

Revised Economic and Fiscal Impacts of the Port of Centralia's Industrial Parks

Prepared for the Port of Centralia

Overview

The Port of Centralia (Port) has three industrial parks. Park 1 and Park 2 have 33 businesses ranging from wholesalers to manufacturers with access to multimodal transportation. Park 3 is a planned mixed-use development called Centralia Station on which a supermarket is being built.

In 2016, ECONorthwest conducted an economic and fiscal impact analysis for the Port’s industrial parks. The Port asked ECONorthwest for a revised analysis. This report forecasts the fiscal and economic impacts the Port’s industrial parks in 2023.

ECONorthwest created a list of current tenants and included two new tenants expected to start operating in 2023. The two are a WinCo Foods supermarket and Furgerson Schmidt packaging goods distribution center.

This report explains the results of the 2023 analysis and concludes:

- ECONorthwest forecasts that businesses occupying the three industrial parks will directly employ 2,345 individuals who will earn \$136.1 million in wages, salaries, and benefits. The businesses will produce \$595.6 million in economic output.
- In 2023, the businesses operating in the three industrial parks will pay \$8.89 million in property taxes. Other local and state taxes will total over \$9.91 million.
- Using an economic model of Lewis and Thurston counties, ECONorthwest traced the impacts of the industrial park businesses as they would filter throughout the local economy. The model estimated total economic impacts of 4,647 jobs, \$259.6 million in labor income, \$971.7 million in output, and \$27.7 million in state and local taxes
- ECONorthwest estimated the businesses in the three industrial parks will consume 63,784 MWh of electricity requiring 7.29 MW of annual power.
- ECONorthwest forecasts higher growth in logistics, services, and manufacturing sectors, while bricks-and-mortar retailing is expected to continue losing market share to online stores and services. Furthermore, economic impact analysis shows that the logistics, services, and manufacturing sectors are more stimulative to local economies—yielding both higher wages and greater job diversity than traditional retailing. Therefore, the Port’s emphasis in attracting the business it has in recent years makes economic sense. This analysis shows some of those results.

Assumptions and Data Used in This Analysis

ECONorthwest used data from companies occupying the industrial parks, the U.S. Census Bureau, the office of the Lewis County assessor, and the U.S. Bureau of Labor Statistics.

ECONorthwest used an economic impact model called IMPLAN. The model includes estimates of sales, output, employment, and labor income for 313 industrial and government sectors that were active in the local economy in 2019.

Centralia is in Lewis County and only five miles from Thurston County. The two counties share much of the same labor force and consumers. To measure economic impacts, ECONorthwest defined the local economy as Lewis and Thurston counties combined.

Calculating 2023 property taxes for the two new businesses required estimating the costs of constructing two new buildings. ECONorthwest used the year-to-date 2022 average costs of retail and warehouse buildings in Lewis and Thurston counties from Dodge Data & Analytics. Dodge bases these averages on actual construction activities.

ECONorthwest estimated 2023 electricity consumption using the U.S. Department of Energy national survey data of energy consumption per square foot of building by type of use. ECONorthwest obtained actual electricity use from some tenants of the industrial parks and incorporated that information in a late revision of this report.

ECONorthwest used data from the 2017 Washington economic census, the 2019 IMPLAN model for Lewis and Thurston counties, and sales and employment data from industry sources for the years 2019 and 2021. Because different years were used, values in this analysis were adjusted for inflation to 2023 dollars using the Consumer price indexes shown in Table 1.

Table 1: Consumer Price Indexes for Goods and Service and Food Bought for Home in the Western U.S., 2017 - 2023

Year	US CPI, all goods and services	Western US CPI food bought for home
	2017	245.12
2018	251.10	246.59
2019	255.65	250.34
2020	258.84	260.33
2021	270.97	271.68
2022	292.75	309.52
2023	311.13	325.62

Sources: U.S. Bureau of Labor Statistics data through May 2022 with forecasts made by ECONorthwest.

Description of the Industrial Parks

The Port of Centralia was created after voters in Centralia, Washington, approved its creation in 1986. The Port is a municipal corporation governed by a three-member elected commission. It is tasked with acquiring and improving industrial land and recruiting business tenants.

The Port's industrial parks are located near Interstate 5, halfway between Portland and Seattle. Built on relatively uncongested flat land with direct rail and utility access, the parks are shovel-ready, competitive, and attracting new employers to Centralia.

In 1990, the first tenant of Park 1, Roger's Machinery Company, opened its doors. Others followed and now there are 24 businesses.

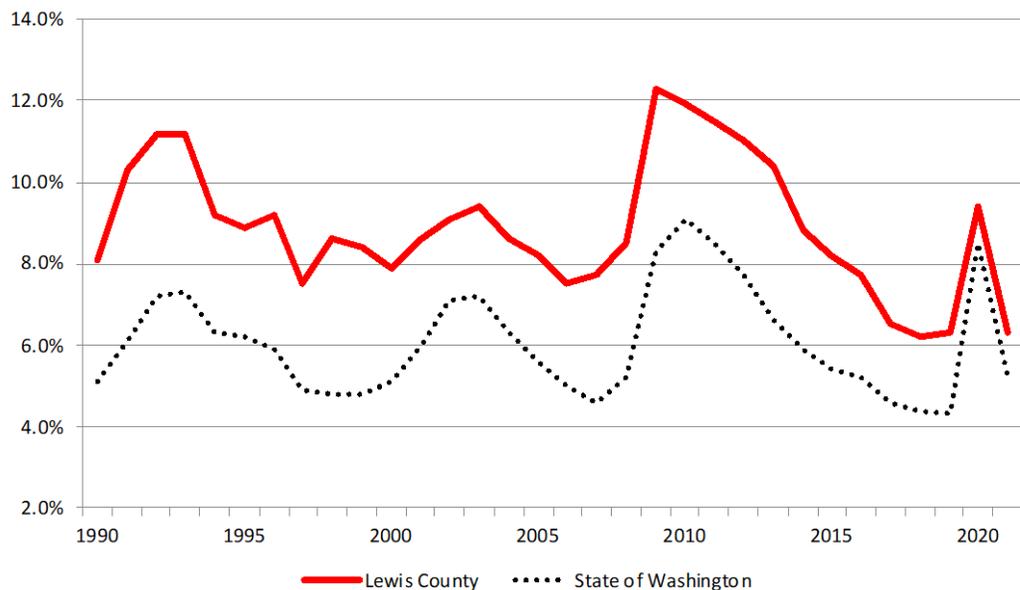
The Port responded to this success with a second industrial park. On land formerly used as a cow pasture, Park 2 opened in 2003. Given its desirable location and business-friendly cooperation from the community, nine businesses located to Park 2.

Park 3 will have commercial tenants. They may include stores, restaurants, professional service businesses, offices, lodging, and some light industrial businesses mixed throughout the site. In 2019 the Port announced that a WinCo supermarket will be the first tenant of Park 3.

Purpose is to Create Good Paying Local Jobs

The Port of Centralia developed industrial parks to create local jobs in sectors that pay above average wages. The need for more jobs was important because Lewis County has had persistently higher unemployment than the state (Figure 1). Before 2016, Lewis County’s unemployment rate had been two to three percent higher than Washington’s. Recently, in part because of new jobs at the industrial parks, the gap has narrowed.

Figure 1: Annual Unemployment Rate in Lewis County and the State of Washington, 1990 – 2021



Source: U.S. Bureau of Labor Statistics accessed July 26, 2022.

Importantly, businesses in the industrial parks are primarily manufacturers or wholesalers and in 2021 they paid substantially higher wages than other Lewis County sectors (Table 2). Manufacturing and warehousing sectors have the added value of bringing dollars into Lewis County from outside the local economy. So, they are more stimulative compared to retail and most service sector jobs that rely on recycling local dollars.

Table 2: Average Private Sector Wage in Lewis County, 2021

Sector	Average Wage
Manufacturing	\$67,093
Wholesale	58,337
Retail	39,250
All Other	49,791

Source: U.S. Bureau of Labor Statistics preliminary data for 2021.

Analysis

In this analysis, ECONorthwest measured economic impacts starting with what would occur at the industrial parks. They are called direct impacts. There are several types. The IMPLAN model predicts how those direct impact will affect other businesses and people in the local economy of Lewis and Thurston counties. This analysis also estimates how much electricity industrial park businesses will consume in 2023.

Economic Impact Terminology

The terminology used in impact studies can be confusing. The following definitions help clarify the meanings of key words. In this report, ECONorthwest presents important economic impacts by three major dimensions:

Output is roughly the value of production done by a business. For stores and wholesalers, output is the value of what they sell minus what they paid others for the products they sold. For nearly all other industries, output is about the same their sales.

Labor income is worker compensation (wages, salaries, and self-employment earnings) plus benefits such as employer paid health insurance, holiday pay, and 401-K contributions

Jobs are measured as full-year-equivalents (FYE). It can be full-time or part-time, seasonal, or permanent; IMPLAN counts the jobs of both payroll employees and the self-employed. About 21 percent of all job holders in Lewis County are self-employed.¹

Economic impacts are also divided by who and where in the economy they occur. There are three types:

Direct impacts are, as the name implies, the jobs, output, and labor income at businesses located in the Port's industrial parks.

Indirect impacts are those caused from business-to-business spending. Indirect impacts begin with industrial park business spending at firms elsewhere in Lewis and Thurston counties. Any subsequent effects from that spending also results in indirect impacts.

¹ 2020 data from the Bureau of Economic Analysis at <https://apps.bea.gov>

Induced impacts arise from employee-to-business spending. Induced impacts start with the pay earned by industrial park workers that is spent in the local counties. Other workers whose pay increases as a result also cause induced impacts so long as they spend their income in Lewis and Thurston counties.

Impacts Multiply

Direct impacts stimulate business and employment outside the direct area, which in this report are the industrial park businesses. Affected businesses and workers also spend more money as a result, causing greater impacts. The result is that impacts multiply. Gradually impacts diminish as some spending is taxed, saved, or spent outside the local economy.

IMPLAN models account for all the spending and job impacts as they ripple throughout the local economy and gradually diminish.

IMPLAN models measure impact for single years. For this report, the impact analysis was done for 2023.

List of Tenants

Table 3 is a list of the 34 companies the Port expects will operate in 2023. Their building will occupy 3,318,700 square feet.

Table 3: Port of Centralia Industrial Park List of Businesses by Industry and Square Footage, 2023 Estimate

Location/Company	Business Activity	Square Feet
Park 1:		
4Legz LLC	Pet food manufacturing	3,400
Acrow Bridge / Milton Steel	Wholesale - Machinery, equipment, and supplies	3,000
Anderson Precision Machine	Turned metal product manufacturing	5,400
Blanc Display Group	Services related to advertising	1,000
Blue Rhino / Ferrellgas	Propane dealer	15,000
Cascade Mental Health	Outpatient services	43,000
CenturyLink	Wired telecommunications carrier	4,200
Dick's Brewing Company	Brewery	15,000
Fagemess Law Office	Offices of lawyers	1,200
Furgerson Schmidt	Nondurable goods merchant wholesaler	100,000
Gorham Printing	Commercial printing	7,500
Inland Environmental Resources	Nondurable goods merchant wholesaler	7,000
Linden Comansa America LLC	Equipment rental and leasing	13,000
Musket	Chemical and allied products wholesaler	20,000
Plastic Services and Products	Plastics pipe and pipe fitting manufacturing	35,000
Price Container	Nondurable goods merchant wholesaler	30,000
Puget Sound & Pacific Railroad	Management of companies and enterprises	3,000
Reichert's Meat Distributing	Meat processor and distributor	10,000
Rogers Machinery	Air and gas compressor manufacturing	110,000
UNFI	General warehousing and storage	1,300,000
US Post Service	US Post office	10,000
ViaSat, Inc / Wild Blue	Wholesale electronic goods	5,000
Whodat Towers, LLC	Boat building	9,000
Zev Technologies	Small arms, ordnance, and accessories manufacturing	63,000
Park 1 Subtotal		1,813,700
Park 2:		
Brazel's RV Performance Center	Repair and maintenance	20,000
Lineage Logistics	General warehousing and storage	160,000
Lowe's Flatbed Distribution Center	Durable goods merchant wholesaler	200,000
Michaels Distribution Center	General warehousing and storage	680,000
Scot Industries	Fabricated pipe and pipe fitting manufacturing	76,000
Sierra Pacific Industries	Sawmills	80,000
STIHL NW	Wholesale - Machinery, equipment, and supplies	100,000
The Truss Co	Truss manufacturing	85,000
Walmart Logistic Center	General warehousing and storage	20,000
Park 2 Subtotal		1,421,000
Park 3:		
WinCo Foods	Retail - Food and beverage stores	84,000
Park 3 Subtotal		84,000
Grand Total		3,318,700

Direct Economic Impacts

Table 4 summarizes ECONorthwest’s forecast of the direct economic impacts at the three industrial parks in 2023. We expect they will employ 2,345 people or about eight- percent of the payroll employees working in Lewis County. Sales revenues will be over \$840 million and economic output over \$595 million. Total wages, salaries, and benefits (labor income) will be about \$136 million or \$58,021 per job.

Table 4: Forecast Direct Impacts of Industrial Park Tenants, 2023

Direct Impact	
Jobs	2,345
Sales (MN \$)	\$840.9
Economic output (MN \$)	\$595.6
Labor income (MN \$)	\$136.1

Note: Individual business data not shown due to confidentiality concerns.

Direct State and Local Tax Forecast

ECONorthwest extracted 2022 tax data from the Lewis County Assessor for parcels in the industrial parks. The data include both real estate and personal property (typically business equipment).

As private entities leasing public land, those tenants paying rent to the Port do not pay real property taxes directly to Lewis County. The State of Washington imposes a leasehold excise tax on the use of public property by private parties. This tax is in lieu of the property tax. We estimate they will pay \$116,293 in leasehold excise taxes in 2023.

ECONorthwest estimated other taxes because private firm data are confidential and industrial park totals were unavailable. The estimates were made by using the 2017 (most recent) Washington Department of Revenue’s business activity tax return totals by industry and the U.S. Census of output by industries in Washington. A ratio of taxes to output was calculated. Multiplying those ratios by the estimated output of individual businesses in the industrial parks yielded tax estimates.

Table 5 is a summary of state and local taxes. We forecast the businesses will pay approximately \$8.89 million in taxes on real estate and personal business property. They will pay about \$3.98 million in B&O tax, \$2.78 million in state sales tax, and \$0.81 million in local sales and use taxes. Businesses will pay \$457,792 in City utility taxes. Total direct state and local taxes forecast for 2023 is \$18.8 million. Not included are taxes that may be paid for new construction.

Table 5: Forecast of 2023 Taxes Paid by Businesses Located at Port of Centralia Park 1, Park 2, and Park 3

Category	2023 Tax Forecast
Real and Personal Property Tax:	
State school levies	\$2,238,808
Lewis County roads	701,559
Centralia School Dist., general	1,208,269
Centralia School Dist., bond	1,101,529
Lewis County general levy	1,012,285
City of Centralia	233,729
Regional Fire Auth., general	1,113,714
Regional Fire Auth., EMS	429,521
Centralia Port Dist., general	299,847
Centralia Port Dist., IDD #3	299,685
Timberland Library	247,401
Property tax subtotal	\$8,886,347
Other Taxes:	
State sales taxes	\$2,775,672
Local sales and use taxes	807,819
State quantity taxes	884,049
Utility taxes	457,792
State use taxes	313,046
Leasehold tax	116,293
B&O taxes	3,980,564
Other taxes	578,935
Other taxes subtotal	\$9,914,169
Total direct state & local taxes	\$18,800,517

Sources: Lewis County Assessor's Office, the Washington Department of Revenue Detailed Tax Data by Industry and Tax Classification report, and the ECONorthwest IMPLAN analysis.

Total Economic Impacts

ECONorthwest forecast total 2023 economic impacts on Lewis and Thurston counties arising from the industrial parks. The results are summarized on Table 6. In addition to the previously report direct impacts (Table 4) industrial park businesses will indirectly support another 1,263 jobs and spending by workers will induce the employment of another 1,039 jobs elsewhere in Lewis and Thurston counties. The total jobs impact is 4,647.

Table 6: Total Local Economic Impacts, 2023

2023 Economic Impacts	Direct	Indirect	Induced	Total
Jobs	2,345	1,263	1,039	4,647
Economic output (MN \$)	\$595.58	\$215.14	\$160.94	\$971.65
Labor income (MN \$)	136.06	72.49	51.00	259.56
State & local taxes, fees (MN \$)	18.79	4.49	4.45	27.73

Sources: ECONorthwest, the 2019 IMPLAN model, and adjustment for inflation by ECONorthwest.

We forecast the industrial parks will have a total economic impact of \$259.56 million in labor income—nearly double the labor income earned by jobholders at the industrial parks themselves. In total, the parks will support \$971.65 million in local economic output.

2023 Electricity Consumption Forecast

ECONorthwest reached out to Centralia’s Finance Director and to Centralia City Light asking for data on the sales of electric energy to the industrial parks. Neither was able to provide data. In the absence of such data, ECONorthwest estimated consumption for 2023 (Table 7) using secondary sources.

Table 7: Estimate Electricity Consumption by Industrial Park Businesses in 2023

Industrial Park	MWh	
	Electricity Used	Total MW 2023
1	34,426	3.94
2	25,645	2.93
3	3,713	0.42
Total	63,784	7.29

Sources: U.S. Department of Energy surveys of electricity consumption per square foot of commercial buildings (<https://www.eia.gov/consumption/commercial/data>) and manufacturer structures (<https://www.eia.gov/consumption/manufacturing>),

Based on the building areas, types of uses, and national averages, ECONorthwest estimates businesses in the industrial parks will use 63,784 MWhs of electricity during the year. Importantly, some of the electricity could be from sources other than Centralia City Light and electricity use may differ based on local structures, intensity of use, and local conditions.

Based on information from some tenants and current rates, ECONorthwest estimates Centralia City Light revenues from industrial park businesses will be approximately \$5.3 million in 2023.

2023 Utility Taxes

The City of Centralia’s adopted budget for 2021 – 2022 notes that utility taxes are the largest revenue source for the city general fund. The tax rate on electricity is 6 percent. We estimate the industrial park tenants will pay about \$321,000 in electric utility taxes in 2023.

According to the City budget, the utility tax rates on other services are “6% on natural gas, 6% on network telephone services, 8% (3% net) on cable, 10% on water services, 14% on sewer services and 10% on storm and surface water services. not include other revenues nor the city’s 6 percent utility tax.” Using the state level tax data and the information available to ECONorthwest, we estimate the taxes on those other service for industrial park tenants will amount to \$136,887 in 2023. Total utility taxes will be about \$457,000.