

Estimating AUCU Forecaster Impact



Linked [here](#) is the forecaster as of 10/22/2021.

Initial lower-end estimates peg the economic value-add (savings and earnings for the City of Miami and its business community) of this forecaster at no less than \$305,000 yearly (2021 Dollars). The following is a breakdown of how this amount was determined.

Points of possible impact:

1. **Business Planning:** guiding the timeline for business owners, preventing costly mistakes or early business failure.
2. **Application Fee Revenue:** preventing emerging business from applying prematurely, bolstering confidence in application process & fees.
3. **Expectation Management:** giving applicants realistic expectations of the licensing process, smoothing the workflow for the zoning department.
4. **Tax Revenue:** reducing rates of business failure, preserving long-term enterprise, bolstering tax revenue.
5. **Business – Neighborhood Affinity:** towards an online tool to help businesses choose locations where they are more likely to succeed and where the need for their services is greatest. Fostering business activity that maximizes long-term value for community and residents.

Estimating Economic / Monetary Impacts:

Each estimate below assumes:

- A yearly emergence rate of 2,000 business license applicants, which is typical for a year in Miami.
- That at least 1% of applicants (20 yearly) will be directly affected by using the AUCU forecaster.

1] Business Planning.

Per conversations with Miami's Zoning Department, if a business is shut down because of a license violation or discrepancy, it is not unusual for such a business to lose \$10,000 in an afternoon. \$10,000 will be used as a minimum loss for calculating this savings point.

$$\begin{aligned} &\$10,000 \text{ per shutdown} \times 20 \text{ applicants affected yearly (violations prevented)} \\ &= \text{minimum } \$200,000 \text{ saved yearly} \end{aligned}$$

2] Application Fee Revenue.

A typical business license application levies a fee to the applicant of around \$1,000, depending on application type. Fee amounts can be seen in the [eStart application portal](#), throughout the process of filling out a business license application. Miami Zoning uses these fees to support fire and building safety inspections, building permitting processes, and local health / environmental inspections, among other things. If emerging entities are unprepared for the logistics of this upstart process, and fold before applying for a license, that revenue is lost to the City and those necessary safety activities.

$$\begin{aligned} & \$1,000 \text{ application fee} \times 20 \text{ applicants affected yearly (early business failure prevented)} \\ & = \text{minimum } \$20,000 \text{ saved yearly} \end{aligned}$$

3] Expectation Management.

This savings point involves using the forecaster to align applicants' expectations with the reality of the business licensing process and requirements, helping to avoid radical timeline mistakes, information transmission mistakes, or other delays in the process. The City of Miami's Zoning Department budget for FY2021 was [about \\$4.459 million](#). The zoning department has [8 main functions](#), one of which is business licensing. So assuming that one-eighth of the zoning department's resources and man-hours are devoted to business licensing:

$$\begin{aligned} & \$4.459 \text{ million Zoning Dept. Budget} \times \frac{1}{8} \text{ of zoning resources devoted to business licensing} \\ & \times 1\% \text{ of business licensing applicants positively affected} \approx \$5,500 \text{ saved yearly} \end{aligned}$$

4] Tax Revenue.

Each business prevented from failing pays taxes to the City of Miami yearly, contributing to all vital municipal functions, from youth education to sewage maintenance to community development projects. Miami received [\\$117.6 million from franchise and business tax revenue in FY2021](#). Given that there are approximately 30,000 business in Miami, and 20 of those businesses are newly emerging businesses that may be prevented from failing early *by using the forecaster*, we can calculate that:

$$\begin{aligned} & \$117.6 \text{ million tax revenue from enterprises} \times \frac{20 \text{ businesses affected by forecaster}}{30,000 \text{ total businesses in Miami}} \\ & \approx \$80,000 \text{ saved yearly} \end{aligned}$$

5] Business – Neighborhood Affinity.

Though this analysis will continue on after section 5 to sum the monetary impacts calculated above, I would like to note here some important human impacts –perhaps the most important impacts, which are often intangible and not easily quantifiable without longitudinal econometric studies. As the business licensing forecaster prevents businesses from failing and smooths the transition from entity concept to opening day for Miami’s entrepreneurs and zoning department, each business enabled to flourish will improve the well-being of residents in their communities. Below are just some such benefits residents would enjoy in the long-run as a result:

- Reduced storefront vacancy
- Reduced crime
- Improved neighborhood residency rates
- Improved neighborhood social capital
- Improved youth educational outcomes
- Improved employment opportunities
- Reduced prison recidivism

Reading that, it feels as if quantified monetary gains from these effects alone would probably be far greater than the effects quantified in sections 1-4. Not to mention the unquantifiable effect upon human lifetime satisfaction for residents of Miami.

It is the goal of Miami’s Zoning Department, and Department of Innovation & Technology (DoIT), to evolve the business license forecaster further, into an online tool that can use city data to forecast, for entrepreneurs (users), which neighborhoods their businesses are most likely to survive & thrive in (viability), and which neighborhoods will have the greatest demand for their business (need). A “business – neighborhood affinity forecaster”, so to speak, to even further improve the rates of businesses opening and enduring.

In Summary:

\$200,000	<i>saved yearly in the business planning phase</i>
\$20,000	<i>application fee revenue saved yearly</i>
\$5,500	<i>saved smoothing cooperation with zoning dept.’s process (managing expectations)</i>
+	<i>\$80,000 yearly recuperated tax revenue from surviving businesses</i>
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\$305,000	saved yearly by the business licensing forecaster