PRELIMINARY EVALUATION OF FISCAL IMPACTS

BRISBANE BAYLANDS

April 2016

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 impacts.

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	Scenario 1 Developer Plan	Scenario 1a Entertainment Variant	Scenario 2 Community Proposed	Scenario 2a 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	28,200	1,066,500	1,074,500	1,074,500
	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

METHOD OF EVALUATION

- Snap shot assessment of recurring net impacts upon build-out
- Project, Market, and EIR data used to estimate:
  - property tax
  - sales tax
  - transfer tax
  - hotel tax
  - business license revenues
  - cost to maintain new infrastructure, library, and parks
  - cost to provide police protections services
- Average per capita budget factors used to estimate:
  - franchise fees
  - fines and forfeiture revenue
  - Gas tax, Prop 172 and Measure A revenues
  - Recreational service costs
  - Additional wear and tear on existing infrastructure
- One-time construction period revenue impacts not addressed

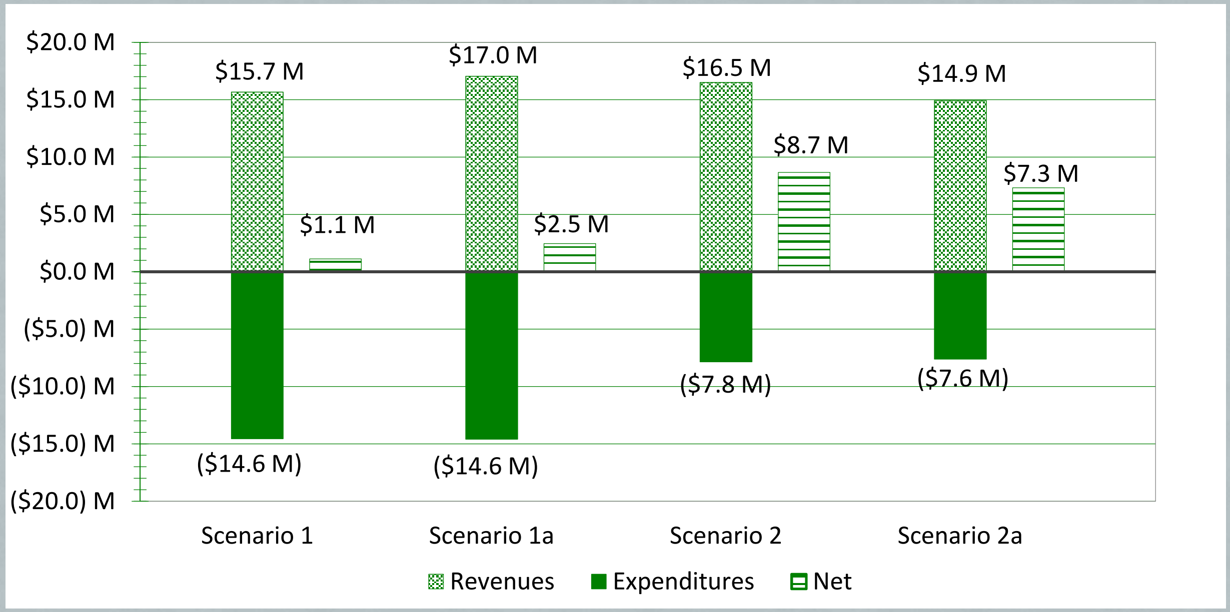
KEY ASSUMPTIONS

- 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
- Current tax allocation procedures and tax rates will remain in effect

KEY FINDING: NET FISCAL SURPLUS UPON FULL BUILDOUT

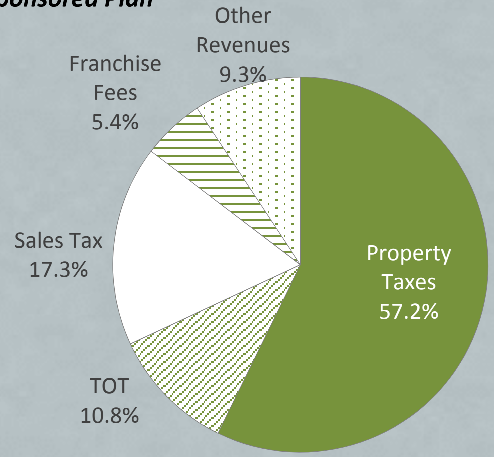
If fully developed, all four concepts would likely generate a fiscal surplus to the City of Brisbane

Annual General, Gas Tax, and Measure A Fund Impact Upon Buildout	Scenario 1 Developer Plan	Scenario 1a Entertainment Variant	Scenario 2 Community Proposed	Scenario 2a Recology Variant
General, Gas Tax, Meas A Revenues	$15,673,000	$17,043,000	$16,503,000	$14,923,000
General Fund Expenditures	$14,550,000	$14,580,000	$7,840,000	$7,600,000
Annual Net Impact With Hotels	$1,123,000	$2,463,000	$8,663,000	$7,323,000

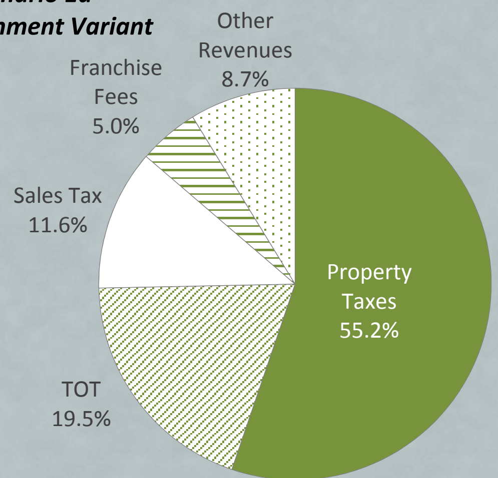


KEY FINDING: PROPERTY TAXES ARE SINGLE LARGEST REVENUE FOR DSP SCENARIOS

Scenario 1
Developer Sponsored Plan

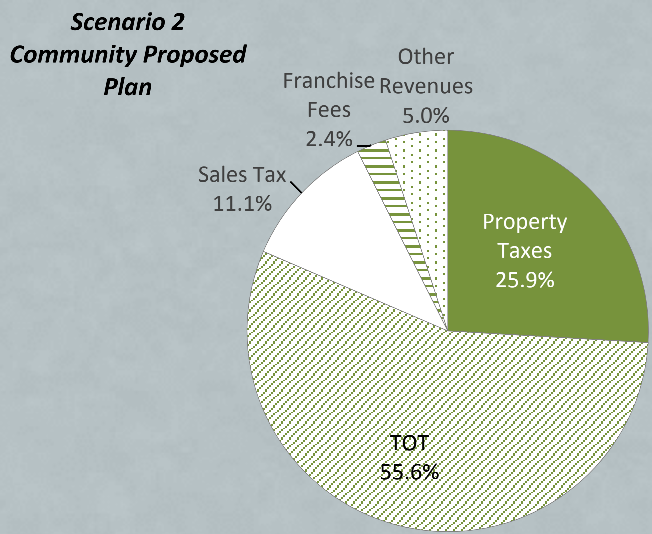


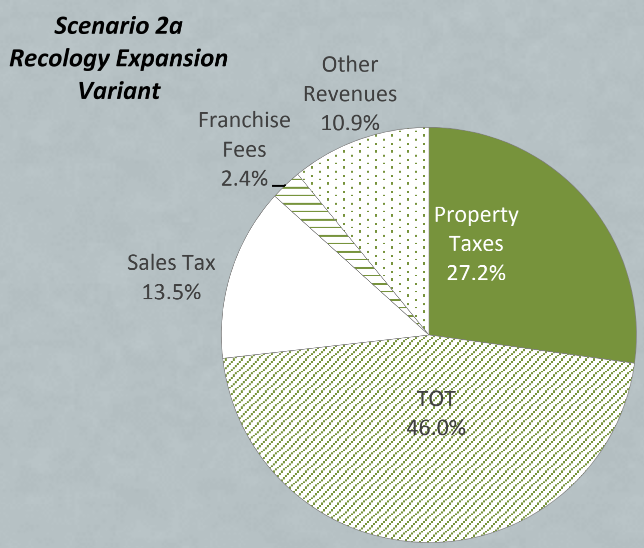
Scenario 1a
Entertainment Variant



Annual General, Gas Tax and Measure A Fund Revenues Upon Buildout	Scenario 1 Developer Plan	Scenario 1a Entertainment Variant
Property Tax	$9,570,000	$9,990,000
Transient Occupancy Tax	$1,810,000	$3,520,000
Sales and Use Tax	$2,890,000	$2,100,000
Franchise Fees	$900,000	$900,000
Business License Tax	$840,000	$860,000
Fines and Forfeitures	$220,000	$220,000
Property Transfer Tax	$230,000	$240,000
Total General Fund Revenues	$16,460,000	$17,830,000
Gas Tax	$260,000	$260,000
Measure A	$0	$0
Total Annual Revenues	$16,720,000	$18,090,000

KEY FINDING: TRANSIENT OCCUPANCY TAXES ARE SINGLE LARGEST REVENUE FOR CPP SCENARIOS



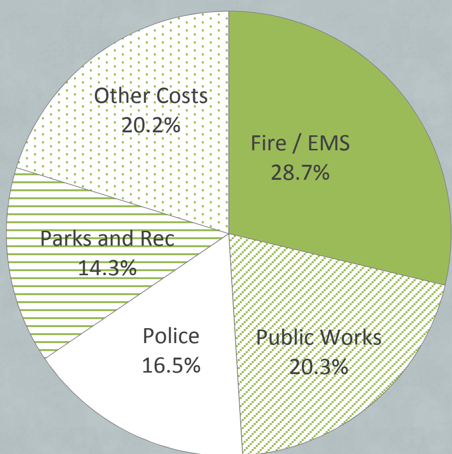


Annual General, Gas Tax and Measure A Fund Revenues Upon Buildout	Scenario 2 Community Proposed	Scenario 2a Recology Variant
Property Tax	$4,550,000	$4,340,000
Transient Occupancy Tax	$9,750,000	$7,350,000
Sales and Use Tax	$1,950,000	$2,150,000
Franchise Fees	$420,000	$390,000
Business License Tax	$710,000	$1,570,000
Fines and Forfeitures	$100,000	$100,000
Property Transfer Tax	$70,000	$70,000
Total General Fund Revenues	$17,550,000	$15,970,000
Gas Tax	$0	$0
Measure A	$0	$0
Total Annual Revenues	$17,550,000	$15,970,000

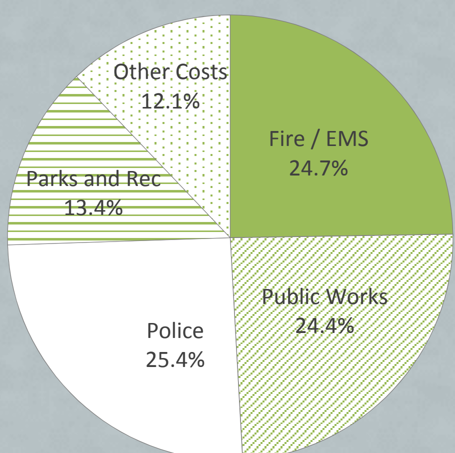
KEYSER MARSTON ASSOCIATES.

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

Scenarios 1 and 1a
Developer Sponsored Plans



Scenario 2 and 2a
Community Proposed Plans



Annual General Fund Expenditures	Scenario 1 Developer Plan	Scenario 1a Entertainment Variant	Scenario 2 Community Proposed	Scenario 2a Recology Variant
Fire/EMS	$4,180,000	$4,190,000	$1,940,000	$1,820,000
Public Works	$2,950,000	$2,960,000	$1,910,000	$1,850,000
Police	$2,400,000	$2,400,000	$1,990,000	$1,990,000
Parks and Recreation	$2,080,000	$2,080,000	$1,050,000	$1,050,000
General Government	$1,330,000	$1,340,000	$620,000	$580,000
New Library	$920,000	$920,000	$0	$0
Community Development	$380,000	$380,000	$180,000	$170,000
Non-Departmental/Central Services	$310,000	$310,000	$150,000	$140,000
Total Annual General Fund Expends.	$14,550,000	$14,580,000	$7,840,000	$7,600,000

INDICATORS OF IMPACTS OF EACH LAND USE

- Examined in isolation, hotel components generate the largest fiscal surplus, followed by retail and office
- Without hotel component, project scenarios 1, 1a and 2 would generate a fiscal deficit
- In isolation and without any privatization of costs, residential is estimated to generate a deficit
- Premature to draw conclusions at this preliminary stage

Annual General, Gas Tax, and Measure A Fund Impact by Land Use Upon Buildout	Scenario 1 Developer Plan	Scenario 1a Entertainment Variant	Scenario 2 Community Proposed	Scenario 2a Recology Variant
Residential	($2,140,000)	($2,130,000)	$0	$0
Commercial / Office / R&D	$3,090,000	$2,500,000	$2,660,000	$2,480,000
Retail	$1,310,000	$660,000	$610,000	$600,000
Institutional	($60,000)	($60,000)	$0	$0
Resource Recovery / Industrial	$0	$0	$30,000	$1,250,000
Hotel	$1,760,000	$3,400,000	$9,440,000	$7,120,000
Entertainment / Civic / Cultural	($20,000)	$910,000	($90,000)	($90,000)
Revenue Loss from Existing Businesses	($1,047,000)	($1,047,000)	($1,047,000)	($1,047,000)
Fixed Expenses	($1,770,000)	($1,770,000)	($2,940,000)	($2,990,000)

MECHANISMS TO ENHANCE FISCAL BENEFITS

- Capture construction use tax revenue
- Privatize funding of a portion of municipal service costs
- Maximize Use Tax Revenue from Businesses (Business to Business)
- Condition building permits on achievement of land use thresholds
- Relocate existing businesses to maintain tax revenue
- Adopt new taxes
- Examine fiscal impacts prior to each development phase and condition building permits on positive projection

HOW ARE FISCAL ENHANCEMENTS IMPLEMENTED?

Through a Development Agreement

- Responsibilities for funding municipal services
- Parameters for public funding mechanisms, such as Community Facilities Districts
- Requirements on contractors to capture use tax
- Land use metering provisions and/or requirement for future analyses
- Business relocation/retention requirements

ECONOMIC FEASIBILITY CONSIDERATIONS

BRISBANE BAYLANDS

April 2016

KEYSER MARSTON ASSOCIATES

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