

**Date:** September 29, 2020

**To:** Joan O’Keefe, United Human Services of SE Alaska, Inc.

**From:** McDowell Group

**RE:** United Human Services Multi-Tenant Nonprofit Center Economic Impacts

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United Human Services of SE Alaska, Inc. (UHS) requested McDowell Group consider the economic impacts of a multi-tenant non-profit center, as proposed in 2020. The following summarizes McDowell Group’s initial analysis of the proposal.

The UHS proposal to consolidate a broad and essential group of community supports in one location holds potential to provide immediate economic benefits for the community during construction of the campus, as well as long-term efficiencies once the center begins operating.

**IMPACTS OF CAMPUS CONSTRUCTION**

McDowell Group conducted economic impact modeling of the \$5.5 million design and construction phase of the non-profit center campus to analyze potential economic impacts. Economic impacts occur at three levels:

- **Direct impacts** based on jobs, payroll, and spending directly resulting from project expenditures.
- **Indirect impacts** based on economic activity generated as construction companies purchase goods or services from other businesses in support of each project.
- **Induced impacts** based on economic activity generated as employees spend their payroll dollars in the local economy.

Economic impact modeling indicates the investment of \$5.5 million in construction of the multi-tenant center would directly generate an estimated total of 40 jobs in Juneau over a 12-month period, with payroll totaling \$2.4 million. Including all direct, indirect, and induced impacts, the project would support a total of 60 jobs and \$3.2 million in total payroll, and \$7.7 million in economic activity.

**Table 1. Multi-Tenant Center Construction-Phase Economic Impacts**

| Category                     | Employment | Total Payroll        | Total Output         |
|------------------------------|------------|----------------------|----------------------|
| Direct impacts               | 40         | \$2.4 million        | \$5.5 million        |
| Indirect and induced impacts | 20         | \$0.8 million        | \$2.2 million        |
| <b>Total impacts</b>         | <b>60</b>  | <b>\$3.2 million</b> | <b>\$7.7 million</b> |

Source: McDowell Group calculations

The local economic impact of a construction project depends on the amount of wages paid, the place of residence of those employed, and the local availability of materials, supplies, and services required to complete the project. Actual economic impacts of these projects will depend on which firms are hired to complete work, their employment of resident workers, and material purchasing practices.

## **LONG-TERM BENEFITS**

The preceding analysis considers short-term, temporary economic impacts associated with campus design and construction. While it is beyond the scope of this analysis to consider all the potential costs and benefits associated with consolidation of social service providers and other community supports, it is important to note that such consolidation may generate significant long-term economic and social benefits. Efficiencies generated from shared space and administrative staffing would likely free up more resources for delivery of social services. A study on non-profit co-location by the Federal Reserve Bank of St. Louis found that co-location of organizations with complementary missions improves quality of services and increases use of services through easier access for clients and ease of establishing a continuum of care.<sup>1</sup> The study also found such an arrangement reduces financial burdens on the organizations involved and has the potential to generate positive economic impacts for the community it serves.

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<sup>1</sup> Eggleston and O'Neill. 2017. *Nonprofit Co-Location and Opportunities for Community Development Financial Institutions*. Community Development Department, Federal Reserve Banks of St. Louis/