

# PRELIMINARY EVALUATION OF FISCAL IMPACTS

## BRISBANE BAYLANDS

*April 2017*



KEYSER MARSTON ASSOCIATES.

# PURPOSE OF EVALUATION

- Evaluate project's preliminary compliance with City policy that all new development must "pay for itself"
- Identify potential measures to enhance fiscal surplus



# EVALUATED IMPACTS

- Annual recurring General Fund, Gas Tax Fund, and Measure A Fund Revenues upon Buildout
- Annual recurring General Fund municipal service costs upon Buildout
- Four alternatives:
  - Developer Sponsored Plan (DSP)
  - Developer Sponsored Plan – Entertainment Variant (DSP – V)
  - Community Proposed Plan (CPP)
  - Community Proposed Plan – Recology Expansion Variant (CPP-V)



# CONCEPTUAL DEVELOPMENT SCENARIOS

Proposed Development Program	Developer Plan	Entertainment Variant	Community Proposed	CPP Recology Variant
Residential Units	4,434	4,434	0	0
Non-Residential SF				
Commercial/Office/R&D	5,979,500	4,851,500	5,209,200	4,874,400
Retail	566,300	283,400	0	0
Institutional	110,800	110,800	0	0
New Industrial	0	0	66,600	66,600
Resource Recovery (Net New)	0	0	0	751,000
Hotel	261,100	586,800	1,392,300	1,046,100
Rooms	369	719	1,990	1,500
Entertainment/Civic/Cultural	<u>28,200</u>	<u>1,066,500</u>	<u>1,074,500</u>	<u>1,074,500</u>
	6,946,269	6,899,719	7,744,590	7,814,100
Park and Open Space Acres	170	170	330	330
Project Site Acres	684	684	733	733



# KEY ASSUMPTIONS

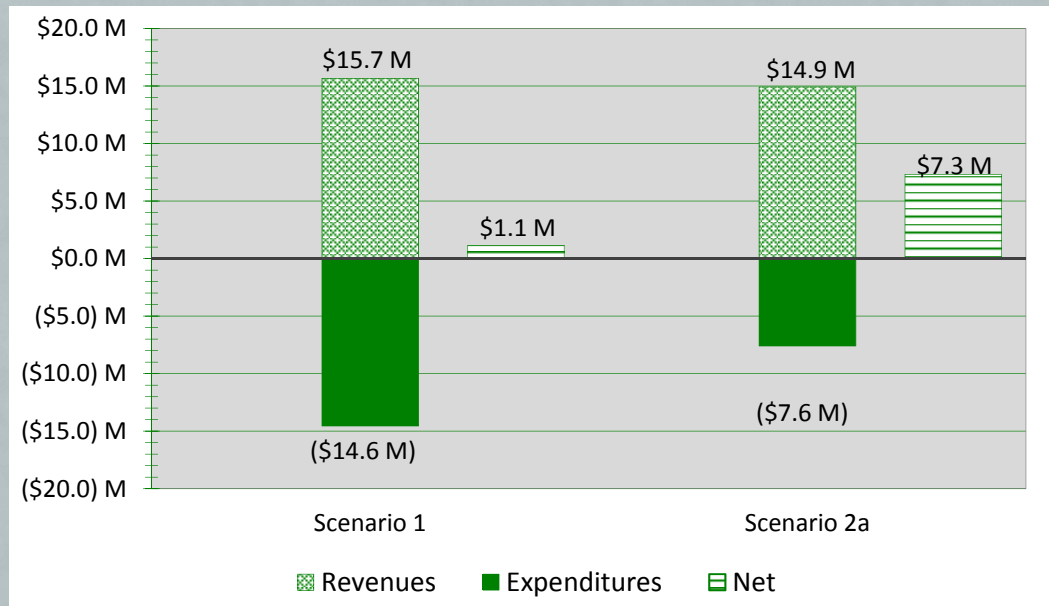
- Each development concept is supported by the market place, is financially feasible, and will achieve full buildout
- All new streets and parks will be publicly owned and maintained by the General Fund
- Average residential assessed values of \$1,007,000 for townhome units and \$643,000 for apartments and condominium units
- Full buildout will require closure of rock crushing and soil operations – eliminate \$810,000 of existing City revenue



# KEY FINDING: NET FISCAL SURPLUS UPON FULL BUILDOUT

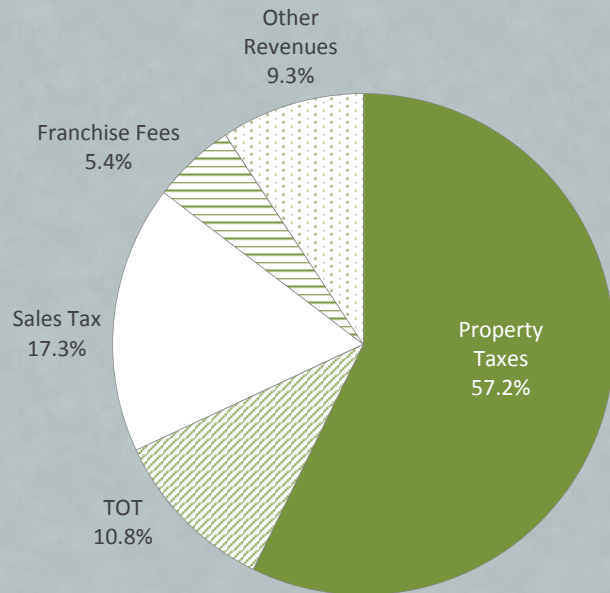
*If fully developed, all four concepts would likely generate a fiscal surplus to the City of Brisbane*

Annual General, Gas Tax, and Measure A Fund Impact Upon Buildout	Developer Sponsored Plan	CPP Recology Variant
General, Gas Tax, Meas A Revenues	\$15,673,000	\$14,923,000
General Fund Expenditures	\$14,550,000	\$7,600,000
Annual Net Impact	\$1,123,000	\$7,323,000



# KEY FINDING: PROPERTY TAXES ARE SINGLE LARGEST REVENUE FOR DSP SCENARIO

*Developer Sponsored Plan*

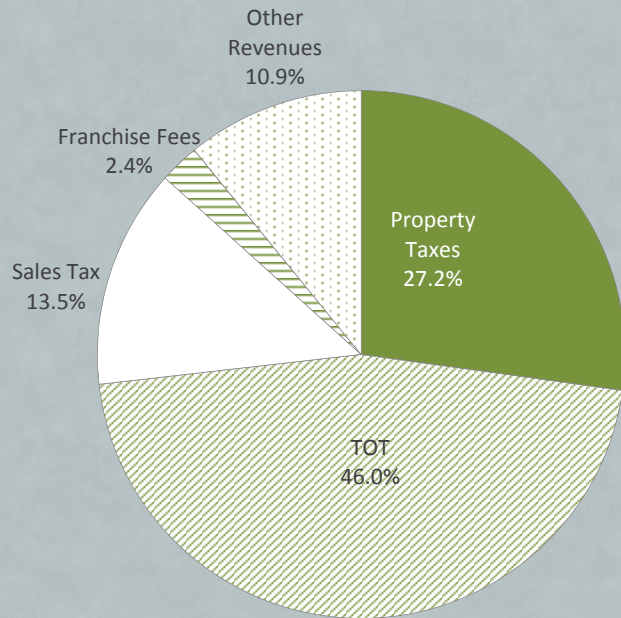


Annual General, Gas Tax and Measure A Fund Revenues Upon Buildout	Developer Sponsored Plan
Property Tax	\$9,570,000
Transient Occupancy Tax	\$1,810,000
Sales and Use Tax	\$2,890,000
Franchise Fees	\$900,000
Business License Tax	\$840,000
Fines and Forfeitures	\$220,000
Property Transfer Tax	\$230,000
<b>Total General Fund Revenues</b>	<b>\$16,460,000</b>
Gas Tax	\$260,000
Measure A	\$0
<b>Total Annual Revenues</b>	<b>\$16,720,000</b>



# KEY FINDING: TRANSIENT OCCUPANCY TAXES ARE SINGLE LARGEST REVENUE FOR CPP-V

**Recology Expansion Variant**



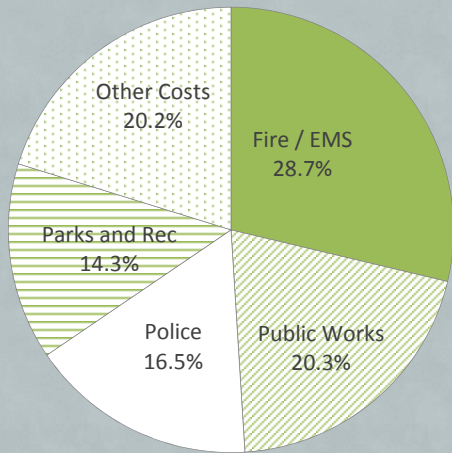
Annual General, Gas Tax and Measure A Fund Revenues Upon Buildout	CPP Recology Variant
Property Tax	\$4,340,000
Transient Occupancy Tax	\$7,350,000
Sales and Use Tax	\$2,150,000
Franchise Fees	\$390,000
Business License Tax	\$1,570,000
Fines and Forfeitures	\$100,000
Property Transfer Tax	\$70,000
<b>Total General Fund Revenues</b>	<b>\$15,970,000</b>
Gas Tax	\$0
Measure A	\$0
<b>Total Annual Revenues</b>	<b>\$15,970,000</b>



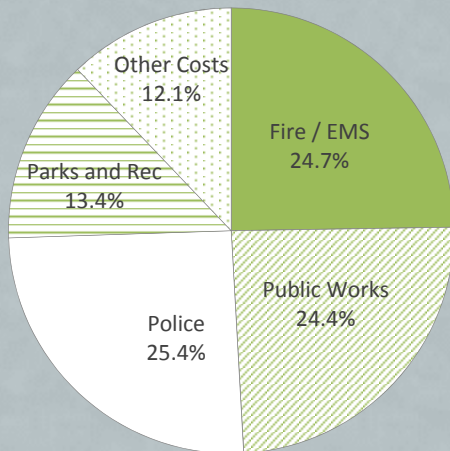


# KEY FINDING: MAJOR SERVICE IMPACTS ON FIRE, POLICE, AND PUBLIC WORKS

**Developer Sponsored Plan**



**Community Proposed Plan**



Annual General Fund Expenditures	Developer Sponsored Plan	CPP Recology Variant
Fire/EMS	\$4,180,000	\$1,820,000
Public Works	\$2,950,000	\$1,850,000
Police	\$2,400,000	\$1,990,000
Parks and Recreation	\$2,080,000	\$1,050,000
General Government	\$1,330,000	\$580,000
New Library	\$920,000	\$0
Community Development	\$380,000	\$170,000
Non-Departmental/Central Services	\$310,000	\$140,000
<b>Total Annual General Fund Expend.</b>	<b>\$14,550,000</b>	<b>\$7,600,000</b>



# MECHANISMS TO ENHANCE FISCAL BENEFITS

- Privatize funding of a portion of municipal service costs - CFD
- Require fiscal analysis prior to each phase of development
- Relocate existing businesses to maintain tax revenue
- Capture Use (Business to Business) Tax Revenue
- Adopt new taxes



# POTENTIAL INFRASTRUCTURE FINANCING TOOLS

<b><i>Special Assessment and Special Tax Districts</i></b>	
<b><i>Special Assessment Districts</i></b>	Assessment on property
<b><i>Mello Roos Community Facilities Districts</i></b>	Special Tax on property
<b><i>Tax Increment Financing</i></b>	
<b><i>Infrastructure Finance Districts (EIFD and IRFD)</i></b>	Voluntary diversion of portion of property tax increment by participating taxing agencies
<b><i>Developer Funding, Financing and Incentives</i></b>	
<b><i>Impact Fees</i></b>	Fee credit
<b><i>Value Capture from Zoning and Code Changes</i></b>	Real estate value and/or cost reductions
<b><i>Incentive Agreements</i></b>	Tax sharing
<b><i>Federal/ State Programs</i></b>	Federal/State

# ECONOMIC FEASIBILITY CONSIDERATIONS

BRISBANE BAYLANDS

*April 2017*



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# FEASIBILITY: CONCEPTUAL ANALYSIS

- High level order of magnitude estimates
- Technical cost data provided by UPC and its Consultants
- Evolves over time with enhanced information



## FEASIBILITY: REVENUES MUST EXCEED DEVELOPMENT COSTS

- Land values greater than site development costs, then can proceed
- If costs greater than land values, then re-assess and/or wait



# MARKET INFLUENCE ON SITE

- Bay Area Economy: job growth and housing demand
- Location
- Size
- Competitive environment



# SITE DEVELOPMENT COSTS

- Focused on Infrastructure: necessary to open up site
- Includes: Closure, remediation, grading, utilities, roads, etc.
- Other costs not considered at this time





# INFRASTRUCTURE: LARGE SIGNIFICANT COSTS

- \$1.1 Billion (Source: UPC)
- Many costs appear to be fixed
- Difficult to phase
- Independent of land use



## DEVELOPMENT AREA: DEVELOPER SPONSORED PLAN (DSP)

- 684 gross acres
  - ~384 acres open space, roads, solar farm, etc.
- 300 net development acres
  - Income producing component of Baylands



## HIGH INFRASTRUCTURE COST AND LARGE LAND AREAS

- \$84 PSF land area (\$1.1 B divided by 300 net acres)
- Initial Phase could exceed \$100 million
- Primary Land Uses / Economic Engines
  - Campus office
  - Residential



# CONCLUSIONS

- Major parcels required to support costs
- Reducing land area for development creates higher PSF cost threshold
- Campus office and residential primary land uses
- With enhanced information, findings will be refined



# QUESTIONS

