

**ORANGE COUNTY
BOARD OF COMMISSIONERS**

ACTION AGENDA ITEM ABSTRACT

Meeting Date: September 1, 2009

Action Agenda

Item No. 7-9

SUBJECT: Update of Activities on Orange County Economic Development Efforts

DEPARTMENT: Economic Development

PUBLIC HEARING: (Y/N)

No

ATTACHMENT(S):

Hospital Information

INFORMATION CONTACT:

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PURPOSE: To provide the BOCC with an update of activities on Orange County economic development efforts including: the development of a Solar Cluster; the partnership with the Chapel Hill-Carrboro Chamber of Commerce promoting the Buy Local program; discussions with Buckhorn Partners, LLC on designing a state certified business park at the Buckhorn EDD; and discussions with the Town of Hillsborough regarding the incubator development along the US 70/Cornelius Street Corridor and the proposed UNC hospital systems new facility in Waterstone Village.

BACKGROUND: Discussion will focus on information as presented at the May 5, 2009 Board of County Commissioners meeting, the Economic Development Commission's strategy and vision for the development of a solar cluster in Orange County. One component of this vision included the very real possibility of a solar .5 MW solar array on a closed portion of the Orange County landfill. This potential installation would serve several purposes:

- It would be a reference project to showcase the application of solar technologies;
- It would allow the county to obtain a small revenue from an underutilized public asset;
- It would be a visual confirmation of Orange County's acceptance of renewable energy;
- It would provide market demand for local solar companies; and
- It would allow the County to tap two renewable energy sources from the county landfill (methane and solar) which to our knowledge, has not yet been done in the state of North Carolina.

At this point it is requested that the BOCC authorize staff to initiate a Request for Proposals (RFP) process for a solar installation at the County landfill. The RFP would be presented to the Board before it is issued. Additionally the BOCC will be update on discussions with NCDOT regarding a solar highway in Orange County, local solar activities for farmers, and solar outreach and education for local businesses. The Economic Development Department's business attraction efforts of Solar companies will also be presented.

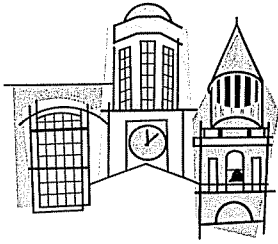
The EDC has been a strong supporter in the County's buy local program. New posters and in store materials will be presented to the BOCC which acknowledges continued support of the effort.

Meetings have been held with officials from the State Department of Commerce, local officials and the principals of the Buckhorn Partners, LLC to discuss the feasibility, standards and conceptual understanding for consideration to build a North Carolina State Certified technology park in the Buckhorn EDD.

Meetings have also occurred with Town of Hillsborough Planning Director Margaret Hauth to discuss the implementation of a collaboration/class project for the Fall semester to develop a retail incubator proposal for the US Highway 70 business corridor in Hillsborough under the tutelage of Associate Professor Meenu Tewari with the Department of City and Regional Planning, at the University of North Carolina at Chapel Hill.

FINANCIAL IMPACT: None

RECOMMENDATION(S): The Interim County Manager recommends that the Board receive the report.



ORANGE COUNTY

Economic Development
Commission

It seems wherever you turn, there are signs of a remarkable surge in hospital construction. Here in the Raleigh/Durham region according to the Triangle Business Journal (1/25/09) there is phenomenal growth in hospital construction. As of January 2009 there has been over 1.5 billion dollars of construction proposed or currently underway in hospital construction in the triangle. Most experts agree that this will in fact change the look of area health care and shift market share in unpredictable ways.

At this point in time it is very difficult for me to quantify the actual impacts of constructing and servicing a 68-bed, \$227 million hospital in Hillsborough. It's my opinion that the UNC health care system submitted some impact numbers in their application to build the facility, to the state's Division of Health Service Regulation's Certificate of Need Section, but how significant an effort in determining the economic impacts remain to be seen and what gets released to the public should be forthcoming.

What we would hope to find is a study using input-output models that determine economic multiplier effects developed by the United States Department of Commerce's Bureau of Economic Analysis, the output multiplier considers the "ripple" effect of direct hospital expenditures on other sectors of the economy, such as medical supplies, durable medical equipment and pharmaceuticals. Economic multipliers are used to model the resulting impact of a change in one industry on the "circular flow" of spending within an economy as a whole.

Even if the affects are yet to be determined there are many objective conclusions that can be drawn in building hospitals. I believe these basic principles would be relevant to this situation:

- Health care attracts external dollars
 - In this case health care will attract external dollars into the community from

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outside the local area, probably Alamance and Chatham County's.

- The UNC medical center and health care employees are purchasers of local goods and services
 - keeps local dollars at home
 - will have multiplier effects

- Identifies & addresses supply-demand gaps
 - Are there health services that can be provided locally where people are currently leaving the community?
- A factor to business recruitment & retention
 - attracts & retains local industries & companies
 - promotes a healthy and productive workforce
 - Attracts services and amenities such as hotels/restaurants Provide goods and services locally for consumers and business
 - Provides goods and services locally for consumers and businesses expenditures

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In searching the internet looking for newly constructed medical facilities (2004 to present) and have found study's that surmise the following:

...Cincinnati Children's Hospital Medical Center every dollar they spend on patient care, research and education generates an additional \$1.25 throughout the Cincinnati region in jobs, tax revenues and other economic benefits. They are attracting more than \$328 million in grants and visitor spending each year.

.... University of Connecticut Health Center study showed the economic benefits of building a large public teaching hospital could generate as many as 18,000 new jobs, for the region.

... University of Iowa Hospital and Clinics generates 7,464 jobs that add \$370,913,481 to Johnson County's economy, according to the latest study by the Iowa Hospital Association.

.... Brookhaven Memorial Hospital Medical Center in East Patchogue, New York the facility had an estimated total annual economic impact of \$396,116,000. The hospital supported 2,970 jobs, which paid \$16,138,000 in state and local personal income and sales taxes. Brookhaven Memorial Hospital employs 1,546 FTE's, with a total payroll of \$111,859,000

...Economic activities of Marshall County, KY hospital & its employees created, 319 local jobs, 17.4 million in local revenues, 9.2 million dollars in labor income, 11 million in valued added in Marshall County as a result 4.3 percent of the local jobs in Marshall County are dependent upon Marshall County hospital

...., McDuffie Regional Medical Center in McDuffie County, Georgia generated more than \$42 million in revenue for the local economy. Sustaining more than 363 full-time jobs throughout McDuffie County and the rest of the state. They had direct expenditures to the county of more than \$17 million in 2006. When combined with the an economic multiplier developed by the United States Department of Commerce's Bureau of Economic Analysis, the total economic impact of those expenditures was more \$42 million.

... And a final example, in this case from Davidson County, North Carolina and economic impact study that was done buy UNC-Greensboro found that the Thomasville Medical Center a 149-bed private, not-for-profit hospital in Thomasville, had a fiscal impact to the county of 78.86 million dollars a year.

Obviously it's impossible to equate these projects with the proposed Hillsborough facility but the facts remain that this hospital's payroll expenditures will serve the community as important economic stimulus, creating and supporting jobs throughout local and regional economy. The dollars earned by the UNC medical facility employees will be spent on groceries, clothing, mortgage payments, rent, etc., generating a significant sum as seen in other localities. The remaining 245 acres of Waterstone Village and Hillsborough area will support additional commerce such as physician offices, pharmacies, nursing homes, equipment suppliers, restaurants, motels and florists". The UNC Hospital will of course spend a significant sum on the goods and services it needs to provide health care -- for example, medical supplies, electricity for its buildings, and food for patients.

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One final note there are some health care analysts that would argue that the cost impact' studies the hospitals are doing do not take into account the 'lost opportunity cost' of employers paying more and more and more for health insurance (which provides the reimbursements revenue streams) that the hospitals are using to do this building and expanding. ... Reducing this to its simplest terms some feel dollars be more productive if left in the hands of local businesses, i.e. in wage increases to their employees instead of increased premiums. Leading to the question would the dollars be more productive spent by employees in local stores, instead of in the hospitals because of their higher deductible plans? ... thus leading to the chicken or the egg question of which expenditure has a better return on investment for economic development?"