

# COUNTY OF ALBEMARLE



## MEMORANDUM

**TO:** Tom Foley, Assistant County Executive

**FROM:** Steven A. Allshouse, Fiscal Impact Analyst

**DATE:** June 22, 2004

**RE: COMPILATION OF VARIABLES THAT MEASURE A LOCALITY'S ECONOMIC WELL-BEING.**

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A recent survey of economic development policy resources revealed a number of variables that jurisdictions around Virginia employ in order to measure community economic health. These variables fall generally into six broad categories: Business Development & Outlook, Government Finance, Household Finance, Quality of Life, Social Equity, and Workforce Development. Many of the variables relate to other variables, either in the same category, or in other categories. The following compilation is not comprehensive but, rather, could serve as a departure point for discussion about Albemarle's Economic Development Policy. Please note that, although this particular policy currently exists as part of the County's Comprehensive Plan, the following list of variables strongly suggests that economic development policy pertains to much more than simply *planning*-related issues.

*Business Development & Outlook.* This category includes variables that relate primarily, but not exclusively, to the commercial sector of the local economy. Real estate values, rents, vacancy rates, construction, and sales data measure the health of a jurisdiction's real estate market which, presumably, reflects a sizable portion of the locality's capital stock. A community's total number of firms and total employment figures are assumed to give an indication of the locality's ability to create wealth in the future. Retail sales and retail "leakage" data are assumed to render an idea of whether or not a community is keeping a major portion of its income or is exporting it to other localities.

- Aggregate Value of Residential & Non-Residential Real Estate.
  - Average (or Median) Assessed Value, Per Square Foot, of Non-Residential Space, by Type.
  - Average (or Median) Non-Residential Rents, by Type of Non-Residential Space.
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*(Business Development & Outlook, Cont.)*

- Non-Residential Vacancy Rates.
- Aggregate Value of New Residential & Non-Residential Construction.
- New & Existing Home Sales.
- Number of Firms, by Type and Size.
- Total Employment Numbers, by NAICS Sector.
- Aggregate Retail Sales.
- Retail "Leakage." This item measures the number of shopping dollars that leave one jurisdiction for another jurisdiction. For the past several years, the development community in Albemarle has had a keen interest in measuring this variable since "leakage" has provided a major justification for several large scale retail projects currently either under construction or on the drawing boards.

Government Finance. This category includes variables that are assumed to reflect not only the fiscal health/financial prudence of the local government but, also, implicitly reflect the capital stock and wealth-creating capacity of the local private sector.

- Local Govt. Debt as Percent of Assessed Value of Taxable Real Estate.
  - Local Govt. Debt Service as a Percent of Revenues.
  - Relative Shares of Residential & Non-Residential Tax Revenues. As mentioned in recent conversations, there is a theory floating around a number of Virginia localities that a 70%/30% split represents a healthy economic configuration.
  - Taxable Sales Revenue.
  - BPOL Tax Revenue.
  - Machinery & Tools Tax Revenue.
  - Residential & Non-Residential Real Estate Tax Revenue.
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- Residential & Non-Residential Personal Property Tax Revenue.

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Household Finance. This category, and the three categories that follow it, contain variables that attempt to measure the economic health of *people*, as opposed to business or government, in a community.

- Average (or Median) Family (or Household) Income.
- General Cost of Living.
- Percentage of families renting/owning their own home. This variable gives an indication about whether or not people in a community are building an important component of their lifetime capital stock.
- Percentage of Family (or Household) Monthly Income Spent on Rent/Mortgage. This indicator renders an idea of housing affordability.
- Average (or Median) Assessed Value of Dwelling Units, by Type. This variable provides, for families that own their own home, a measure of the value of a major component of their lifetime capital stock.

Quality of Life. This category clearly can mean different things to different people, but at least a few economic development resources mention the following three variables, all of which are quantifiable. Increased pollution and traffic congestion represent two negative externalities (pardon the econ speak) associated with economic growth, and traditional measures of economic growth do not always take into account these externalities. Crime rates are assumed to be negatively correlated with economic growth.

- Air & Water Quality.
- Average Commuting Times.
- Crime Rates.

Social Equity. Economic growth pertains to increases in the size of a community's "pie," while social equity relates to the way that the community divides the "pie." The following variables help ascertain how growth *differentially* impacts residents in a locality.

- Unemployment Rate.
- *Underemployment* Rate. This variable is, admittedly, very difficult to measure but could

offer Albemarle important information about structural quirks in the local economy.

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*(Social Equity, Cont.)*

- Average Wages, by Employment Sector.
- Percentage of Families (or Households) below Poverty Level.
- Distribution of Family (or Household) Income. In the case of Albemarle, there exists a bi-modal distribution.
- Availability of Public Transportation to Employment Centers. This measure pertains to a problem about which transportation planners have become increasingly aware in recent years, i.e., that there exists a mismatch between the geographic location of jobs and the geographic location of lower income workers.

*Workforce Development.* This category includes variables that purport to measure a community's ability to create future wealth.

- Educational Attainment.
- Percentage of Non-College Bound Pupils Receiving Vocational Training.

As mentioned previously, this list of variables contained in this memorandum is not comprehensive and, clearly, Albemarle could refine the list as needed.

SAA/saa