

## MEMORANDUM

To: Mark Butler, *Integral Communities*

From: Darin Smith and Tapa Banda

Subject: Economic Impact Analysis of @ The Boulevard Project, Hayward; EPS# 121020

Date: September 13, 2013

*The Economics of Land Use*



Integral Communities has retained Economic & Planning Systems, Inc. (EPS) to prepare an Economic Analysis of the @ The Boulevard Mixed Use Development (Mervyn's) project ("Project"). The Project is proposed to be a residential mixed-use development with 194 for-sale townhomes, and 16,800 square feet of retail at the site of the former Mervyn's Headquarters building in the City of Hayward ("City"). The analysis:

- Estimates future Project residents' retail demand and the Project's impact on retail sales in the City.
- Estimates future municipal revenues to the City that the Project would generate at buildout.
- Estimates the Project's onsite employment generation.

All estimated revenues, retail sales, and employment estimates are at Project buildout. All dollar amounts are in constant 2013 dollars, unless noted otherwise. The table below highlights some key findings of the analysis:

<b>Project Impact</b>	<b>Amount</b>	<b>Duration of Impact</b>
Annual Retail Sales in Hayward*	\$9,138,225	Annual, ongoing
Annual General Fund Revenues	\$488,000	Annual, ongoing
Development Fees**	\$8,387,000	One-time, near-term
Construction Employment (Job-years)	292	One-time, near-term

\* includes approx. \$5.2 million from spending by Project residents in downtown and other parts of the City and approx. \$3.9 million onsite retail sales, net of resident spending.

\*\* includes processing & impact fees to be paid by Integral Communities to the City/other agencies in 2013/2014.

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## Summary of Findings

- 1. The Project will enhance the success of downtown Hayward revitalization efforts by increasing the base-level of downtown resident spending potential (demand) by roughly \$7.0 million, of which \$5.2 million is expected to be captured in Hayward. Onsite Project retail will generate an additional \$3.9 million of net retail sales in downtown Hayward.***

The project will add an estimated 188 middle-income households earning an average of \$133,600 annually in household income, based on current home price and affordability assumptions.<sup>1</sup> Expenditures by these households is expected to increase retail sales in the City by approximately \$5.2 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 \$3.9 million in City retail sales, for a total of \$9.1 million in new retail sales in the City, as summarized in **Table 1.**<sup>2</sup>

**Table 1 Summary of Projected New Retail Sales in Hayward**

<b>Item</b>	<b>Total Retail Demand by Residents</b>	<b>Retail Sales Generated in the City</b>
Retail Spending by Project residents	\$6,987,500	\$5,240,625
Onsite Project Retail Sales <sup>1</sup>	-	\$4,872,000
Adjustment for onsite retail sales to Project residents <sup>2</sup>	-	<u>(\$974,400)</u>
<b>Total Project Retail Demand/Sales</b>	<b>\$6,987,500</b>	<b>\$9,138,225</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 & Planning Systems.

- 2. The Project will generate about \$8.4 million in development processing and impact fee revenues in 2013/2014 to fund capital improvements impacted by the Project.***

The project will generate approximately \$8.4 million in city and other agencies' fee revenues for development services and infrastructure improvements, as summarized in **Table 2**. While these revenues are offset by expenditures to provide specific development services and infrastructure, they provide revenues that help maintain City jobs and implement the City's capital spending programs.

<sup>1</sup> Based on a vacancy rate of 3 percent, the project's 194 units would generate 188 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 report titled "Hayward Retail Analysis," by Applied Development Economics. Therefore, no displacement of sales from other existing retailers is assumed.

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

Type of Fees	Total Project	When Paid
Development Processing Fees	\$2,677,853	2013/2014
Development Impact Fees	\$5,708,751	2013/2014
<b>Total Development Fees</b>	<b>\$8,386,604</b>	

Source: Integral Communities; and Economic & Planning Systems.

**3. The Project will generate ongoing discretionary revenues for the City in the near term as well as the long term.**

After full buildout and attaining stable operations, this analysis estimates that the Project would generate about **\$488,000 annually** (constant 2013 dollars) in discretionary General Fund revenues for the City, as summarized in **Table 3**. Roughly one-third of these revenues, \$153,000, would be from increased property tax because of the substantial increase in the property's assessed valuation following Project development. Real Property Transfer Tax, Sales Tax, Property Tax in-Lieu of Vehicle License Fees, and Utility Users Tax round out the top five revenue sources which, together, would account for over 86 percent of total estimated annual General Fund revenues.

**Table 3 Estimated Discretionary Annual General Fund Revenue**

Revenue Item	Annual Revenue at Buildout*	Percent of Total
	<i>Rounded</i>	
Property Tax	\$153,000	31.4%
Property Tax - VLF	\$70,000	14.3%
Sales Tax	\$82,000	16.8%
Public Safety Sales Tax	\$2,100	0.4%
Utility Users Tax	\$47,000	9.6%
Franchise Fees	\$31,000	6.4%
Real Property Transfer Tax	\$71,000	14.5%
Business Tax	\$900	0.2%
Emergency Facilities Tax	\$7,000	1.4%
Fines & Forfeitures	\$8,000	1.6%
Fees & Charges for Services	\$9,000	1.8%
Licenses & Permits	\$7,000	1.4%
<b>Total Annual General Fund</b>	<b>\$488,000</b>	<b>100.0%</b>

\* Please see Table 7 to Table 11, and Table A-5 for detailed calculations.

Source: Economic & Planning Systems.

In the near term, the Project could add about \$505,360 to City revenues from Real Property Transfer Tax from new home sales and sale of the retail space.<sup>3</sup> The Project could also generate significant sales tax revenues during development if sales taxes are assessed at the point of installation for construction materials, but such effects have not been assumed or estimated herein.

**4. *The Project's activities and future residents' spending will generate demand for goods and services, thereby providing stimulus for new or existing jobs in the City's economy and the downtown area in particular.***

Currently, no economic activities take place at the Project site since the existing office building was vacated after Mervyn's went out of business. Site development and construction of the Project will bring about 290 on-site construction-related job-years with average annual compensation of \$62,500 per year to downtown Hayward over the construction period.<sup>4</sup> In the long term, on-site retail operations are projected to create about 25 jobs and another 2 jobs (full-time equivalents) are expected to be supported in occupations providing onsite services to private households.

The secondary and induced effects of Project construction and ongoing operations were not estimated in this analysis but could be substantial.

## **Analysis and Detailed Results**

### **I. Project Impact on Retail Sales in Hayward**

#### ***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 projected home sales prices provided by the Project developer. Household income estimates assume owner-occupied status with home purchase financed by a 30-year fixed rate mortgage.<sup>5</sup>
- Evaluating Consumer Expenditure Survey (CES) 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>6</sup>

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<sup>3</sup> Estimate assumes real property transfer taxes from sale of Project to long-term ownership.

<sup>4</sup> "Job-years" is a measure of the total employment generated over the entire construction period, where 1 job-year represents 1 job held over 1 calendar year. Average earnings estimate from the Quarterly Census of Employment and Wages (QCEW) for Alameda County (Source: California EDD, 2012).

<sup>5</sup> The income assumes that annual payment for the mortgage (30-yr, 5% fixed interest, 20% down payment), property taxes, and insurance equal 30% of income. Property taxes and insurance assumed at 2% of home value.

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 home sales price estimates for the Project. According to the Project developer, sales prices for the Project's homes are expected to range from \$518,000 to \$608,000 per unit. Based on these sales prices, EPS estimated future household incomes, ranging from \$123,500 to \$145,000 all of which fall in the \$120,000 – \$150,000 household income category, as shown in **Table 4**. On average, Project households are expected to earn a total of about \$133,623 per year and spend \$37,168 per year or 28 percent of their incomes on retail expenditures. In all, Project households are projected to spend a total of approximately \$7.0 million annually on retail purchases in and beyond the City. This analysis conservatively assumes that the City's retail businesses will capture roughly 75 percent of the Project's household retail demand. Given estimated retail demand of about \$7.0 million annually, a 75 percent capture rate would generate approximately \$5.2 million of new annual retail sales in the City, as shown in **Table 4**.

EPS believes that a capture rate of 75 percent is a conservative assumption because it results in much lower taxable sales estimates than would be estimated using other methods as elaborated below.

Taxable sales for the City as a percent of countywide taxable sales have been stable, varying within a narrow range from 10.1 to 12.6 percent, and averaging 10.9 percent over a 13-year period from 2000 to 2012. Similarly, the City's population as a share of the County's population has been stable at 9.6 percent over the same 13-year period. Furthermore, annual taxable sales in the City have averaged about \$17,700 per capita over the 13-year period, reaching as high as \$21,400 in 2000 and falling below \$16,000 only during the recession in 2009 and 2010. These observations mean that: 1) the City's generation of taxable retail sales compared to its resident population is generally in line with the rest of Alameda County (if not slightly higher); and 2) the City's taxable sales generation is likely to continue its long run trend averaging over \$17,000 per capita. Assuming that this stable relationship between City taxable sales and the City's population continues to hold after Project buildout, applying the City's average per capita taxable sales of \$17,700 to the Project's estimated resident population of 564 results in an estimated increase of about \$10 million in total City taxable sales, nearly twice as high as EPS's \$5.2 million estimate.

Secondly, market data from ESRI indicates that the City's retail sales sum to 82 percent of the total retail spending potential of its residents.<sup>7</sup> While some of these sales are attributable to consumers from outside the City and Hayward residents surely spend money outside the City, the high capture rate is indicative of the fact that most types of retail purchases are in strong supply in Hayward, and most of the needs of new residents can be met locally.

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<sup>6</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.

<sup>7</sup> Source: ESRI Community Analyst, 2010.

**Table 4 Average Household Retail Expenditures by Category**

Project Assumptions	Annual Retail Expenditures			
	Project Total	% of Total		
Weighted Average Household Income <sup>1</sup>	\$133,623			
Household Income Category	\$120,000 - \$149,999			
No. of Households by Income Category	188			
<b>Taxable Retail Category</b>	<b>Avg. Expenditures per Household<sup>2</sup></b>	<b>% of Income</b>		
Motor Vehicle and Parts Dealers	\$6,235	4.7%	\$1,172,200	16.8%
Furniture and Home Furnishings Stores	\$943	0.7%	\$177,300	2.5%
Electronics and Appliance Stores	\$2,555	1.9%	\$480,300	6.9%
Bldg. Materials & Garden Equip. & Supplies	\$2,467	1.8%	\$463,700	6.6%
Food and Beverage Stores <sup>3</sup>	\$802	0.6%	\$150,800	2.2%
Health and Personal Care Stores	\$1,187	0.9%	\$223,200	3.2%
Gasoline Stations	\$4,159	3.1%	\$782,000	11.2%
Clothing and Clothing Accessories Stores	\$2,785	2.1%	\$523,600	7.5%
Sporting Goods, Hobby, Book, & Music Stores	\$1,257	0.9%	\$236,300	3.4%
General Merchandise Stores	\$2,290	1.7%	\$430,600	6.2%
Miscellaneous Store Retailers <sup>4</sup>	\$249	0.2%	\$46,700	0.7%
Food Services and Drinking Places	\$5,387	4.0%	\$1,012,700	14.5%
<b>Subtotal, Taxable Retail Goods</b>	<b>\$30,316</b>	<b>22.7%</b>	<b>\$5,699,400</b>	<b>81.6%</b>
<b>Selected Non-Taxable</b>				
Food and Beverage Stores <sup>3</sup>	\$5,546	4.2%	\$1,042,600	14.9%
Entertainment Fees and Admissions <sup>6</sup>	\$1,306	1.0%	\$245,500	3.5%
<b>Subtotal, Non Taxable Expenditures</b>	<b>\$6,852</b>	<b>5.1%</b>	<b>\$1,288,100</b>	<b>18.4%</b>
<b>Total Annual Retail Expenditures</b>	<b>\$37,168</b>	<b>27.8%</b>	<b>\$6,987,500</b>	<b>100.0%</b>
<b>Annual Retail Expenditures Captured in Hayward<sup>5</sup></b>			<b>\$5,240,625</b>	<b>75.0%</b>

[1] Household incomes were estimated based on projected home sales prices.

[2] Expenditures by category are based on BLS Consumer Expenditure Survey data for households earning between \$120,000 to \$149,000.

[3] Category includes non-taxable food (88-90%) and taxable grocery-store purchases (10-12% of total purchases).

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

[5] Includes fees and admissions to live shows and movie theaters.

[6] This analysis conservatively assumes a 75% capture rate of Project residents' spending in the City.

Sources: BLS 2011 Consumer Expenditures Survey; and Economic and Planning Systems, Inc.

**Table 4** also shows the distribution of projected retail expenditures by type of retail category for the total \$7.0 million of household retail expenditures. Food and beverage stores, Motor vehicle and parts dealers, Food services and drinking places, and Gasoline stations comprise the top four retail categories, accounting for about 60 percent of total retail expenditures. Given downtown's generous supply of restaurants and grocery stores, two categories which also comprise two of the top three expenditure categories for households, it is likely that a substantial portion of this \$5.2 million annual resident spending in the City may be captured in downtown Hayward.

**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 16,800 square feet of ground floor 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. Since no specific retail businesses have been identified as tenant for this space, the sales-per-square-foot assumption is based on an average sales-per-square-foot of a range of potential retail stores. A study prepared for the City of Hayward by Applied Development Economics<sup>8</sup> identified several retail store categories for which opportunities for new stores or expansion exist in Hayward. These include grocery stores, specialty retail stores, apparel stores, furniture and home furnishings, and household appliances and electronics stores. Based on retail sales data for national chain stores<sup>9</sup> in the retail categories identified in the City’s retail study (excluding grocery stores), EPS estimates an average sales-per-square-foot of \$290 for the Project, which would generate annual sales of approximately \$4.9 million onsite.

**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 \$9.1 million in new retail sales in the City, as shown in **Table 5**. This estimate adjusts for double-counting by discounting 20 percent of on-site sales, which are assumed to be generated by Project residents.<sup>10</sup>

**Table 5 Summary of Projected New Annual Retail Sales in Hayward**

Item	Total Retail Demand by Residents	Retail Sales Generated in the City
Retail Spending by Project residents	\$6,987,500	\$5,240,625
Onsite Project Retail Sales <sup>1</sup>	-	\$4,872,000
Adjustment for onsite retail sales to Project residents <sup>2</sup>	-	(\$974,400)
<b>Total Project Retail Demand/Sales</b>	<b>\$6,987,500</b>	<b>\$9,138,225</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 & Planning Systems.

<sup>8</sup> “Hayward Retail Analysis” – draft report, prepared by Applied Development Economics, Inc., March 13, 2013.

<sup>9</sup> Published by RetailSails.com

<sup>10</sup> EPS believes that the 20 percent is a fairly conservative assumption which, likely understates rather than overstate the Project’s net sales.

## II. Development Fees

This analysis 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 Oro Loma Sanitary District, East Bay Municipal Utility District, and Hayward Unified School District. Integral Communities provided detailed estimates of the processing and impact fees that will be paid by the Project, as summarized in **Table A-4** in **Appendix A**.

Estimates prepared by Integral Communities indicate that during FY 2013-2014, the Project will pay approximately \$2.7 million and \$5.7 million in selected development processing and impact fees, respectively, as summarized in **Table 6**.

**Table 6 Estimated Development Processing and Impact Fees**

Type of Fees	Total Project	When Paid
Development Processing Fees	\$2,677,853	2013/2014
Development Impact Fees	\$5,708,751	2013/2014
<b>Total Development Fees</b>	<b>\$8,386,604</b>	

Source: Integral Communities; and Economic & Planning Systems.

## III. General Fund Revenues

EPS developed a fiscal revenues model based on the City's FY 2013/14 General Fund budget. Specific revenues that would be affected by the Project were identified, and forecasting methodologies were developed. **Tables A-1 to A-3** in **Appendix A** provide information on general and project-specific assumptions used to estimate revenues. **Table A-5** 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 A-6** 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 and Use Taxes, Public Safety Sales Taxes, and Emergency Services Facilities Tax.

### **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. The City currently receives 15.3 percent of the base property tax in the Tax Rate Area where the Project is located.

**Table 7** shows the increase in the property's assessed valuation (AV) as a result of Project development in constant 2013 dollars. With a current AV of \$11.1 million, development of the Project will increase the property's AV by approximately \$100 million at buildout. Based on this

estimated increase in AV, the Project will generate about \$1.0 million in additional annual property tax revenues of which approximately \$153,100 would go to the City.

**Table 7 Estimated Property Tax**

Item Description		Estimated Valuation	1% General Property Tax	
			Total	City Share <sup>1</sup>
Existing Property	a	\$11,122,286	\$111,223	\$17,058
<b>Estimated Project Valuation at Buildout<sup>2</sup></b>				
Residential Units Valuation		\$107,336,000	\$1,073,360	\$164,620
Retail Space Valuation		<u>\$3,609,144</u>	<u>\$36,091</u>	<u>\$5,535</u>
<b>Subtotal Project Valuation</b>	b	<b>\$110,945,144</b>	<b>\$1,109,451</b>	<b>\$170,156</b>
<b>Net Increase in Property AV/ Tax</b>	c = b-a	<b>\$99,822,858</b>	<b>\$998,229</b>	<b>\$153,097</b>

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

City of Hayward	15.3%
Alameda County	17.6%
Other Agencies/ERAF	67.1%

[2] See Table A-3 for estimated assessed valuation assumptions.

Source: Alameda County Assessor; and Economic & Planning Systems.

**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 revenues for the City each time the property is sold. EPS estimated real property transfer tax revenues that would be generated in the near term when the developer sells the Project's developed properties to eventual users (homeowners and real estate operating entities), and in the long term as the properties turnover over time.

The initial sale of the townhouses is expected to generate approximately \$489,000 in transfer tax revenue for the City based on home price estimates provided by the developer. Furthermore, it is possible that the developer could sell the 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 value of approximately \$3.6 million (in constant 2013 dollars). This transaction would generate about \$16,200 in real property transfer tax. In all, the Project has the potential to generate over \$505,000 in real property transfer tax revenues in the near term for the City's General Fund.

In the long term, EPS expects that the townhomes would re-sell roughly every 7 years on average and the retail buildings would re-sell, on average, once every twenty years. This would generate an average of about \$70,700 annually for the City, as shown in **Table 8**.

**Table 8 Estimated Real Property Transfer Tax**

Item Description	Assumptions/ Source	Property Value	Estimated Revenue 2013\$	Notes
Tax Rate per \$1,000 of Assessed Value	\$4.50			
<b>Near-Term One-Time Revenues</b>				
<u>Sale to Project Users</u>				
Townhomes	Table A-3	\$108,694,000	\$489,123	
Retail Building <sup>1</sup>		\$3,609,144	\$16,241	
<b>Total Transfer Sale to Project Users</b>		<b>\$112,303,144</b>	<b>\$505,364</b>	
<b>Total Potential Near-Term One-Time Revenues</b>			<b>\$505,364</b>	One-time revenue
<b>On-going Average Annual Revenue</b>				
<u>For-Sale Townhomes</u>				
Project Valuation at Buildout		\$108,694,000		
Average Annual Turnover <sup>3</sup>	14%	\$15,527,714	<b>\$69,875</b>	
<u>Retail Store</u>				
Project Valuation at Buildout	Table A-3	\$3,609,144		
Average Annual Turnover <sup>2</sup>	5%	\$180,457	<b>\$812</b>	
<b>Average Total Annual Revenue</b>			<b>\$70,687</b>	Annual ongoing

[1] Sale of retail buildings is likely to occur after operations achieve stability. Amounts based on market value estimates, see Table A-3.

[2] Assumes that townhomes turn over on average every 7 years (14% annually) and the retail store turns over every 20 years on average (5% annually).

Source: City of Hayward; Integral Communities; and Economic & Planning Systems.

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

The California State Controller's office forecasts the amount of property tax in-lieu of (VLF) 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 budget estimate of \$10.6 million and an estimated increase of 0.7 percent in AV, the Project's development would generate an additional \$70,200 annually for the City in VLF revenues, as shown in **Table 9**.

**Table 9 Estimated Property Tax In-Lieu of VLF**

Item Description	Formula	Sources/ Assumptions	Est. Annual Revenue
2013-14 Citywide Assessed Value <sup>1</sup>	<i>a</i>	\$15,025,380,828	
Net Increase in Project Assessed Value	<i>b</i>	\$99,822,858	
Percent Change in City Assessed Value <sup>2</sup>	$c = b/a$	0.7%	
Current City VLF Revenue	<i>d</i>	\$10,564,000	
<b>Increase in City Property Tax In-Lieu of VLF<sup>2</sup></b>	$e = c*d$		<b>\$70,183</b>

[1] City of Hayward taxable assessed value for FY 2013-14.

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

Source: City of Hayward 2013-14 Adopted Operating Budget; Alameda County Assessor's Office; and Economic & Planning Systems.

### **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 10** shows estimated taxable sales from these two sources. Estimated taxable sales at the on-site retail store assume average annual sales of \$290 per square foot.<sup>11</sup> Taxable resident spending assumes that Project households will spend about 28 percent of their incomes on retail goods and services based on BLS 2011 Consumer Expenditure Survey data and that 75 percent of this spending will be at retail outlets in the City. Retail capture percentage is a conservative estimate based on a review of retail supply and household expenditure potential for the City and the historical relationship between the City's taxable sales and resident population growth. **Table 4** shows the derivation of City taxable sales based on estimated resident household incomes. At buildout, this analysis estimates that the Project would generate approximately \$81,700 annually in sales tax revenue for the City, as shown in **Table 10**.

### **Public Safety Sales Tax**

In addition to the *situs*-based unitary local sales tax (1 percent) calculated above, the City also receives a share of the public safety (Prop. 172) sales tax. Prop. 172 sales tax is a 0.5 percent sales tax rate on countywide taxable sales. About 94 percent of total countywide revenues are allocated to Alameda County with the remaining 6 percent share allocated to cities within Alameda County. Because the project's effect on countywide taxable sales is not evaluated, this analysis estimates the City's Prop. 172 sales tax revenues based on the historical relationship between City sales tax and Prop. 172 sales tax allocations. On average, for every dollar of unitary local sales tax received, the City receives an additional 2.5 cents in Prop. 172 sales tax revenues. Based on this rate, the Project is expected to generate about \$2,060 each year in additional Prop. 172 sales tax for the City, as shown in **Table 10**.

<sup>11</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: RetailSails 2011 Chain Store Productivity Report).

**Table 10 Estimated Sales Tax Revenue**

Item Description	Source	Assumptions	Annual Taxable Sales	Estimated Revenue
<b>Estimated Onsite Retail Sales</b>				
Retail Sq. Ft.		16,800		
Annual Retail Sales <sup>1</sup>		\$290/ SF		
Taxable Sales		100%	\$4,872,000	
<b>Residents' Retail Spending in the City</b>				
Taxable Retail Spending	Table 4	\$5,699,400		
% Capture in Hayward	Table 4	75%		
Taxable Sales in Hayward			\$4,274,550	
Adjustment for Purchases at Onsite Retail <sup>2</sup>		20%	(\$974,400)	
Net Taxable Sales in Hayward			\$3,300,150	
<b>Total City Taxable Sales</b>			<b>\$8,172,150</b>	
Annual Local Sales Tax (rounded)		1.0% of taxable sales		<b>\$81,700</b>
Annual Public Safety Sales Tax <sup>3</sup> (rounded)		2.5% of local sales tax		<b>\$2,060</b>

[1] Future retail tenants are not known at this time; this analysis assumes an average sales per sq. ft. based on a number of retail store types with expansion opportunities in Hayward, including specialty retail (e.g. pet store), grocery stores, apparel stores, and furniture and home furnishings (See Hayward Retail Analysis by Applied Development Economics, 3/13/2013 draft report). Sales per SF based on national chain store data for retail chains with an average store size of around 8,500 sq. ft (Source: RetailSails.com.)

[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.

[3] Public safety sales tax allocations to the City have averaged approximately 2.5% of Local sales tax receipts.

Sources: RetailSails 2011 Chain Store Productivity Report; BLS 2011 Consumer Expenditure Survey; City of Hayward; and Economic & Planning Systems.

**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 11**, the Project is estimated to generate about \$7,000 annually in ESF tax revenues.

**Table 11 Estimated Emergency Services Facilities Tax**

Taxable Units	Units/ Businesses	Annual Rate per Unit	Estimated Revenue
Single Family Residences <sup>1</sup>	188	\$36 per residence	\$6,768
Retail Store Business <sup>3</sup>	2	\$100 per business <sup>4</sup>	\$200
<b>Total Annual Revenue</b>			<b>\$6,968</b>

[1] Includes only occupied units as households. See Table A-2.

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

[3] Conservatively assumes one retail tenant per building.

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

Source: City of Hayward; and Economic & Planning Systems.

#### **IV. 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 directly generate about 290 job-years in the near term (2013 – 2015), and 27 permanent jobs. 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 generated and supported by construction and ongoing retail and household operations at the Project, as shown in **Table 12**.

##### ***Construction***

Site preparation and development of the Project is expected to take approximately 18 months and cost a total of approximately \$82.1 million. Excluding insurance, finance, marketing, fees, property taxes, transaction costs, and other soft cost expenditures, about \$58.0 million of construction spending will support on-site construction industry employment. Based on construction industry employment ratios for Alameda County, this level of construction spending will support about 290 job-years on site during the 18-month construction period. This figure does *not* include “indirect” jobs created through suppliers of construction materials or services, or any “induced” jobs created through the household spending of construction workers.

##### ***Operations***

Long-term operations of the Project will involve retail operations in the Project’s 16,800-square foot retail space as well as operations of private households, which include cleaning, child care, maintenance, gardening, cooking, etc. Retail operations are expected to employ about 25 employees based on estimated sales revenues, while households are expected to directly generate additional employment for 2 full-time equivalent jobs in occupations providing onsite private services to households. In total, ongoing operations of the Project’s retail space and households is expected to support 27 jobs annually.

**Table 12 Estimated On-site Project Employment**

Type of Jobs/ Project Activity	Project Parameter	Employment Factor	Estimated Employment
<b>Short-Term Direct Jobs</b>	<i>Construction Costs</i> <sup>2</sup>	<i>Average Cost per Worker</i> <sup>3</sup>	
Near-Term Construction <sup>1</sup>	\$58,038,881	\$198,763	292
<b>Long-Term Direct Jobs</b>	<i>Est. Annual Sales</i>	<i>Sales per Employee</i> <sup>4</sup>	
Annual Retail Operations	\$4,872,000	\$192,430	25
	<i>Spending on Household Operations</i> <sup>5</sup>	<i>Earnings per FTE Job</i> <sup>6</sup>	
Annual Household Operations	\$47,868	\$31,200	2
<b>Total Annual Employment (FTEs)</b>			<b>27</b>

- [1] Employment estimates assume full-time and part-time jobs as reflected in employment data.  
 [2] Excludes insurance, financing, marketing, and transaction costs and property taxes which generate economic activities offsite. Estimates provided by Integral Communities.  
 [3] Average construction spending per employee estimated using construction industry data for Alameda County from IMPLAN 2010 data.  
 [4] Average retail sales per employee based on the types of retail businesses likely to occupy the project's retail space. (Source: Retail Industry Indicators, NRF Foundation).  
 [5] Using assumptions from the Consumer Expenditure Survey on total spending as a percent of income (65.4% for \$120K-\$150K income group) and assumptions from IMPLAN on the share of spending allocated to private household operations (0.03%), EPS estimates that households will spend an average of about \$255/year or a total of \$47,868 for 188 households.  
 [6] EPS assumed an average wage of \$15/hour.

Source: Integral Communities; IMPLAN 2010; NRF Foundation, *Retail Industry Indicators 2010*; and Economic & Planning Systems.



## APPENDIX A

**Table A-1**  
**General Fiscal Assumptions**  
**@ The Boulevard Residential Mixed Use Project; EPS# 121020**

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**Demographic Characteristics**

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Base Fiscal Year	FY 2013/14	
Property Turnover Rate (% per Year) <sup>1</sup>		
Residential		7%
Retail		5%
<u>Demographics</u>	<u>City</u>	<u>Project</u> <sup>2</sup>
Population <sup>3</sup>	147,113	564
Employment <sup>4</sup>	70,673	25
Service Population <sup>5</sup>	182,450	577

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- [1] Property turnover rate based on EPS experience.
- [2] Project population and employment estimated in Table 12 and Table A-2.
- [3] January 1, 2012 Population Estimate from Department of Finance E-1
- [4] 2013 City employment estimate based on 2011 City employment from LEHD Origin-Destination Employment Statistics (U.S. Census) adjusted to 2013 based on annual employment growth in Alameda County between 2011 and 2012 - data from California Employment Development Department.
- [5] Persons served is defined as total population plus 50% employees.

Source: California Departments of Finance and Employment Development; U.S. Census Bureau; and Economic & Planning Systems.

**Table A-2**  
**Detailed Project Land Use, Household, and Valuation Assumptions**  
**@ The Boulevard Residential Mixed Use Project; EPS# 121020**

Land Use/Building	No. of Units	Gross Sq. Ft. per Unit	Estimated No. of Households (Occupied Units) <sup>1</sup>	Estimated Resident Population <sup>2</sup>	Sales Price Assumptions	Estimated Annual Income Per Household <sup>3</sup>
<b>For-Sale Townhomes</b>						<i>Per Unit</i>
Plan 1	28	2,285	27	81	\$518,000	\$123,517
Plan 2	63	2,550	61	183	\$533,000	\$127,094
Plan 3	61	2,566	59	177	\$575,000	\$137,109
Plan 4	42	2,894	41	123	\$608,000	\$144,977
<b>Subtotal Residential</b>	<b>194</b>	<b>2,591</b>	<b>188</b>	<b>564</b>	<b>\$560,278</b>	<b>\$133,623</b>
<b>Commercial</b>						<i>Monthly Rent per Sq. Ft.</i>
Retail (Single User)	-	16,800	-	-	\$1.65	
<b>Total Project</b>	<b>194</b>		<b>188</b>	<b>564</b>		

[1] Assumes 3% vacancy rate based on a January 2012 market study for the Project prepared by The Concord Group.

[2] Conservatively assumes 3.0 persons per household (pph), lower than the City's average of 3.4 for single family units. Based on the expected demographic and income profiles of future tenants, this analysis assumes that the Project will have slightly smaller household sizes than the current average city household.

[3] Household income assumptions:

Assumes that annual mortgage payments, plus property taxes and insurance are 30% of income. Mortgage payments assume a 20% down payment, 30-yr term, 5% fixed interest. Taxes and insurance are assumed to equal 2% of home value.

Source: Integral Communities; and Economic & Planning Systems.

**Table A-3**  
**Project Assessed Value (AV) Assumptions at Buildout and Full Occupancy**  
**@ The Boulevard Residential Mixed Use Project; EPS# 121020**

Land Use/Building	No. of Units	Estimated Sales Price/ Market Value	Estimated Assessed Value	Homeowner's Exemption	Estimated Taxable AV 2013\$
<b>For-Sale Townhomes</b>					
		<i>Sales Price/ Unit</i>			
Plan 1	28	\$518,000	\$14,504,000	\$7,000	\$14,308,000
Plan 2	63	\$533,000	\$33,579,000	\$7,000	\$33,138,000
Plan 3	61	\$575,000	\$35,075,000	\$7,000	\$34,648,000
Plan 4	42	\$608,000	\$25,536,000	\$7,000	\$25,242,000
<b>Subtotal/ Average</b>	<b>194</b>	<b>\$560,278</b>	<b>\$108,694,000</b>		<b>\$107,336,000</b>
	<i>Sq. Ft.</i>				
Retail <sup>1</sup>	16,800	\$3,609,144	\$3,609,144	\$0	\$3,609,144
<b>Project Total</b>			<b>\$112,303,144</b>		<b>\$110,945,144</b>

[1] Retail valuation assumes monthly triple net (NNN) lease rate of \$1.75/sq.ft., 7% operating expenses (management and replacement reserves); and a 6% capitalization rate.

Source: Integral Communities; and Economic & Planning Systems.

**Table A-4**  
**Project Development Processing and Impact Fees**  
**@ The Boulevard Residential Mixed Use Project; EPS# 121020**

Description of Fee	Department/Agency	Units	Total Estimated Fee <sup>1</sup>	Average Fee per Unit	Basis for Fee Estimate
<b>Processing Fees</b>					
General Plan Update Fee	Planning	194	\$101,229	\$522	Per Production Plan
General Plan Update Fee	Planning	21	\$12,235	\$583	Per Shell Permit
Plan Check	Planning	219	\$109,281	\$499	Per Master, Production, & Shell Permit
Landscape Plan Check	Planning	219	\$69,861	\$319	Per Master, Production, & Shell Permit
Solid Waste Plan Check	Planning	4	\$640	\$160	Per Master Plan Review
Admin & Misc Fees	Building	219	\$29,564	\$135	Per Master Plan, Production & Shell Permits
Address Assignment	Building	194	\$8,342	\$43	Per Production Plan
Building Plan Check	Building	8	\$25,594	\$3,199	Per Master Plan for R and U Occupancy
Building Plan Check	Building	194	\$218,196	\$1,125	Per Production Plan for R Occupancy
Building Plan Check	Building	21	\$101,955	\$4,855	Per Shell Permit
Building Inspection	Building	194	\$843,572	\$4,348	Per Production Plan for R Occupancy
Grading & Improvement Plan Check	-	1	\$41,250	\$41,250	7.5% of Inspection Fee
Grading & Improvement Inspection	-	1	\$550,000	\$550,000	5.5% of \$10MM Estimate
SMIP Fee	Building	194	\$3,923	\$20	Per Master & Production Plan
SMIP Fee	Building	21	\$3,941	\$188	Per Shell Permit
State Building Standards Fee	Building	194	\$1,670	\$9	Per Master & Production Plan
State Building Standards Fee	Building	21	\$1,583	\$75	Per Shell Permit
Tech Surcharge	Building	4	\$781	\$195	Per Master Plan
Tech Surcharge	Building	194	\$32,812	\$169	Per Production Plan
Tech Surcharge	Building	21	\$3,310	\$158	Per Shell Permit
Building Plan Check	Fire	8	\$9,104	\$1,138	Per Master Plan for R and U Occupancy
Building Plan Check & Inspection	Fire	42	\$84,734	\$2,017	Per Shell Permit
Fire Alarm System Inspection	Fire	194	\$204,476	\$1,054	0-15 Devices Per System
Fire Hydrant Inspection	Fire	12	\$2,520	\$210	Per Hydrant
Fire Sprinkler System Inspection	Fire	194	\$162,960	\$840	Per System
Sewer Permit Issuance	Oro Loma	194	\$5,820	\$30	Per Unit
Sewer Inspection	Oro Loma	194	\$48,500	\$250	Per Unit
<b>Subtotal Processing Fees</b>			<b>\$2,677,853</b>		
<b>Impact Fees</b>					
Affordable Housing in-Lieu Fees	Planning	15	\$1,200,000	\$80,000	7.5% of Attached For-Sale
Park In-Lieu Fees	Planning	194	\$2,210,630	\$11,395	Per Single-Family Attached Unit
Construction & Improvement Tax	Building	194	\$141,300	\$728	Per Production Plan
Supplemental Const & Imp Tax	Building	194	\$232,800	\$1,200	Per Single-Family Unit
Supplemental Const & Imp Tax Credit	Building	333,600	(\$232,800)	(\$1)	Confirmed by Don Franscinella with City
Sewer Connection Charge	Oro Loma	194	\$1,271,670	\$6,555	Per Unit
Sewer Connection Credit	Oro Loma	1	(\$1,257,179)	(\$1,257,179)	Credit Calc by bennett Cruz with Oro Loma
Account Establishment Charge	EBMUD	196	\$7,448	\$38	Per New Account & Per Irrigation Meter
Water Service Installation Fee	EBMUD	208	\$262,712	\$1,263	Per Service Connection & Per Hydrant
Water Capacity Charge	EBMUD	196	\$1,877,900	\$9,581	Per Connection & Per Meter
Water Capacity Credit	EBMUD	6	(\$1,024,330)	(\$170,722)	EBMUD Credit Per Identified Tap
School Impact Fee	HUSD	342,450	\$1,017,077	\$3	Per SF of Conditioned Living Space
School Impact Fee	HUSD	3,242	\$1,524	\$0	Per SF of Unconditioned Space/Parking
<b>Subtotal Impact Fees</b>			<b>\$5,708,751</b>		
<b>Total Residential Fees</b>			<b>\$8,386,604</b>		
<b>Total Per Unit</b>		<b>194</b>	<b>\$43,230</b>		

[1] Based on detailed fee estimates prepared by Integral Communities.

Source: Integral Communities; and Economic & Planning Systems

**Table A-5**  
**Estimating Procedures for General Fund Revenues**  
**@ The Boulevard Residential Mixed Use Project; EPS# 121020**

<b>General Fund Revenues</b>	<b>FY 2013/14 Adopted Budget Mid-Update</b>	<b>Percent of Budget Total</b>	<b>Estimating Procedure</b>	<b>Case Study Reference</b>
Property Tax	\$26,977,000	22%	Case Study	Table 7
Property Tax - VLF	\$10,564,000	9%	Case Study	Table 9
Sales Tax	\$28,800,000	24%	Case Study	Table 10
Public Safety Sales Tax	\$700,000	1%	Case Study	Table 10
Utility Users Tax	\$15,000,000	12%	Average Revenue Factor	Table A-6
Franchise Fees	\$9,917,000	8%	Average Revenue Factor	Table A-6
Real Property Transfer Tax	\$4,500,000	4%	Case Study	Table 8
Business License Tax	\$2,500,000	2%	Average Revenue Factor	Table A-6
Emergency Services Facilities Tax	\$1,809,000	1%	Case Study	Table 11
Transient Occupancy Tax <sup>1</sup>	\$1,460,000	1%	N/A	
Other Revenue <sup>1</sup>	\$3,978,000	3%	N/A	
Intergovernmental <sup>1</sup>	\$3,341,000	3%	N/A	
Fines & Forfeitures	\$2,579,000	2%	Average Revenue Factor	Table A-6
Interest & Rents <sup>1</sup>	\$264,000	0%	N/A	
Charges for Service				
Licenses & Permits	\$2,169,000	2%	Average Revenue Factor	Table A-6
Fees & Charges for Services	\$2,736,000	2%	Average Revenue Factor	Table A-6
Construction Related <sup>2</sup>	\$3,691,000	3%	One-Time	
<b>Total General Fund Revenue</b>	<b>\$120,985,000</b>	<b>100%</b>		

[1] These revenues are not anticipated to be affected by the Project specifically and are thus not estimated in this study.

[2] One-time revenues are part of development fees estimated in Table A-4.

Sources: City of Hayward Adopted Budget FY 2013/14 Mid-Biennial Update; and Economic & Planning Systems, Inc.

**Table A-6**  
**Revenue-Estimating Factors**  
**@ The Boulevard Mixed Use Development (Mervyn's) Project; EPS# 121020**

<b>Revenue Item</b>	<b>Revenue Basis</b>	<b>FY 2013/14 Revenues</b>	<b>Employment or Persons Served<sup>1</sup></b>	<b>Unit Revenue</b>
Utility Users Tax	Per Person Served	\$15,000,000	182,450	\$82.21
Franchise Fees	Per Person Served	\$9,917,000	182,450	\$54.35
Business Tax	Per Employee	\$2,500,000	70,673	\$35.37
Fines & Forfeitures	Per Person Served	\$2,579,000	182,450	\$14.14
Fees & Charges for Services	Per Person Served	\$2,736,000	182,450	\$15.00
Licenses & Permits	Per Person Served	\$2,169,000	182,450	\$11.89

[1] "Persons served" or service population is assumed to equal the sum of City residents plus one-half of employees who work in the City.

Sources: City of Hayward Budget 2013/14; and Economic & Planning Systems, Inc.