

## ***DRAFT MEMORANDUM***

To: Scott Athearn  
From: Darin Smith and Paige Peltzer  
Subject: Fiscal and Economic Impact Analysis of Lincoln Landing;  
EPS# 161130  
Date: September 12, 2016

*The Economics of Land Use*



Dollinger Properties has retained Economic & Planning Systems, Inc. (EPS) to prepare a Fiscal and Economic Analysis of the Lincoln Landing Development project ("Project"). The Project is proposed to be a residential mixed-use development with 476 apartments and 80,500 square feet of retail at the site of the former Mervyn's Headquarters building in the City of Hayward ("City"). The analysis estimates:

- The Project's construction and onsite employment generation.
- Future Project resident retail demand and the Project's impact on retail sales in the City.
- Retail leakage for the City of Hayward and demand for the Project's potential retail tenants.
- Future municipal revenues to the City that the Project would generate at buildout.
- Future municipal costs to the City that the Project would generate at buildout.
- The Project's net fiscal impact on the City's General Fund.
- One-time development impact fees that the Project will generate.

All estimated revenues, retail sales, and employment estimates are at Project buildout. All dollar amounts are in constant 2016 dollars, unless noted otherwise. **Table 1** below highlights some key findings of the analysis.

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**Table 1 Summary of Project Impacts**

Impact	Amount	Duration of Impact
Annual Retail Sales in Hayward (1)	\$40,659,125	Annual, ongoing
Annual General Fund Revenues	\$1,048,000	Annual, ongoing
Annual General Fund Costs	\$703,000	Annual, ongoing
Net Annual General Fund Impact	\$345,000	Annual, ongoing
Development Fees (2)	\$14,250,760	One-time, near-term
Construction Employment (3)	1,182	One-time, near-term
Permanent Employment (3)	349	Annual, ongoing

[1] Includes approx. \$11.5 million from spending by Project residents and approximately \$29 million onsite retail sales, net of resident spending.

[2] Includes processing & impact fees to be paid by Dollinger Properties to the City/other agencies in 2016-2017.

[3] Includes direct, indirect, and induced employment as represented in job years.

Source: Economic and Planning Systems, Inc.

## Summary of Findings

- The Project will enhance the success of downtown Hayward revitalization efforts by increasing the base-level of downtown resident spending potential (demand) by roughly \$16 million, of which \$12 million is expected to be captured in Hayward. Onsite Project retail will generate an additional \$29 million of retail sales in downtown Hayward.***

The project will add 452 middle-income households with an average annual household income of roughly \$100,000.<sup>1</sup> Expenditures by these households will increase retail sales in the City by approximately \$16 million annually, of which downtown is likely to capture a significant portion because of the Project's location. After adjusting for spending by Project residents, onsite Project retail is estimated to generate a net addition of \$29 million in City retail sales, for a total of roughly \$41 million in net new retail sales in the City.<sup>2</sup>

- The Project will generate about \$14 million in development processing and impact fee revenues to fund capital improvements and service departments impacted by the Project.***

The project will generate approximately \$14 million in City and other agencies' fee revenues for development services and infrastructure improvements. While these revenues are offset

<sup>1</sup> Based on a vacancy rate of 5%, the project's 476 units would generate 452 households (occupied units).

<sup>2</sup> This analysis assumes that the Project's retail store will be in a retail category or categories that are currently underserved in Hayward as determined in the ESRI Community Analyst Leakage Report for the City of Hayward (see **Table 5**). Therefore, no displacement of sales from other existing retailers is assumed.

by City and agency expenditures to provide specific development services and infrastructure, they provide revenues that help maintain jobs and implement the capital spending programs to maintain desired levels of public sector service.

**Table 2 Estimated Development Processing and Impact Fees**

Type of Fees	Total
Park In-Lieu Fee	\$4,604,348
Hayward Unified School District Fees	\$1,585,080
Building Permit Fees	\$39,142
City of Hayward Utility Fees	\$3,268,375
East Bay Municipal Utility District Fees	<u>\$4,753,815</u>
<b>Total Fees</b>	<b>\$14,250,760</b>

Sources: Hayward Master Fee Schedule 2017; Hayward Municipal Code; Hayward Unified School District; East Bay Municipal Utilities District Schedule of Rates and Charges 2016; Economic and Planning systems, Inc.

**3. The Project will generate significant ongoing discretionary revenues for the City in the near-term as well as the long term, and have a net positive impact on the City's General Fund.**

After full buildout and attaining stable operations, the Project is estimated to have a net positive impact of about **\$345,000 annually** on the City's General Fund, as summarized in **Table 3**. Roughly 30 percent of generated revenues will be from increased sales tax because of the substantial increase in the amount of retail offered following Project development. Property Tax, Property Tax in-Lieu of Vehicle License Fees, Property Transfer Tax, and Emergency Tax round out the top five revenue sources which together account for 77 percent of total estimated annual General Fund revenues. Total fiscal revenues from the Project are estimated at over \$1 million annually.

Though the Project's employees and residents will increase demand for City services, producing an estimated annual cost of \$703,000, the amount of revenues generated by Project development will more than offset these expenditures.

**Table 3 Summary of Project's Net Impact on City's General Fund**

Item	Annual Fiscal Impact <i>Rounded</i>
<u>General Fund Revenues</u>	
Property Tax	\$291,000
Property Tax In Lieu of VLF	\$135,000
Property Transfer Tax	\$46,000
Sales Tax	\$319,000
Emergency Tax	\$18,000
<u>Other GF Revenues</u>	<u>\$239,000</u>
<b>Total Revenues</b>	<b>\$1,048,000</b>
<u>General Fund Expenditures</u>	
General Government	\$4,000
City Administration	\$9,000
Fire	\$221,000
Library & Community Services	\$19,000
Maintenance Services	\$23,000
Police	\$414,000
Public Works	\$13,000
<u>Utilities &amp; Environmental Services</u>	<u>\$200</u>
<b>Total Expenditures</b>	<b>\$703,000</b>
<b>Net Impact on General Fund</b>	<b>\$345,000</b>

Source: Economic and Planning Systems, Inc.

**4. The Project will create a significant number of jobs in the City and the downtown area in particular.**

Site development and construction of the Project will bring about 656 on-site construction-related job-years with average annual pay of \$73,156 per year to Hayward.<sup>3</sup> Construction spending will bring 350 indirect jobs and 175 induced jobs for a total of 1,182 construction-related jobs to the City for the duration of the Project's construction. In the long-term, operations of the residential development and on-site retail operations are projected to create about 277 direct jobs, 36 indirect, and 36 induced for an annual total of 349 jobs as shown in **Table 4** below. *Direct employment* represents the jobs supported by the construction of the development and jobs created by on-site spending. *Indirect* jobs results from jobs created by industry-to-industry spending by direct employees such as the suppliers of raw materials needed for construction. *Induced* jobs consist of jobs that support employee

<sup>3</sup> "Job-years" is a measure of the total employment generated over the entire construction period, where one job-year represents one job held over one calendar year. Average earnings estimate from the 2014 IMPLAN analysis for the City of Hayward.

and resident spending in the regional economy such as grocery stores and suppliers of household goods or day to day services. More specifically, the employees of directly and indirectly affected businesses generate spending that supports induced jobs in the area.

**Table 4 Estimated Construction and Permanent Jobs**

Job Type	Short-term Construction Jobs (1)	Permanent Jobs (2)
Direct Jobs	656	277
Indirect Jobs	350	36
Induced Jobs	<u>175</u>	<u>36</u>
<b>Total</b>	<b>1,182</b>	<b>349</b>

[1] Total construction cost of \$150,000,000 was provided by Dollinger Properties. This amount was divided into residential and commercial costs pro rata by total SF of each land use. Construction costs by land use were inputted into IMPLAN to estimate direct, indirect, and induced construction jobs.

[2] EPS estimated direct employment by land use type and inputted those estimates into IMPLAN in order to estimate indirect and induced job years.

Source: Dollinger Properties; IMPLAN 2014; Economic and Planning Systems, Inc.

## Analysis and Methodology

### Project Impact on City Retail Sales

#### *New Retail Sales based on Project Households' Retail Expenditures*

The analysis estimates retail expenditures of future residents in the Project by type of retail category and the portion of expenditures that will be captured in the City (that is, generate sales in the City's retail establishments). Data for the analysis is based on estimated Project resident incomes, household spending patterns, and retail demand and supply conditions in the City.

The retail expenditures of future residents were analyzed by:

- Estimating the total income of new households based on the average projected apartment rent. The analysis assumes that rental expenses comprise 30 percent of household incomes.
- Evaluating Consumer Expenditure Survey data from the Bureau of Labor Statistics which reports the proportion of income spent on various household goods and services, by income group.
- Translating BLS data on household expenditures into retail store categories by NAICS code.<sup>4</sup>

<sup>4</sup> The North American Industry Classification System (NAICS) classifies retail stores into 12 categories. Although not classified under retail trade, Food Services and Drinking Places are typically considered part of retail in retail market analysis.

The result of the analysis is an estimate of the future increase in sales for the City's retail base generated by the Project's new households.

The amount and types of expenditures made by residents is largely dependent on their household income. The household income of future residents is estimated based on housing rent estimates for the Project. According to the Project developer, rent for apartments at the Project is expected to be on average \$2,500 per month, or \$30,000 per year. Based on this rent price, EPS estimated average future household income to be \$100,000. As shown in **Table 5**, on average, Project households are expected to spend \$34,846 per year or 34.8 percent of their incomes on retail goods and services. In all, Project households are projected to spend a total of \$15.8 million annually on retail purchases in and beyond the City.

**Table 5** also shows the distribution of projected retail expenditures by type of retail category for the total \$15 million of household retail expenditures. Motor vehicles and parts; general merchandise stores; food and beverage stores; and food services and drinking places comprise the top four retail categories, accounting for about 59 percent of total retail expenditures.

This analysis assumes that the City's retail businesses will capture about 74 percent of the Project's household retail demand.<sup>5</sup> Given projected retail demand of \$15 million annually, a 74 percent capture rate would generate approximately \$11.7 million of new annual retail sales in the City, as shown in **Table 5**. Of this amount, roughly \$10.7 million is assumed to be taxable and thus yields sales tax revenues to the City of Hayward.

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<sup>5</sup> An IMPLAN analysis for Hayward indicates that City retail businesses captured roughly 74 percent of the household spending potential within the City in 2016.

**Table 5 Average Household Retail Expenditures by Category**

<b>Retail Category</b>	<b>Average Retail Expenditures per HH</b>	<b>% of Income</b>	<b>Annual Retail Expenditures</b>	<b>Percent of Total</b>
<b>Assumptions</b>				
<i>Weighted Average Household Income</i>	\$100,000			
<i>No. of Households by Income Category</i>	452			
<b>Taxable Retail Category (1)</b>				
Motor Vehicle and Parts Dealers	\$7,022	7.0%	\$3,175,332	20.2%
Furniture and Home Furnishings Stores	\$764	0.8%	\$345,283	2.2%
Electronics and Appliance Stores	\$2,664	2.7%	\$1,204,650	7.6%
Food and Beverage Stores (2)	\$2,750	2.8%	\$1,243,550	7.9%
Health and Personal Care Stores	\$3,585	3.6%	\$1,621,090	10.3%
Gasoline Stations	\$3,316	3.3%	\$1,499,532	9.5%
Clothing and Clothing Accessories Stores	\$2,406	2.4%	\$1,088,140	6.9%
Sporting Goods, Hobby, Book, & Music Stores	\$1,431	1.4%	\$647,310	4.1%
General Merchandise Stores	\$4,026	4.0%	\$1,820,578	11.6%
Miscellaneous Store Retailers (3)	\$63	0.1%	\$28,270	0.2%
Food Services and Drinking Places	\$4,069	4.1%	\$1,840,221	11.7%
<b>Subtotal, Taxable Retail Goods</b>	<b>\$32,096</b>	<b>32.1%</b>	<b>\$14,513,956</b>	<b>92.1%</b>
<b>Selected Non-Taxable</b>				
Food and Beverage Stores (2)	\$2,750	2.8%	\$1,243,550	7.9%
<b>Total Annual Retail Expenditures</b>	<b>\$34,846</b>	<b>34.8%</b>	<b>\$15,757,506</b>	<b>100.0%</b>
<b>Annual Retail Expenditures Captured in Hayward (4)</b>		<b>74%</b>	<b>\$11,679,125</b>	
<b>Annual Taxable Retail Sales Captured in Hayward</b>		<b>74%</b>	<b>\$10,757,433</b>	

[1] Spending on building materials, garden equipment, and supplies assumed to be spending by homeowners, and has been left out of this analysis.

[2] Category includes non-taxable food and taxable grocery-store purchases. Fifty percent assumed to be taxable and 50 percent assumed to be non-taxable.

[3] Includes florists, gifts, novelties, souvenir stores, stationery, and office supplies.

[4] IMPLAN data for Hayward zip codes 94545, 94541, 94542 suggests a citywide capture rate of 75% based on distribution of

Sources: BLS, 2014 Consumer Expenditures Survey; IMPLAN 2014; and Economic and Planning Systems, Inc.

**Onsite Project Retail Sales**

In addition to retail sales in the City that will be generated by the expenditures of the Project’s households, the Project proposes 80,500 square feet of on-site retail which will directly generate additional retail sales in the City. To estimate potential future onsite retail sales, a sales-per-square-foot assumption is applied to the retail space based on size. Since no specific retailers have been identified as tenants for this space, the sales-per-square-foot assumptions are based on an average sales-per-square-foot of a range of potential retail stores, fitting into two categories; anchor and smaller retail stores. As shown in **Table 6**, the 2016 ESRI Community Analyst report identifies several retail store categories for which opportunities for new stores or expansion exist in Hayward. These include stores for home furnishing; food and beverage; clothing; sporting goods, hobby, book, and music; and food and drinking places. These retail types are likely to be attracted to the Project site without affecting existing retailers. For example, the City of Hayward is currently undersupplied with food and beverage stores by roughly \$75 million in sales. This means that consumers often leave the City to make food and beverage purchases, and a new in-town store may help to diminish that sales “leakage”.

**Table 6 Retail Leakage Analysis for the City of Hayward**

<b>Retail Category</b>	<b>Supply Retail Sales</b>	<b>Demand Retail Potential</b>	<b>Excess Supply/ (Deficit)</b>
<b>City of Hayward</b>			
Motor Vehicle and Parts Dealers	\$427,030,692	\$383,008,757	\$44,021,935
Furniture and Home Furnishings Stores	\$56,787,910	\$59,216,569	(\$2,428,659)
Electronics and Appliance Stores	\$101,017,618	\$98,052,317	\$2,965,301
Bldg. Materials & Garden Equip. & Supplies	\$140,860,553	\$85,669,688	\$55,190,865
Food and Beverage Stores	\$276,418,598	\$351,966,400	(\$75,547,802)
Health and Personal Care Stores	\$128,636,646	\$115,827,907	\$12,808,739
Gasoline Stations	\$101,849,372	\$106,238,153	(\$4,388,781)
Clothing and Clothing Accessories Stores	\$93,278,009	\$127,009,436	(\$33,731,427)
Sporting Goods, Hobby, Book, & Music Stores	\$42,800,848	\$53,614,538	(\$10,813,690)
General Merchandise Stores	\$596,563,231	\$281,017,181	\$315,546,050
Miscellaneous Store Retailers	\$117,810,573	\$89,856,310	\$27,954,263
Food Services and Drinking Places	\$171,108,751	\$197,292,868	(\$26,184,117)

Source: ESRI Community Analyst, 2015 retail market place data in 2016 geography.

The 2016 EconSolutions Retail Store Taxable Sales report by HdL provides retail sales data for national chain stores in these retail categories. Based on this report, EPS estimates an average sales-per-square-foot of \$450 for all tenants in the Project including both taxable and non-taxable sales, which would generate annual retail sales of \$36 million on site.

**Total Project Impact on Retail Sales in the City**

Combined with new retail sales in the City generated by resident spending as described earlier, this analysis estimates that the Project will generate a total of \$40.6 million in new retail sales in the City (see **Table 7**). This estimate adjusts for double-counting by discounting 20 percent of on-site sales, which are assumed to be generated by Project residents.



**Table 7 Summary of Projected New Annual Retail Sales in Hayward**

<b>Item</b>	<b>Retail Sales Generated in the City</b>
Retail Spending by Project residents (see Table 5)	\$11,679,125
Onsite Project Retail Sales (1)	
Small Tenant Retail Sq. Ft.	30,500
Annual Small Tenant Retail Sales/Sq. Ft.	<u>\$450</u>
Subtotal	\$13,725,000
Anchor Retail Sq. Ft.	50,000
Annual Anchor Retail Sales/Sq. Ft.	<u>\$450</u>
Subtotal	\$22,500,000
<u>Total Sales</u>	\$36,225,000
Adjustment for onsite retail sales to Project residents (2)	<u>(\$7,245,000)</u>
<b>Total Project Retail Demand/Sales</b>	<b>\$40,659,125</b>

[1] This analysis assumes that the Project will not displace sales at other existing retail stores in the City, as such estimated sales are assumed to be net new to the City.

[2] To avoid double-counting, because onsite retail sales to Project residents are already accounted for in resident spending. This analysis conservatively assumes that 20% of onsite sales are generated by Project residents.

Source: Economic and Planning Systems, Inc.

### **Development Fees**

EPS estimated the total one-time development processing and development impact fees that the Project will pay to the City and other agencies that will serve the Project, including the East Bay Municipal Utility District and Hayward Unified School District.

EPS estimates that the Project will pay approximately \$14 million in selected development processing and impact fees for residential and commercial uses, as shown in **Table 8**.

**Table 8 Estimated Development Processing and Impact Fees**

Description		Allocation Method	Fee per Unit/Sq. Ft.	Total Fee
<b>Park Fee</b>				
Park In-Lieu Fees (1)	476	Per multi-family unit	\$9,673	\$4,604,348
<b>Affordable Housing Fee</b>				
Affordable Housing in-Lieu Fees	No fee for rental residential projects that receive a building permit prior to Dec 31, 2017			
<b>Hayward Unified School District Fees</b>				
School Impact Fee (2)	520,958	Per Sq. Ft. of Habitable Space	\$2.97	\$1,547,245
School Impact Fee	80,500	Per Sq. Ft. of Commercial/Retail	\$0.47	<u>\$37,835</u>
Planning and School Impact Fee Subtotal				\$6,189,428
<b>Building Permit Fees</b>				
Tentative Map	1	This is an initial deposit only.	\$4,000	\$4,000
Building Permit Fee	601,458	\$4,097 for the first 500,000 plus \$6.02 for each additional 1,000	\$4,097	\$4,708
Building Permit Application Review	1	Addition - Multi-Family Dwelling	\$568	\$568
Building Permit Plan check	1	Multi-Family Residential Development	\$319	\$319
Plan Check Fee		80% of building permit fee	80%	\$3,278
Electrical Inspection Fee		15% of building permit fee	15%	\$615
Mechanical Inspection Fee		10% of building permit fee	10%	\$410
Plumbing Inspection Fee		12% of building permit fee	12%	\$492
Energy Code Review Fee		12% of building permit fee	12%	\$492
Technology Fee		3% of building permit fee	3%	\$123
SMIP Fee	\$172,658,182	of residential valuation	0.01%	\$17,266
SMIP Fee	\$32,210,938	of commercial valuation	0.02%	\$6,764
Administrative Fee	1	Applies to all permits	\$109	<u>109</u>
Building Permit Fees Subtotal				\$39,142
<b>Utility Connection Fees</b>				
Sewer Connection Charge	476	Per multi-family unit	\$6,853	\$3,262,028
Sewer Connection Charge (3)		Per gallon of daily capacity required Per Commercial Acre * .8 Runoff Factor (per year)	\$21.51	-
Stormwater System Charge	1.8	Per Apartment Acre * .6 Runoff factor (per year)	\$338	\$500
Stormwater System Charge	12	Per Acre	\$286	\$2,049
Stormwater Treatment Measure Inspection	13.8	Per Acre	\$275	<u>\$3,797</u>
Utility Fees Subtotal				\$3,268,375
<b>East Bay Municipal Utilities District</b>				
Water System Installation Fee (4)	3	Per 4" Service in Unpaved Conditions	\$23,297	\$69,891
Water System Installation Fee	5	Per 2" Service in Unpaved Conditions Per Multi-family Unit, with Separate meters	\$3,468	\$17,340
Water Capacity Charge (5)	476	Calculated on a case by case basis	\$9,750	\$4,641,000
Water Capacity Charge (6)	1	Per 2" Meter for Retail Space		-
Account Establishment Fee	492	Per New or transfer account	\$52	<u>\$25,584</u>
EBMUD Fee Subtotal				\$4,753,815
<b>Total One-time Fee Revenue</b>				<b>\$14,250,760</b>

[1] According to Hayward Municipal Code, Ch. 10, Article 16.

[2] According to Hayward Unified School District website.

[3] Charge not estimated because EPS has insufficient information about the development's daily sewer capacity.

[4] Installation fees according to estimates based on previous EPS analysis of Mervyn site and 2016 EBMUD Schedule D.

[5] System Capacity Charge is cost per service connection in Region 1 according to 2016 EBMUD Schedule J.

[6] Capacity Charges for meters greater than 2" calculated on a case by case basis.

Sources: Hayward Master Fee Schedule 2017; Hayward Municipal Code; Hayward Unified School District; East Bay Municipal Utilities District Schedule of Rates and Charges 2016; Economic and Planning systems, Inc.

### General Fund Revenues

EPS developed a fiscal revenues model based on the City's FY 2016/17 General Fund budget. Specific revenues that would be affected by the Project were identified, and forecasting methodologies were developed. **Tables 9** and **10** provide information on the service population for the city and the estimated additional service population brought by the Project.

**Table 9 City of Hayward Service Population**

Item	Amount	Sources
Housing Units	49,184	DOF 2015
Occupied Households	46,279	DOF 2015
Population	152,889	DOF 2015
Persons/Household	3.24	DOF 2015
Jobs	73,320	ABAG 2013 (2015 est.)
Service Population [1]	189,549	DOF 2015

[1] Service population is calculated by adding total residential population and half of total employment. It represents a measure of public service demand in which employees are given 50 percent weight due to relatively modest service demands.

Sources: ABAG Projections; State of California Department of Finance

**Table 10 Program Description and Service Population**

Item	Total	Resident or Employment Density Assumptions (1)		Population	Jobs	Service Population (2)
<u>Residential</u>						
Subtotal	476 Units	2.33	per household	1,110		
		22	Units/job		22	1121
<u>Commercial</u>						
Small Tenant Retail	30,500 Sq. Ft.	270	Sq. Ft./job		113	56
Anchor Retail	<u>50,000 Sq. Ft.</u>	350	Sq. Ft./job		<u>143</u>	<u>71</u>
<b>Total</b>	80,500 Sq. Ft.			1,110	277	<b>1,249</b>

[1] Employment densities based on previous EPS analysis of residential and retail industries.

[2] Service population is calculated by adding total residential population and half of total employment.

Sources: Dollinger Properties; Economic and Planning Systems, Inc.

**Table 11** shows the methods used to forecast revenues that are likely to be affected by the Project and also identifies those revenues which are *not* expected to be affected by the Project. An average revenue approach is used for revenue sources such as Utility Users Tax, Franchise Fees, Business Tax, Fines and Forfeitures, and Charges for Service. **Table 11** shows the revenue factors used to estimate municipal revenues using the average revenue approach. A case study approach is used when specific tax rates or revenue rates can be applied to specific Project parameters to estimate revenue generation. A separate revenue table is provided below to estimate each of these revenues: Property Taxes, Property Tax In-Lieu of vehicle license fees (VLF), Real Property Transfer Taxes, Sales Taxes, and Emergency Services Facilities Tax.

**Table 11 General Fund Revenue and Forecast Methods**

General Fund Revenue Items	FY 2017 Proposed	Service Population	Revenue Multiplier	Project Service Population	Total <i>Rounded</i>
<b>Total Property Taxes</b>					
Property Tax	\$31,113,000		See Table 13		\$291,000
Property Tax - VLF	\$13,292,000		See Table 15		\$135,000
RPTTF	<u>\$1,600,000</u>	-	Not estimated		
Subtotal	\$46,005,000				
<b>Utility Users Tax</b>	\$16,543,000	189,549	\$87.28	1,249	\$109,000
<b>Sales Tax</b>	\$32,600,000		See Table 16		\$319,000
<b>Franchise Fees</b>	\$9,362,000	189,549	\$49.39	1,249	\$62,000
<b>Other Taxes</b>					
Real Property Transfer Tax	\$7,154,000		See Table 14		\$46,000
Business Tax	\$2,846,000	189,549	\$15.01	1,249	\$19,000
Emergency Services Facilities Tax	\$1,840,000		See Table 17		\$18,000
Transient Occupancy Tax	<u>\$2,036,000</u>	-	Not estimated		
Subtotal	\$13,876,000				
<b>Other Revenue</b>	\$451,000	-	Not estimated		
<b>Intergovernmental</b>	\$8,038,000	-	Not estimated		
<b>Fines &amp; Forfeitures</b>	\$2,014,000	189,549	\$10.63	1,249	\$13,000
<b>Interest &amp; Rents</b>	\$614,000	-	Not estimated		
<b>Fees and Services Charges</b>	\$3,338,000	189,549	\$17.61	1,249	\$22,000
<b>Licenses &amp; Permits</b>	\$2,103,000	189,549	\$11.09	1,249	\$14,000
<b>Construction Related (1)</b>	\$5,696,000		One-Time		
<b>Total General Fund Revenue</b>	<b>\$140,640,000</b>				<b>\$1,048,000</b>

[1] One-time revenues are part of development fees estimated in Table 8.

Sources: City of Hayward FY2017 Proposed Budget; Economic and Planning Systems, Inc.

**Property Tax**

The property tax revenues that the City will receive from the Project are derived from the assessed value of the property and the City General Fund's property tax allocation share of the 1-percent base property tax. Calculations for the Project's assessed value are shown in **Table 12** below. The City currently receives 16 percent of the base property tax in the Tax Rate Area where the Project is located.

**Table 12 Estimate of Project's Assessed Value**

Land Use/Building	No. of Units/SF	Average Monthly Rent (1)	Gross Operating Income (2)	(Less) Vacancy (3)	Cap Rate	Estimated AV at Buildout	Market Value per Unit/Sq. Ft.
Residential	476	\$2,500	\$9,996,000	\$9,496,200	5.5%	\$172,658,182	\$362,727
Small Tenant Retail	30,500	\$25	\$762,500	\$724,375	8%	\$9,054,688	\$297
Anchor Retail	50,000	\$39	\$1,950,000	\$1,852,500	8%	\$23,156,250	\$463
<b>Total</b>						<b>\$204,869,119</b>	

[1] Provided by Dollinger Properties.

[2] Assumes residential operating costs are 30% of annual rent.

[3] Assumes 5% residential vacancy rate for residential and retail.

Sources: Dollinger Properties; Economic and Planning Systems, Inc.

**Table 13** shows the increase in the property's assessed valuation (AV) as a result of Project development in constant 2016 dollars. With a current AV of \$17.5 million, development of the Project will increase the property's AV by approximately \$187 million at buildout. Based on this estimated increase in AV, the Project will generate over \$1.8 million in additional annual property tax revenues of which approximately \$291,000 would go to the City.

**Table 13 Estimated Property Tax**

Item	Estimated Valuation	General Property Tax	
		Total	City Share (1)
Existing Property	<i>a</i> \$17,563,825	\$175,638	\$27,290
Estimated Project Valuation at Buildout			
Residential	\$172,658,182	\$1,726,582	\$268,265
Retail	<u>\$32,210,938</u>	<u>\$322,109</u>	<u>\$50,047</u>
Subtotal Project Valuation	<i>b</i> <b>\$204,869,119</b>	<b>\$2,048,691</b>	<b>\$318,313</b>
Net Increase in Property AV/Tax	<i>c=b-a</i> <b>\$187,305,294</b>	<b>\$1,873,053</b>	<b>\$291,023</b>

[1] Based on property tax allocation factors (Post ERAF) for TRA 25-056 in which the Project is located.

City of Hayward	16%
Alameda County	17%
Other Agencies/ERAF	67%

Source: Alameda Auditor Controller Agency; Economic and Planning Systems, Inc.

**Real Property Transfer Tax**

The City imposes a real property transfer tax of \$4.50 per \$1,000 value of real property. The Project will generate transfer tax revenues for the City each time the property is sold. EPS estimated real property transfer tax revenues that would be generated when the developer sells the Project's developed properties to future owners, and in the long-term as the properties turnover over time.

It is likely that the developer could sell the apartments and retail portion of the Project to a national Real Estate Investment Trust or other professionally managed operator after it achieves income stability. In such event, EPS estimates a market price of approximately \$205 million (in constant 2016 dollars). This transaction would generate about \$922,000 in real property transfer tax.

In the long term, EPS expects that the apartments and retail spaces would turn over once every 20 years on average. This would generate an average of \$46,000 annually for the City, as shown in **Table 14**.

**Table 14 Estimated Real Property Transfer Tax**

Item	Assumptions	Property Value	Estimated Revenue
Tax Rate per \$1,000 of Assessed Value	\$4.50		
Apartment Building		\$172,658,182	\$776,962
Retail Building		<u>\$32,210,938</u>	<u>\$144,949</u>
<b>One-Time Tax Revenue Upon Sale of Property</b>		\$204,869,119	<b>\$921,911</b>
<b>Average Annual Tax Revenue from Property Turnover (1)</b>	5%		<b>\$46,096</b>

[1] Assumes the apartment/retail complex turns over every 20 years on average (5% annually).

Source: City of Hayward; Dollinger Properties; Economic and Planning Systems, Inc.

**Property Tax In-Lieu of Vehicle License Fees**

The California State Controller's office forecasts the amount of property tax in-lieu of VLFs to be allocated to a City by applying the percentage increase in the City's AV to the City's current allocation of VLF. This analysis uses the same procedure by calculating the percentage increase in City AV because of the Project and applying that percentage increase to the City's current VLF allocation. Based on the current VLF allocation of \$13.3 million and an estimated increase of 1.0 percent in AV, the Project's development would generate an additional \$135,000 annually for the City in VLF revenues, as shown in **Table 15**.

**Table 15 Estimated Property Tax In-Lieu of VLF**

Item	Formula	Assumptions	Annual Revenue
2016-2017 Citywide Assessed Value (1)	<i>a</i>	\$18,403,234,391	
Net Increase in Project Assessed Value	<i>b</i>	\$187,305,294	
Percent Change in City Assessed Value	$c=b/a$	1.0%	
Current City VLF Revenue	<i>d</i>	\$13,292,000	
<b>Increase in City Property Tax In Lieu of VLF (2)</b>	<b><math>e=c*d</math></b>		<b>\$135,284</b>

[1] City of Hayward total assessed value according to the Alameda County Assessor FY 2015-2016 Local Roll.

[2] Revenue allocation increases in proportion to the increase in Citywide AV.

Source: City of Hayward 2017 Proposed Budget; Alameda Assessor's Office; Economic and Planning Systems, Inc.

**Sales Tax**

Sales tax revenues are derived from taxable sales generated in the City. The Project will generate taxable sales through two sources: 1) taxable sales at the future retail business on site and 2) spending by Project residents on taxable retail goods within the City. **Table 16** shows estimated taxable sales from these two sources. Estimated taxable sales at the on-site retail store assume average annual sales of \$450 per square foot for smaller retail tenants and \$250 per square foot for larger anchor tenants.<sup>6</sup> Taxable resident spending assumes that Project households will spend about 32.1 percent of their incomes on taxable retail goods and services based on BLS Consumer Expenditure Survey data and that 74 percent of this spending will be at retail outlets in the City. Retail capture percentage is based on a review of retail supply and household expenditure potential for the City from ESRI's retail market place data. **Table 5** shows the derivation of City taxable sales based on estimated resident household incomes. At buildout, this analysis estimates that the Project will generate approximately \$319,000 annually in sales tax revenue for the City, as shown in **Table 16**.

<sup>6</sup> Based on average annual sales per square foot for national retail chain stores in a range of retail categories likely to occupy the site (Source: Retail Store Taxable Sale Estimates, EconSolutions by HdL, 2016).

**Table 16 Estimated Sales Tax**

Item	Assumptions	Annual Taxable Sales	Estimated Revenue
<b>Onsite Retail Sales (1)</b>			
Small Tenant Retail Sq. Ft.	30,500		
Annual Small Tenant Taxable Retail Sales/Sq. Ft.	\$450		
Anchor Retail Sq. Ft.	50,000		
Annual Anchor Taxable Retail Sales/Sq. Ft.	\$250		
Total Taxable Retail Sales		\$26,225,000	
<b>Residents' Retail Spending in the city</b>			
Taxable Retail Spending	\$14,513,956		
% Capture in Hayward	75%		
Taxable Sales in Hayward		\$10,885,467	
Adjustment for Purchases at On-Site Retail (2)	20%	(\$5,245,000)	
Net Taxable Sales in Hayward		\$5,640,467	
<b>Total City Taxable Sales</b>		<b>\$31,865,467</b>	
Local Sales Tax	1%		<b>\$318,655</b>

[1] Future retail tenants are not known at this time; sales per SF based on national chain store data from 2016 California retail Analytics Report by HdI Companies, assuming anchor stores are specialty market and drug stores, and smaller tenants are fast casual and apparel stores.

[2] Conservatively assumes that 20% of onsite retail sales estimated above are supported by Project residents' spending. To avoid double-counting, this portion of resident spending is deducted because it is already accounted for in onsite retail sales above.

Sources: HdI EconSolutions 2016 California Retail Analytics Report; BLS 2014 Consumer Expenditure Survey; ESRI Community Analyst; City of Hayward; Economic and Planning Systems, Inc.

**Emergency Services Facilities Tax**

The City's Emergency Services Facilities Tax (ESF) is a general excise tax adopted by the City Council to generate revenues to retrofit or strengthen the City's facilities against earthquake damage. The tax is imposed per household, per business based on number of employees, and on persons eligible for the Transient Occupancy Tax. As shown in **Table 17**, the Project is estimated to generate about \$17,900 annually in ESF tax revenues.



**Table 17 Estimated Emergency Services Facilities Tax**

<b>Taxable Units</b>	<b>Units/Businesses</b>	<b>Annual Rate per Unit</b>	<b>Estimated Revenue</b>
Multi-Family Residences	476	\$36 per unit	\$17,136
Apartment Management	1	\$100 per business (1)	\$100
Small Tenant Retail (2)	14	\$35 per business (3)	\$490
Anchor Retail (2)	2	\$100 per business (4)	<u>\$200</u>
<b>Total Annual Revenue</b>			<b>\$17,926</b>

[1] Rate for a business with 16-40 employees.

[2] Assumes 2 large format retail stores and 14 small format stores based on the conceptual site plan.

[3] Rate for a business with 4 to 15 persons.

[4] Rate for a business with 41-100 employees.

Source: Dollinger Properties; City of Hayward; Economic and Planning Systems, Inc.

### General Fund Costs

The Project will bring new residents and employees (together known as the service population) to the City of Hayward, which increases demand for city services like police and public works. The service population is calculated as all residents and half of employees. EPS estimated the increase in General Fund expenditures caused by the Project using an average cost approach. EPS made assumptions about the percentage by which each General Fund expenditure varies according to the size of the City's service population. For example, the costs of providing General Government services are not expected to vary as much as the costs of providing police services when the City's resident and employee population increase due to new development. Assuming the Project increases the City's service population by approximately 1,249, it is estimated that total General Fund expenditures will increase by \$703,000 as seen in **Table 18**.

### Net Fiscal Impact

EPS estimated the net fiscal impact of the Project development on the City's General Fund by subtracting estimated expenditures from estimated revenues. The net positive impact is about \$345,000 annually. A summary of General Fund revenues and Expenditures is shown in **Table 3** in the Summary of Findings at the beginning of this memorandum.

**Table 18 Estimated General Fund Costs**

<b>General Fund Expenditures</b>	<b>FY 2017 Proposed</b>	<b>Variable Costs (1)</b>	<b>Existing Service Population</b>	<b>Per Capital GF Expense</b>	<b>Project Service Population</b>	<b>Buildout Total</b>
General Government (2)	\$5,951,720	10%	189,549	\$3.14	1,249	\$3,921
City Administration (3)	\$14,307,830	10%	189,549	\$7.55	1,249	\$9,426
Fire	\$37,221,488	90%	189,549	\$176.73	1,249	\$220,690
Library & Community Services (4)	\$5,625,297	50%	189,549	\$14.84	1,249	\$18,529
Maintenance Services	\$4,703,238	75%	189,549	\$18.61	1,249	\$23,238
Police	\$69,878,969	90%	189,549	\$331.79	1,249	\$414,320
Public Works	\$2,582,939	75%	189,549	\$10.22	1,249	\$12,762
Utilities & Environmental Services	\$50,571	75%	189,549	\$0.20	1,249	\$250
Non-Departmental & Transfers	\$8,865,158			- Not estimated		<u>N/A</u>
<b>Total General Fund Expenditures (rounded)</b>	<b>\$149,187,210</b>					<b>\$703,000</b>

[1] Percentage of costs that increase with growth, as opposed to fixed costs.

[2] Includes Mayor, City Council, City Attorney, City Clerk, and City Manager.

[3] Includes Development Services, Finance, and Human Resources.

Sources: City of Hayward FY2017 Proposed Budget; Economic and Planning Systems, Inc.

## Project Employment

In addition to revenue generation for the City, development of the Project will generate employment at the site as well as through multiplier effects in other areas of the City, both during construction and in the long term from operations of the residential development and on-site retail businesses. The Project will generate about 1,182 job-years near term and 349 permanent jobs at the Project site. At present, a vacant office building—the former Mervyn’s headquarters—occupies the Project site. This analysis estimated on-site employment that would be directly, indirectly and induced by construction and ongoing business operations of the Project, as shown in **Table 19**. *Direct employment* represents the jobs supported by the construction of the development and jobs created by on-site spending. *Indirect* jobs results from jobs created by industry-to-industry spending by direct employees such as the suppliers of raw materials needed for construction. *Induced* jobs consist of jobs that support employee and resident spending in the regional economy such as grocery stores and suppliers of household goods or day to day services. More specifically, the employees of directly and indirectly affected businesses generate spending that supports induced jobs in the area.

### Construction

Site preparation and development of the Project is expected cost a total of approximately \$150 million. EPS inputted total construction costs into IMPLAN economic impact modeling system based on 2014 data for the City of Hayward. According to the system, the construction of this project will support 656 direct jobs on-site, plus another 350 indirect jobs and 175 induced jobs throughout the City.

### Operations

Long-term operations of the Project will involve retail operations in the Project’s 80,500 square foot retail space. Based on EPS assumptions about average employment densities for anchor and smaller tenant retail operations, the Project is expected to directly employ 277 workers annually. EPS inputted direct employment estimates into IMPLAN to estimate the Project’s long-term indirect and induced jobs. According to IMPLAN, it is estimated that the development will support 277 direct, plus another 36 indirect and 36 induced jobs in the City for a total ongoing employment of 349 jobs.

**Table 19 Estimated On-site Project Employment**

Job Type	Short-term Construction Jobs (1)	Average Construction Compensation	Permanent Jobs (2)	Average Compensation
Direct Jobs	656	\$73,156	277	\$42,089
Indirect Jobs	350	\$50,361	36	\$58,726
Induced Jobs	<u>175</u>	\$54,873	<u>36</u>	\$54,900
<b>Total</b>	<b>1,182</b>		<b>349</b>	

[1] Total construction cost of \$150,000,000 was provided by Dollinger Properties. This amount was divided into residential and commercial costs pro rata by total SF of each land use. Construction costs by land use were inputted into IMPLAN to estimate direct, indirect, and induced construction jobs.

[2] EPS estimated direct employment by land use type and inputted those estimates into IMPLAN in order to estimate indirect and induced job years.

Source: Dollinger Properties; IMPLAN 2014; Economic and Planning Systems, Inc.