

Appendix B
Economic Impact Analysis; and
Fiscal Impact Analysis

ECONOMIC IMPACT ANALYSIS (PHASE I)

FAIRVIEW AT NORTHGATE
VALLEJO, CALIFORNIA

DECEMBER 16, 2019

Prepared For

Kimley-Horn & Associates, Inc.
555 Capitol Mall #300
Sacramento, CA 95814

Prepared By

David Taussig & Associates, Inc.
99 Almaden Boulevard, Suite 875
San Jose, CA 95113

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EXECUTIVE SUMMARY

A. CONCLUSIONS

David Taussig & Associates, Inc. (“DTA”) has prepared this Economic Impact Analysis (“EIA”) in order to analyze the potential short- and long-term economic impacts of the Fairview at Northgate project (the “Project”) under the framework provided by Section 16.76.040 of the City of Vallejo (the “City”) Municipal Code (“the Code”). DTA was tasked with examining the local and regional markets for existing and proposed stores that provide retail and food and beverage retail uses to determine whether there is potential demand for these uses at the Project site. In completing the analysis, DTA evaluated the possibility that the development of these uses on the Project site might cause the saturation and/or deterioration, or “Urban Decay,” of existing and proposed retail development within the City and the County of Solano (“County”), including the reuse of an existing site that would be closed as a consequence of the Project. In addition to its Urban Decay and Economic Impact Analysis, DTA has further evaluated the Fiscal Impacts of the proposed Project by examining the residential and non-residential land uses. The Fiscal Impact Analysis can be found as Phase II of this Study.

As summarized below in this Executive Summary and discussed in detail in the text of the EIA, the Project will add to the supply of retail outlets available to residents of the Project’s Primary and Secondary Trade Areas (the “Trade Areas”). The Primary Trade Area encompasses a 3-mile radius from the Project site, whereas the Secondary Trade Area encompasses a 7-mile radius from the Project site. By and large, the demand for retail goods in the Trade Areas exceeds current retail supply. The key reason for this is that the retail sales currently experienced in these Trade Areas fall below the demand for retail goods generated by the residents currently living in these areas, and as a result these residents venture outside the Trade Areas to fulfill their needs.

Retail vacancies within the Trade Areas have decreased in recent years, and as the real estate market becomes more competitive within the Bay Area and the draw toward the East Bay and City of Vallejo rises due to relatively affordable housing prices, increasing retail demand is likely to further reduce any likelihood of Urban Decay related to the construction of the Project.

The timing of the Project and its ultimate buildout, estimated to occur by October 2022 for the retail component and by October 2023 for the residential component, offers the City and the County an opportunity to capitalize on current growth while protecting against changes in market cycles. Yet, irrespective of timing, the Project will play an important role in satisfying the Trade Areas’ under-served retail demand by improving the balance between supply and demand in these areas. Consequently, the Project is not expected to cause Urban Decay or any related physical changes.

B. PROJECT DESCRIPTION

The proposed Project is located in the City of Vallejo within the County of Solano and spans approximately 51.3 acres. It is comprised of approximately 179,688 square feet of retail/commercial space (including the proposed Costco, five retail pads, and gasoline service station accommodating up to 30 fueling dispensers and a related kiosk) within 21.8 acres, a residential component of 178 single family units within 23.8 acres, and 5.7 acres of open space. Notably, the new Costco is to replace a Costco less than one mile from the Project site; the net effect of the replacement is an additional 26,701 square feet. The Project site is located on a vacant, undeveloped lot, and is

bounded to the west by the Admiral Callaghan Lane right-of-way, to the north by the Turner Parkway right-of-way, to the south by a car dealership, residential condominiums, and apartments, and to the east by single family homes. The I-80 freeway is immediately adjacent to the west of Admiral Callaghan Lane. Please refer to **Map ES-1** for further information on the elements and location of the Project.

TABLE ES-1
APPROXIMATE LAND USE ASSUMPTIONS

LAND USE	ACREAGE
Retail/Commercial	21.8
Residential	23.8
Open Space	5.7

C. METHODOLOGY

The EIA analyzes the potential short- and long-term economic impacts of the proposed Costco. The term "superstore" shall refer to a business providing retail sales and food and beverage retail sales, as such terms are defined in Chapter 16.06, where the combined uses occupy seventy-five thousand square feet or more gross floor area and devote ten thousand square feet or more of the gross floor area to the sale of nontaxable merchandise, including but not limited to food and beverage retail sales. City Municipal Code Section 16.76.040 is substantially as follows, and requires:

- 1. A survey of the existing stores, including their current average retail sales, that provide retail sales and food and beverage retail sales within the city and the cities of Benicia and American Canyon, and/or in other retail and food and beverage retail market areas that would be served by the proposed superstore, regardless of whether such stores are within the political boundaries of the city, and that are likely to be economically affected by the proposed superstore.*
- 2. A survey of the existing, proposed, and/or pending superstores within the affected area.*
- 3. A survey of the number of persons who are employed on either a full-time or a less than full-time basis, and a delineation of each, by the existing stores and an estimate of the number of persons who would be employed on both a full-time or a less than full-time basis, and a delineation of each by the proposed superstore.*
- 4. An analysis of the short- and long-term effect the proposed superstore could have on the retail stores specified, which shall include an analysis of the proposed superstore's potential impact on the following within the affected area: retail sales, food and beverage retail sales, store closures, jobs, and any food and beverage retail and/or retail stores that could potentially close, including an analysis of the potential for using the closed site(s) for similar or other use. Such analysis shall also include a survey of established compensation and wages standards in comparable stores operated by the applicant compared to those established in the affected area.*

5. *An analysis of both the short- and the long-term potential effects of the proposed superstore on retail and food and beverage retail sales in the affected area, including a conclusion as to whether the proposed superstore would cause a net increase or decrease in retail and food and beverage retail sales in the affected area.*

6. *A fiscal impact analysis, which shall include, but not be limited to, an analysis of the projected sales tax revenues for the proposed superstore and an analysis of both the short- and the long-term effects of the proposed superstore on net sales tax revenues generated by existing retail and food and beverage retail stores in the city.*

7. *An analysis of the proposed superstore's potential short- and long-term net effect on the ability of consumers in the affected area to obtain a variety of food and beverage and retail products in light of the analysis concerning potential closure of retail and/or food and beverage retail stores within the affected area.*

8. *An analysis of the average savings a typical consumer might expect, if any, by the approval of the proposed superstore.*

In addition to requiring specific metrics (#1 and #3), Section 16.76.040 is also very concerned with Urban Decay (#4, #5, and #7). Urban Decay is an environmental, economic, and social problem that may be caused by the abandonment of existing retail development that results from highly competitive new retail development. This abandonment can lead to higher vacancy rates and deferred maintenance of existing retail square footage by its owners, who no longer receive the level of rental income necessary to maintain their properties. This in turn can lead to lower property values, higher crime rates, a damaged business environment, and a continuing cycle of events that can cause a variety of economic and social problems for a municipality. While it may take years for this type of deterioration to occur, once it starts, it can be difficult to stop.

To evaluate the potential for the Project to cause Urban Decay due to closures of existing retail stores, DTA evaluated the supply and demand for each specific retail category (e.g., r, food stores, etc.) in each of the geographic areas that will be impacted by the Project, otherwise known as the Project's Trade Areas or the "affected areas." To determine existing retail conditions, the most recent annualized data available to the City (2019), herein referenced as the "Existing Conditions," was obtained from the Nielsen Company. The EIA also assumes that the retail and residential components will be completed by October 2022 and October 2023, respectively, but that stabilized sales within the Project will first occur in 2024.

To determine the likelihood of Urban Decay occurring within the Trade Areas, the following methodology was applied in this analysis:

1. The boundaries of the Primary and Secondary Trade Areas that would support the Project were identified;
2. Retail sales expected within the Project were defined;
3. Current consumer demand generated by existing residents in each of the Trade Areas was determined;

4. Current retail sales in each of the Trade Areas were estimated;
5. The amount of existing retail leakage (local demand greater than local supply) or retail surplus (local supply greater than local demand) in each of the Trade Areas was calculated;
6. Projected future retail demand versus retail supply in 2024, herein referenced as the “Future Conditions” assuming completion of the Project for each of the Trade Areas, was calculated to determine if future retail leakage or retail supply surplus is expected to occur;
7. Other planned developments in the Trade Areas were identified where possible – and the Future Conditions supplies for food and retail were increased to include additional sales generated by the successful completion of these other developments – to determine the impacts of this additional supply;
8. Current retail vacancy rates in the vicinity of the Project were determined; and
9. The extent to which the Project is likely to contribute to Urban Decay in the Trade Areas, based on the findings under Tasks 1-8, was assessed. Evidence of retail leakage in the future despite the construction of the Project would suggest little potential for Urban Decay. Conversely, evidence of an oversupply of retail space would be a reason for greater concern regarding the potential for Urban Decay.

Please note that updated population, employment, and Citywide retail vacancy information, as well as a discussion of market impacts related to the positive real estate forecast have been provided in Section 2 of this analysis.

D. SUMMARY OF FINDINGS

To assess the potential impacts of the Project on existing retail development, the market area and population that would be served by the Project must first be determined. Local-serving retail uses include grocery and drug stores, cleaners, and other retail uses commonly found in neighborhood shopping centers, all of which generally attract customers from within the Primary Trade Area. Regional retail uses consist of goods and services for which consumers are willing to travel outside of their immediate neighborhoods, and include general merchandise, apparel, home furnishings and other retail uses. These regional uses generally attract customers from both the Primary and Secondary Trade Areas. While consumers are sometimes willing to travel considerable distances to purchase certain goods and services, they generally tend to shop at centers closest to their places of residence — all else being equal. Therefore, the Primary and Secondary Trade Area boundaries for the Project were established based on the distance between local residences and their nearest retail centers, as well as existing roadway systems and traffic patterns that impact where local residents do their shopping. **Exhibit 11** in **Appendix A** identifies the Project Trade Areas in relation to the locations of other centers with major anchors.

The Project is not expected to compete with existing retailers located beyond the Secondary Trade Area as consumers who reside beyond those boundaries would have multiple shopping center options that are located closer to their residences (or in some cases, their places of work).

Additionally, the projected retail sales of the Project represent a small percentage of total retail sales currently occurring beyond the Secondary Trade Area and are thereby unlikely to have a major impact on the shopping habits of residents outside of the Primary and Secondary Trade Areas. Demographic data for 2019 (the “Existing Conditions”) provided by the Nielsen Company indicates that there are 39,852 households in the Primary Trade Area and 68,143 households in the combined Primary and Secondary Trade Areas, with median household incomes of \$66,006 and \$77,437, respectively.

The EIA first examines the current market dynamics within each of the Trade Areas to determine the ability of each Trade Area to capture the expected retail demand of its own residents. Retail demand generated by Trade Area residents which is not currently captured by retailers within the Trade Area would indicate that there is existing excess demand to support the Project’s planned retail developments without negatively impacting existing businesses within the Trade Areas. The EIA compares existing retail demand generated by residents of each Trade Area versus existing retail supply within each Trade Area, and illustrates that there is a current shortfall of \$222.7 million in retail sales in the Primary Trade Area, versus a shortfall of \$691.0 million in retail sales in the combined Primary and Secondary Trade Areas (see **Figures ES-1 and ES-2**). This shortfall indicates that demand for retail goods in the Trade Areas is much greater than the sales experienced by retail outlets currently located in such areas.

With respect to food and beverage establishments specifically, when combining the Food and Eating and Drinking categories, there is a de minimis surplus of \$4.5 million in the Primary Trade Area and a shortfall of \$61 million in the combined Primary and Secondary Trade Areas. Costco’s business operations include selling groceries, which falls under the Food categorization, as well as running a limited-service restaurant/snack bar, which falls under the Eating and Drinking categorization. As such, for the purpose of this analysis, DTA has combined the Food and Eating and Drinking categories to better reflect the supply this Project will contribute to these related categories. DTA acknowledges the oversupply of \$52.9 million in the Primary Trade Area when solely examining the Food category, however given the fact that the Project is merely the relocation and expansion of an existing Costco, and only half of the additional 26,701 square feet will be used for grocery items, as confirmed by the Proponent, there is no evidence to indicate that the Project would exacerbate the already existing surplus. The Project is also not expected to compete with other typical grocery store chains, such as the nearby Safeway, because although both stores offer food and beverage items, each location has a different use to the average consumer depending on their needs.

DTA also recognizes the \$122.7 million surplus in the Automotive category, however this is likely due to the quantity of motor vehicle dealers within the Primary Trade Area, which inflates and distorts these figures. According to data obtained from the Nielsen Company, new and used car dealerships comprise 87 percent, or \$379.4 million, of the \$434.3 million total supply in the Automotive category. The majority of dealership revenue is generated from vehicle sales and the vast majority of goods offered by Costco are not similar to those of a car dealership. As previously mentioned, because the Project is merely the relocation and expansion of an existing Costco and approximately 25 percent of the additional 26,701 square feet will be used for non-grocery retail items, as confirmed by the Proponent, there is no evidence to indicate that the Project would exacerbate the already existing surplus or cause Urban Decay and/or market saturation within the Trade Areas. Additionally, dealerships typically serve a sub-regional population, one well in excess of our Primary and Secondary Trade Areas. Overall, the retail sales figures represent a healthy supply/demand equilibrium, which

is very unlikely to be upset by the expanded Costco's (additional 26,701 square feet) sales, and any existing surpluses will not be worsened by the Project.

DTA evaluated the closure and reuse of the current site upon completion of the Project. The Project Proponent will place a deed restriction on the original site to prevent any "bulk sale merchandisers" or other general merchandise retailers, which rules out any potential issues that may be caused by the addition of retail uses similar to that of Costco. Based off data provided by the Proponent, it is likely that any new retailer will fall under the General Merchandise or Other Retail categories. The existing site provides 125,437 square feet of potential retail space, and at an average taxable rate of \$300 per square foot, the re-tenanting of this space would add an estimated \$30.1 million to the existing supply, increasing the supply in the General Merchandise category to \$421.8 million with a remaining demand of \$137.7 million, and the supply of the Other Retail category to \$359.4 million with a remaining demand of \$240.8 million. In both scenarios, there would still be significant demand for additional retail in either category, and the re-tenanting of the existing site would provide an expanded opportunity for new retailers to enter the market and fulfill this unmet consumer demand.

MAP ES-1
PRIMARY (3 MILE) AND SECONDARY (7 MILE) RETAIL TRADE AREAS

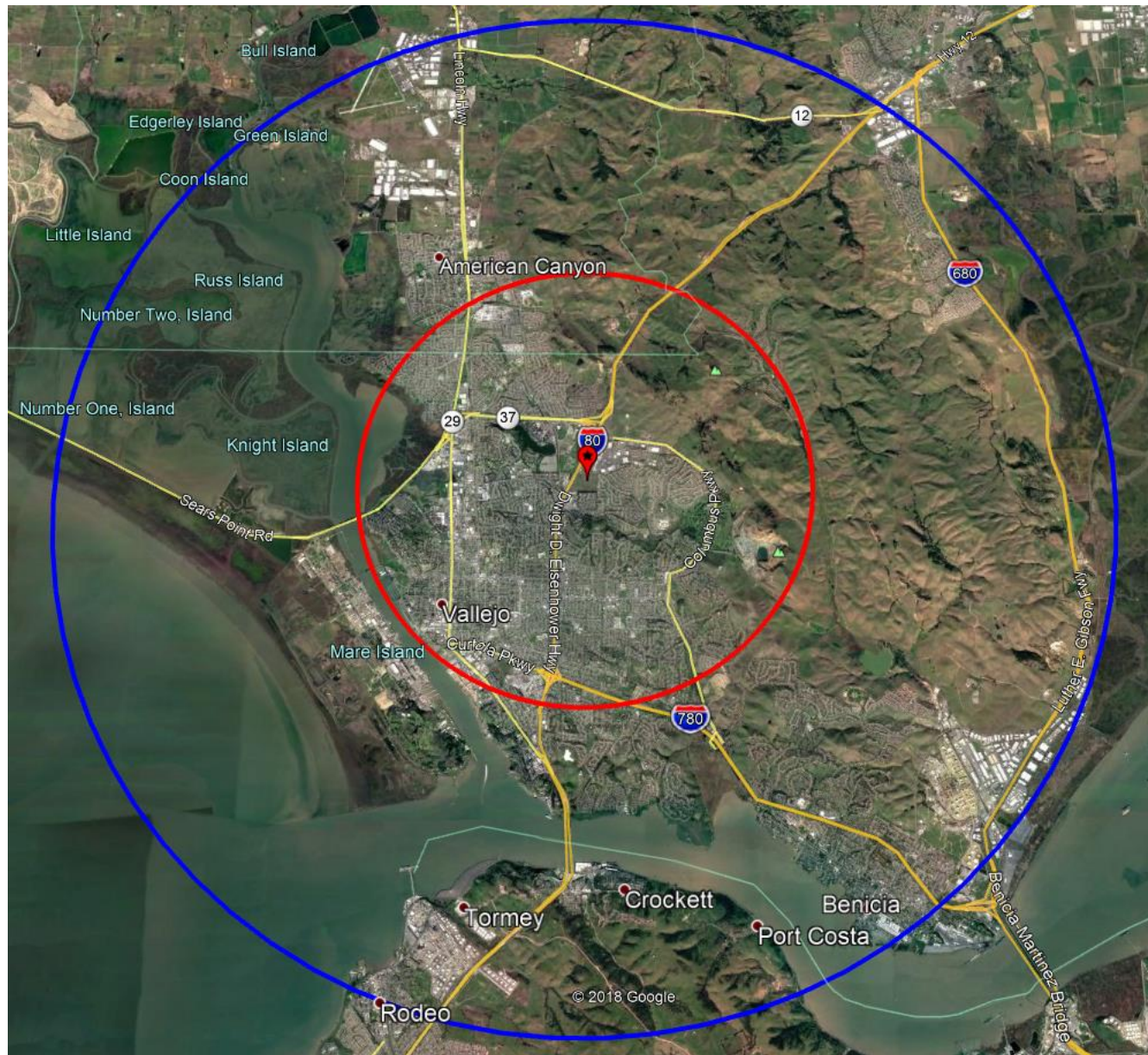
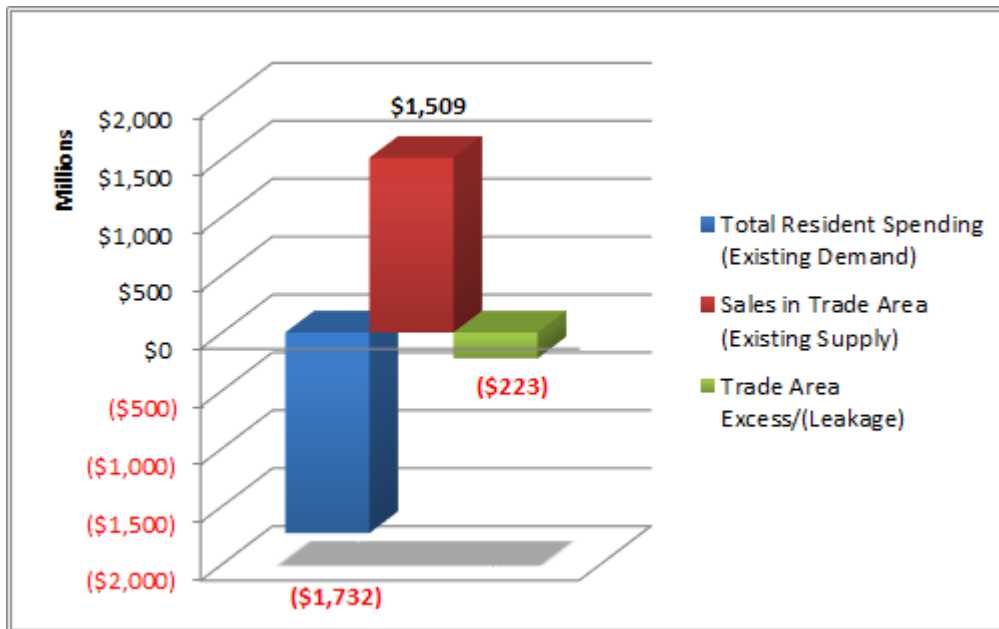
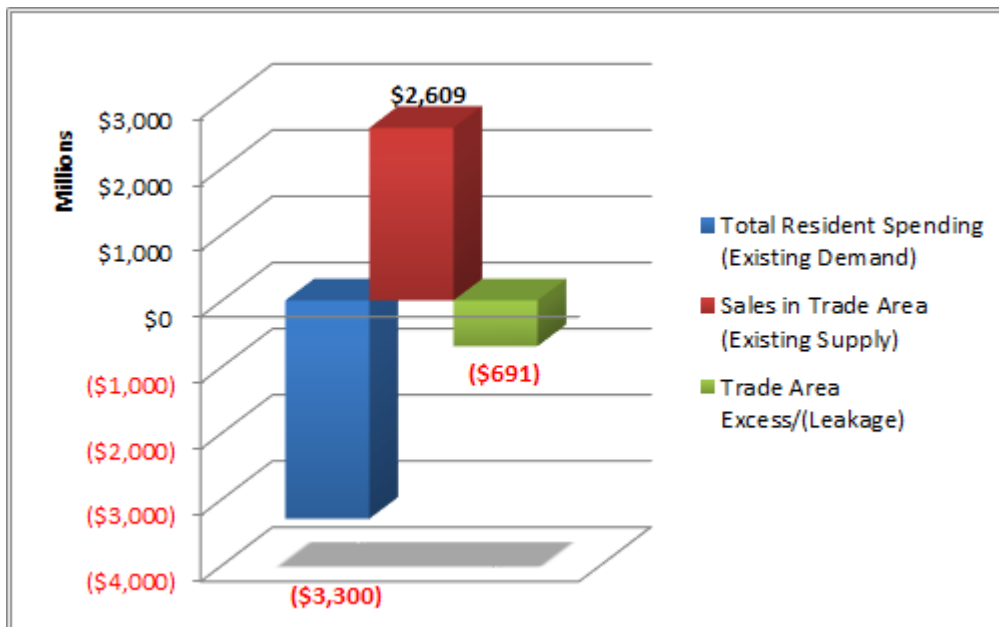


FIGURE ES-1
RETAIL SUMMARY
EXISTING PRIMARY TRADE AREA



Source: Nielsen Company, Solano County, Census Bureau.

FIGURE ES-2
RETAIL SUMMARY
EXISTING COMBINED PRIMARY & SECONDARY TRADE AREAS



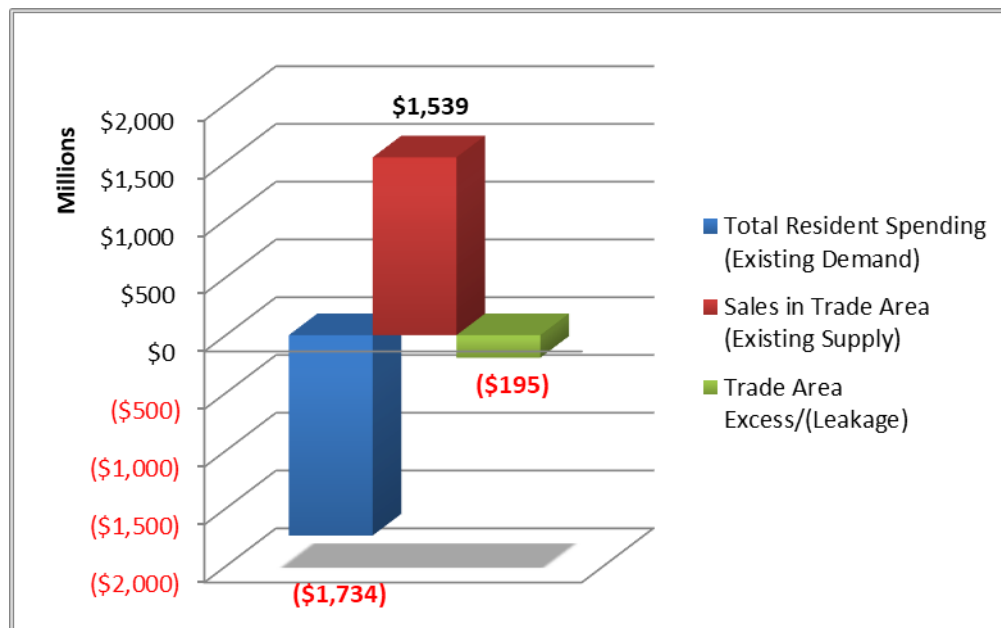
Source: Nielsen Company, Solano County, Census Bureau.

The next task undertaken in the EIA involves projecting the Future Conditions of the Trade Areas, including any potential impacts on retail supply and demand that would be caused by the development and launch of the Project. Based on 2024 projections by the Nielsen Company, DTA estimates that the number of households in the Primary Trade Area will increase from 39,852 to 41,483 by 2024, while the number of households in the combined Primary and Secondary Trade Areas will increase from 68,143 to 71,302 by 2024.

The retail leakage analyses demonstrate a continued overall excess of future consumer retail demand from Trade Area residents (vis-à-vis the future retail supply that includes the projected sales of the Project). The Primary Trade Area is projected to generate \$195.2 million in excess retail demand, while the combined Primary and Secondary Trade Areas are projected to produce \$663.9 million of excess retail demand under Future Conditions by 2024. Therefore, it is anticipated that there will be considerable demand for new retail uses on the Project site, and the additional retail sales generated by the Project are not expected to create an overall long-term excess of retail supply within the Trade Areas.

With overall retail demand levels well above retail supply, there will continue to be an overall shortage of retail supply in both Trade Areas (see **Figures ES-3** and **ES-4**). This supply shortfall suggests that there will be a substantial need for additional retail square footage under the Future Conditions scenario.

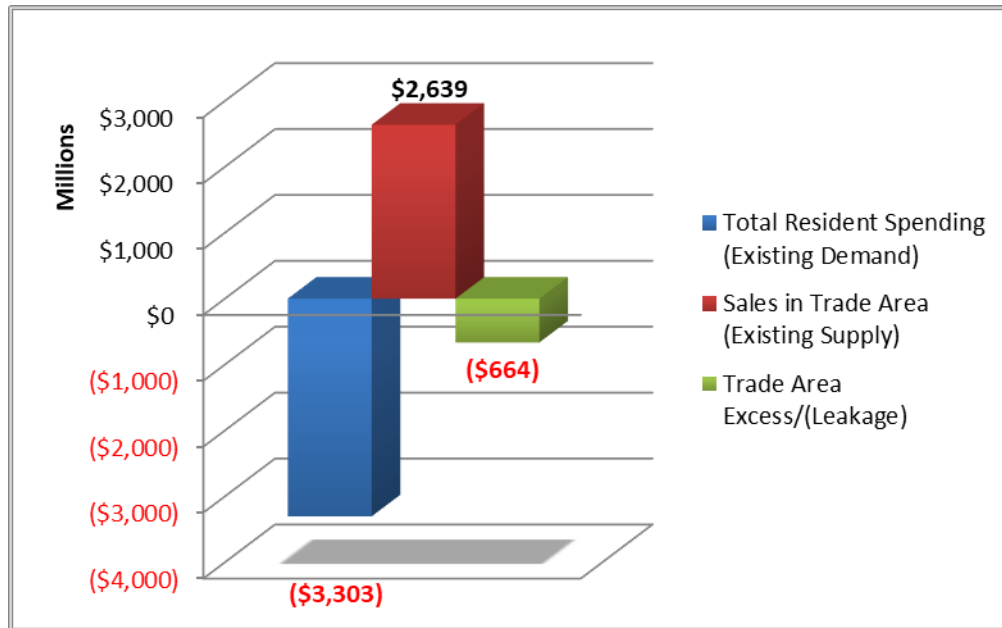
FIGURE ES-3
RETAIL SUMMARY
FUTURE PRIMARY TRADE AREA WITH PROJECT



Source: Nielsen Company, Solano County, Census Bureau.

FIGURE
ES-4
RETAIL SUMMARY

FUTURE COMBINED PRIMARY & SECONDARY TRADE AREAS WITH PROJECT



Source: Nielsen Company, Solano County, Census Bureau.

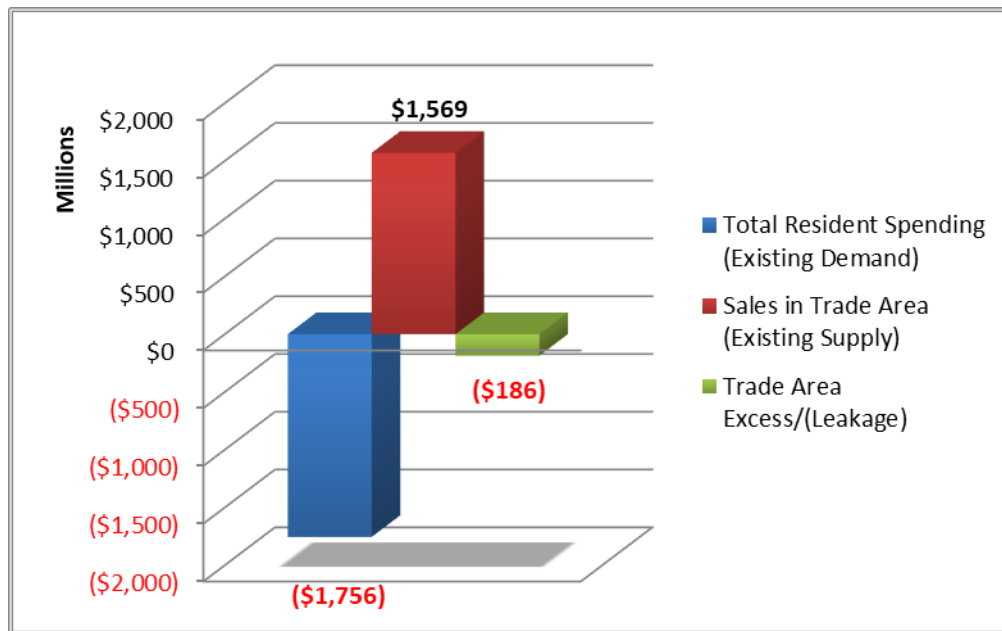
Cumulative Impacts of Additional Proposed Retail Projects

In order to fully assess the retail market situation in the future, this EIA has also accounted for the cumulative effects of any additional retail projects that could affect supply in the Project's Trade Areas. After a thorough review of local real estate publications and County and City Planning Department documents and records, DTA:

- A. Compiled a preliminary list of proposed retail defined as superstores in the City's Municipal Code.
- B. Estimated the square footage of proposed projects in each jurisdiction within the Trade Areas.
- C. Concluded that the Primary Trade Area is projected to generate \$186.1 million in excess retail demand in 2024 under Future Conditions with all proposed projects, while the combined Primary and Secondary Trade Areas with all proposed projects are projected to produce excess retail demand of \$684 million by that year (see **Figures ES-5 and ES-6**). Therefore, DTA anticipates that, even after including all proposed projects, there will still be considerable demand for new retail uses on the Project site, and the additional sales to be generated by the Project will not create an overall long-term excess of retail supply within the Trade Areas.

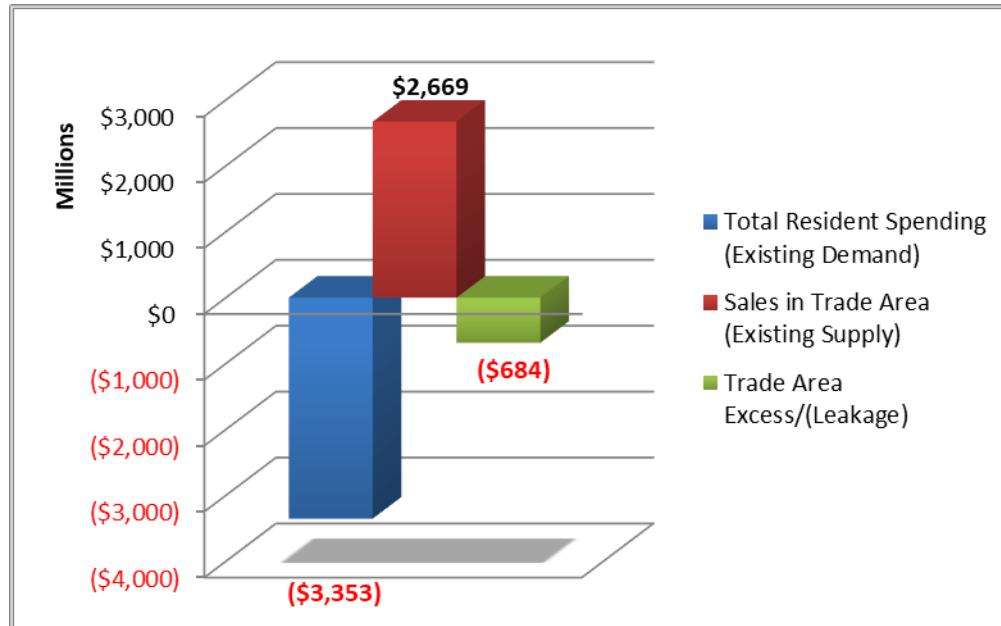
- D. The overall shortfall in retail supply suggests that there will be a substantial overall need for additional retail square footage under the Future Conditions scenario. Please refer to **Figures ES-5** and **ES-6** for additional details.

FIGURE ES-5
RETAIL SUMMARY
FUTURE PRIMARY TRADE AREA
(WITH ALL PROPOSED PROJECTS)



Source: Nielsen Company, Solano County, Census Bureau.

**FIGURE ES-6
RETAIL SUMMARY
FUTURE COMBINED PRIMARY & SECONDARY TRADE AREAS
(WITH ALL PROPOSED PROJECTS)**



Source: Nielsen Company, Solano County, Census Bureau.

Retail Vacancy Rates

The retail vacancy rate in an area is also an important indicator of current market conditions, as well as the area's susceptibility to Urban Decay. A retail vacancy rate of 5% is a normal level expected in a healthy real estate market. In order to approximate the vacancy rate for the Project, DTA evaluated vacancy rate statistics for a variety of retail segment categorizations, including commercial mixed-use retail, retail exclusive, and shopping center for the City of Vallejo. Given that the Costco site offers a variety of non-retail commercial uses such as optometry offices, gas service stations, tire centers, and pharmacies, DTA has identified commercial mixed-use retail as the most appropriate comparative category for the purposes of this analysis.

The vacancy rate for commercial mixed-use retail properties is currently only 4.8 percent, down from 6.6 percent in 2018, as shown in **Figure ES-7** and **Table ES-2** below, with an overall downward trend since 2014. The new Costco will be located in the Northgate area of the City and immediately surrounded by other residential and commercial development. Furthermore, as the real estate market becomes more competitive within the Bay Area and the draw toward the East Bay and City of Vallejo rises due to relatively affordable housing prices, increasing retail demand is likely to further reduce any likelihood of Urban Decay related to the construction of the Project.

FIGURE ES-7
VACANCY RATES – COMMERCIAL MIXED-USE
CITY OF VALLEJO

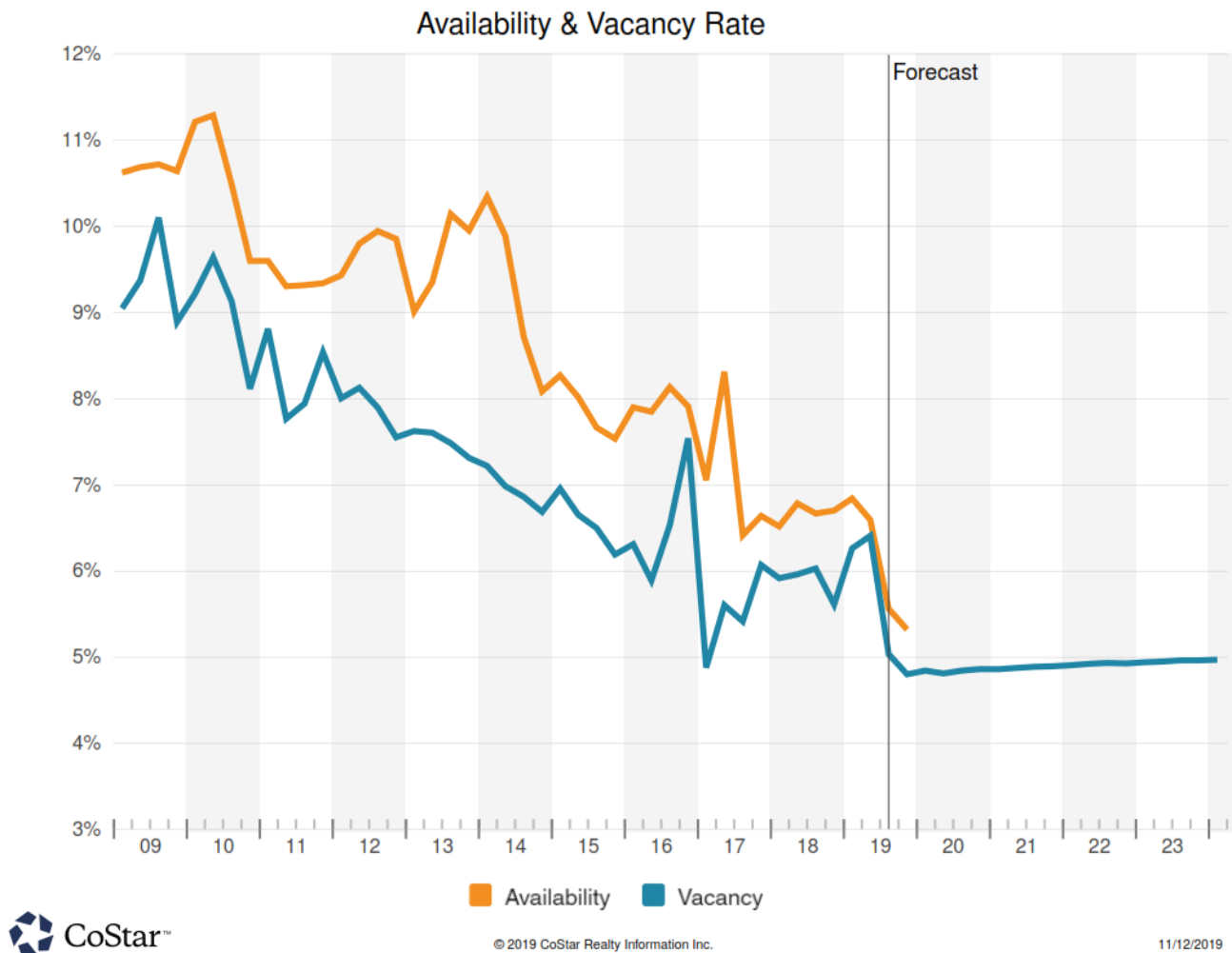


TABLE ES-2
2019 VACANCY STATISTICS WITHIN THE CITY OF VALLEJO

TYPE	VACANCY RATE	VACANT SQUARE FEET	AVAILABILITY RATE	AVAILABLE SQUARE FEET
COMMERCIAL MIXED-USE	4.80%	306,000	5.30%	341,000

Source: CoStar

SECTION 1 INTRODUCTION

A. OVERVIEW

David Taussig & Associates, Inc. (“DTA”) has prepared this Economic Impact Analysis (“EIA”) in order to analyze the potential short- and long-term economic impacts of the Fairview at Northgate project (the “Project”) under the framework provided by Section 16.76.040 of the City of Vallejo (the “City”) Municipal Code (“The Code”). Additionally, DTA was tasked with examining the local and regional markets for existing and proposed stores that provide retail uses and food and beverage retail uses to determine whether there is potential demand for these uses at the Project site. In completing the analysis, DTA evaluated the possibility that the development of these uses on the Project site might cause the saturation and/or decay, or “Urban Decay,” of existing and proposed retail development within the City and the County of Solano (“County”), including the reuse of an existing site that would be closed as a consequence of the Project.

Urban Decay is an environmental, economic, and social problem that may be caused by the abandonment of existing retail development that results from highly competitive new retail development. This abandonment can cause loss of close and convenient shopping and lead to higher vacancy rates and deferred maintenance of existing retail square footage by its owners, who no longer receive the level of rental income necessary to maintain their properties. This in turn can lead to lower property values, higher crime rates, a damaged business environment, increased traffic congestion and gasoline consumption, and a continuing cycle of events that can cause a variety of economic and social problems for a municipality. While it may take years for this type of deterioration to occur, once it starts, it can be difficult to stop.

The enclosed analysis considers the impacts of the Project on existing retail buildings throughout the Project’s Primary and Secondary Trade Areas (the “Trade Areas”), as illustrated on **Map 1** herein, where the vast majority of the Project’s retail patrons will reside. The analysis also considers the issue of existing retail sales leakage (the degree to which residents of the City and its trade areas are currently forced to shop outside of their immediate neighborhoods due to a lack of existing local shopping alternatives), and, if such leakage exists, the positive impacts of the Project in keeping these residents shopping near their homes, which include minimizing traffic congestion and gasoline consumption. The fact that a stronger retail sector will provide opportunities for entertainment, restaurants, hotels, and motels to locate within the vicinity of the Project would further enhance the economic benefits of reducing retail leakage.

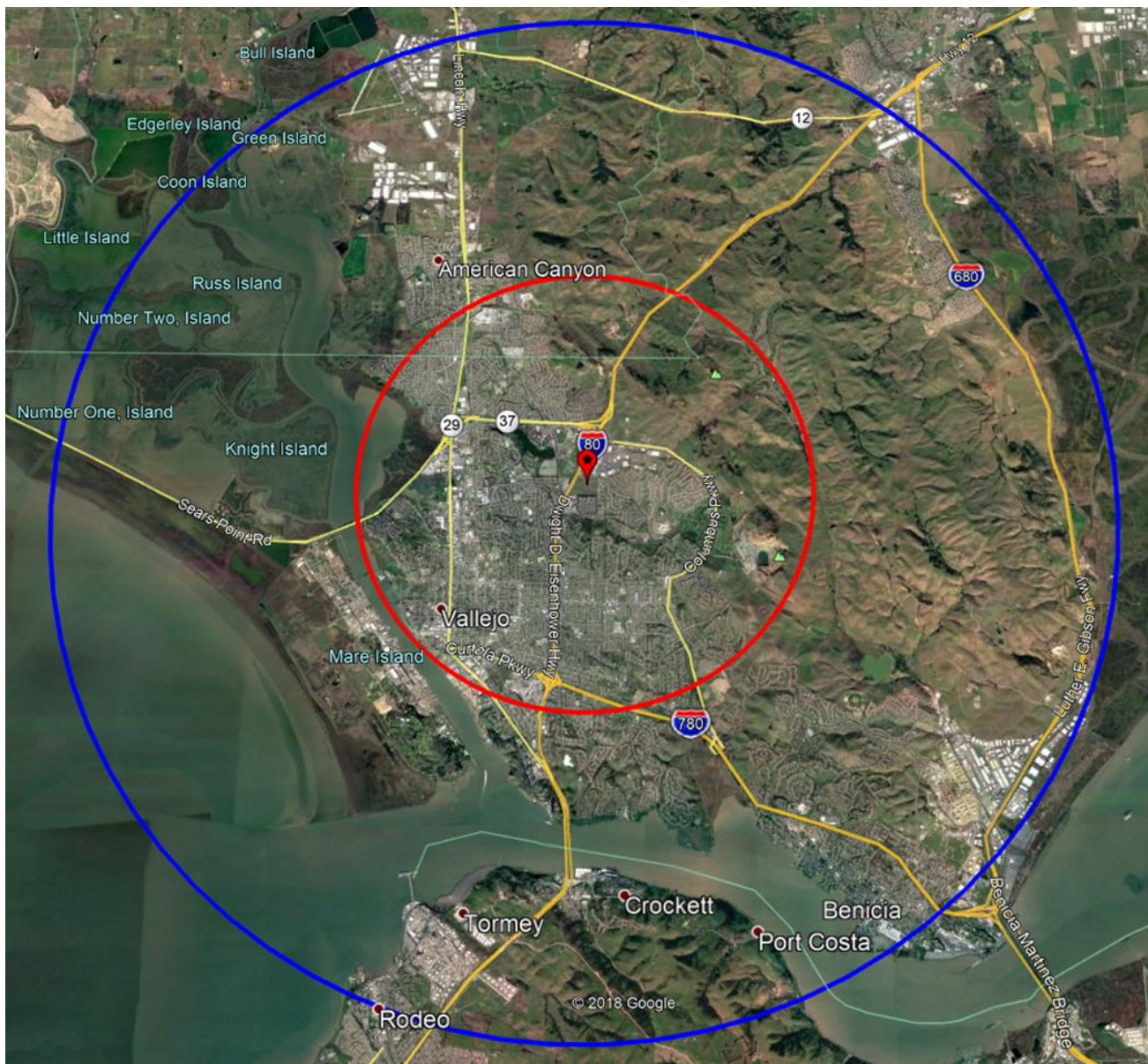
As discussed more specifically in Section 2 of this EIA, trade areas are the geographic areas constituting the market supply and market demand that will ultimately determine the economic viability of the Project, as they provide the majority of the steady customers necessary to support a retail project.

This EIA evaluates two indicators of the economic health of the Project’s Trade Areas. The first indicator compares the current demand for retail goods and services in the Trade Areas with the current supply of retail development (the “Existing Conditions”), as well as the projected future demand for retail goods and services with the future supply of retail development (the “Future Conditions”). Existing Conditions are based on data from 2019, the most recent annualized data available. Future Conditions are assumed to reflect 2024, because while the proposed Project is

expected to open by 2022 for the retail component and 2023 for the residential component, stabilized sales are not expected to occur within the first two years of store operations, a conservative assumption, but rather are expected in year 2024. Based on data provided by the Nielsen Company and the Association of Bay Area Governments (“ABAG”), DTA assumes that between 2019 and 2024 the population in the Trade Areas will grow, and this will translate into greater demand for retail in 2024. Comparing retail demand and supply is a key indicator of the likelihood of a community experiencing Urban Decay because the higher the retail demand as compared to the supply, the greater the need for additional retail development and the less the likelihood that existing retail development will be negatively impacted as a result of a retail project.

The second indicator of the propensity for an area to experience Urban Decay is recent trends in retail vacancy rates within the greater metropolitan area. In situations where a significant excess of retail space already exists, as reflected in a high vacancy rate, the likelihood of Urban Decay resulting from a project would increase.

MAP 1
PRIMARY (3 MILE) AND SECONDARY (7 MILE) RETAIL TRADE AREAS



B. PROJECT DESCRIPTION

The proposed Project is located in the City of Vallejo within the County of Solano and spans approximately 51.3 acres. It is comprised of approximately 179,688 square feet of retail/commercial space (including the proposed Costco, five retail pads, and gasoline service station accommodating up to 30 fueling dispensers and a related kiosk) within 21.8 acres, a residential component of 178 single family units within 23.8 acres, and 5.7 acres of open space. Notably, the new Costco is replacing a Costco less than one mile from the Project site; thus, the net effect of the replacement is only an additional 26,701 square feet. The Project site is located on a vacant, undeveloped lot, and is bounded to the west by the Admiral Callaghan Lane right-of-way, to the north by the Turner Parkway right-of-way, to the south by a car dealership, residential condominiums, and apartments, and to the east by single family homes. The I-80 freeway is immediately adjacent to the west of Admiral Callaghan Lane. Please refer to **Map 1** and **Appendix B** for further information on the elements and location of the Project.

TABLE 1
APPROXIMATE LAND USE ASSUMPTIONS

LAND USE	ACREAGE
Retail/Commercial	21.8
Residential	23.8
Open Space	5.7

C. METHODOLOGY

Determination of Trade Areas

The initial step involved in analyzing the Project's potential to cause Urban Decay in the City and its environs requires an evaluation of the Project's Primary and Secondary Trade Areas to gauge the potential patronage and competitive uses. A Retail Trade Area is defined as a geographic area that contains the elements of demand and supply that will determine the performance of a particular retail store or project. A Retail Trade Area is influenced by a variety of factors, including the location and density of the targeted residential population, the location of key competitors, the relative distance or travel time for each of the above, geographic and psychological barriers, and existing commute and shopping patterns. Retail establishments outside of a given Trade Area are not considered to be at risk of Urban Decay from development within the Trade Area.

The *International Council of Shopping Centers* defines a Primary Trade Area as the area from which 60 to 80 percent of the Project's sales originate. Based on the retail uses within the Project and the location of other retail centers in the area, DTA determined that the identified Primary Trade Area (see **Map 1**) would be appropriate for analyzing the majority of the demand generated by the Project for its local-serving neighborhood retail uses. Local-serving retail uses include grocery and drug stores, cleaners, and other retail uses commonly found in neighborhood shopping centers. Customers for these uses tend to shop within 1 to 3 miles of their residence or place of work and are

unlikely to drive long distances to purchase items similar to those that they could purchase closer to home.

A larger 7-mile Secondary Trade Area was also evaluated in the analysis, as it would be expected that a portion of the demand for a retail center of the Project's size would be generated within an area larger than the 3-mile Primary Trade Area. It is important to consider a Secondary Trade Area that encompasses retail development that might be competitively impacted by the Project. The Project is not expected to substantially compete with existing retailers beyond the boundaries of the Secondary Trade Area, as any consumers who reside beyond this radius would have multiple shopping center options to patronize that are located significantly closer to their residence than the Project. Additionally, the total projected sales of the Project represent a small percentage of total retail sales currently occurring beyond the Project's Trade Area boundaries.

Again, **Map 1** delineates the boundaries of the Project's Primary and Secondary Trade Areas, which consist of areas in the City as well as in the surrounding cities.

Specific Methodology

The EIA analyzes the potential short- and long-term economic impacts of the proposed Costco. City Municipal Code Section 16.76.040 is substantially as follows, and requires [notations reference conclusions and findings]:

- 1. A survey of the existing stores, including their current average retail sales, that provide retail sales and food and beverage retail sales within the city and the cities of Benicia and American Canyon, and/or in other retail and food and beverage retail market areas that would be served by the proposed superstore, regardless of whether such stores are within the political boundaries of the city, and that are likely to be economically affected by the proposed superstore. [Page 10, and Exhibits 10 and 11 of Appendix A]*
- 2. A survey of the existing, proposed, and/or pending superstores within the affected area. [Pages 11 and 19, and Exhibits 10 and 11 of Appendix A]*
- 3. A survey of the number of persons who are employed on either a full-time or a less than full-time basis, and a delineation of each, by the existing stores and an estimate of the number of persons who would be employed on both a full-time or a less than full-time basis, and a delineation of each by the proposed superstore. [Page 10]*
- 4. An analysis of the short- and long-term effect the proposed superstore could have on the retail stores specified, which shall include an analysis of the proposed superstore's potential impact on the following within the affected area: retail sales, food and beverage retail sales, store closures, jobs, and any food and beverage retail and/or retail stores that could potentially close, including an analysis of the potential for using the closed site(s) for similar or other uses. Such analysis shall also include a survey of established compensation and wages standards in comparable stores operated by the applicant compared to those established in the affected area. [Economic Impact Discussion, Pages 13 through 26]*

5. An analysis of both the short- and the long-term potential effects of the proposed superstore on retail and food and beverage retail sales in the affected area, including a conclusion as to whether the proposed superstore would cause a net increase or decrease in retail and food and beverage retail sales in the affected area. **[Economic Impact Discussion, Pages 13 through 26]**

6. A fiscal impact analysis, which shall include, but not be limited to, an analysis of the projected sales tax revenues for the proposed superstore and an analysis of both the short- and the long-term effects of the proposed superstore on net sales tax revenues generated by existing retail and food and beverage retail stores in the city. **[Fiscal Impact Analysis, Provided Separately in Phase II]**

7. An analysis of the proposed superstore's potential short- and long-term net effect on the ability of consumers in the affected area to obtain a variety of food and beverage and retail products in light of the analysis concerning potential closure of retail and/or food and beverage retail stores within the affected area **Pages 13 through 26]**

8. An analysis of the average savings a typical consumer might expect, if any, by the approval of the proposed superstore. **[Page 26]**

In addition to requiring specific metrics (#1 and #3), Section 16.76.040 is also very concerned with Urban Decay (#4, #5, and #7). Urban Decay is an environmental, economic, and social problem that may be caused by the abandonment of existing retail development that results from highly competitive new retail development. This abandonment can cause loss of close and convenient shopping and lead to higher vacancy rates and deferred maintenance of existing retail square footage by its owners, who no longer receive the level of rental income necessary to maintain their properties. This in turn can lead to lower property values, higher crime rates, a damaged business environment, increased traffic congestion and gasoline consumption, and a continuing cycle of events that can cause a variety of economic and social problems for a municipality. While it may take years for this type of deterioration to occur, once it starts, it can be difficult to stop.

To evaluate the potential for the Project to cause Urban Decay due to closures of existing retail stores, DTA evaluated the supply and demand for each specific retail category (e.g., general merchandise, food stores, etc.) in each of the geographic areas that will be impacted by the Project, otherwise known as the Project's Trade Areas. To determine existing retail conditions, the most recent annualized data available for the City (2019), herein referenced as the "Existing Conditions," was obtained from the Nielsen Company. The EIA conservatively assumed that the proposed Project's retail and residential components will open by 2022 and 2023, respectively, but that stabilized sales within the Project will first occur in 2024.

To determine the likelihood of Urban Decay occurring within the Trade Areas, the following methodology was applied in this analysis:

1. The boundaries of the Primary and Secondary Trade Areas that would support the Project were identified;
2. Retail sales expected within the Project were defined;

3. Current consumer demand generated by existing residents in each of the Trade Areas was determined;
4. Current retail sales in each of the Trade Areas were estimated;
5. The amount of existing retail leakage (local demand greater than local supply) or retail surplus (local supply greater than local demand) in each of the Trade Areas was calculated;
6. Projected future retail demand versus retail supply in 2024, under Future Conditions assuming completion of the Project for each of the Trade Areas, was calculated to determine if future retail leakage or retail supply surplus is expected to occur;
7. Other planned retail developments in the Trade Areas were identified where possible – and the Future Conditions retail supply was increased to include additional sales generated by the successful completion of these other retail developments – to determine the impacts of this additional retail supply on the retail leakage or supply surplus calculated under Task 6, above;
8. Current retail vacancy rates in the vicinity of the Project were determined; and
9. The extent to which the Project is likely to contribute to Urban Decay in the Trade Areas, based on the findings under Tasks 1-8, was assessed. Evidence of retail leakage in the future despite the construction of the Project would suggest little potential for Urban Decay. Conversely, evidence of an oversupply of retail space would be a reason for greater concern regarding the potential for Urban Decay. **Based on our findings, DTA sees no evidence that would indicate Urban Decay occurring in the area immediately surrounding the Project, as further discussed in this analysis.**

D. LIMITATIONS

The economic impact model utilized for purposes of analyzing the retail supply and demand scenarios associated with the Project is based on both (i) the current Project Site Plan provided to DTA by the Client, and (ii) Trade Area market supply data provided to DTA by the Nielsen Company. The sources of information and basis of the estimates calculated in the economic impact analysis are stated herein. While DTA is confident that the sources of information are reliable, some information may be dated and no longer accurate for Fiscal Year 2018-2019. Furthermore, since the analyses contained herein are based on estimates and assumptions that are inherently subject to uncertainty and variation depending on evolving events, DTA cannot represent that such estimates will definitely be achieved. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, the actual results achieved may vary from those projections stated throughout this economic impact analysis.

SECTION 2 URBAN DECAY

A. KEY INDICATORS

The retail demand for various product types was based on estimates provided by the Nielsen Company for each of the Trade Areas. These demand figures were derived from the Consumer Expenditure Survey data published by the U.S. Bureau of Labor Statistics. **Table 2** below summarizes the resulting demand estimates in the Primary and Secondary Trade Areas of the Project. The total 2019 retail demand (the Existing Conditions) generated by residents of the Primary Area for applicable retail categories was estimated to be \$1.7 billion, while the combined retail demand for residents of both the Primary and Secondary Areas is \$3.3 billion.

TABLE 2
EXISTING RETAIL DEMAND
PRIMARY & SECONDARY TRADE AREAS

JURISDICTION	PRIMARY TRADE AREA DEMAND	COMBINED PRIMARY & SECONDARY TRADE AREA DEMAND
FOOD	\$231,501,607	\$428,657,897
GENERAL MERCHANDISE	\$300,104,714	\$559,452,736
APPAREL	\$70,376,520	\$135,676,667
EATING AND DRINKING PLACES	\$225,766,492	\$431,249,339
BUILDING MATERIAL & FARM IMPLEMENTS	\$99,425,900	\$195,992,737
AUTOMOTIVE	\$311,599,734	\$610,011,153
OTHER RETAIL	\$310,448,333	\$600,141,065
HOME FURNISHING AND APPLIANCES	\$37,961,513	\$74,792,322
SERVICE STATIONS	\$144,720,654	\$264,120,061
TOTAL	\$1,731,905,467	\$3,300,093,977

Source: Nielsen Company, Solano County, Census Bureau.

The level of existing sales for each retail category within the Trade Areas was also provided by the Nielsen Company. **Table 3** summarizes the projected levels of existing retail sales for the Project's Trade Areas. Total sales were estimated at \$1.5 billion in the Primary Trade Area, and \$2.6 billion in both the Primary and Secondary Trade Areas.

TABLE 3
EXISTING RETAIL SUPPLY
PRIMARY & SECONDARY TRADE AREA

JURISDICTION	PRIMARY TRADE AREA SUPPLY	COMBINED PRIMARY & SECONDARY TRADE AREA SUPPLY
FOOD	\$284,404,493	\$481,721,997
GENERAL MERCHANDISE	\$243,731,258	\$391,671,520
APPAREL	\$34,327,950	\$56,401,820
EATING AND DRINKING PLACES	\$177,332,841	\$317,153,275
BUILDING MATERIAL & FARM IMPLEMENTS	\$79,005,885	\$153,579,804
AUTOMOTIVE	\$434,296,924	\$593,819,248
OTHER RETAIL	\$114,829,376	\$329,281,084
HOME FURNISHING AND APPLIANCES	\$25,074,263	\$56,148,654
SERVICE STATIONS	\$116,193,517	\$229,338,915
TOTAL	\$1,509,196,507	\$2,609,116,317

Source: Nielsen Company, Solano County, Census Bureau.

Retail Vacancy Rates

The retail vacancy rate in an area is also an important indicator of current market conditions, as well as the area's susceptibility to Urban Decay. A retail vacancy rate of 5 percent is considered to be a normal level expected in a healthy real estate market. **Figure 1** below specifically shows commercial mixed-use vacancy trends within the City of Vallejo over the last ten (10) years. **Table 4** below provides an overview of the vacancy rates for commercial mixed-use properties. In order to approximate the vacancy rate for the Project, DTA evaluated vacancy rate statistics for a variety of retail segment categorizations, including commercial mixed-use retail, retail exclusive, and shopping center for the City of Vallejo. Given that the Costco site offers a variety of non-retail commercial uses such as optometry offices, gas service stations, tire centers, and pharmacies, DTA has identified commercial mixed-use retail as the most appropriate comparative category for the purposes of this analysis.

The vacancy rate for commercial mixed-use retail properties is currently only 4.8 percent, down from 6.6 percent in 2018, with an overall downward trend since 2014. The new Costco will be located in the Northgate area of the City and immediately surrounded by other residential and commercial development. Furthermore, as the real estate market becomes more competitive within the Bay Area and the draw toward the East Bay and City of Vallejo rises due to relatively affordable housing prices, increasing retail demand is likely to further reduce any likelihood of Urban Decay related to the construction of the Project. According to Zillow market data, median home values in Vallejo have

increased 12.4 percent over the past two years and are anticipated to rise by an additional 1.1 percent by September 2020.

FIGURE 1
VACANCY RATES – COMMERCIAL MIXED-USE
CITY OF VALLEJO

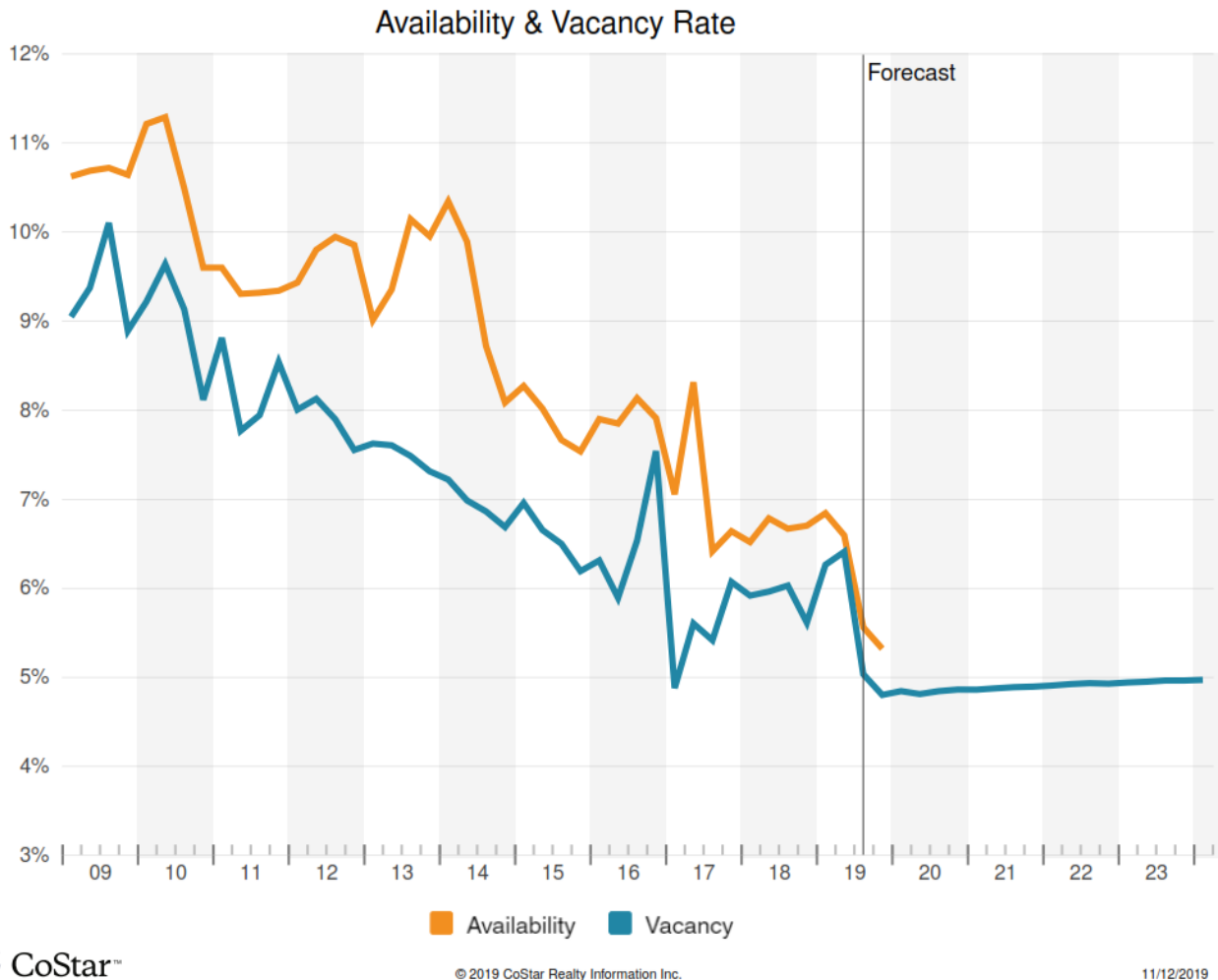


TABLE 4
2019 VACANCY STATISTICS WITHIN THE CITY OF VALLEJO

TYPE	VACANCY RATE	VACANT SQUARE FEET	AVAILABILITY RATE	AVAILABLE SQUARE FEET
COMMERCIAL MIXED-USE	4.80%	306,000	5.30%	341,000

Source: CoStar

B. EMPLOYMENT INDICATORS

Existing Retail Stores

DTA surveyed and examined existing retail stores within the affected area that provide similar food and beverage retail sales – most notably, the Wal-Mart and Target locations within the Primary Trade Area. The Wal-Mart averages approximately \$400 in sales per square foot and nets average annual retail sales of approximately \$40.0 million while the Target averages approximately \$295 per square foot and nets average annual retail sales of \$37.4 million. Costco currently employs approximately 163,000 full and part-time employees within the U.S. over 528 locations, or approximately 309 employees per location. In comparison, Wal-Mart employs approximately 1.5 million full and part-time associates within the U.S. at over 4,761 locations (including super centers, discount stores, and neighborhood markets), or approximately 315 employees per location, whereas Target employs 345,000 full and part-time employees within the U.S. over 1,846 locations, or approximately 187 employees per location. These statistics are reflected in **Table 5** below.

TABLE 5
STATISTICS OF STORES WITHIN AFFECTED AREA

EXISTING RETAIL STORES	AVERAGE SALES PER SQUARE FOOT	AVERAGE ANNUAL SALES PER STORE	NUMBER OF U.S. EMPLOYEES	NUMBER OF U.S. STORES	AVERAGE NUMBER OF EMPLOYEES PER STORE
COSTCO	\$1,098	\$154,865,000	163,000	528	309
WAL-MART	\$400	\$39,924,000	1,500,000	4,761	315
TARGET	\$295	\$37,361,000	345,000	1,846	187

Source: eMarketer and Company Annual Reports

With the 26,701 additional square feet in retail space created by the Project, the new Costco has capacity to support 330 employees upon completion, as confirmed by the Project Proponent and Costco management. This increase in employees could have further indirect and induced impacts, such as additional employees and sales tax receipts within the Primary Trade Area.

Other existing stores that provide similar retail sales to that of Costco and serve as retail anchors within the Primary Trade Area include Ross, Safeway, CVS, Lowe's, and Big 5 Sporting Goods, among others. These properties and those in the surrounding areas have exhibited strong sales and high occupancy rates. Please see **Table 6** below for a list of properties with footprints greater than 10,000 square feet.

TABLE 6
OTHER EXISTING RETAIL GREATER THAN 10,000 Sq. Ft.

BUSINESS NAME	SQ. FT.
Lowe's	185,142
Target	106,169
Kohl's	97,732
Home Depot	95,443
Food 4 Less	56,814
Foodmaxx	52,431
Toyota	51,930
Century Theatres	50,090
Best Buy	44,925
Safeway	31,790
Momentum Chrysler/Dodge/Jeep/Ram	27,500
Pep Boys	22,268
Smart & Final	20,563
CVS	16,500
Petco	12,000
Sleep Train Mattress Center	10,000
Big 5 Sporting Goods	10,000

Source: CoStar

Wage Standards

Among large retailers, Costco has maintained a reputation for its commitment to paying employees a living wage. As of June 11, 2018, Costco's starting wage for its U.S. employees is \$14.50 an hour, and among its total number of U.S. employees, the average hourly wage is \$22.50 an hour. Costco's employees also have access to health insurance benefits, for which the company covers 90 percent of the annual costs. Approximately 10 percent of Costco's workforce are union represented, and Costco negotiates a new agreement with the union every three (3) years with prescribed annual wage increases. In comparison, Walmart's entry level wage is \$11 an hour and Target's entry level wage is \$12 an hour, and neither have union-organized stores. Costco also has a policy of maintaining a ratio of at least 50 percent full-time employees at each store location and prefers employing full-time employees over part-time employees.

Pipeline Projects

Additionally, the Primary Trade Area has two small-scale food service additions – a 4,150-square-foot Panera Bread and a 3,867-square-foot In-N-Out Burger, which opened in November 2018 and January 2019, respectively. Both are in the immediate vicinity of the Project. There are currently no other proposed or pending superstores in the City of Vallejo.

DTA also surveyed the Cities of American Canyon and Benicia and learned that there are no proposed and/or pending superstores within those communities.

C. ECONOMIC IMPACT ANALYSIS

Methodology

In order to determine the potential impacts of the Project on existing retail development within the Primary and Secondary Trade Areas, it was necessary to first estimate the current need for additional retail space in these areas. The current need was evaluated based on the existing demand for the specific types of retail uses that are anticipated within the Project, based on the estimated demand for these retail uses on the part of current residents in the Project's Primary and Secondary Trade Areas. This demand was then compared with actual existing sales within the Trade Areas for each type of retail use. Following this comparison, an additional analysis was performed that compared the anticipated demand of the residents in each of the Project's Trade Areas in 2024 under the Future Conditions scenario, versus the levels of retail sales expected in the Trade Areas that year based on the supply of retail uses in the areas, including the additional sales expected to be generated by the Project. An effort was then made to prepare a third comparison to consider the impact of the Project when analyzed with the supply of retail uses to be included in all other currently proposed local retail projects within the Trade Areas, and an overall retail supply was calculated and compared to expected demand for retail services.

Determination of Trade Areas

As noted previously, the initial step involved in analyzing the Project's potential to cause Urban Decay in the City and its environs requires an evaluation of the Project's Primary and Secondary Trade Areas to gauge the potential patronage and competitive uses. Trade areas are the geographic areas constituting the market supply and market demand that will ultimately determine the economic viability of the Project, as they provide the majority of the steady customers necessary to support a retail project. The boundaries of trade areas are determined by a number of factors, including the type of retail project, accessibility for local residents, physical barriers, location of competing facilities, and limitations of driving time and distance. Within a retail center's trade area, customers closest to the site will affect the center most strongly, with customer influence diminishing gradually as the distance increases away from the center.

Determination of Existing Retail Demand within the Trade Areas

In order to evaluate the existing demand within the Trade Areas for each type of retail use expected in the Project, as well as the current sales levels experienced within these Trade Areas, DTA relied primarily on data provided by the Nielsen Company.

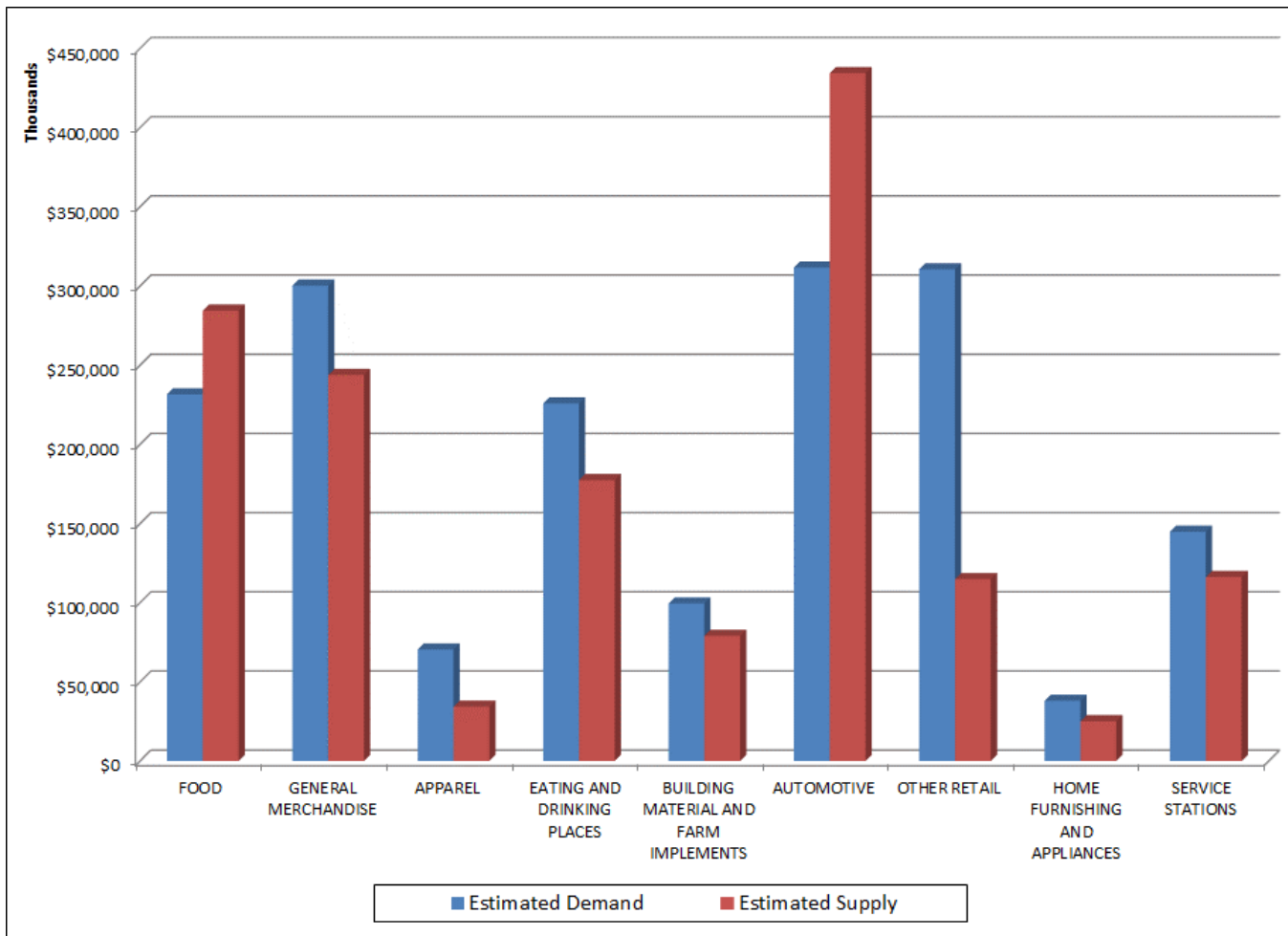
In looking at the impact of the Project on the retail market, the following assumptions were made:

- (1) The Project residents will generate new demand for retail;
- (2) The purchasing power of existing residents within the Trade Areas will remain at existing levels; and
- (3) The population in the Trade Areas will increase from existing levels, and this increase will create a greater demand for retail.

Current Primary Trade Area Surplus/Leakage Analysis

As reflected below in **Figure 2** and **Table 7**, the current annual retail demand of \$1.7 billion in the Primary Trade Area exceeds the \$1.5 billion in sales by \$222.7 million each year. This indicates that overall, there is a current leakage of approximately 12.9 percent of the Primary Trade Area resident expenditures to retail stores outside of the area. The leakage appears to be occurring in most retail categories and is most severe within Other Retail (\$195.6 million), General Merchandise (\$56.4 million), Eating and Drinking Places (\$48.4 million), and Apparel (\$36.0 million). To a lesser extent, Service Stations (\$28.5 million), Building Material and Farm Implements (\$20.4 million), and Home Furnishing and Appliances (\$12.9 million) are also categories that fail to fully capture potential spending. This data indicates that current retail businesses within the Primary Trade Area are failing to capture all the possible retail expenditures of their population. Thus, households residing within this area must travel elsewhere in order to meet their current retail needs as the vast majority of retail categories in the Primary Trade Area are underserved.

FIGURE 2
EXISTING RETAIL TRADE BALANCE
PRIMARY TRADE AREA



Source: Nielsen Company, Solano County, Census Bureau.

TABLE 7
EXISTING SURPLUS/LEAKAGE
PRIMARY RETAIL TRADE AREA

JURISDICTION	PRIMARY TRADE AREA DEMAND	PRIMARY TRADE AREA SUPPLY	EXCESS/ (LEAKAGE)
FOOD	\$231,501,607	\$284,404,493	\$52,902,886
GENERAL MERCHANDISE	\$300,104,714	\$243,731,258	(\$56,373,456)
APPAREL	\$70,376,520	\$34,327,950	(\$36,048,570)
EATING AND DRINKING PLACES	\$225,766,492	\$177,332,841	(\$48,433,651)
BUILDING MATERIAL & FARM IMPLEMENTS	\$99,425,900	\$79,005,885	(\$20,420,015)
AUTOMOTIVE	\$311,599,734	\$434,296,924	\$122,697,190
OTHER RETAIL	\$310,448,333	\$114,829,376	(\$195,618,957)
HOME FURNISHING AND APPLIANCES	\$37,961,513	\$25,074,263	(\$12,887,250)
SERVICE STATIONS	\$144,720,654	\$116,193,517	(\$28,527,137)
TOTAL	\$1,731,905,467	\$1,509,196,507	(\$222,708,960)

Source: Nielsen Company, Solano County, Census Bureau.

Current Combined Primary and Secondary Trade Area Surplus/Leakage Analysis

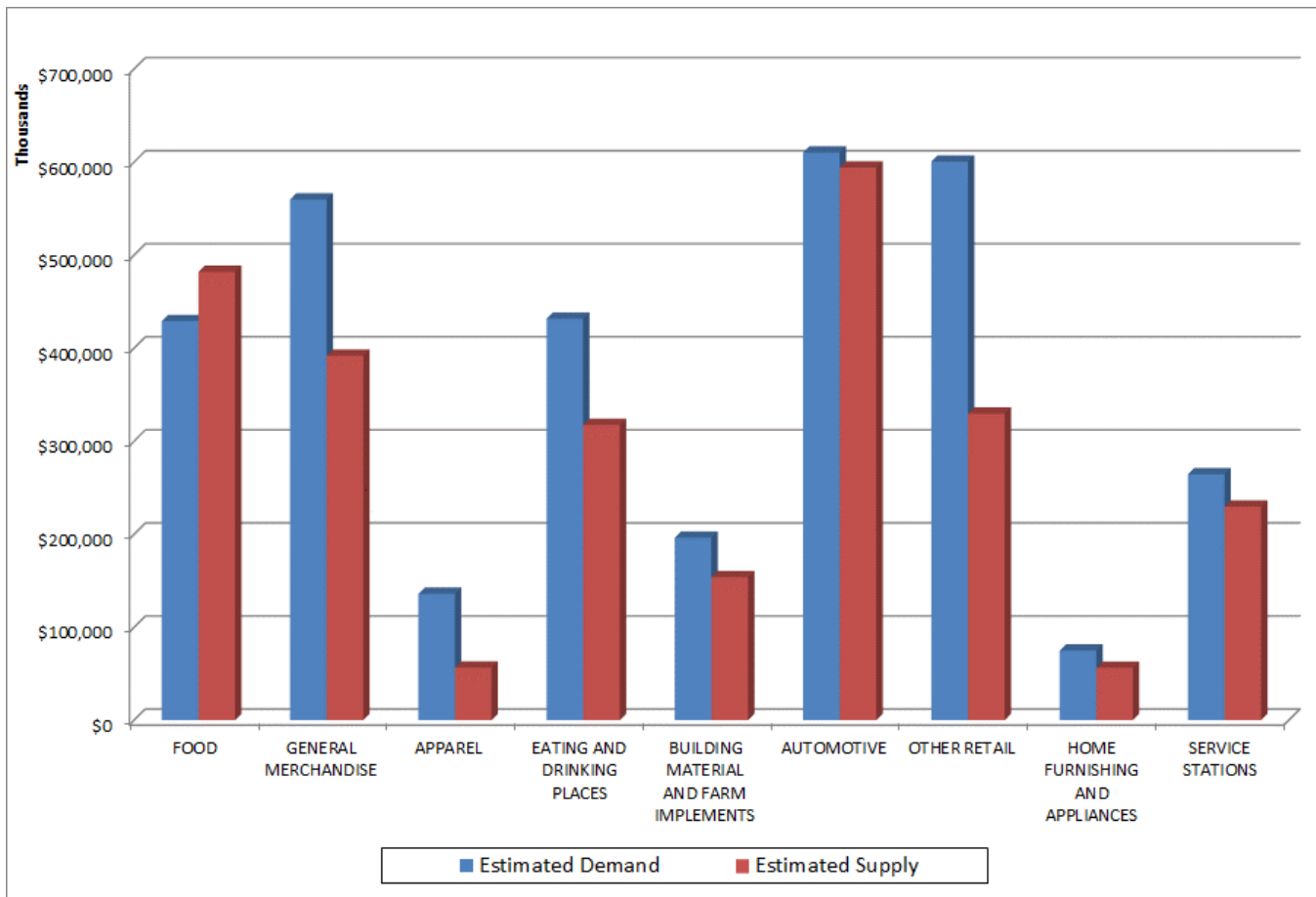
Combining the Primary and Secondary Trade Areas also generates an overall existing leakage of retail demand, as illustrated in **Figure 3** and **Table 8**, below. The current annual retail demand in the Primary and Secondary Trade Areas is estimated to be approximately \$3.3 billion in total retail goods per year. This compares to a current annual retail supply estimate of \$2.6 billion, which indicates an overall leakage of retail expenditures in the amount of \$691.0 million per year within the Primary and Secondary Trade Areas. The leakage appears to be occurring in most of the retail categories and is most severe within Other Retail (\$270.9 million), General Merchandise (\$167.8 million), Eating and Drinking Places (\$114.1 million), and Apparel (\$79.3 million). This data indicates that current retail businesses within the combined Primary and Secondary Trade Areas are also failing to capture all the possible retail expenditures of their population, as was the case in the Primary Trade Area. Thus, households residing within this combined area must travel elsewhere in order to meet their current retail needs as nearly every retail category in the Trade Areas is underserved.

Specifically, with respect to food and beverage establishments, there is a de minimis surplus of \$4.5 million in the Primary Trade Area and a shortfall of \$61 million in the combined Primary and Secondary Trade Areas. Costco's business operations include selling groceries, which falls under the Food categorization, as well as running a limited-service restaurant/snack bar, which falls under the Eating and Drinking categorization. As such, for the purpose of this analysis, DTA has combined the Food and Eating and Drinking categories to better reflect the supply this Project will contribute to these related categories. When solely examining the Food category, there is oversupply of \$52.9

million in the Primary Trade Area, however given the fact that the Project is merely the relocation and expansion of an existing Costco, and only half of the additional 26,701 square feet will be used for grocery items, as confirmed by the Proponent, there is no evidence to indicate that the Project would exacerbate the already existing surplus. This analysis also assumes it is unlikely that a big box store would be re-occupied as a restaurant, and there would be no impact on the variety of food services currently offered in the Primary Trade Area. Additionally, the Project would not remove any existing food and beverage and retail services from operation; therefore, the relocation and expansion of the existing Costco would have no effect on the long-term or short-term abilities of consumers to obtain a variety of food and beverage and retail products. The Project is also not expected to compete with other typical grocery store chains, such as the nearby Safeway, because although both stores offer food and beverage items, each location has a different use to the average consumer depending on their needs.

DTA also recognizes the \$122.7 million surplus in the Automotive category, however this is likely due to the quantity of motor vehicle dealers within the Primary Trade Area, which inflates and distorts these figures. According to data obtained from the Nielsen Company, new and used car dealerships comprise 87 percent, or \$379.4 million, of the \$434.3 million total supply in the Automotive category. The majority of dealership revenue is generated from vehicle sales and the vast majority of goods offered by Costco are not similar to those of a car dealership. As previously mentioned, because the Project is merely the relocation and expansion of an existing Costco and approximately 25 percent of the additional 26,701 square feet will be used for non-grocery retail items, as confirmed by the Proponent, there is no evidence to indicate that the Project would exacerbate the already existing surplus or cause Urban Decay and/or market saturation within the Trade Areas. Additionally, dealerships typically serve a sub-regional population, one well in excess of our Primary and Secondary Trade Areas. Overall, the retail sales figures represent a healthy supply/demand equilibrium, which is very unlikely to be upset by the expanded Costco's (additional 26,701 square feet) sales, and any existing surpluses will not be worsened by the Project.

FIGURE 3
EXISTING RETAIL TRADE BALANCE
COMBINED PRIMARY AND SECONDARY TRADE AREA



Source: Nielsen Company, Solano County, Census Bureau.

TABLE 8
EXISTING SURPLUS/LEAKAGE
COMBINED PRIMARY AND SECONDARY RETAIL TRADE AREAS

JURISDICTION	COMBINED PRIMARY & SECONDARY TRADE AREA DEMAND	COMBINED PRIMARY & SECONDARY TRADE AREA SUPPLY	EXCESS/ (LEAKAGE)
FOOD	\$428,657,897	\$481,721,997	\$53,064,100
GENERAL MERCHANDISE	\$559,452,736	\$391,671,520	(\$167,781,216)
APPAREL	\$135,676,667	\$56,401,820	(\$79,274,847)
EATING AND DRINKING PLACES	\$431,249,339	\$317,153,275	(\$114,096,064)
BUILDING MATERIAL & FARM IMPLEMENTS	\$195,992,737	\$153,579,804	(\$42,412,933)
AUTOMOTIVE	\$610,011,153	\$593,819,248	(\$16,191,905)
OTHER RETAIL	\$600,141,065	\$329,281,084	(\$270,859,981)
HOME FURNISHING AND APPLIANCES	\$74,792,322	\$56,148,654	(\$18,643,668)
SERVICE STATIONS	\$264,120,061	\$229,338,915	(\$34,781,146)
TOTAL	\$3,300,093,977	\$2,609,116,317	(\$690,977,660)

Source: Nielsen Company, Solano County, Census Bureau.

D. CUMULATIVE RETAIL IMPACTS OF THE PROJECT

Determination of Retail Demand under Future Conditions within the Trade Areas

Table 9 shows the estimated expenditures on retail goods per year, based on household growth and income growth resulting from the Project. As the number of households and their related household income grows in the City and surrounding jurisdictions (encompassed in the Trade Areas), so do the expenditures on retail goods. DTA does not assume any change in the percentage amount spent on retail goods and services, currently 22.3 percent, per the City of Vallejo Fiscal Year 2018-2019 Adopted Budget.

Using residential household projections from the Nielsen Company as well as development assumptions for the Project, **Table 9** shows that households in the Primary Trade Area are estimated to spend approximately \$1.7 billion on retail goods in 2024. Similarly, households in the combined Primary and Secondary Areas are expected to spend approximately \$3.3 billion on retail goods.

TABLE 9
RETAIL DEMAND UNDER FUTURE CONDITIONS
PRIMARY & SECONDARY TRADE AREAS

JURISDICTION	EXISTING 2019 DEMAND	FAIRVIEW AT NORTHGATE PROJECT	TOTAL DEMAND IN 2024
PRIMARY TRADE AREA			
NUMBER OF HOUSEHOLDS	39,852	178	40,030
HOUSEHOLD INCOME	\$66,006	\$76,519	\$76,519
% INCOME SPENT ON RETAIL		22.26%	
TRADE AREA CAPTURE RATE		85%	
PRIMARY TRADE AREA DEMAND	\$1,731,905,467	\$2,576,640	\$1,734,482,107
COMBINED PRIMARY & SECONDARY TRADE AREA			
NUMBER OF HOUSEHOLDS	68,143	178	68,321
HOUSEHOLD INCOME	\$77,437	\$89,770	\$89,770
% INCOME SPENT ON RETAIL		22.26%	
TRADE AREA CAPTURE RATE		85%	
COMBINED PRIMARY & SECONDARY TRADE AREA DEMAND	\$3,300,093,977	\$3,022,853	\$3,303,116,830

Source: Nielsen Company, Solano County, Census Bureau, and City of Vallejo Fiscal Year 2018-2019 Adopted Budget.

Determination of Retail Supply under Future Conditions within the Trade Areas

The Future Conditions retail supply was estimated from information provided by the Project Proponent and Costco Annual Report. In order to determine the effects of the Project's sales on the Trade Areas, DTA included the Project's projected sales under Future Conditions. Both Trade Area figures include the Project's estimated total annual retail sales (including both Primary and Secondary Trade Area residents). DTA used an average taxable sales per square foot metric to calculate projected future sales, under the assumption that an average retailer would earn an estimated \$300 per square foot, based off data provided by the Urban Land Institute, and the average Costco would earn approximately \$1,098 per square foot, according to figures provided in the 2017 Costco Annual Report. The total projected supply for the Fairview at Northgate Project is a blended average based off these rates. **Table 10** summarizes the Trade Areas' projected Future Conditions supply figures.

TABLE 10
RETAIL SUPPLY UNDER FUTURE CONDITIONS
PRIMARY & SECONDARY TRADE AREAS

JURISDICTION	EXISTING 2019 SUPPLY	RE-TENANTING OF EXISTING SITE	FAIRVIEW AT NORTHGATE PROJECT (TOTAL)	TOTAL SUPPLY IN 2024
PRIMARY TRADE AREA				
PROJECTED BUILDING SQ. FT. ¹		125,437	54,251	
TAXABLE SALES PER SQ. FT.		\$300	\$693	
DISPLACED SALES WITHIN TRADE AREA		20.00%	20.00%	
PRIMARY TRADE AREA SUPPLY	\$1,509,196,507	\$30,104,880	\$30,066,158	\$1,569,367,545
COMBINED PRIMARY & SECONDARY TRADE AREA				
PROJECTED BUILDING SQ. FT.		125,437	54,251	
TAXABLE SALES PER SQ. FT.		\$300	\$693	
DISPLACED SALES WITHIN TRADE AREA		20.00%	20.00%	
COMBINED PRIMARY & SECONDARY TRADE AREA SUPPLY	\$2,609,116,317	\$30,104,880	\$30,066,158	\$2,669,287,355

Source: Kimley-Horn & Associates, Inc. and 2017 Costco Annual Report.

¹ Project as modelled is only the additional 54,251 square feet, 26,701 of which is allocated to the the new Costco that is merely replacing an existing store, and 27,550 to additional retail pads.

Projected Future Conditions Primary Trade Area Surplus/Leakage Analysis

As previously indicated, the estimated demand for the Primary Trade Area is expected to remain at \$1.7 billion in retail expenditures per year, while the projected supply is only expected to reach a level of approximately \$1.5 billion under the Future Conditions scenario. These figures indicate that even with the additional sales generated by the Project, there is still significant leakage of retail sales with a total of \$195.2 million in unmet retail demand within the Primary Trade Area. **Table 11** reflects the overall leakage information for each of the Trade Areas.

The overall leakage expected within the Primary Trade Area under the Future Conditions is reflective of the current level of insufficient retail supply. As a result, the future retail demand in the Primary Trade Area is more than sufficient to support the Project without significantly diverting sales from existing merchants. The development of the Project will only serve to benefit the market within the Primary Trade Area and expand on the limited retail shopping opportunities currently available. The significant consumer spending that is still not being met, even after the addition of the Project, in the Primary Trade Area indicates the Project has the potential to operate successfully and not result in Urban Decay.

In the combined Primary and Secondary Trade Areas, the projected excess of consumer demand is approximately \$663.9 million per year under the Future Condition.

TABLE 11
RETAIL SURPLUS/LEAKAGE UNDER FUTURE CONDITIONS
PRIMARY & SECONDARY TRADE AREAS

JURISDICTION	TRADE AREA BALANCE 2019	TRADE AREA BALANCE 2024
	PRIMARY TRADE AREA	
PROJECTED DEMAND	\$1,731,905,467	\$1,734,482,107
PROJECTED SUPPLY	\$1,509,196,507	\$1,539,262,665
EXCESS/(LEAKAGE)	(\$222,708,960)	(\$195,219,442)
	COMBINED PRIMARY & SECONDARY TRADE AREA	
PROJECTED DEMAND	\$3,300,093,977	\$3,303,116,830
PROJECTED SUPPLY	\$2,609,116,317	\$2,639,182,475
EXCESS/(LEAKAGE)	(\$690,977,660)	(\$663,934,355)

Source: Nielsen Company, Solano County, Census Bureau.

E. CUMULATIVE IMPACTS OF ADDITIONAL PROPOSED FOOD & BEVERAGE PROJECTS

In addition to the Project, there are two small-scale quick-service restaurants in the area that have recently opened – Panera and In-N-Out, which opened in November 2018 and January 2019, respectively. Importantly, as discussed earlier, the Fairview at Northgate project spans approximately 51.3 acres and includes approximately 179,688 square feet of retail/commercial space within 21.8 acres, a residential component of 178 single family units within 23.8 acres, and 5.7 acres of open space. As a result, new residential units will be situated within a quarter mile of shopping, employment, and recreational uses. According to the approved plan, the buildout will provide rich employment and shopping opportunities and services to improve the City’s jobs-housing balance.

In order to project the value of retail supply in both the Primary and Secondary Trade Areas, DTA used retail sales data from the Nielsen Company. As new developments come online in the years ahead, the total level of retail development in these areas will increase accordingly and peak in 2024 when all currently planned retail projects are assumed to be fully operational.

Determination of Retail Demand under Future Conditions within the Trade Areas

Table 12 shows the estimated expenditures on retail goods per year, based on household growth and income growth throughout the Trade Areas. As discussed earlier, DTA does not assume any change in the percentage amount spent on retail goods and services, currently 22.3 percent. **Table 12** shows that households in the Primary Trade Area are estimated to spend approximately \$1.8 billion on retail goods in 2024. Similarly, households in the combined Primary and Secondary Area are expected to spend approximately \$3.4 billion on retail goods.

TABLE 12
RETAIL DEMAND UNDER FUTURE CONDITIONS
PRIMARY AND SECONDARY TRADE AREAS

JURISDICTION	EXISTING 2019 DEMAND	PROJECTED INCREASE BY 2024	FAIRVIEW AT NORTHGATE PROJECT	TOTAL DEMAND IN 2024
PRIMARY TRADE AREA				
NUMBER OF HOUSEHOLDS	39,852	1,453	178	41,483
HOUSEHOLD INCOME	\$66,006	\$76,519	\$76,519	\$76,519
% INCOME SPENT ON RETAIL		22.26%	22.26%	
TRADE AREA CAPTURE RATE		85.00%	85.00%	
PRIMARY TRADE AREA DEMAND	\$1,731,905,467	\$21,032,911	\$2,576,640	\$1,755,515,018
SECONDARY TRADE AREA				
NUMBER OF HOUSEHOLDS	28,291	1,528	0	29,819
HOUSEHOLD INCOME	\$93,539	\$102,371	\$102,371	\$102,371
% INCOME SPENT ON RETAIL		22.26%	22.26%	
TRADE AREA CAPTURE RATE		85.00%	85.00%	
SECONDARY TRADE AREA DEMAND	\$1,568,188,510	\$29,591,385	\$0	\$1,597,779,895
COMBINED PRIMARY & SECONDARY TRADE AREA				
NUMBER OF HOUSEHOLDS	68,143	2,981	178	71,302
HOUSEHOLD INCOME	\$77,437	\$89,770	\$76,519	\$89,770
% INCOME SPENT ON RETAIL		22.26%	22.26%	
TRADE AREA CAPTURE RATE		85.00%	85.00%	
COMBINED PRIMARY & SECONDARY TRADE AREA DEMAND	\$3,300,093,977	\$50,624,295	\$2,576,640	\$3,353,294,913

Source: Applied Geographic Solutions, 2018, City of Vallejo Consumer Expenditures.

Determination of Retail Supply under Future Conditions within the Trade Areas

The Future Conditions retail supply that includes all proposed projects was estimated from information provided by the Nielsen Company. In order to determine the effects of the Project's sales on the Trade Areas, DTA estimated future sales of all proposed projects. **Table 13** summarizes the Trade Areas' projected Future Conditions supply figures.

TABLE 13
RETAIL SUPPLY UNDER FUTURE CONDITIONS
PRIMARY AND SECONDARY TRADE AREAS

JURISDICTION	EXISTING 2019 SUPPLY	RE-TENANTING OF EXISTING SITE	FAIRVIEW AT NORTHGATE PROJECT (TOTAL)	TOTAL SUPPLY IN 2024
PRIMARY TRADE AREA				
PROJECTED BUILDING SQ. FT.		125,437	54,251	
TAXABLE SALES PER SQ. FT.		\$300	\$693	
DISPLACED SALES WITHIN TRADE AREA		20.00%	20.00%	
PRIMARY TRADE AREA SUPPLY	\$1,509,196,507	\$30,104,880	\$30,066,158	\$1,569,367,545
COMBINED PRIMARY & SECONDARY TRADE AREA				
PROJECTED BUILDING SQ. FT.		125,437	54,251	
TAXABLE SALES PER SQ. FT.		\$300	\$693	
DISPLACED SALES WITHIN TRADE AREA		20.00%	20.00%	
COMBINED PRIMARY & SECONDARY TRADE AREA SUPPLY	\$2,609,116,317	\$30,104,880	\$30,066,158	\$2,669,287,355

Source: City of Vallejo Planning Department and 2017 Costco Annual Report.

Projected Future Conditions Primary Trade Area Surplus/Leakage Analysis

The estimated demand for the Primary Trade Area is expected to increase to \$1.8 billion in retail expenditures per year. Including all future proposed projects, the projected supply is only expected to reach a level of approximately \$1.6 billion under the Future Conditions. These figures indicate that even with the additional sales generated by the Project and other future projects, there is still significant leakage of retail sales, with a total of \$186.1 million in unmet retail demand within the Primary Trade Area. **Table 14** reflects the overall leakage information for each of the Trade Areas.

The overall leakage expected within the Primary Trade Area under the Future Conditions is reflective of the current level of insufficient retail supply. As a result, the future retail demand in the Primary Trade Area is more than sufficient to support the Project without significantly diverting sales from existing merchants. The development of the Project will only serve to benefit the market within the Primary Trade Area and expand on the limited retail shopping opportunities currently available. The significant consumer spending that is still not being met in the Primary Trade Area, even after the addition of the Project, indicates the Project has the potential to operate successfully and not result in Urban Decay.

In the combined Primary and Secondary Trade Areas, the projected excess of consumer demand increases to approximately \$684 million per year under the Future Condition.

Any potential for Urban Decay due to the projected surplus in the Food and Automotive categories is limited due to a number of mitigating factors. First, the tenants that actually choose to locate in these planned retail developments will be oriented towards retail areas in which there is a shortage of supply in the combined Primary and Secondary Trade Areas. Second, there is no certainty that future proposed projects within the Trade Areas will actually be constructed by the year 2024. Third, the cumulative supply figures are likely to be overstated due to the application of the same Trade Area to other proposed retail projects. Any possible future retail developments will have their own

Trade Areas, none of which will be exactly coterminous with the Project's Trade Areas. Total retail demand for these other projects will not be entirely derived from the Project's Trade Area populations, as assumed in the conservative approach to this leakage analysis. Fourth, as stated previously, Costco's business operations fall under both the Food and Eating and Drinking categorizations and it is reasonable to combine these categories for the purpose of this analysis to better reflect the supply this Project will provide to these related categories. DTA acknowledges the oversupply of \$52.9 million in the Food category, however, given the fact that only half of the additional square feet being added to the new location will be used for grocery items, as confirmed by the Proponent, there is no evidence to indicate that the Project would exacerbate the already existing surplus. Finally, new and used dealerships constitute 87 percent of the total supply in the Automotive category, which inflates the surplus figures. The Project will minimally affect the existing surplus in this category, as ancillary services such as tire and auto centers, gas stations, pharmacies, optical dispensing centers, food courts, and hearing-aid centers make up just 18 percent of Costco's net sales, according to Costco's 2018 Annual Report.

TABLE 14
RETAIL SURPLUS/LEAKAGE UNDER FUTURE CONDITIONS
PRIMARY & SECONDARY TRADE AREAS

JURISDICTION	EXISTING 2019 CONDITION	PROJECTED 2024 CONDITION
PRIMARY TRADE AREA		
PROJECTED DEMAND	\$1,731,905,467	\$1,755,515,018
PROJECTED SUPPLY	\$1,509,196,507	\$1,569,367,545
EXCESS/(LEAKAGE)	(\$222,708,960)	(\$186,147,473)
COMBINED PRIMARY & SECONDARY TRADE AREA		
PROJECTED DEMAND	\$3,300,093,977	\$3,353,294,913
PROJECTED SUPPLY	\$2,609,116,317	\$2,669,287,355
EXCESS/(LEAKAGE)	(\$690,977,660)	(\$684,007,557)

Source: Nielsen Company, Solano County, Census Bureau.

F. ECONOMIC IMPACT DETERMINATION

The retail leakage analyses in the Trade Areas reflect continued overall excess of retail demand from Trade Area residents, as compared to retail supply. To the extent to which there is sufficient demand to support the proposed retail developments, **there will likely be no negative impacts to market shares of existing businesses. In fact, the proposed retail projects may actually improve the balance between supply and demand in the Project's Trade Areas.** Because of the strong and stable commercial mixed-use retail market in the Northgate area and the excellent regional visibility and access of the site, the existing Costco site will be successfully re-tenanted and will not contribute to the downward spiral of Urban Decay. Notably, the location of the Project on the I-80 Freeway – a significant gateway into the Project and the City – provides regional visibility and immediate access

from Redwood Parkway, Admiral Callahan Lane, and Turner Parkway. According to data provided by CalTrans in 2016, there are as many as 270,000 vehicles per day currently using the I-80 corridor. **Thus, DTA concludes that while the Project and other proposed retail centers will add to the available supply of retail outlets, current and projected strength of the retail demand within the Project's Trade Areas will likely support this supply.** Also, considering the overall leakage illustrated by the current and future retail market analyses, the addition of retail space will provide expanded opportunity for new retailers to enter the market and fulfill unmet consumer demand.

Given that the Project is an expanded Costco and that there are several other competitive retail sites in both Trade Areas, it's unlikely that the Project will provide any additional appreciable "checkout aisle" savings to the typical City consumer beyond what is already provided by the existing Costco. However, the proximity of the Project to housing will minimize traffic congestion and gasoline consumption.

As mentioned previously, DTA evaluated the closure and reuse of the current site upon completion of the Project. The Project Proponent will place a deed restriction on the original site to prevent any "bulk sale merchandisers" or other general merchandise retailers, which rules out any potential issues that may be caused by the addition of retail uses similar to that of Costco. Based off data provided by the Proponent, it is likely that any new retailer will fall under the General Merchandise or Other Retail categories. The existing site provides 125,437 square feet of potential retail space, and at an average taxable rate of \$300 per square foot, the re-tenanting of this space would add an estimated \$30.1 million to the existing supply, increasing the supply in the General Merchandise category to \$421.8 million with a remaining demand of \$137.7 million, and the supply of the Other Retail category to \$359.4 million with a remaining demand of \$240.8 million. In both scenarios, there would still be significant demand for additional retail in either category, and the re-tenanting of the existing site would provide expanded opportunity for new retailers to enter the market and fulfill this unmet consumer demand.

APPENDIX A

ECONOMIC IMPACT ANALYSIS MODEL

EXHIBIT 1
CITY OF VALLEJO - FAIRVIEW AT NORTHGATE
HOUSEHOLD AND INCOME GROWTH ESTIMATES

JURISDICTION	HOUSEHOLD GROWTH		MEDIAN INCOME GROWTH	
	2019 ESTIMATE	2024 PROJECTION	2019 ESTIMATE	2024 PROJECTION
CITY OF VALLEJO	42,723	45,222	\$68,692	\$79,633
PRIMARY TRADE AREA	39,852	41,483	\$66,006	\$76,519
PRIMARY & SECONDARY TRADE AREAS	68,143	71,302	\$77,437	\$89,770

Notes:
Source: Nielsen Company, Solano County, Census Bureau.

EXHIBIT 2
CITY OF VALLEJO - FAIRVIEW AT NORTHGATE
PRIMARY TRADE AREA SUPPLY/DEMAND ANALYSIS

RETAIL CATEGORY	PRIMARY TRADE AREA ANALYSIS (2019)			
	TOTAL DEMAND	TOTAL SUPPLY	EXCESS/ (LEAKAGE)	% EXCESS/ (LEAKAGE)
FOOD	\$231,501,607	\$284,404,493	\$52,902,886	22.9%
GENERAL MERCHANDISE	\$300,104,714	\$243,731,258	(\$56,373,456)	(18.8%)
APPAREL	\$70,376,520	\$34,327,950	(\$36,048,570)	(51.2%)
EATING AND DRINKING PLACES	\$225,766,492	\$177,332,841	(\$48,433,651)	(21.5%)
BUILDING MATERIAL AND FARM IMPLEMENTS	\$99,425,900	\$79,005,885	(\$20,420,015)	(20.5%)
AUTOMOTIVE	\$311,599,734	\$434,296,924	\$122,697,190	39.4%
OTHER RETAIL	\$310,448,333	\$114,829,376	(\$195,618,957)	(63.0%)
HOME FURNISHING AND APPLIANCES	\$37,961,513	\$25,074,263	(\$12,887,250)	(33.9%)
SERVICE STATIONS	\$144,720,654	\$116,193,517	(\$28,527,137)	(19.7%)
TOTALS	\$1,731,905,467	\$1,509,196,507	(\$222,708,960)	(12.9%)

Notes:

Source: Nielsen Company.

EXHIBIT 3
CITY OF VALLEJO - FAIRVIEW AT NORTHGATE
PRIMARY AND SECONDARY TRADE AREA SUPPLY/DEMAND ANALYSIS

TYPE OF RETAILER	PRIMARY AND SECONDARY TRADE AREA ANALYSIS (2019)			
	TOTAL DEMAND	TOTAL SUPPLY	EXCESS/ (LEAKAGE)	% EXCESS/ (LEAKAGE)
FOOD	\$428,657,897	\$481,721,997	\$53,064,100	12.4%
GENERAL MERCHANDISE	\$559,452,736	\$391,671,520	(\$167,781,216)	(30.0%)
APPAREL	\$135,676,667	\$56,401,820	(\$79,274,847)	(58.4%)
EATING AND DRINKING PLACES	\$431,249,339	\$317,153,275	(\$114,096,064)	(26.5%)
BUILDING MATERIAL AND FARM IMPLEMENTS	\$195,992,737	\$153,579,804	(\$42,412,933)	(21.6%)
AUTOMOTIVE	\$610,011,153	\$593,819,248	(\$16,191,905)	(2.7%)
OTHER RETAIL	\$600,141,065	\$329,281,084	(\$270,859,981)	(45.1%)
HOME FURNISHING AND APPLIANCES	\$74,792,322	\$56,148,654	(\$18,643,668)	(24.9%)
SERVICE STATIONS	\$264,120,061	\$229,338,915	(\$34,781,146)	(13.2%)
TOTALS	\$3,300,093,977	\$2,609,116,317	(\$690,977,660)	(20.9%)

Notes:

Source: Nielsen Company.

EXHIBIT 4
CITY OF VALLEJO - FAIRVIEW AT NORTHGATE
PROJECTED RETAIL DEMAND FROM PROJECT

MARKET AREA	EXISTING 2019 DEMAND	FAIRVIEW AT NORTHGATE	TOTAL DEMAND IN 2024
PRIMARY TRADE AREA			
NUMBER OF HOUSEHOLDS ¹	39,852	178	40,030
HOUSEHOLD INCOME ²	\$66,006	\$76,519	\$76,519
% INCOME SPENT ON RETAIL ³		22.26%	
TRADE AREA CAPTURE RATE ⁴		85.00%	
PRIMARY TRADE AREA DEMAND ⁵	\$1,731,905,467	\$2,576,640	\$1,734,482,107
COMBINED PRIMARY & SECONDARY TRADE AREA			
NUMBER OF HOUSEHOLDS ¹	68,143	178	68,321
HOUSEHOLD INCOME ²	\$77,437	\$89,770	\$89,770
% INCOME SPENT ON RETAIL ³		22.26%	
TRADE AREA CAPTURE RATE		85.00%	
COMBINED PRIMARY & SECONDARY TRADE AREA DEMAND ⁶	\$3,300,093,977	\$3,022,853	\$3,303,116,830

Notes:

[1] Refer to Exhibit 1 for 2019 figures. Project estimates provided by Nielsen Company.

[2] Refer to Exhibit 1 for 2019 figures.

[3] Source: City of Vallejo Fiscal Year 2018-2019 Adopted Budget.

[4] Capture Rate is defined as the percentage of sales occurring within the affected area. Conservatively assumed that the Primary Trade Area will absorb all retail sales resulting from the Project.

[5] Refer to Exhibit 2 for 2019 figures.

[6] Refer to Exhibit 3 for 2019 figures.

**EXHIBIT 5
CITY OF VALLEJO - FAIRVIEW AT NORTHGATE
PROJECTED RETAIL SUPPLY WITH PROJECT**

MARKET AREA	EXISTING 2019 SUPPLY	FAIRVIEW AT NORTHGATE	TOTAL SUPPLY IN 2024
PRIMARY TRADE AREA			
PROJECTED BUILDING SQ. FT. ¹		54,251	
BLENDED TAXABLE SALES PER SQ. FT. ²		\$693	
<i>DISPLACED SALES WITHIN TRADE AREA</i> ³		20.00%	
PRIMARY TRADE AREA SUPPLY ⁴	\$1,509,196,507	\$30,066,158	\$1,539,262,665
COMBINED PRIMARY & SECONDARY TRADE AREA			
PROJECTED BUILDING SQ. FT. ¹		54,251	
BLENDED TAXABLE SALES PER SQ. FT. ²		\$693	
<i>DISPLACED SALES WITHIN TRADE AREA</i> ³		20.00%	
COMBINED PRIMARY & SECONDARY TRADE AREA SUPPLY ⁵	\$2,609,116,317	\$30,066,158	\$2,639,182,475

Notes:

[1] Source: Kimley-Horn & Associates, Inc.

[2] Based on the average sales and square footage figures provided in the 2017 Costco Annual Report.

[3] Displaced Sales is defined as the percentage of sales occurring outside of the affected area. Estimate, subject to change.

[4] Refer to Exhibit 2 for 2019 figures.

[5] Refer to Exhibit 3 for 2019 figures.

EXHIBIT 6
CITY OF VALLEJO - FAIRVIEW AT NORTHGATE
DEMAND AND SUPPLY SUMMARY WITH PROJECT

JURISDICTION	EXISTING 2019 CONDITIONS ¹	PROJECTED 2024 CONDITIONS ²
PRIMARY TRADE AREA		
PROJECTED DEMAND	\$1,731,905,467	\$1,734,482,107
PROJECTED SUPPLY	\$1,509,196,507	\$1,539,262,665
EXCESS/(LEAKAGE)	(\$222,708,960)	(\$195,219,442)
COMBINED PRIMARY & SECONDARY TRADE AREA		
PROJECTED DEMAND	\$3,300,093,977	\$3,303,116,830
PROJECTED SUPPLY	\$2,609,116,317	\$2,639,182,475
EXCESS/(LEAKAGE)	(\$690,977,660)	(\$663,934,355)

Notes:

[1] Refer to Exhibits 2 and 3.

[2] Refer to Exhibits 4 and 5.

**EXHIBIT 7
CITY OF VALLEJO - FAIRVIEW AT NORTHGATE
PROJECTED RETAIL DEMAND - ALL FUTURE RESIDENTS**

MARKET AREA	EXISTING 2019 DEMAND	PROJECTED INCREASE BY 2024	FAIRVIEW AT NORTHGATE	TOTAL DEMAND IN 2024
PRIMARY TRADE AREA				
NUMBER OF HOUSEHOLDS ¹	39,852	1,453	178	41,483
HOUSEHOLD INCOME ²	\$66,006	\$76,519	\$76,519	\$76,519
% INCOME SPENT ON RETAIL ³		22.26%	22.26%	
TRADE AREA CAPTURE RATE ⁴		85.00%	85.00%	
PRIMARY TRADE AREA DEMAND ⁵	\$1,731,905,467	\$21,032,911	\$2,576,640	\$1,755,515,018
SECONDARY TRADE AREA				
NUMBER OF HOUSEHOLDS ¹	28,291	1,528	0	29,819
HOUSEHOLD INCOME ²	\$93,539	\$102,371	\$102,371	\$102,371
% INCOME SPENT ON RETAIL ³		22.26%	22.26%	
TRADE AREA CAPTURE RATE ⁴		85.00%	85.00%	
SECONDARY TRADE AREA DEMAND ⁶	\$1,568,188,510	\$29,591,385	\$0	\$1,597,779,895
COMBINED PRIMARY & SECONDARY TRADE AREA				
NUMBER OF HOUSEHOLDS ¹	68,143	2,981	178	71,302
HOUSEHOLD INCOME ²	\$77,437	\$89,770	\$76,519	\$89,770
% INCOME SPENT ON RETAIL ³		22.26%	22.26%	
TRADE AREA CAPTURE RATE ⁴		85.00%	85.00%	
COMBINED PRIMARY & SECONDARY TRADE AREA DEMAND ⁷	\$3,300,093,977	\$50,624,295	\$2,576,640	\$3,353,294,913

Notes:

[1] Refer to Exhibit 1.

[2] Refer to Exhibit 1.

[3] Source: Applied Geographic Solutions, 2018, City of Vallejo Consumer Expenditures.

[4] Conservatively assumed that the Primary Trade Area will absorb all retail sales resulting from the Project.

[5] Refer to Exhibit 2 for 2019 figures.

[6] Difference between the Combined Primary and Secondary Trade Area Demand (refer to Exhibit 4), and the Primary Trade Area Demand (refer to Exhibit 3).

[7] Refer to Exhibit 3.

EXHIBIT 8

CITY OF VALLEJO - FAIRVIEW AT NORTHGATE

PROJECTED RETAIL SUPPLY WITH PROJECT

(INCLUDING ALL FUTURE DEVELOPMENT)

MARKET AREA	EXISTING 2019 SUPPLY	RE-TENANTING OF EXISTING SITE	FAIRVIEW AT NORTHGATE (TOTAL)	TOTAL SUPPLY IN 2024
PRIMARY TRADE AREA				
PROJECTED BUILDING SQ. FT. ¹		125,437	54,251	
BLENDED TAXABLE SALES PER SQ. FT. ²		\$300	\$693	
DISPLACED SALES WITHIN TRADE AREA ³		20.00%	20.00%	
PRIMARY TRADE AREA SUPPLY ⁴	\$1,509,196,507	\$30,104,880	\$30,066,158	\$1,569,367,545
COMBINED PRIMARY & SECONDARY TRADE AREA				
PROJECTED BUILDING SQ. FT. ¹		125,437	54,251	
BLENDED TAXABLE SALES PER SQ. FT. ²		\$300	\$693	
DISPLACED SALES WITHIN TRADE AREA ³		20.00%	20.00%	
COMBINED PRIMARY & SECONDARY TRADE AREA SUPPLY ⁵	\$2,609,116,317	\$30,104,880	\$30,066,158	\$2,669,287,355

Notes:

[1] Source: Publications from the City of Vallejo Planning Department.

[2] Based on the median sales per sq. ft. figure for retail centers as outlined in "Dollars and Cents of Shopping Centers" (2008) published by the Urban Land Institute.

[3] Estimate, subject to change.

[4] Refer to Exhibit 2 for 2019 figures.

[5] Refer to Exhibit 3.

EXHIBIT 9
CITY OF VALLEJO - FAIRVIEW AT NORTHGATE
DEMAND AND SUPPLY SUMMARY WITH PROJECT
(INCLUDING ALL FUTURE DEVELOPMENT)

JURISDICTION	EXISTING 2019 CONDITIONS ¹	PROJECTED 2024 CONDITIONS ²
PRIMARY TRADE AREA		
PROJECTED DEMAND	\$1,731,905,467	\$1,755,515,018
PROJECTED SUPPLY	\$1,509,196,507	\$1,569,367,545
EXCESS/(LEAKAGE)	(\$222,708,960)	(\$186,147,473)
SECONDARY TRADE AREA		
PROJECTED DEMAND	\$3,300,093,977	\$3,353,294,913
PROJECTED SUPPLY	\$2,609,116,317	\$2,669,287,355
EXCESS/(LEAKAGE)	(\$690,977,660)	(\$684,007,557)

Notes:

[1] Refer to Exhibits 2 and 3.

[2] Refer to Exhibits 7 and 8.

**EXHIBIT 10
CITY OF VALLEJO - FAIRVIEW AT NORTHGATE
EXISTING RETAIL ESTABLISHMENTS**

JURISDICTION	ESTIMATED RETAIL SQ. FT. ¹
PRIMARY TRADE AREA	
Lowe's	185,142
Target	106,169
Kohl's	97,732
Home Depot	95,443
Food 4 Less	56,814
Foodmaxx	52,431
Toyota	51,930
Century Theatres	50,090
Best Buy	44,925
Safeway	31,790
Momentum Chrysler/Dodge/Jeep/Ram	27,500
Pep Boys	22,268
Smart & Final	20,563
CVS	16,500
Petco	12,000
Sleep Train Mattress Center	10,000
Big 5 Sporting Goods	10,000

Notes:

Source: CoStar

EXHIBIT 11: EXISTING SUPERSTORES – PRIMARY (3 MILE) AND SECONDARY (7 MILE) RETAIL TRADE AREAS



APPENDIX B

LAND USE PLAN

PROJECT SUMMARY:

LAND USE:
 RESIDENTIAL - 23.8± AC
 COMMERCIAL - 21.8± AC
 OPEN SPACE - 5.7± AC
 TOTAL - 51.3± AC

RESIDENTIAL SUMMARY:

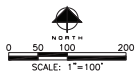
LOT COUNT:
 86 - 42'x85' SINGLE FAMILY LOTS
 92 - 50'x60' ALLEY-LOADED LOTS
 178 - TOTAL LOTS

COMMERCIAL SUMMARY:

MAJOR RETAILER: 152,138± SF
 SHOPS & RETAIL: 27,490± SF

* SIGNALIZED INTERSECTION (TWO LOCATIONS)

* PROPOSED BUS STOP



FISCAL IMPACT ANALYSIS
PHASE II OF
ECONOMIC IMPACT ANALYSIS

FAIRVIEW AT NORTHGATE
VALLEJO, CALIFORNIA

NOVEMBER 15, 2019

Prepared For

Kimley-Horn & Associates, Inc.
555 Capitol Mall #300
Sacramento, CA 95814

Prepared By

David Taussig & Associates, Inc.
99 Almaden Boulevard, Suite 875
San Jose, CA 95113

Public Finance
Public Private Partnerships
Urban Economics
Clean Energy Bonds

Newport Beach
San Francisco
San Jose
Riverside
Dallas

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EXECUTIVE SUMMARY

I. PURPOSE OF ANALYSIS

The objective of this Fiscal Impact Analysis (“FIA”), hereby incorporated as Phase II of the Economic Impact Analysis (“EIA”), is to analyze the fiscal impacts of new development on the City of Vallejo (the “City”) under the framework provided by Section 16.76.040 of the City’s Municipal Code (“the Code”). David Taussig & Associates, Inc. (“DTA”) has evaluated the Fairview at Northgate project (the “Project”) by examining the residential and non-residential land uses. Additionally, the Project has been fully reviewed and analyzed by City staff and City Council, thus its parameters and data are well verified and documented. As follows, the FIA analyzes the recurring fiscal impacts of the Project’s development on the City General Fund. The Urban Decay Analysis (Phase I of the EIA) was previously submitted to the City and can be found separate from this report.

II. TYPES OF FISCAL IMPACTS TO CITY OF VALLEJO EVALUATED IN THE ANALYSIS

The purpose of the fiscal component of the EIA is to estimate the net fiscal impacts of the Project’s proposed development on the City General Fund. The fiscal impacts identified in this analysis include recurring municipal revenues and costs to the City General Fund that result from the land use scenario analyzed. City General Fund revenues are generated from a variety of revenue sources, including property taxes, sales taxes, fees, and fines. Costs to the City General Fund are associated with a variety of services, such as police protection, public works maintenance, and general government services.

III. DESCRIPTION OF FAIRVIEW AT NORTHGATE PROJECT

The proposed Project is located in the City of Vallejo within the County of Solano and spans approximately 51.3 acres. It is comprised of approximately 179,688 square feet of retail/commercial space (including the proposed Costco, five retail pads, and gasoline service station accommodating up to 30 fueling dispensers and a related kiosk) within 21.8 acres, a residential component of 178 single family units within 23.8 acres, and 5.7 acres of open space. Notably, the new Costco is to replace a Costco less than one mile from the Project site; the net effect of the replacement is an additional 26,701 square feet. The Project site is located on a vacant, undeveloped lot, and is bounded to the west by the Admiral Callaghan Lane right-of-way, to the north by the Turner Parkway right-of-way, to the south by a car dealership, residential condominiums, and apartments, and to the east by single family homes. The I-80 freeway is immediately adjacent to the west of Admiral Callaghan Lane.

IV. CONCLUSIONS OF ANALYSIS RELATED TO PROJECT

Following are the major conclusions related to the fiscal impacts of the Project:

A. FISCAL IMPACTS

As reflected in **Table A** below, the Net Fiscal Impact on the City General Fund is estimated to be an annual surplus of **\$1,416,361**, based on **\$1,949,211** in fiscal revenues and **\$532,850**

in fiscal costs. The fiscal surplus results primarily from direct and indirect sales tax receipts (69.90 percent), and general property tax revenues (23.31 percent), including secured, unsecured, and in-lieu fees, that are generated by the retail and residential developments, together constituting approximately 93.21 percent of total recurring revenues to the County General Fund.

The Annual Revenue/Cost Ratio of **3.66** demonstrates that the Project will have a positive net impact on the County General Fund, generating recurring revenues that vastly outpace anticipated expenditures related to the Project.

Table A
Net Fiscal Impact (City General Fund)

Category	Amount
Total Recurring Revenues	\$1,949,211
Total Recurring Costs	\$532,850
Annual Recurring Surplus/(Deficit)	\$1,416,361
Total Annual Revenue/Expenditure Ratio	3.66

Source: Based on the City of Vallejo Fiscal Year 2018/2019 Adopted Budget.

It is important to note that should the proposed Project (the Costco expansion) not be approved, and if the existing Costco closes and relocates to a location outside the boundaries of the City, the result would be a significant negative fiscal impact to the City. The existing Costco currently accounts for approximately \$33,000 annually in property taxes to the City and generates approximately \$2.15 million in sales tax revenues. The site also employs roughly 300 people. Under a scenario where the existing Costco leaves the City, the combined losses of these revenue streams would meaningfully impact the City's annual recurring revenues.

SECTION 1 INTRODUCTION

The objective of this Fiscal Impact Analysis is to analyze the fiscal impacts of new development on the City of Vallejo under the framework provided by Section 16.76.040 of the City's Municipal Code. David Taussig & Associates, Inc. has evaluated the Fairview at Northgate project by examining the residential and non-residential land uses. As follows, the FIA analyzes the recurring fiscal impacts of the Project's development on the City General Fund.

I. SCOPE AND METHODOLOGY

Fiscal impacts arising from a land development plan can be broadly categorized as one of two types: one-time impacts or recurring impacts. Each of these broad types may, in turn, be divided into a revenue component and a cost component. For purposes of this analysis, it has been assumed that one-time revenues would directly offset one-time costs; thus, the fiscal impacts considered in this FIA focus on ongoing, or recurring, fiscal impacts of the Project on the City General Fund. To the extent that revenues are generated outside of the City's General Fund (e.g., special district revenues) or costs are incurred by the City outside of the General Fund (e.g., costs financed through a special district), they are not directly included within this fiscal analysis.

The fiscal impacts projected for the FIA are based generally on the *Multiplier Methodology*. The primary *Multiplier Methodology* used to project the fiscal impacts in this analysis was the *Per Capita-Employee ("Persons Served") Methodology*. The *Persons Served Methodology* considers the fact that the exact relationship of service demands and revenue-generating potential between residents and employees is difficult to measure. Thus, utilizing a service population, or Persons Served population, comprised of all residents and 50 percent of employees is common fiscal practice, and suggests that a resident generally has twice the fiscal impact of an employee. This methodology involves calculating the average City-wide revenues/costs per Persons Served, utilizing the fiscal year ("FY") 2018-2019 City budget, and applying these revenue/cost factors to the specific number of Persons Served projected for the Project.

DTA also used a *Per Employee Methodology* in the FIA to project recurring fiscal factors based on employment only, such as business receipts and business license tax revenues. Similar to the *Persons Served Methodology* discussed above, the *Per Employee Methodology* involves calculating the average City-wide revenues/costs per employee, utilizing the FY 2018-2019 City budget, and applying these factors to the specific number of employees projected under the given scenario.

While most recurring revenues analyzed in the FIA are projected using the *Multiplier Methodology*, some major revenue sources, including property taxes and sales taxes, are calculated using a *Case Study Methodology* that involves calculating the marginal revenues to be specifically generated by a particular land use, instead of applying an average City-wide revenue factor. For purposes of the analysis, all recurring revenues and costs are stated in

constant (un-inflated) 2019 dollars, based on the assumption that the relative impacts of inflation in future years will be the same for both of these fiscal impact categories.

II. LIMITATIONS

A. ACCURACY OF INFORMATION

The fiscal model in the FIA contains an analysis of revenues, costs, and impacts to the City resulting from the Project. This model is based on both (i) information provided to DTA by City staff and (ii) certain assumptions taken from DTA's municipal cost database, as compiled by DTA from previous impact studies prepared by the firm. The sources of information and basis of the estimates calculated in the analysis are stated herein. While DTA is confident that the sources of information are reliable, DTA does not express an opinion or any other form of assurance on the accuracy of such information. The analysis of fiscal impacts contained in this report is not considered to be a "financial forecast" or a "financial projection" as technically defined by the American Institute of Certified Public Accountants. The word "projection" used within this report relates to broad expectations of future events or market conditions. Since the analyses contained herein are based on estimates and assumptions that are inherently subject to uncertainty and variation depending on evolving events, DTA cannot represent that such estimates will definitely be achieved. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, the actual results achieved may vary from these projections stated throughout the analysis.

SECTION 2 DESCRIPTION OF RECURRING FISCAL REVENUES/COSTS

The following section presents the recurring revenue and cost impacts to the City General Fund and the methodology and assumptions utilized in the FIA to project these impacts. Case Study and Multiplier Method revenue and cost descriptions in this section are based off those in the City's FY 2018/2019 Adopted Budget. Detailed numerical analyses of the revenue and cost impacts subsequently discussed in this section are contained in **Appendix A**.

I. ANALYSIS OF RECURRING REVENUES

CASE STUDY METHOD:

A. PROPERTY TAXES – SECURED AND UNSECURED

Property tax revenues are conservatively projected based on the City's estimated share of the general 1 percent property tax levy. Total secured property tax revenues received by the City from the land uses will equal approximately 19.04 percent of the basic 1 percent property tax levy from the Tax Rate Areas ("TRAs") encompassing the Project. Please note that the gross tax increment, as calculated by the Solano County (the "County") Auditor-Controller, has been reduced to account for the projected Education Revenue Augmentation Fund ("ERAF") property tax shifts. Please refer to **Table 2A** below and **Exhibit 4** of **Appendix A** for details regarding the secured and unsecured property tax assumptions utilized in the fiscal impact analysis.

Unsecured property taxes are levied on tangible personal property that is not secured by real estate. Examples of unsecured property include trade fixtures (e.g., manufacturing equipment and computers), as well as airplanes, boats, and mobile homes on leased land. In generating the fiscal impact models for this analysis, DTA has assumed that unsecured property values average 2.75 percent of the secured value for residential land uses, and 10.00 percent of the secured value for non-residential land uses.

B. PROPERTY TRANSFER TAX

Per California Revenue & Taxation Code §11901, *et seq.* and the Vallejo Municipal Code §3.08.020, sales of real property are taxed by the County at a rate of \$1.10 per \$1,000 of property value, whereas for property located in the City, the property transfer tax is divided equally between the City and the County, with the City receiving \$0.55 per \$1,000 of transferred property sale or resale value, excluding assumed liens or encumbrances. Per typical baseline assumptions, DTA assumes that residential development changes ownership at an average rate of 10 percent per year and that non-residential development changes ownership at an average rate of 5 percent per year, and that continuing liens and encumbrances are insignificant.

C. PROPERTY TAX IN-LIEU OF VEHICLE LICENSE FEE

The passage of Proposition 1A in California in 2004 enacted a constitutional amendment that introduced a new methodology to calculate property taxes in-lieu of VLF. Per California Revenue and Taxation Code §97.70, the property tax in-lieu of VLF amount now grows in proportion to the growth rate of gross assessed valuation in a city or county. Property taxes in-lieu of VLF revenues are projected to grow with the change in the City-wide gross assessed valuation of taxable property from the prior fiscal year. Property tax in-lieu of VLF revenues constitute an addition to other property tax apportionments and were calculated for purposes of this analysis at \$1.12 per \$1,000 increase in assessed valuation on a City-wide basis. Please refer to **Table 2A** below and **Exhibit 4** of **Appendix A** for details regarding the property tax assumptions utilized in the fiscal impact analysis.

TABLE 2A – PROPERTY TAX ASSUMPTIONS

Property Tax Assumptions	
<u>Property Tax</u>	
Valuation Per Unit	\$625.000
Secured Property Tax – Net Apportionment Factor to the City of Vallejo as a Fraction of 1.0% Property Tax Rate (Net of ERAF)	19.04%
Unsecured Property Tax – Unsecured Taxes as a % of Secured Property Value	2.75% - Residential 10.00% - Non-Residential
<u>Property Transfer Tax</u>	
Residential Property Turnover Rate	10.00%
Non-Residential Property Turnover Rate	5.00%
Transfer Tax as a % of Price	0.11%
Property Transfer Tax Passed Through to City	50.00%
<u>Property Tax In-Lieu of VLF</u>	
City of Vallejo – Total Assessed Value (FY 2018-19)	\$9,126,502,971
City of Vallejo – VLF Prop. Tax In-Lieu Revenues (FY 2018-19)	\$10,263,252
VLF Property Tax In-Lieu per \$1,000 Assessed Value	\$1.12

Source: County of Solano Auditor-Controller-Treasure-Tax Collector and City of Vallejo Comprehensive Annual Financial Report for FY 2016-2017.

D. MOTOR VEHICLE LICENSE FEES

(I). BACKGROUND

Prior to June 1, 2004, the Motor Vehicle License Fee (“VLF”) tax rate was equal to 2.00 percent of the value of a vehicle, with 0.65 percent paid by the vehicle owner and an additional 1.35 percent supplemented with a backfill from the State General Fund. A large portion of those funds was allocated to cities (42.50 percent) and counties (42.50 percent) based on population, while newly incorporated cities received an additional population subvention based on three (3) times the number of registered voters for the first seven (7) years after incorporation.

As discussed earlier, in 2004, the VLF allocation was altered. The California Legislature implemented the “VLF Swap” in which the VLF was lowered to 0.65 percent. The resultant loss of city revenue was swapped with an augmentation of property tax, termed property tax in-lieu of VLF. These amounts grow annually based on the annual increase in assessed value within each respective jurisdiction (again, see above).

(II). **SUPPLEMENTAL LAW ENFORCEMENT FUNDING (“SLESF”) AND OTHER STATE LAW ENFORCEMENT GRANTS**

As a part of the 2009 state budget agreement, a number of law enforcement grant programs previously funded by the state general fund were instead funded in FY 2009-10 and FY 2010-11 by a temporary 0.15 percent state VLF increase, which ended on June 30, 2011. The additional 0.15 percent VLF rate was intended to generate around \$500 million annually – the tax generated \$414 million in FY 2009-10 and \$442 million in FY 2010-11.

(III). **SENATE BILL (SB) 89 - FEES SHIFTED TO FUND STATE LAW ENFORCEMENT GRANTS**

SB89, signed in 2010 by Governor Brown, effectively eliminated the 0.65 percent VLF revenue that was being allocated as a general fund revenue source to California cities. Provisions in SB89 shifted hundreds of millions of VLF revenues to fund the state law enforcement grants beginning FY 2011-12. The SB89 plan operated as follows:

- The “Vehicle License Registration Fee” was increased by \$12 to produce approximately \$300 million in FY 2011-12. This fee funded state DMV vehicle license registration operations, thereby “freeing up” \$300 million of VLF revenue that had been used to fund DMV operations. This money was transferred to a new Local Law Enforcement Services Account (“LLESA”) to fund the law enforcement grants.
- In addition, beginning July 1, 2011, SB89 transferred the remaining VLF revenue (after the Local Revenue Fund allocation for county health and welfare programs) previously allocated to cities and counties to the LLESA.

SB89 took \$130 million of city general revenue and shifted it to save state law enforcement grant programs. Less than \$100 million of these grant funds have or will come back to cities, earmarked for police services. But these funds will likely continue to be offset by the loss of city VLF. Therefore, VLF (as opposed to property tax in-lieu of VLF) revenue was not analyzed as a Project revenue source in this FIA.

E. SALES AND USE TAXES

Direct sales tax revenues are generated by retail sales from businesses within City limits, with 2.0 percent of taxable sales receipts passed through to the City due to the enactment Measure B, which was passed in November 2011 and extended into perpetuity by Measure V on November 8, 2016. **Exhibit 5 of Appendix A** reflects taxable sales receipts per square foot for each on-site non-residential land use type, based on data from the Urban Land Institute’s

Dollars & Cents of Shopping Projects publication and total taxable sales receipts for the Project, based on information provided by the City.

Indirect sales tax revenues, also summarized in **Exhibit 5** of **Appendix A**, are generated by the purchases made by the Project's residents and employees within the City. Based on studies outlined in the *International Council of Shopping Centers' Office Worker Local Retail Spending Patterns*, DTA assumed that each on-site employee spends nearly \$9,370 annually within the City.

TABLE 2B – SALES TAX ASSUMPTIONS

Sales Tax Assumptions	
% Sales Tax Passed Through to City of Vallejo ^[1]	2%
Local Employee Spending (Annual)	\$9,370
<i>Capture Rate of Employee Spending (within City)</i>	85%
<i>Displacement Rate (of existing taxable sales within City)</i>	20%
Taxable Sales per Sq. Ft. – Fairview at Northgate (Costco - Expansion)	\$1,098
Taxable Sales per Sq. Ft. – Fairview at Northgate (Other Retail Pads)	\$300
Taxable Sales per Sq. Ft. – Re-tenanting of Existing Site	\$300

Note:

[1] Includes Measure B charge of additional 1.00 percent, which passed in November 2011.

Source: City of Vallejo Municipal Code and the Urban Decay Analysis (Phase I of the Economic Impact Analysis).

F. INVESTMENT INCOME REVENUES

Investment Income revenues are generated by the increase in General Fund Revenues resulting from the Project. This increase reflects growth in the following revenue categories: property taxes, sales taxes, and multiplier revenues (as discussed below).

Revenues from this source are estimated by multiplying the Projected Recurring General Fund Revenues Available for Investment of \$1,939,610 by the estimated Local Agency Investment Fund ("LAIF") investment fund rate of return of approximately 1.0 percent by the LAIF Percentage of Earnings Cost factor of 50 percent. This calculation results in estimated Investment Income (less Earnings Cost) of \$9,601 (which when added to \$1,939,610 equals \$1,949,211). LAIF factors are determined quarterly by the California State Treasurer whose office governs the investment of revenues by municipalities.

Please refer to **Table 2C** below and **Exhibit 6** of **Appendix A** for details regarding the investment income assumptions utilized in the fiscal impact analysis.

TABLE 2C – INVESTMENT INCOME ASSUMPTIONS

Investment Income Assumptions	
Investment Period for Recurring Non-Interest General Fund Revenues	12 Months
Estimated Local Agency Investment Fund (LAIF) Rate of Return	1.00%
Local Agency Investment Fund (LAIF) Percentage of Earnings	50%
Projected Recurring General Fund Revenues Available for Investment	\$1,939,610

Source: Based on the City of Vallejo Fiscal Year 2018/2019 Adopted Budget.

MULTIPLIER METHOD:

G. TRANSIENT OCCUPANCY TAX

Transient Occupancy Tax (TOT) revenues saw an uptick starting in FY 15-16. A previously performed audit, combined with enhanced collection efforts by the Finance Department, led to a significant increase of this revenue stream in prior years. For FY 18-19, TOT revenue projections are expected to decline to \$2.2 million. Revenues are forecasted using a *Per Capita-Employee Multiplier Method* that results in a total multiplier of \$14.58 per Persons Served.

H. FRANCHISE FEES

Franchise taxes are revenues generated on cable television, natural gas, electricity, and garbage services that are paid to the City by franchise holders. Franchise Taxes revenues are projected to remain stable compared to the prior year. Franchise Taxes were forecasted at \$33.85 per Persons Served using the *Per Capita-Employee Multiplier Method*.

I. UTILITY USER TAX

Utility User taxes are revenues generated on cable television, natural gas, electricity, and telephone services and collected from the end users of these services. Utility User Tax revenues are projected to remain stable compared to the prior year. Utility User Taxes were forecasted at \$63.75 per Persons Served using the *Per Capita-Employee Multiplier Method*. Please note that this revenue multiplier has been reduced by 25 percent to account for only the portion of these revenues that is expected to be variable with population and employee growth in the City.

J. MEDICAL MARIJUANA TAX

Measure C tax revenue projections are expected to remain flat when compared to last year. While growth in the industry is expected, especially with the passage of recreational marijuana legislation at the State level, and the marketplace is expected to change drastically in the coming years, the revenue received by the City has yet to show significant increases. Revenues are forecasted using a *Per Capita-Employee Multiplier Method* that results in a total multiplier of \$16.15 per Persons Served.

K. BUSINESS LICENSES

Collections on Business License taxes peaked at the end of last fiscal year due to increased collection efforts. This revenue source is expected to remain relatively flat this fiscal year as the number of businesses within the City remains relatively stable. Business Licenses are based on the City's collection of fees for various types of permits and community programs. Revenues are forecasted using a *Per Employee Multiplier Method* that results in a total multiplier of \$20.14 per Employee. Please note that this revenue multiplier has been reduced by 25 percent to account for only the portion of these revenues that is expected to be variable with population and employee growth in the City.

L. REVENUE FROM USE OF ASSETS (RENTALS)

Revenues are forecasted using a *Per Capita-Employee Multiplier Method* that results in a total multiplier of \$7.77 per Persons Served.

M. MISCELLANEOUS REVENUES

Finally, Miscellaneous Revenues, including Water Rights, Discovery Kingdom Park Fees, Sales of Surplus Property, and other fees, were projected at \$9.52 per Persons Served utilizing the *Per Capita-Employee Multiplier Method*. Please note that this revenue multiplier has also been reduced by 50 percent to account for only the portion of these revenues that is expected to be variable with population and employee growth in the City.

TABLE 2D – OTHER GENERAL FUND REVENUES (MULTIPLIER METHOD)

Category	Amount	Methodology
Transient Occupancy Tax	\$14.58	Persons Served
Franchise Taxes	\$33.85	Persons Served
Utility User Tax	\$63.75	Persons Served, Plus 25% Discount
Medical Marijuana Tax	\$16.15	Persons Served
Business Licenses	\$20.14	Per Employee, Plus 25% Discount
Revenue from Use of Assets (Rentals)	\$7.77	Persons Served
Miscellaneous Revenues	\$9.52	Persons Served, Plus 50% Discount

Source: Based on the City of Vallejo Fiscal Year 2018/2019 Adopted Budget.

Please refer to **Exhibit 7** of **Appendix A** for more details on the case study assumptions and revenue multipliers utilized in the analysis.

II. ANALYSIS OF RECURRING COSTS

CASE STUDY METHOD:

A. OPEN SPACE, GREENSPACE, AND PUBLIC ROAD MAINTENANCE

The Project will require the construction of new infrastructure which may ultimately need to be maintained by the City's General Fund. At this time, it is estimated that the commercial component of these public infrastructure improvements will consist of five (5) separate buildings plus the gasoline service station accommodating up to thirty (30) fueling dispensers and a related kiosk, as well as 962 parking spaces which includes the required number of accessible spaces for disabled persons. The residential component will consist of 178 single family detached units – 86 with traditional front-loaded garages and 92 with a private front courtyard and alley-loaded garages. The open space will separate the commercial and residential components and be surrounded by perimeter fencing with private gate access.

These improvements were multiplied by estimated annual cost figures for each category derived from the DTA Public Works Database, resulting in annual Open Space, Greenspace, and Public Road Maintenance costs of \$74,584.

Table 2E – Open Space, Greenspace, and Public Road Maintenance Requirements (Case Study Method)

Infrastructure to be Maintained by City General Fund	Cost Per Unit
Open Space (Preservation Area)	\$5,164
Basins/Greenspace	\$5,164
Public Roads	\$7,834

Source: Fairview at Northgate Project details.

B. GENERAL GOVERNMENT COSTS

General Government costs are projected at a marginal rate of 10.38 percent of the City General Fund recurring costs, based on the assumption that the FY 2018-2019 General Government expenditures, equaling \$11.8 million, will remain at the same relative proportion of the FY 2018-2019 City General Fund non-governmental expenditures of approximately \$85.3 million in future years. The current percentage of General Government expenditures to City General Fund non-governmental expenditures is approximately 13.8 percent; however, these General Government costs are not expected to increase on a one-for-one basis as a result of the land use development depicted in this FIA. Therefore, this analysis assumes that General Government costs increase at an estimated marginal rate of 75 percent, or 10.38 percent, of the existing General Government cost overhead rate. This approach results in annual General Government costs of \$50,098.

MULTIPLIER METHOD:

C. POLICE

Police services include those costs associated with Law Enforcement and Patrol, Administration, Traffic Enforcement, Crime Prevention, Emergency Response, and Community Services. Police services will be provided to the Project by the City of Vallejo's Police Department. Police Protection costs for the Project were forecasted at \$309.53 per Persons Served based on the *Per Capita-Employee Multiplier Method*.

D. FIRE

Fire costs relate to fire administration, prevention, and suppression, including emergency medical services to protect life, property, and the environment from the effects of fire, medical emergencies, and hazardous conditions by providing 9-1-1 services, fire inspections permits, and community education. Fire services will be provided to the Project by the City of Vallejo's Fire Department. Fire costs were forecasted at \$175.62 per Persons Served using the *Per Capita-Employee Multiplier Method*.

E. PUBLIC WORKS

Public Works costs relate to engineering, administration, and public building, electrical, street, ground, traffic sign and signal, and ferry maintenance. Public Works costs were forecasted at \$54.53 per Persons Served based on the *Per Capita-Employee Multiplier Method*.

F. INFRASTRUCTURE MAINTENANCE

Infrastructure Maintenance was projected at \$4.21 per Persons Served utilizing the *Per Capita-Employee Multiplier Method*. Please note that this cost multiplier has been reduced by 50 percent to account for only the portion of these costs that is expected to be variable with population and employee growth in the City.

G. PLANNING AND DEVELOPMENT SERVICES

Planning and Development costs relate to services provided by the Planning and Building Divisions, including Administration and Economic Development. Planning and Development Services were projected at \$12.97 per Persons Served utilizing the *Per Capita-Employee Multiplier Method*. Please note that this cost multiplier has been reduced by 50 percent to account for only the portion of these costs that is expected to be variable with population and employee growth in the City.

TABLE 2F – OTHER GENERAL FUND COSTS (MULTIPLIER METHOD)

Category	Amount	Methodology
Police	\$309.53	Persons Served
Fire	\$175.62	Persons Served
Public Works	\$54.53	Persons Served
Infrastructure Maintenance	\$4.21	Persons Served, Plus 50% Discount
Planning & Development Services	\$12.97	Persons Served, Plus 50% Discount

Source: Based on the City of Vallejo Fiscal Year 2018/2019 Adopted Budget.

SECTION 3 FISCAL IMPACTS

I. TOTAL RECURRING REVENUES: CITY OF VALLEJO

Total recurring revenues to the City equal approximately \$1,949,211 per year. As illustrated in **Table 3A** below, the largest percentage of revenue is attributed to direct and indirect sales tax receipts (69.90 percent), property tax revenues (secured and unsecured) (14.91 percent of total), and property tax in-lieu of VLF revenues (8.40 percent), together constituting approximately 93.21 percent of total recurring revenues to the City General Fund. **Exhibits 1 through 7 of Appendix A** provide additional details about all recurring revenues and the assumptions used in their derivation.

TABLE 3A
RECURRING FISCAL REVENUES (CITY GENERAL FUND)

Category	Amount	Percent
Direct Sales Tax	\$1,203,421	61.74%
Secured Property Tax	\$278,049	14.26%
Property Tax In-Lieu of Vehicle License Fee	\$163,782	8.40%
Indirect Sales Tax	\$159,058	8.16%
Utility User Tax	\$46,728	2.40%
Franchise Taxes	\$24,812	1.27%
Unsecured Property Tax	\$12,606	0.65%
Medical Marijuana Tax	\$11,838	0.61%
Transient Occupancy Tax	\$10,687	0.55%
Investment Income	\$9,601	0.49%
Business Licenses	\$8,911	0.46%
Property Transfer Tax	\$7,045	0.36%
Miscellaneous Revenues	\$6,978	0.36%
Revenues from Use of Assets (Rentals)	\$5,695	0.29%
Total Revenues	\$1,949,211	100.00%

Source: Based on the City of Vallejo Fiscal Year 2018/2019 Adopted Budget.

II. TOTAL RECURRING SERVICES COSTS: CITY OF VALLEJO

As illustrated in **Table 3B**, total annual recurring costs to the City are estimated at \$532,850 per year. A majority of the costs are estimated to result from Police Expenditures. **Exhibits 2 and 8 through 10 of Appendix A** provide additional details about all recurring costs and the assumptions used in their derivation.

TABLE 3B
RECURRING FISCAL COSTS (CITY GENERAL FUND)

Category	Amount	Percent
Police	\$226,880	42.58%
Fire	\$128,727	24.16%
Open Space, Greenspace, and Public Road Maintenance	\$74,584	14.00%
General Government	\$50,098	9.40%
Public Works	\$39,970	7.50%
Planning & Development Services	\$9,506	1.78%
Infrastructure Maintenance	\$3,085	0.58%
Total Costs	\$532,850	100.00%

Source: Based on the City of Vallejo Fiscal Year 2018/2019 Adopted Budget.

III. OVERALL NET FISCAL IMPACT TO THE CITY OF VALLEJO

As shown in **Table 3C** below, the overall fiscal impact to the City as a result of revenues generated by the Project is a recurring annual fiscal surplus of **\$1,416,361** based on the generation of **\$1,949,211** in recurring annual revenues and **\$532,850** in recurring annual costs. The fiscal surplus results primarily from direct and indirect sales tax receipts (69.90 percent) and general property tax revenues (23.31 percent), including secured, unsecured, and in-lieu fees, that are generated by the retail and residential developments, together constituting approximately 93.21 percent of total recurring revenues to the County General Fund.

Annual revenues are projected to equal **3.66** times the associated City General Fund costs. A summary of the overall fiscal impacts to the City is provided in **Exhibit 11** of **Appendix A**.

TABLE 3C
NET FISCAL IMPACT (CITY GENERAL FUND)

Category	Amount
Total Recurring Revenues	\$1,949,211
Total Recurring Costs	\$532,850
Annual Recurring Surplus/(Deficit)	\$1,416,361
Total Annual Revenue/Expenditure Ratio	3.66

Source: Based on the City of Vallejo Fiscal Year 2018/2019 Adopted Budget.

APPENDIX A

FISCAL IMPACT MODEL

**EXHIBIT A-1
VALLEJO, CALIFORNIA
CITY GENERAL FUND REVENUES (BY TYPE)**

I. Demographics and Other Data

2018 Estimated City Population [1]	119,252
2018 Estimated City Employees [2]	58,618
2018 Persons Served Population [3]	148,561

II. City Revenue Sources (by Type) [6]

Revenue Type	Total Revenues	Revenue Type	Fiscal Impact Basis	Discount [4]	Fiscal Impact Revenue Factor
Property Taxes	\$30,150,744	Recurring	Case Study	0%	NA
Sales & Use Taxes	\$29,867,989	Recurring	Case Study	0%	NA
Transient Occupancy Tax	\$2,165,340	Recurring	Persons Served	0%	\$14.58
Real Property Excise Tax	\$150,000	Recurring	Case Study	0%	NA
Franchise Taxes	\$5,028,283	Recurring	Persons Served	0%	\$33.85
Utility User Tax	\$12,628,587	Recurring	Persons Served	25%	\$63.75
Property Tax Transfer	\$2,758,000	Recurring	Case Study	0%	NA
Medical Marijuana Tax	\$2,400,000	Recurring	Persons Served	0%	\$16.15
Business Licenses	\$1,574,000	Recurring	Per Employee	25%	\$20.14
Revenue from Use of Assets (Rentals)	\$1,154,631	Recurring	Persons Served	0%	\$7.77
Investment Income	\$147,000	Recurring	Case Study	0%	NA
Miscellaneous Revenues	\$2,827,341	Recurring	Persons Served	50%	\$9.52
Transfers In	\$10,990	Non-Recurring	NA	100%	NA
Program Revenues [5]	\$16,187,093	Non-Recurring	NA	0%	NA
Total Recurring Revenues	\$90,851,915				

Notes:

[1] California Department of Finance, E-5 City/County Population and Housing Estimates, as of January 1, 2018.

[2] Employment Data according to the City of Vallejo website.

[3] Assumes City population plus 50% of employees.

[4] Certain revenues are not expected to increase one-to-one with the new development. A discount was applied to reflect the estimated ratio of fixed revenues to variable revenues and/or one-time to recurring revenues.

[5] Program Revenues are identified as credits within the City of Vallejo Fiscal Year 2018/2019 Adopted Budget.

[6] Source: City of Vallejo Fiscal Year 2018/2019 Adopted Budget.

**EXHIBIT A-2
VALLEJO, CALIFORNIA
CITY GENERAL FUND EXPENDITURES (BY TYPE)**

I. Demographics and Other Data

2018 Estimated City Population [1]	119,252
2018 Estimated City Employees [2]	58,618
2018 Persons Served Population [3]	148,561

II. City Expenditures (by Type)

Expenditure Type	Total Expenditures	Revenue Type	Fiscal Impact Basis	Discount [4]	Fiscal Impact Revenue Factor
GENERAL GOVERNMENT					
Administration	\$11,799,487	Recurring	Case Study	0%	NA
NON-GENERAL GOVERNMENT					
Police	\$45,983,645	Recurring	Persons Served	0%	\$309.53
Fire	\$26,089,606	Recurring	Persons Served	0%	\$175.62
Public Works	\$8,101,533	Recurring	Persons Served	0%	\$54.53
Infrastructure Maintenance	\$1,250,000	Recurring	Persons Served	50%	\$4.21
Planning & Development Services	\$3,852,283	Recurring	Persons Served	50%	\$12.97
City-wide	\$9,470,964	Non-Recurring	Case Study	0%	NA
Total Recurring Expenditures	\$97,076,554				

Notes:

[1] California Department of Finance, E-5 City/County Population and Housing Estimates, as of January 1, 2018.

[2] Employment Data according to the City of Vallejo website.

[3] Assumes City population plus 50% of employees.

[4] Certain revenues are not expected to increase one-to-one with the new development. A discount was applied to reflect the estimated ratio of fixed revenues to variable revenues and/or one-time to recurring revenues.

[5] Program Revenues are identified as credits within the City of Vallejo Fiscal Year 2018/2019 Adopted Budget.

[6] Source: City of Vallejo Fiscal Year 2018/2019 Adopted Budget.

**EXHIBIT A-3
VALLEJO, CALIFORNIA
LAND USE AND DEMOGRAPHICS SUMMARY**

FUTURE LAND USE DATA

I. Developable Land Use Description

A. Residential Land Uses	<u>Number of Units [1]</u>
Single Family Detached (Traditional, Front-loaded)	86
Single Family Detached (Private Courtyard/Alley-loaded)	92
B. Commercial Land Uses	<u>Sq. Ft. [1]</u>
Retail (Fairview at Northgate, Costco - Expansion)	26,701
Retail (Fairview at Northgate, Other Retail Pads)	27,550
Retail (Re-tenanting of Existing Site)	125,437
C. Other Land Uses	<u>Acres [1]</u>
Basins/Greenspace	5.50
Public Roads	3.10
Open Space (Preservation Area)	5.70

DEMOGRAPHIC DATA

II. Demographics

A. Residential Land Use Population	<u>Persons per Household [2]</u>
Persons per Household	2.88
B. Non-Residential Land Use Employee Generation	
Commercial Land Uses	<u>Sq. Ft. per Employee [3]</u>
Retail (Fairview at Northgate, Costco - Expansion)	N/A
Retail (Fairview at Northgate, Other Retail Pads)	400
Retail (Re-tenanting of Existing Site)	400

POPULATION AND EMPLOYEES (CALCULATIONS)

III. Residential Land Use Type	<u>Number of Units</u>	<u>Residential Population</u>
Single Family Detached (Traditional, Front-loaded)	86	247
Single Family Detached (Private Courtyard/Alley-loaded)	92	265
IV. Non-Residential Land Use Type	<u>Sq. Ft.</u>	<u>Total Direct Employees</u>
Retail (Fairview at Northgate, Costco - Expansion)	26,701	60
Retail (Fairview at Northgate, Other Retail Pads)	27,550	69
Retail (Re-tenanting of Existing Site)	125,437	314

POPULATION AND EMPLOYEES (TOTALS)

V. Total Projected Residential Population	512
VI. Total Projected Direct Employees	442
VII. Total Persons Served Population	733

NOTES:

[1] Source: Project Proponent.

[2] California Department of Finance, E-5 City/County Population and Housing Estimates, as of January 1, 2018.

[3] DTA estimate. Subject to change.

* ***All figures subject to rounding***

EXHIBIT A-4
VALLEJO, CALIFORNIA
PROPERTY TAX REVENUE ANALYSIS

GENERAL PROPERTY TAX ASSUMPTIONS

I. Property Tax Allocation (as a Portion of the 1% General Property Tax Levy)

Category / Code

City of Vallejo

General Fund [1]

0.19035824

19.04%

II. Homeowner's Exemption

Homeowner's Exemption (Annually)

\$7,000

Percent of Sale Units Taking Homeowner's Exemption [2]

90%

ASSESSED VALUATION ASSUMPTIONS

III. Assessed Valuation - Projected Land Uses

Residential Land Uses

A. Single Family Detached (Traditional, Front-loaded)

Number of Units [3]

86

Estimated Sales Price per Unit [4]

\$625,000

Total Estimated Net Taxable Value (Includes Estimated Takedown from Homeowner's Exemptions)

\$53,208,200

B. Single Family Detached (Private Courtyard/Alley-loaded)

Number of Units [3]

92

Estimated Sales Price per Unit [4]

\$625,000

Total Estimated Net Taxable Value

\$56,920,400

Non-Residential Land Uses

D. Retail (Fairview at Northgate, Total Project)

Estimated Number of Sq. Ft. [3]

54,251

Estimated Valuation per Sq. Ft. [4]

\$200

Total Estimated Net Taxable Value

\$10,850,200

E. Retail (Re-tenanting of Existing Site)

Estimated Number of Sq. Ft. [3]

125,437

Estimated Valuation per Sq. Ft. [4]

\$200

Total Estimated Net Taxable Value

\$25,087,400

F. Total Land Use Net Taxable Value (Includes Takeout from Homeowner's Exemption)

\$146,066,200

Residential

\$110,128,600

Non-Residential

\$35,937,600

**EXHIBIT A-4
VALLEJO, CALIFORNIA
PROPERTY TAX REVENUE ANALYSIS**

OTHER PROPERTY TAX REVENUE ASSUMPTIONS

IV.	<u>Unsecured Property Taxes - Assumptions [5]</u>	
	Residential	
	Unsecured Taxes as a % of Secured	2.75%
	Non-Residential	
	Unsecured Taxes as a % of Secured	10.00%
V.	<u>Property Tax Transfer - Assumptions [6]</u>	
	Residential Property Turnover Rate	10.00%
	Non-Residential Property Turnover Rate	5.00%
	Transfer Tax as a % of Assessed Value	0.11%
	Property Transfer Tax Passed Through to City of Vallejo	50.00%
VI.	<u>Motor Vehicle Licensing Fees - Assumptions</u>	
	Vehicle Licensing Fees per Capita	NA
VII.	<u>Property Tax In-Lieu of Vehicle License Fee - Assumptions</u>	
	Total City of Vallejo Gross Assessed Value [7]	\$9,126,502,971
	City of Vallejo Property Tax In-Lieu of Vehicle License Fee [8]	\$10,263,252
	Property Tax In-Lieu of Vehicle License Fee Increase per \$1,000 Assessed Value	\$1.12

Fiscal Impact Calculation

VIII.	<u>Fiscal Impact Category</u>	<u>Fiscal Impact Amount</u>
A.	<u>Secured Property Tax</u>	
	Residential Land Uses	
	Single Family Detached (Traditional, Front-loaded)	\$101,286
	Single Family Detached (Private Courtyard/Alley-loaded)	\$108,353
	Non-Residential Land Uses	
	Commercial Land Uses	
	Retail (Fairview at Northgate, Total Project)	\$20,654
	Retail (Re-tenanting of Existing Site)	\$47,756
	Unsecured Property Tax	
	Residential Land Uses	
B.	Single Family Detached (Traditional, Front-loaded)	\$2,785
	Single Family Detached (Private Courtyard/Alley-loaded)	\$2,980
	Non-Residential Land Uses	
	Commercial Land Uses	
	Retail (Fairview at Northgate, Total Project)	\$2,065
	Retail (Re-tenanting of Existing Site)	\$4,776
C.	<u>Property Transfer Tax</u>	

**EXHIBIT A-4
VALLEJO, CALIFORNIA
PROPERTY TAX REVENUE ANALYSIS**

Residential Land Uses

Single Family Detached (Traditional, Front-loaded)	\$2,926
Single Family Detached (Private Courtyard/Alley-loaded)	\$3,131

Non-Residential Land Uses

Commercial Land Uses

Retail (Fairview at Northgate, Total Project)	\$298
Retail (Re-tenanting of Existing Site)	\$690

D. Motor Vehicle Licensing Fees [8] \$0

E. Property Tax In-Lieu of Vehicle License Fee [9]

Projected Residential and Non-Residential Land Uses	\$163,782
<i>Residential</i>	\$123,486
<i>Non-Residential (Retail, Office, and Restaurant)</i>	\$40,296

Total Property Tax Revenues	\$461,482
<i>Residential</i>	<i>\$344,947</i>
<i>Non-Residential</i>	<i>\$116,535</i>

NOTES:

- [1] Based on "General Fund" levy for Tax Rate Area (TRA). Data provided by the County of Solano Auditor-Controller-Treasurer-Tax Collector's Office.
TRA allocations adjusted for ERAF. Note, figure does not include non-General Funds. Estimate, subject to change.
- [2] Please see Exhibit A-3. Subject to change.
- [3] Estimated prices based on examination of current for-sale listings for newly constructed dwelling units in the City of Vallejo.
- [4] Based on typical DTA baseline assumptions.
- [5] Source: California Revenue & Taxation Code §11901, et seq.; Vallejo Municipal Code §3.08.020.
- [6] Source: City of Vallejo Comprehensive Annual Financial Report for Fiscal Year 2016-2017.
- [7] Source: City of Vallejo Fiscal Year 2018/2019 Adopted Budget.
- [8] City of Vallejo no longer receives motor vehicle licensing fees.
- [9] Property Tax in-lieu of Vehicle Licensing Fees applies to incremental property value.

* **All figures subject to rounding**

EXHIBIT A-5
VALLEJO, CALIFORNIA
SALES TAX REVENUE ANALYSIS

INDIRECT SALES TAX ASSUMPTIONS

I. Residential Indirect Sales Tax Assumptions

A. Mortgage Assumptions

Projected Residential Units

Single-Family Residential and Multi-family

Projected Sales Price per Unit	\$625,000
Average Mortgage (20% Down Payment) [1]	\$500,000
Annual Mortgage Payment (5% for 30 Years) [2]	\$32,209
Additional Annual Taxes & Insurance (2.00%)	\$12,500

B. Disposable Income Assumptions

Projected Residential Units

Single-Family Residential and Multi-family

Average Household Income (3:1 Income to Household Payment Ratio) [1]	\$134,127.89
Retail Taxable Expenditures (as a % of Disposable Income) [3]	21.82%

C. Other Indirect Sales Tax Assumptions

Employees (annual spending per employee) [4]	\$9,370
--	---------

Retail Taxable Sales Capture

City of Vallejo Retail Taxable Purchase Capture [5]	85%
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Other Sales Tax Assumptions

% to the City of Vallejo [6]	1.00%
Measure B [6]	1.00%

DIRECT SALES TAX ASSUMPTIONS

II. Non-Residential Direct Sales Tax Assumptions

A. Taxable Sales per Sq. Ft. [7]

Non-Residential

Retail (Fairview at Northgate, Costco - Expansion)	\$1,098
Retail (Fairview at Northgate, Other Retail Pads)	\$300
Retail (Re-tenanting of Existing Site)	\$300

B. Displaced Taxable Sales

Displaced Existing Taxable Sales within the City of Vallejo [8]	20%
---	-----

FISCAL IMPACT CALCULATION

III. Fiscal Impact Category

Fiscal Impact Amount

A. Indirect Sales Tax

Projected Residential Land Uses

Single Family Detached (Traditional, Front-loaded)	\$42,794
Single Family Detached (Private Courtyard/Alley-loaded)	\$45,780

Employee Taxable Sales

\$70,484

B. Direct Sales Tax [7]

Projected Non-Residential Land Uses

Commercial Land Uses

Retail (Fairview at Northgate, Costco - Expansion)	\$469,083
Retail (Fairview at Northgate, Other Retail Pads)	\$132,240
Retail (Re-tenanting of Existing Site)	\$602,098

Total Sales Tax Revenues	\$1,362,479
<i>Residential</i>	<i>\$88,574</i>
<i>Non-Residential</i>	<i>\$1,273,905</i>

NOTES:

- [1] DTA estimate. Subject to change.
 [2] DTA estimate. Annual payment includes principal, interest, property taxes, and homeowner's insurance.
 [3] Source: BOE 2015 Consumer Expenditure Survey.
 [4] Source: "Office Worker Retail Spending Patterns: A Downtown and Suburban Area Study," ICSC (2012). Adjusted for inflation assuming 3% annual inflation rate.
 [5] Estimate, subject to change.
 [6] Source: Vallejo Municipal Code. Measure B charge of additional 1.00%, passed in November 2011. Measure B was extended into perpetuity by Measure V, passed on November 8, 2016.
 [7] Based on the median sales per sq. ft. figure for retail centers as outlined in "Dollars and Cents of Shopping Centers" (2008) published by the Urban Land Institute.
 [8] Source: DTA's Economic Impact Analysis (Phase I)
 * All figures subject to rounding

EXHIBIT A-6
VALLEJO, CALIFORNIA
INVESTMENT INCOME REVENUES ANALYSIS

ASSUMPTIONS

I. Investment Income Assumptions

Investment Period for Recurring Non-Interest General Fund Revenues	12 Months
Local Agency Investment Fund (LAIF) Rate of Return [1]	1.0%
Local Agency Investment Fund (LAIF) Percentage of Earnings Cost [2]	50.00%

FISCAL IMPACT CALCULATION

II. Fiscal Impact Category	Residential Fiscal Impact	Non-Residential Fiscal Impact (Employees)	Fiscal Impact Amount
Total Property Tax Revenues (Exhibit 4)	\$344,947	\$116,535	\$461,482
Total Sales Tax Revenues (Exhibit 5)	\$88,574	\$1,273,905	\$1,362,479
Total Multiplier Revenues (Exhibit 7)	\$74,521	\$41,128	\$115,649
Projected Recurring General Fund Revenues Available for Investment	\$508,042	\$1,431,568	\$1,939,610
Plus: Investment Income (Less Earnings Cost)	\$2,515	\$7,086	\$9,601
Total Recurring General Fund Revenues	\$510,557	\$1,438,654	\$1,949,211

NOTES:

[1] Based on City of Vallejo Fiscal Year 2018/2019 Adopted Budget.

[2] Assumed Administrative Earnings Costs. Subject to change.

* All figures subject to rounding

EXHIBIT A-7
VALLEJO, CALIFORNIA
MULTIPLIER REVENUE SOURCES ANALYSIS

ASSUMPTIONS

I. Multiplier Revenues

Revenue Category	Multiplier Factor [1]	Revenue Projection Basis
Transient Occupancy Tax	\$14.58	Persons Served
Franchise Taxes	\$33.85	Persons Served
Utility User Tax	\$63.75	Persons Served
Medical Marijuana Tax	\$16.15	Persons Served
Business Licenses	\$20.14	Per Employee
Revenue from Use of Assets (Rentals)	\$7.77	Persons Served
Miscellaneous Revenues	\$9.52	Persons Served

FISCAL IMPACT CALCULATION

II. Fiscal Impact Category	Residential Fiscal Impact	Non-Residential Fiscal Impact (Employees)	Fiscal Impact Amount
Transient Occupancy Tax	\$7,461	\$3,226	\$10,687
Franchise Taxes	\$17,323	\$7,489	\$24,812
Utility User Tax	\$32,624	\$14,104	\$46,728
Medical Marijuana Tax	\$8,265	\$3,573	\$11,838
Business Licenses	\$0	\$8,911	\$8,911
Revenue from Use of Assets (Rentals)	\$3,976	\$1,719	\$5,695
Miscellaneous Revenues	\$4,872	\$2,106	\$6,978
Total Multiplier Revenues	\$74,521	\$41,128	\$115,649

NOTES:

[1] Based on City of Vallejo Fiscal Year 2018/2019 Adopted Budget.

* All figures subject to rounding

**EXHIBIT A-8
VALLEJO, CALIFORNIA
MULTIPLIER EXPENDITURES ANALYSIS**

ASSUMPTIONS

I. Multiplier Expenditures

Expenditure Category	Multiplier Factor [1]	Expenditure Projection Basis
Police	\$309.53	Persons Served
Fire	\$175.62	Persons Served
Public Works	\$54.53	Persons Served
Infrastructure Maintenance	\$4.21	Persons Served
Planning & Development Services	\$12.97	Persons Served

FISCAL IMPACT CALCULATION

II. Fiscal Impact Category	Residential	Non-Residential	Fiscal Impact Amount
	Fiscal Impact	Fiscal Impact (Employees)	
Police	\$158,402	\$68,478	\$226,880
Fire	\$89,874	\$38,853	\$128,727
Public Works	\$27,906	\$12,064	\$39,970
Infrastructure Maintenance	\$2,154	\$931	\$3,085
Planning & Development Services	\$6,637	\$2,869	\$9,506
Total Multiplier Expenditures	\$284,973	\$123,195	\$408,168

NOTES:

[1] Based on City of Vallejo Fiscal Year 2018/2019 Adopted Budget.

* All figures subject to rounding

**EXHIBIT A-9
VALLEJO, CALIFORNIA
CASE STUDY EXPENDITURES ANALYSIS**

Open Space, Greenspace, and Public Road Maintenance

I. Estimated Additional Maintenance Requirements [1]		Fiscal Impact Amount	
Estimated Acres of Open Space (Preservation Area)			5.7
Estimated Acres of Basins/Greenspace			5.5
Estimated Lane Miles of Public Roads			2.1
II. Estimated Annual Costs [2]			
Open Space/Slope Maintenance per Acre			\$5,164
Basin/Lake Maintenance per Acre			\$5,164
Roadway Maintenance Costs per Lane Mile			\$7,834
	Residential	Non-Residential	
	Fiscal Impact	Fiscal Impact (Employees)	
Open Space (Preservation Area)	100%	0%	
Basins/Greenspace	100%	0%	
Public Roads	10%	90%	
III. Estimated Annual Maintenance			
Open Space (Preservation Area)	\$29,434	\$0	\$29,434
Basins/Greenspace	\$28,401	\$0	\$28,401
Public Roads	\$1,675	\$15,073	\$16,748
Total Open Space, Greenspace, and Public Road Maintenance Costs		\$59,510	\$15,073
			\$74,584

NOTES:

[1] Source: Project Proponent.

[2] Based on data obtained from the DTA Public Works database, in concert with research from the Engineering News-Record.

* All figures subject to rounding

**EXHIBIT A-10
VALLEJO, CALIFORNIA
GENERAL GOVERNMENT EXPENDITURES ANALYSIS**

ASSUMPTIONS

Total Recurring General Fund Expenditures (excluding General Government Overhead) [1]	\$85,277,067
Recurring General Government Overhead Expenditures (as a % of Total Recurring General Fund Expenditures) [2]	13.8%
Marginal Increase in General Government Costs	75%

FISCAL IMPACT CALCULATION

I. Fiscal Impact Category	Residential Fiscal Impact	Non-Residential Fiscal Impact (Employees)	Fiscal Impact Amount
Total Multiplier Expenditures (Exhibit 8)	\$284,973	\$123,195	\$408,168
Total Open Space, Greenspace, and Public Road Maintenance Expenditures (Exhibit 9)	\$59,510	\$15,073	\$74,584
Projected Recurring General Fund Expenditures	\$344,483	\$138,268	\$482,752
Plus: General Government Costs	\$35,749	\$14,349	\$50,098
Total Recurring Expenditures	\$380,232	\$152,617	\$532,850

NOTES:

[1] Based on City of Vallejo Fiscal Year 2018/2019 Adopted Budget.

[2] General Government Overhead Expenditures defined as costs for City Council, City Manager, Legal, etc.

* All figures subject to rounding

**EXHIBIT A-11
VALLEJO, CALIFORNIA
NET FISCAL IMPACT SUMMARY**

RECURRING GENERAL FUND REVENUES [1]	AMOUNT	PERCENT OF TOTAL
Secured Property Tax	\$278,049	14.26%
<i>Residential</i>	\$209,639	10.76%
<i>Non-Residential</i>	\$68,410	3.51%
Unsecured Property Tax	\$12,606	0.65%
<i>Residential</i>	\$5,765	0.30%
<i>Non-Residential</i>	\$6,841	0.35%
Property Transfer Tax	\$7,045	0.36%
<i>Residential</i>	\$6,057	0.31%
<i>Non-Residential</i>	\$988	0.05%
Motor Vehicle Licensing Fees	\$0	0.00%
<i>Residential</i>	\$0	0.00%
<i>Non-Residential</i>	\$0	0.00%
Property Tax In-Lieu of Vehicle License Fee	\$163,782	8.40%
<i>Residential</i>	\$123,486	6.34%
<i>Non-Residential</i>	\$40,296	2.07%
Direct Sales Tax	\$1,203,421	61.74%
<i>Residential</i>	\$0	0.00%
<i>Non-Residential</i>	\$1,203,421	61.74%
Indirect Sales Tax	\$159,058	8.16%
<i>Residential</i>	\$88,574	4.54%
<i>Non-Residential (Employee Taxable Sales)</i>	\$70,484	3.62%
Transient Occupancy Tax	\$10,687	0.55%
<i>Residential</i>	\$7,461	0.38%
<i>Non-Residential</i>	\$3,226	0.17%
Franchise Taxes	\$24,812	1.27%
<i>Residential</i>	\$17,323	0.89%
<i>Non-Residential</i>	\$7,489	0.38%
Utility User Tax	\$46,728	2.40%
<i>Residential</i>	\$32,624	1.67%
<i>Non-Residential</i>	\$14,104	0.72%
Medical Marijuana Tax	\$11,838	0.61%
<i>Residential</i>	\$8,265	0.42%
<i>Non-Residential</i>	\$3,573	0.18%
Business Licenses	\$8,911	0.46%
<i>Residential</i>	\$0	0.00%
<i>Non-Residential</i>	\$8,911	0.46%
Revenue from Use of Assets (Rentals)	\$5,695	0.29%
<i>Residential</i>	\$3,976	0.20%
<i>Non-Residential</i>	\$1,719	0.09%
Miscellaneous Revenues	\$6,978	0.36%
<i>Residential</i>	\$4,872	0.25%
<i>Non-Residential</i>	\$2,106	0.11%
Investment Income	\$9,601	0.49%
<i>Residential</i>	\$2,515	0.13%
<i>Non-Residential</i>	\$7,086	0.36%
Total Recurring General Fund Revenues	\$1,949,211	100.00%
<i>Residential</i>	\$510,557	25.99%
<i>Non-Residential</i>	\$1,438,654	73.72%

**EXHIBIT A-11
VALLEJO, CALIFORNIA
NET FISCAL IMPACT SUMMARY**

RECURRING GENERAL FUND EXPENDITURES [2]	AMOUNT	PERCENT OF TOTAL
Police	\$226,880	42.58%
<i>Residential</i>	\$158,402	29.73%
<i>Non-Residential</i>	\$68,478	12.85%
Fire	\$128,727	24.16%
<i>Residential</i>	\$89,874	16.87%
<i>Non-Residential</i>	\$38,853	7.29%
Public Works	\$39,970	7.50%
<i>Residential</i>	\$27,906	5.24%
<i>Non-Residential</i>	\$12,064	2.26%
Infrastructure Maintenance	\$3,085	0.58%
<i>Residential</i>	\$2,154	0.40%
<i>Non-Residential</i>	\$931	0.17%
Planning & Development Services	\$9,506	1.78%
<i>Residential</i>	\$6,637	1.25%
<i>Non-Residential</i>	\$2,869	0.54%
General Government	\$50,098	9.40%
<i>Residential</i>	\$35,749	6.71%
<i>Non-Residential</i>	\$14,349	2.69%
Open Space, Greenspace, and Public Road Maintenance	\$74,584	14.00%
<i>Residential</i>	\$59,510	11.17%
<i>Non-Residential</i>	\$15,073	2.83%
Total Recurring General Fund Expenditures	\$532,850	100%
<i>Residential</i>	\$380,232	71%
<i>Non-Residential</i>	\$152,617	29%

NET FISCAL IMPACT		
Total Annual Recurring General Fund Surplus/(Deficit)	\$1,416,361	
<i>Residential</i>	\$130,325	
<i>Non-Residential</i>	\$1,286,037	
Total Annual Revenue/Expenditure Ratio	3.66	
<i>Residential</i>	1.34	
<i>Non-Residential</i>	9.43	
Total Fiscal Surplus/(Deficit)		
<i>Residential (per Unit)</i>	\$732.16	
<i>Non-Residential (per Sq. Ft.)</i>	\$7.16	

NOTES:

[1] Please see Exhibits 4-7 for the derivation of these calculations.

[2] Please see Exhibits 8-10 for the derivation of these calculations.

* **All figures subject to rounding**

