occur during the construction process.

But, once the commercial site is completed, it will be subject to ad valorem taxes for various governmental units in East Baton Rouge Parish including the school district, law enforcement, local governmental units, and other governmental units that receiving ad valorem taxes as a means for their financing. The economic life of a business's assets can be determined in line with Table 2503.A in Rules and Regulations as promulgated by the Louisiana Tax Commission. For purposes of this analysis, we will assume a depreciation, on average, over ten years.

For the first ten years and assuming the business activities remain viable, the present value of the expected ad valorem tax collections is estimated to be \$3,845,000 given the average millage as of 2022 based on information from the Louisiana Tax Commission.

In summary, this proposed economic development will do the following during the construction phase of the development and the ad valorem taxes to be paid once the facility is completed:

Average employment per year for 3 years:	100 jobs created and supported.
Personal Earnings over 3 years:	\$14.2 million
Local Taxes Related to Construction over 3 years:	\$1.91 million.
Ad Valorem Tax Once Construction is Completed And Business remains Viable Over 10 years	\$3.85 million.

Once the construction project is completed, the multi-business facility will be opened for business and is projected to maintain its business activities in East Baton Rouge Parish for a long period of time.

Economic Impact of Ongoing Economic Activity in East Baton Rouge Parish

Companies make investments because they fully expect the capital expenditures to promote ongoing economic activity. This ongoing activity, in addition to improving the financial standing of the company that is doing the investing, will create jobs and income for local citizens and tax revenues for local governments. This multi-business facility expects to generate at a minimum \$16,000,000 in net new sales in Baton Rouge with this being based on projected sales by the fine restaurant, the breakfast and coffee shop, and other activities such as workers in the various offices. The expected salaries will vary from the mid \$30,000 range to around \$90,000.

This increase in business activities in Baton Rouge during the first year of operations will lead to the following impact on the economy in terms of jobs, earnings, and local tax collections.

Jobs Created and Supported	258 (including proposed 96 jobs in business)
Personal Earnings	\$10.7 million
Local Tax Receipts	\$695,370 annually

Over ten years the present value of income earned, due to these new business activities in Baton Rouge, will be over \$106 million with local tax collections will be almost \$7 million. We focused on estimates for the next ten years, but we know businesses plan for a much longer term for business activity.

Economic Impact over Forty Years

Businesses do not plan for a ten-year time horizon for its operations. Aztek Cove is considering the next forty years. If successful, the present value of income earned in East Baton Rouge Parish over the next forty years due to Aztek Cove's business activities in East Baton Rouge Parish will be an estimated \$298 million. Parish, school board, and other public bodies in East Baton Rouge will receive the present value of \$19.5 million in tax receipts over the 40-year period. The ad valorem taxes on the property will approach the present value of \$7.6 million with no forecast of any major property upgrades over this time period. All local taxes will approach the present value of \$27 million over the 40-year time frame.

We focused on estimates for the construction phase, the first year of operations, the next ten years of operations and a forty-year time horizon. We focused on these longer time horizons since we know businesses plan for a much longer term for business activity and so do communities.

Underlying the tax receipts will be business activity, continued employment, and continued personal earnings.

Summary

The business activities as proposed by Aztek Cove, LLC will lead to the following economic improvements in the Baton Rouge:

- (1) Over this three-year construction period, approximately \$23.5 million will be spent in East Baton Rouge Parish. Personal income over this time period will be just over \$14 million; jobs created and supported will average 100 over the three-year period but with an estimated 128 jobs in the first two years and then 44 jobs in the third year; and governments in East Baton Rouge will gain almost \$2 million in local tax receipts with most of these taxes being sales and use taxes. An estimated \$1.335 million will support the City/Parish and \$572,550 will support the East Baton Rouge Parish School System. And, once the capital expenditures have been made there will be ad valorem taxes to be paid. Over a ten-year period, this will amount to the present value of approximately \$3.85 million.
- (2) This ongoing increase in business activities in Baton Rouge will lead to the following impact on the economy in terms of jobs, earnings, and local tax collections on a yearly basis.

Jobs Created and Supported	258 (including proposed 96 jobs in business)
Personal Earnings	\$10.7 million
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Curriculum Vitae for James A. Richardson

James A. Richardson is Professor Emeritus at Louisiana State University. He was Alumni Professor of Economics and Public Administration in the E. J. Ourso College of Business at Louisiana State University in Baton Rouge, Louisiana. Dr. Richardson served as Chairman of the Department of Economics, Acting Dean of the College of Business Administration, Associate Vice Chancellor for Academic Affairs at Louisiana State University, and Director of the Public Administration Institute.

Dr. Richardson served from 1987 through September 2019 as the private economist on the Louisiana Revenue Estimating Conference, the panel with the constitutional authority and responsibility to provide official revenue estimates for the state. This Conference includes the Governor of the State, the President of the Senate, and the Speaker of the House of Representatives. He has recently received Commendation from the Louisiana Senate and House of Representatives (SCR 115) for his 32 years of service on the Revenue Estimating Conference. Dr. Richardson also served as a member of the Board of Directors of the Public Affairs Research Council and as a member of the Board of Trustees of the Council for A Better Louisiana.

He organized and supervised a major tax study for the state of Louisiana which resulted in *Louisiana Fiscal Alternatives: Finding Permanent Solutions to Recurring Budget Crises*, published by the LSU Press in 1988. Dr. Richardson has co-edited a major book, *Handbook on Taxation*, which was published by Marcel Dekker in January 1999. Two books have been recently published with the LSU Press, *Exploring Long-term Solutions for Louisiana's Tax System*, November 2018 (with co-authors from Tulane University) and *Managing Hurricane Katrina: Lessons from a Mega-Crisis*, 2019 (with co-authors from the Netherlands and Belgium). Dr. Richardson also served on the Louisiana Law Institute's Tax Study Commission, a group that was formed in response to Senate Concurrent Resolution 88, passed in 1999. In 2016 Dr. Richardson was named co-Chair of the Task Force for Strategic Changes in Budget and Tax Policy for the State Legislature. He was asked by the Governor to serve on the Recovery Task Force helping shape the state's recovery from the August 2016 storms. He has also been asked to be a participant in the Resilient Louisiana Commission, a group seeking to assist Louisiana in working its way through the economic issues dealing with the pandemic and setting up a long-term growth strategy for the state. He worked with Urban Design Associates of Pittsburg, PA on a long-term economic development strategy for Southwest Louisiana and is working with the City of Lake Charles regarding federal assistance to assist in disaster recovery as well as providing information to the City of Lake Charles on long-term recovery options.

Dr. Richardson served as fiscal advisor to the Governor of Louisiana from 1988 through 1991. He contributed to the comprehensive tax study for the state of Kansas in 1995. He served as an advisor to the state of Alabama's Department of Revenue in 1996. He has served as Associate Editor of the *Journal of Education Finance* and the *Texas Business Review*. His work has been published in numerous journals such as the *National Tax Association Proceedings*, *State and Local Government*, *Public Finance Quarterly*, *Growth and Change*, *Natural Resources Journal*, *Journal of Energy and Development*, and *Journal of Economic Dynamics and Control*.

Dr. Richardson participated in the preparation of the Louisiana Economic Outlook; a two-year forecast of the Louisiana Economy published by the E. J. Ourso College of Business at Louisiana State University from 1983 through 2015. This outlook focuses on major industries in Louisiana, specifically the oil and gas industry, and the major metropolitan areas. Dr. Richardson has worked with the state of Louisiana, with various Louisiana ports, and with the industry regarding oil and gas development in the state and in the Gulf of Mexico.

Dr. Richardson prepared analysis of the impact of Katrina on the New Orleans economy and ways to accelerate its recovery for the Financial Services Roundtable. He also testified before the Committee on Financial Services of the United State House of Representatives on Housing and the New Orleans Recovery. He has been involved in numerous studies regarding the New Orleans recovery, including studies regarding the upgrading of the riverfront, enhancing the theater district, developing downtown attractions such as the aquarium and the insectariums, and relating the New Orleans airport to the city's economic development. Dr. Richardson was a member of the team putting together Plan Baton Rouge 2, the master plan for East Baton Rouge Parish, the BioDistrict in New Orleans, and the master plan for Ascension Parish. Dr. Richardson provided information regarding changing school boundaries in East Baton Rouge Parish School System as well as creating a new municipality in East Baton Rouge parish.

Dr. Richardson received his Bachelor of Art degree in economics from St. Mary's University of San Antonio, Texas and his Master's degree in economics and the doctorate in economics from The University of Michigan. Dr. Richardson specializes in regional forecasting, state and local tax policy, economic valuation, and energy economics.